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

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**FORM 20-F**

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(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 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, 2023

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

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**XPeng Inc.**

(Exact name of Registrant as specified in its charter)

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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, Honorary Vice Chairman and Co-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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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 on the New York Stock Exchange, 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) of the Act

None

(Title of Class)

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

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.

1,536,728,823 Class A ordinary shares were outstanding as of December 31, 2023  
348,708,257 Class B ordinary shares were outstanding as of December 31, 2023

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  Accelerated filer  Non-accelerated filer   
Emerging growth company

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

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

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

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

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

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

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

If "Other" has been checked in response to the previous question, indicate by check mark which 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, (ii) Kuntu Technology, which is ultimately beneficially owned by Mr. Heng Xia and Mr. Tao He and holds all of equity interest in Xintu Technology; (iii) Guangzhou Xuetao; and (iv) the individual shareholders of Guangzhou Xuetao, being Mr. Yeqing Zheng. For avoidance of doubt, affiliate shareholders of the Group VIEs do not include (i) Xiaopeng Technology, which is our subsidiary and holds 50% of equity interest in Zhipeng IoV, or (ii) Xiaopeng Chuxing, which is our subsidiary and holds 50% of equity interest in Yidian Chuxing;
- “App” are to computer program designed to run on smartphones and other mobile services;
- “BIS” are to the Bureau of Industry and Security of the U.S. Department of Commerce;
- “Chengxing Zhidong” are to Guangzhou Chengxing Zhidong Automotive Technology Co., Ltd. (广州橙行智动汽车科技有限公司);
- “China” and the “PRC” are to the People’s Republic of China, including Hong Kong Special Administrative Region and Macau Special Administrative Region, unless referencing specific laws and regulations adopted by the PRC and other legal or tax matters only applicable to mainland China; “PRC subsidiaries” and “PRC entities” refer to entities established in accordance with PRC laws and regulations;
- “CLTC” are to China Light-Duty Vehicle Test Cycle, which is developed by the China Automotive Technology & Research Center to replace European testing procedures for fuel/energy consumption and emissions;
- “DiDi” are to DiDi Global Inc., an exempted company with limited liability incorporated under the Laws of the Cayman Islands and its subsidiaries;
- “DiDi Share Purchase Agreement” are to the Share Purchase Agreement dated August 27, 2023 among the Company, DiDi and Da Vinci Auto Co. Limited in relation to the Company’s acquisition of the entire issued share capital of Xiaoju Smart Auto Co. Limited, in consideration of the Company’s newly issued Class A ordinary shares;
- “DiDi Strategic Cooperation Agreement” are to the Strategic Cooperation Agreement dated August 27, 2023 between the Company and DiDi for the cooperation on, among others, the research and development of an A-class automobile vehicle;
- “Dogotix” are to Dogotix Inc., a company incorporated in the Cayman Islands with limited liability;
- “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;

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- “GIIA” are to Guangdong Intelligent Insurance Agency Co., Ltd. (广东智选保险代理有限公司, formerly known as Qingdao Miaobao Insurance Agent Co., Ltd.(青岛妙保保险代理有限公司));
- “the Group” are to XPeng Inc., the Group VIEs and their respective subsidiaries;
- “Group VIEs” are to (i) Zhipeng IoV, (ii) Yidian Chuxing, (iii) Xintu Technology and (iv) GIIA. Each of Zhipeng IoV, Yidian Chuxing, Xintu Technology and GIIA is a “Group VIE”;
- “Guangzhou Xuetao” are to Guangzhou Xuetao Enterprise Management Co., Ltd. (广州雪涛企业管理有限公司);
- “HD” are to high definition;
- “HFCA Act” are to the Holding Foreign Companies Accountable Act;
- “Hong Kong Listing Rules” are to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time;
- “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;
- “Kuntu Technology” are to Guangzhou Kuntu Technology Co., Ltd. (广州鲲图科技有限公司);
- “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 PRC;
- “MOF” are to the Ministry of Finance of the PRC;
- “MOST” are to the Ministry of Science and Technology of the PRC;
- “MPV” are to multi-purpose vehicle;
- “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 technology;

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- “PCAOB” are to the U.S. Public Company Accounting Oversight Board;
- “RMB” or “Renminbi” are to the legal currency of China;
- “SAFE” are to State Administration of Foreign Exchange of the PRC;
- “Smart EV” are to electric vehicles with a rich array of connectivity, advanced driver assistance systems and smart 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;
- “Taobao China” are to Taobao China Holding Limited, a limited liability company incorporated under the laws of Hong Kong;
- “US\$,” “U.S. dollars,” or “dollars” are to the legal currency of the United States;
- “Volkswagen China” are to Volkswagen (China) Investment Co., Ltd. (大众汽车 (中国) 投资有限公司), a company incorporated under the laws of the PRC;
- “Volkswagen Group” are to Volkswagen AG, a company incorporated under the laws of Germany with limited liability, the shares of which are listed on Frankfurt Stock Exchange in Germany and all of its subsidiaries (including Volkswagen China and Volkswagen Nominee);
- “Volkswagen Investment” are to the investment by Volkswagen Group pursuant to the VW Share Purchase Agreement;
- “Volkswagen Nominee” are to Volkswagen Finance Luxembourg S.A., a company incorporated under the laws of Luxembourg;
- “VW Share Purchase Agreement” are to the Share Purchase Agreement dated July 26, 2023 among the Company, Volkswagen China and Volkswagen Nominee, pursuant to which Volkswagen China (or Volkswagen Nominee) agreed to subscribe 4.99% of the total issued and outstanding ordinary shares of the Company (with a cap of 94,666,666 Class A ordinary shares) upon the completion of the Volkswagen Investment;
- “VW Technical Framework Agreement” are to the Technical Framework Agreement dated July 26, 2023 and entered into between Xiaopeng Motors and Volkswagen China in respect of the strategic technical collaboration between the Company and the Volkswagen Group;
- “Xiaopeng Chuxing” are to Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd. (广州小鹏智慧出行科技有限公司);
- “Xiaopeng Motors” are to Guangdong Xiaopeng Motors Technology Co., Ltd. (广东小鹏汽车科技有限公司);
- “Xiaopeng Motors Sales” are to Xiaopeng Motors Sales Co., Ltd. (小鹏汽车销售有限公司);
- “Xiaopeng Technology” are to Guangzhou Xiaopeng Motors Technology Co., Ltd. (广州小鹏汽车科技有限公司);

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- “Xintu Technology” are to Guangzhou Xintu Technology Co., Ltd. (广州欣图科技有限公司);
- “XNGP” are to XPENG Navigation Guided Pilot, which is our full-scenario ADAS solution offering advanced driver assistance;
- “XOS Tianji” are to our next-generation smart in-car operating system;
- “XPENG,” “we,” “us,” “our company” and “our” are to XPeng Inc. and/or its subsidiaries, as the context requires;
- “XPower” are to our 800V electric drive system;
- “Yidian Chuxing” are to Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd. (广州易点智慧出行科技有限公司);
- “Zhaoqing Kunpeng” are to Zhaoqing Kunpeng Motor Technology Co., Ltd. (肇庆市鲲鹏动力有限公司);
- “Zhaoqing Xiaopeng New Energy” are to Zhaoqing Xiaopeng New Energy Investment Co., Ltd. (肇庆小鹏新能源投资有限公司);
- “Zhipeng IoV” are to Guangzhou Zhipeng IoV Technology Co., Ltd. (广州智鹏车联网科技有限公司);
- “Zhipeng Kongjian” are to Jiangsu Zhipeng Kongjian Information Technology Co., Ltd. (江苏智鹏空间信息技术有限公司, formerly known as Jiangsu Zhitu Technology Co., Ltd. (江苏智途科技股份有限公司)); 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 August 2020 and 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;
- 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;

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- 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 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**

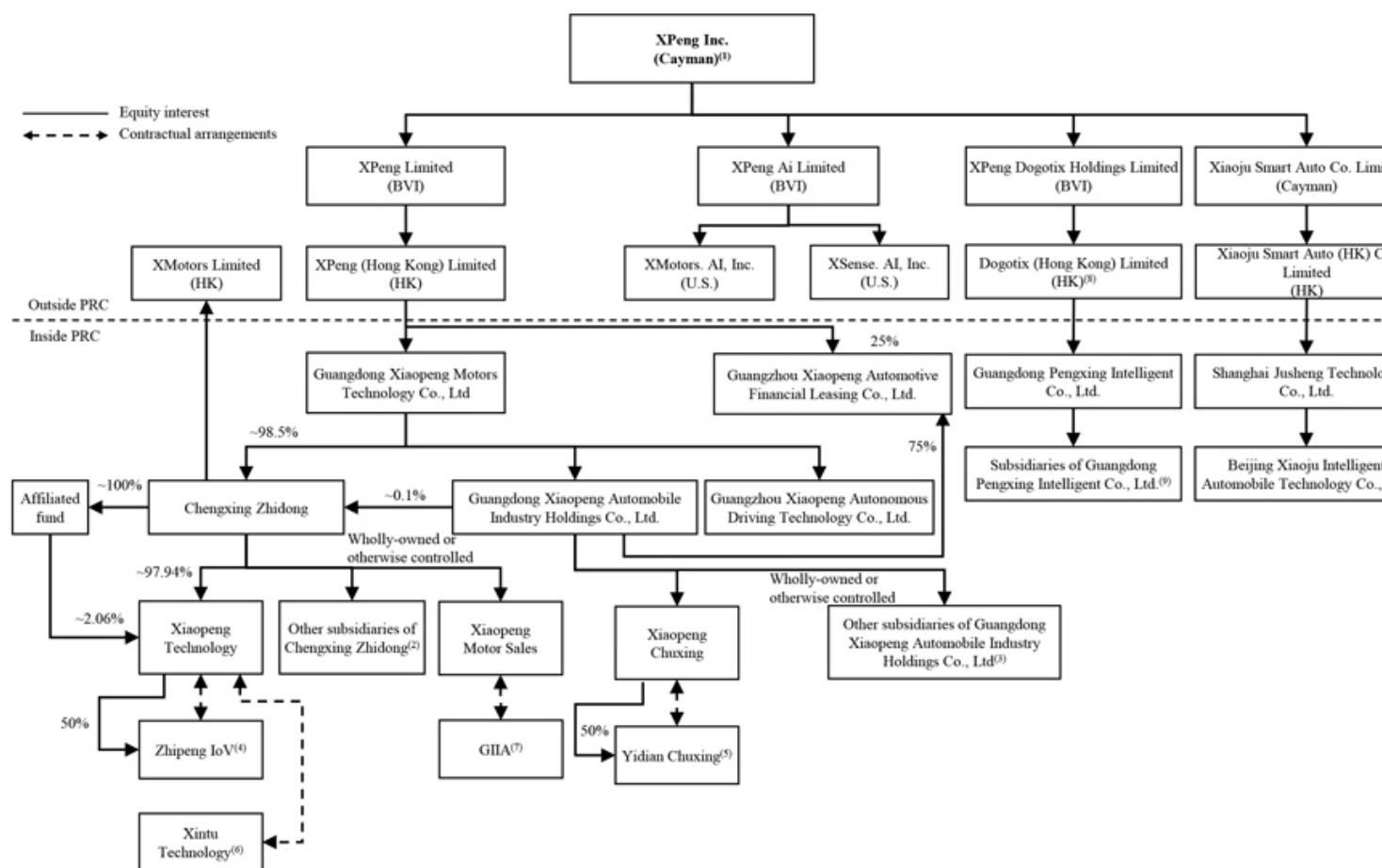
Not Applicable.

#### **ITEM 3. KEY INFORMATION**

##### **Corporate Structure**

The following diagram illustrates our corporate structure as of March 31, 2024. 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) Includes (i) 139 subsidiaries that are wholly-owned by Chengxing Zhidong, (ii) six subsidiaries and three limited partnerships of which a majority equity interest is held by Chengxing Zhidong, and (iii) Zhaoqing Xiaopeng New Energy, of which 100% equity interest was held by Chengxing Zhidong as of December 31, 2023. Chengxing Zhidong and its subsidiaries are primarily involved in research and development, manufacturing and selling our Smart EVs and providing after-sales services. Zhaoqing 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.
- (3) Includes (i) eight subsidiaries that are wholly-owned by Guangdong Xiaopeng Automobile Industry Holdings Co., Ltd. and (ii) two subsidiaries, of which 73.8% and 75% equity interest, respectively, 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.
- (4) 50% of equity interest in Zhipeng IoV is held by us, and Mr. Heng Xia and Mr. Tao He, our co-founders, hold 40% and 10% of equity interest in Zhipeng IoV, respectively.
- (5) 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.
- (6) Xintu Technology is wholly owned by 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.
- (7) GIIA is wholly owned by Guangzhou Xuetao, and Mr. Yeqing Zheng, our joint company secretary, holds 100% equity interest in Guangzhou Xuetao.
- (8) Wholly held by XPeng Dogotix Holdings Limited through intermediary holding entities.
- (9) Includes three subsidiaries wholly owned by Guangdong Pengxing Intelligent Co., Ltd.: Shenzhen Pengxing Intelligent Co., Ltd., Shenzhen Pengxing Intelligent Research Co., Ltd., Shenzhen Pengxing Intelligent Technology Innovation Co., Ltd. Guangdong Pengxing Intelligent Co., Ltd. and its subsidiaries are primarily involved in research and development of robots with human-robot interaction functions.

## **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 through its subsidiaries in China. XPeng Inc. controls these subsidiaries through Xiaopeng Motors, which is in turn wholly owned by XPeng Inc.'s Hong Kong subsidiary, XPeng (Hong Kong) Limited. The Group also conducts certain non-core and non-essential operations through contractual arrangements with the Group VIEs. Holders of our ADSs and Class A ordinary shares do not hold direct shareholding in any operating entities that are Group VIEs or their subsidiaries, 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, (i) the provision of value-added telecommunication service in the PRC is subject to foreign investment restrictions and license requirements, and therefore, we operate such business in China through Zhipeng IoV, which is primarily engaged in the business of development and the operation of an Internet of Vehicles (IoV) network involving the XPENG App, and Yidian Chuxing, which is primarily engaged in the business of provision of online-hailing services through online platform including the Youpeng Chuxing App; (ii) 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, and therefore, we operate such business in China through Xintu Technology and its subsidiary, Zhipeng Kongjian, which is 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 (after the Surveying and Mapping Qualification Certificate is renewed, we plan to develop mapping and navigation solutions that will improve customers' driving experience; and (iii) the provision of insurance agency service in the PRC is subject to foreign investment restrictions and license requirements, and therefore, we operate such business in China through GIIA, which is primarily engaged in the business of providing insurance agency services. As such, the VIE structure provides investors with foreign investment access to China-based operating companies where the PRC laws and regulations either restrict or prohibit direct foreign investment in such companies. Investors may never hold equity interests in such Chinese operating companies.

We have entered into a series of contractual arrangements with each of Zhipeng IoV, Yidian Chuxing, Xintu Technology and GIIA, each a Group VIE, and its respective affiliate shareholders, including (i) power of attorney agreements, equity interest pledge agreements and loan agreements, which provide us with effective control over such Group VIEs; (ii) exclusive service agreements, which allow us to receive substantially all of the economic benefits from such 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 such Group VIEs when and to the extent permitted by PRC law. For details of such contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure—Contractual Agreements with the VIEs and Their Shareholders." As a result of these contractual arrangements, we maintain a controlling financial interest as the primary beneficiary of the Group VIEs for accounting purposes (as defined in US GAAP, ASC 810). We have consolidated their financial results in our consolidated financial statements without owning a majority equity interest in Zhipeng IoV or Yidian Chuxing or any equity interest in Xintu Technology or GIIA. 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 and involve unique risks to investors. 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 in reliance on legal remedies under the PRC law. These remedies may not always be effective, particularly in light of uncertainties in the PRC legal system. 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. Our contractual arrangements have not been tested in the PRC courts. Furthermore, the Chinese regulatory authorities could disallow the VIE structure, and we may not be able to continue to obtain, hold, renew or maintain certain required permits or approvals. If we are unable to assert our control over the assets of the Group VIEs, we may experience disruptions to our business or be unable to continue to consolidate the financial results of the Group VIEs in our financial statements, which may result in a material change in our operations and/or decline in the value of our Class A ordinary shares and ADSs. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—We rely on contractual arrangements with the Group VIEs and their respective affiliate shareholders to operate certain businesses that do not have and are not expected in the foreseeable future to have material revenue contributions to the Group. 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."

## **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. These risks could result in a material change in the Group's operations and/or the value of our ADSs and Class A ordinary shares or could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless. For example, the Group has incurred, and will continue to incur, significant expenses to comply with laws and regulations relating to cybersecurity and data security, including those implemented recently by China's government. The Group also faces risks associated with regulations on offerings conducted overseas by and foreign investment in China-based issuers, the use of the Group VIEs, and anti-monopoly regulatory actions, 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. See "Item 3. Key Information—D. Risks Factors—Risks Relating to Doing Business in China."

Furthermore, the PRC authorities have recently promulgated new or proposed laws and regulations to further regulate securities offerings that are conducted overseas by China-based issuers. For more detailed information, see "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on M&A Rules and Overseas Listings" and "Item 4. Information on the Company—B. Business Overview—Regulations—Regulation Related to Internet Security and Privacy Protection". According to these new laws and regulations and the draft laws and regulations if enacted in their current forms, in connection with our future offshore offering activities, we may be required to fulfill filing, reporting procedures with or obtain approval from the CSRC, and may be required to go through cybersecurity review by the PRC authorities. On November 16, 2023 and December 11, 2023, we have submitted the filings with the CSRC with respect to our placement of Class A ordinary shares to DiDi and Volkswagen Group, respectively. For details of these transactions, please see "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—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." However, 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—Changes and developments in the PRC legal system and the interpretation and enforcement of PRC laws, rules and regulations may subject us to uncertainties." 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."

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

As of the date of this annual report, we have obtained all requisite permissions and approvals that are material to the Group's operations in China as of the date hereof, and Zhaoqing Xiaopeng New Energy, as well as our Smart EVs (the P5, the P7, the G9, the G6 and the X9), has been listed in Announcement of the Vehicle Manufacturers and Products issued by the MIIT, which represented the governmental approval required for Zhaoqing Xiaopeng New Energy to be a qualified manufacturer for the manufacturing and sales of our Smart EVs. Given the uncertainties regarding interpretation, implementation and enforcement of 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."

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

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 two consecutive years, 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. In December 2021, the PCAOB made its determinations, or the 2021 determinations, pursuant to the HFCA Act that it was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China or Hong Kong including our independent auditor. After we filed our annual report on Form 20-F for the fiscal year ended December 31, 2021 on April 28, 2022, the SEC conclusively identified us as an SEC-identified issuer on May 26, 2022. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. For this reason, we were not identified as a SEC-identified issuer under the HFCA Act after we filed the annual report on Form 20-F for the year ended December 31, 2022 and we do not expect to be identified as a SEC-identified issuer under the HFCA Act after we file this annual report on Form 20-F for the year ended December 31, 2023. Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and we continue to use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the SEC, we would be identified as a SEC-identified issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. There can be no assurance that we would not be identified as a SEC-identified issuer for any future fiscal year, and if we were so identified for two consecutive years, we would become subject to the prohibition on trading under the HFCA Act. See “Item 3. Key Information—D. Risks Factors—Risks Relating to Doing Business in China—If the PCAOB determines that it is unable to inspect or investigate completely our auditor at any point in the future for two consecutive years, our ADSs may be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, as amended, or the HFCA Act, and any such trading prohibition on our ADSs or threat thereof may materially and adversely affect the price of our ADSs and value of your investment.”

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

XPeng Inc. is a holding company with no material operations of its own. We conduct our operations in China (i) primarily through our PRC subsidiaries, and (ii) to a much lesser extent, the Group VIEs. As a result, although other means are available for us to obtain financing at the holding company level, XPeng Inc.’s 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 and service fees paid by the Group VIEs. 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 XPeng Inc. 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. In addition, the PRC Enterprise Income Tax Law and its implementing rules impose a withholding income tax as much as 10% on dividends distributed by a foreign invested enterprise to its immediate holding company outside of China, unless such tax is reduced under treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC resident enterprise is a tax resident. The undistributed earnings that are subject to dividend tax are expected to be indefinitely reinvested for the foreseeable future.

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.

Since inception, we have not declared or paid any dividends on our ordinary shares or ADSs. 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.” None of our subsidiaries nor any Group VIE has declared any dividends or made distributions to its shareholder for each of the years presented in this annual report. The service fees charged between the Group VIEs and other entities within the Group were immaterial for each of the years presented in this annual report.

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.”

**A. [Reserved]**

**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.
- China’s passenger vehicle market is highly competitive, and demand for EVs may be cyclical and volatile.
- Our research and development efforts may not yield expected results.

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- 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.
- We may not be able to expand our physical sales network cost-efficiently, and our franchise model is subject to a number of risks.
- Our financial results may vary significantly from period to period due to the seasonality of our business and fluctuations in our operating costs.
- We depend on revenues generated from a limited number of Smart EV models.
- Our customers may cancel their orders despite their deposit payment and online confirmation.
- The 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.
- We have incurred significant losses and had recorded negative cash flows from operating activities in the past, all of which may continue in the future.
- Our business plans require a significant amount of capital. If we fail to obtain required external financing to sustain our business, we may be forced to curtail or discontinue 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.
- 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 have entered into collaborations, and may establish or seek collaborations, and we may not timely realize the benefits of such arrangements.
- 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.
- 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 smart 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 and developments in the political, economic and social 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 if we fail to comply with applicable PRC laws, regulations or regulatory requirements, 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.

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- For instance, on February 17, 2023, the China Securities Regulatory Commission, or the CSRC, promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (“Overseas Listing Trial Measures”) and relevant five guidelines, which became effective on March 31, 2023. The Overseas Listing Trial Measures impose filing requirements on both “direct” and “indirect” overseas offering or listing of PRC domestic companies. 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. However, since the PRC authorities have promulgated new laws and regulations recently to further regulate securities offerings that are conducted overseas, in connection with our future overseas securities offering or listing, we may be required to fulfill filing, reporting procedures or other administrative procedures with the CSRC or other PRC government authorities. In addition, we cannot guarantee that new rules or regulations promulgated in the future will not impose any additional requirement on us or otherwise to tighten the regulations on PRC companies seeking overseas listing. Any failure to obtain the relevant approval or complete the filings and other relevant regulatory procedures may subject us to regulatory actions or other penalties from the CSRC or other PRC regulatory authorities, which may have a material adverse effect on our business, operations or financial conditions.
- Changes and developments in the PRC legal system and the interpretation and enforcement of PRC laws, rules and regulations may subject us to uncertainties.
- The audit report included in this annual report is prepared by an auditor located in a jurisdiction which the U.S. Public Company Accounting Oversight Board was unable to inspect and investigate completely before 2022 and, as such, our investors have been deprived of the benefits of such inspections in the past, and may be deprived of the benefits of such inspections in the future.
- If the PCAOB determines that it is unable to inspect or investigate completely our auditor at any point in the future for two consecutive years, our ADSs may be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, as amended, or the HFCA Act, and any such trading prohibition on our ADSs or threat thereof may materially and adversely affect the price of our ADSs and value of your investment.
- Certain PRC regulations establish 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 and are not expected in the foreseeable future to be 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.

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- We rely on contractual arrangements with the Group VIEs and their respective affiliate shareholders to operate certain businesses that do not have and are not expected in the foreseeable future to have material revenue contributions to the Group. 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.
- Our contractual arrangements with the Group VIEs may result in adverse tax consequences to us.
- 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.

### **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 have also constructed a manufacturing plant in Guangzhou, Guangdong province, and started manufacturing Smart EVs at this plant in December 2022. 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 September 2022, we launched the G9, which is our fourth Smart EV and a mid- to large-sized SUV, and started mass delivery in October 2022. In March 2023, we introduced the P7i, which is the mid-cycle facelift version of the P7, and started delivery during the same month. In June 2023, we launched the G6, which is our fifth Smart EV, and started delivery to customers in July 2023. In January 2024, we launched the X9, which is our sixth Smart EV, and started delivery during the same month.

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 from RMB20,988.1 million in 2021 to RMB26,855.1 million in 2022, and further to RMB30,676.1 million in 2023, and the number of Smart EVs delivered by us increased from 98,155 units in 2021 to 120,757 units in 2022 and further to 141,601 units in 2023. 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.

***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. We have witnessed increasing price competition in the Smart EV industry in recent years, which imposed downward pressure on the sale prices of our products and our gross margin. For instance, since January 2024, certain of our competitors have announced price cuts or discounts to their products and we have also announced price discounts to certain of our vehicle models. However, we cannot assure you that we will be able to compete successfully in price against our competitors, nor can we assure you that the competitive pressures we face currently will not decrease our revenue and profits in the future. 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. If products from our competitors successfully compete with or surpass the quality or performance of our vehicles at more competitive prices, our profitability and results of operations may be materially and adversely affected.

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.

***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 2021, 2022 and 2023, our research and development expenses amounted to RMB4,114.3 million, RMB5,214.8 million and RMB5,276.6 million, respectively. Our research and development expenses accounted for 19.6%, 19.4% and 17.2% of our total revenues for 2021, 2022 and 2023, 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. 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. 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, XNGP, Xmart OS and XOS Tianji, which is inherently complex. These software systems may contain latent defects and errors or be subject to external attacks. Additionally, we are actively adding new smart technology features to our offerings, including the smart voice assistant in our XOS Tianji in-car operating system. These new features are subject to market acceptance, and any incident involving our Smart EV may negatively impact the perception of our products and services and may further result in damages to our brand image and customer trust. 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.***

We continuously upgrade our ADAS technologies through in-house research and development. 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. In April 2023, our G9 SUV obtained the Guangzhou Intelligent Connected Vehicle Passenger Test Permit, and the testing area covered all general testing roads in Guangzhou. As the penetration and availability of our ADAS systems continues to grow, the possibility that our ADAS technologies are involved in accidents may correspondingly increase. 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. Such accidents where our or any third party's ADAS technology is involved may be the subject of significant public attention. There also remains significant uncertainty in the legal implications to providers of emerging ADAS and autonomous driving technologies of traffic collisions or other accidents involving such technologies, particularly given variations in legal and regulatory regimes that are emerging, and we may become liable for losses that exceed the current industry norms as the regulatory and legal landscape develops. Our ADAS technologies may be affected by regulatory restrictions. Government safety regulations are subject to change based on a number of factors that are not within our control, including new scientific or technological data, adverse publicity regarding the industry, recalls, concerns regarding safety risks of autonomous driving and ADAS, accidents involving our solutions or those of others, domestic and foreign political developments or considerations and litigation relating to our solutions and our competitors' products. Changes in government regulations, especially those relating to ADAS and autonomous driving, could adversely affect our business, results of operations, and financial condition. For example, on November 17, 2023, the MIIT, the Ministry of Public Security, the Ministry of Housing and Urban-Rural Development, and the Ministry of Transport jointly promulgated the Notice of Implementing the Pilot Program of Access and On-Road Traffic of Intelligent Connected Vehicles (the "2023 Pilot Program"), which took effect on the same day. Pursuant to the 2023 Pilot Program, vehicle manufacturers are eligible for carrying out on-road testing for intelligent connected vehicles equipped with autonomous driving functions (referred to as Level 3 autonomous driving function (conditionally automated driving) and Level 4 autonomous driving function (highly automated driving) as provided in the Taxonomy of Driving Automation for Vehicles) and ready for mass production in restricted areas only after passing the product testing and safety assessment conducted by the relevant authorities and obtaining the access approvals from the MIIT. In addition, on December 5, 2023, the Ministry of Transport issued the Guidelines on Transportation Safety Services for Autonomous Vehicles (for Trial Implementation), which provides relevant guidance for vehicles which are capable of performing all dynamic driving tasks under designed operating conditions according to relevant national standards and have obtained the access approvals from the MIIT, including but not limited to, requirements for application scenarios, operators of autonomous vehicles, safety and security, supervision and overall management. Furthermore, 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.

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

As of December 31, 2023, our physical sales network consisted of 500 stores, covering 181 cities in China. We plan to expand our physical sales network through a combination of direct stores and franchised stores, and we increased our efforts on developing our franchise network in 2023. This planned expansion may not have the desired effect of increasing sales and enhancing our brand recognition in a cost-efficient manner and requires certain adjustments in our sales and marketing operation.

For our direct stores, 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, and our increasing focus on developing our franchise network may result in increasing dependence on the performance of our franchisees and our ability to effectively manage our network of distributors. 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. We rely on our agreements with franchisees and the policies and measures we have in place to manage our franchise network, and any violation by our franchisees on such agreements may have an adverse effect on our business. 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, if any of their misconduct leads to damages to our brand image and reputation or if they fail to maintain the requisite licenses, permits or approvals, 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 or occurrence may harm our business, prospects, financial condition and results of operation.

We are also planning to establish a new franchise model in our collaboration with our franchisees, with the hope of building up channel inventory, accelerating the speed of delivery to end customers and further incentivizing our franchisees to perform. Under this new franchise model, the scope of our disclosures of deliveries numbers may change in the future by including the vehicles delivered to our franchisees. The new franchise model could potentially negatively affect certain of our financial metrics, including, for example, revenue, gross margin and trade receivables. For example, increasing revenue contribution from our franchisees may lead to increase in our trade receivables, which our franchisees may not be able to settle in a timely manner, and any deterioration in the financial position and credit profile of the franchisees may give rise to difficulties of our collection of trade receivables. In addition, our customers may encounter customer experiences and sale prices that are inconsistent across our different stores, resulting in potential customer dissatisfaction.

***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 declines around the Chinese New Year holiday, while sales are generally higher in the fourth quarter of a calendar year. Our limited operating history makes it difficult for us to judge the exact nature or extent of the seasonality of our business. The cyclicity in seasonal fluctuations may continue in the foreseeable future. Accordingly, our revenue, cash flow, operating results and other key operating and performance metrics may vary from quarter to quarter due to the seasonal nature of the market demand. Uneven cash flow from quarter to quarter may cause additional difficulties in our efforts to manage liquidity and may materially and adversely affect our liquidity and our ability to fund and expand our business. In addition, 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.

***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 have commenced delivering our third Smart EV model, the P5, a family sedan, in September 2021. In September 2022, we launched the G9, which is our fourth Smart EV and a mid- to large-sized SUV, and started mass delivery in October 2022. In March 2023, we introduced the P7i, which is the mid-cycle facelift version of the P7, and started delivery during the same month. In June 2023, we launched the G6, which is our fifth Smart EV, and started delivery to customers in July 2023. In January 2024, we launched the X9, which is our sixth Smart EV, and started delivery during the same month. We currently have ceased the manufacturing and sale of the G3 as well as the G3i, which we introduced and started to deliver in 2021. 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 introducing new versions of existing Smart EV models. To the extent our product variety and cycles do not meet consumer expectations, or cannot be produced on our projected timelines and cost and volume targets, our future sales may be adversely affected. Given that for the foreseeable future our business will depend on a limited number of models, to the extent a particular model is not well-received by the market, our sales volume could be materially and adversely affected. This could have a material adverse effect on our business, prospects, financial condition and operating results.

***Our 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.

***The 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.***

The automotive industry has experienced in recent years, and may continue to experience or experience in the future, a global shortage in the supply of semiconductors. 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, to the extent that such semiconductor shortage continues or occurs again in the future. 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. In October 2022, the BIS released broad changes in export controls, including new regulations restricting the export to China of advanced semiconductors, supercomputer technology, equipment for the manufacturing of advanced semiconductors and associated components and technology. On October 17, 2023, the BIS announced additional semiconductor regulations expanding and enhancing export controls under the October 2022 regulations. While we do not expect the new regulations to materially affect our business, there can be no assurance that the United States or other countries will not impose more stringent export controls that may prohibit or restrict our ability to, directly or indirectly, source semiconductor and other components and raw materials, or otherwise affect our business. It is difficult to predict what further trade-related actions the United States or other governments may take, and we may be unable to quickly and effectively react to or mitigate such actions. 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.

***We have incurred significant losses and had recorded negative cash flows from operating activities in the past, 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 since inception. We incurred net losses of RMB4,863.1 million, RMB9,139.0 million and RMB10,375.8 million for 2021, 2022 and 2023, respectively. We have had negative cash flows from operating activities since inception and in financial years preceding 2023. Net cash used in operating activities was RMB1,094.6 million and RMB8,232.4 million for 2021 and 2022, respectively. Although we recorded net cash provided by operating activities of RMB956.2 million for 2023, we cannot assure you that we will achieve or maintain such positive cash flow in the future. In addition, we have made significant up-front investments in research and development, our manufacturing facilities in Zhaoqing, Guangzhou and Wuhan, our sales and service network, our charging 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, 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 since inception or positive cash flows from operating activities in financial years preceding 2023. As such, we may continue to rely on equity or debt financing to meet our working capital and capital expenditure requirements. If we were unable to obtain such financing in a timely manner or on terms that are acceptable, or at all, we may fail to implement our business plans or experience disruptions in our operating activities, and our business, financial condition and results of operations would be materially and adversely affected.

***Our business plans require a significant amount of capital. If we fail to obtain required external financing to sustain our business, we may be forced to curtail or discontinue 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. On December 6, 2023, we completed the issuance of 94,079,255 Class A ordinary shares to Volkswagen Group for approximately US\$705.6 million. However, such financing might not be available to us in a timely manner or on terms that are acceptable, or at all, in the future. 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.

***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. See “Item 4. Information on the Company — B. Business Overview — Strategic Transactions.” Our past experience with any strategic investments, combinations, acquisitions or alliances may not be indicative of whether we are more or less likely to consummate these transactions in the future.

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.

***We have entered into collaborations, and may establish or seek collaborations, and we may not timely realize the benefits of such arrangements.***

We have pursued and may continue to pursue strategic collaborations and strategic acquisition opportunities to increase our scale, expand our product portfolios and capabilities and enhance our industry and technical expertise. In 2023, we have entered into the VW Technical Framework Agreement and the DiDi Strategic Cooperation Agreement. We are in the process of implementing such cooperations, which we believe are conducive to our business. In February 2024, we entered into the Master Agreement on Platform and Software Strategic Technical Collaboration with the Volkswagen Group. See “Item 4. Information on the Company — B. Business Overview — Strategic Transactions.” However, whether such cooperation will in fact yield the expected strategic benefits is subject to uncertainties and we may not realize the full benefits of relevant strategic collaborations, including the synergies, cost savings or growth opportunities that we expect. For example, the vehicle models under the respective cooperation with the Volkswagen Group and DiDi may not achieve massive-production or customer delivery in a timely manner, or at all, and the market acceptance of such vehicle models may not be satisfactory. While there is an earn-out arrangement under the DiDi Share Purchase Agreement to incentivize our cooperation with DiDi, the milestones under such earn-out arrangement may not be achieved. The implementation and outcome of the cooperation depend on various factors, many of which may be beyond our control. Furthermore, if we are unable to maintain or expand our collaboration with our partners in the future, our business and operating results may be materially and adversely affected. To the extent we cannot maintain any of our strategic partnerships, it may be very difficult for us to identify qualified alternative partners, which may divert significant management attention from existing business operations and adversely impact our daily operation and client experience.

***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, municipal government may adopt quotas that limit the purchase of ICE vehicles but not EVs, thereby incentivizing the purchases of EVs. On September 18, 2022, the Ministry of Finance of the PRC, or the MOF, together with several other PRC government departments, issued Announcement on Continuation for the Exemption of Vehicle Purchase Tax for New Energy Vehicles, which extended the previous vehicle purchase tax exemption policy for new energy vehicles to December 31, 2023. On June 19, 2023, the MOF and the MIIT issued the Announcement on Continuation and Optimization for the Exemption of Vehicle Purchase Tax for New Energy Vehicles, pursuant to which new energy vehicles purchased during the period from January 1, 2024 to December 31, 2025 shall be exempted from the vehicle purchase tax and the exemption amount for each new energy passenger vehicle shall not exceed RMB30,000; new energy vehicles purchased during the period from January 1, 2026 to December 31, 2027 shall be subject to the vehicle purchase tax at a reduced rate by half and the exemption amount for each new energy passenger vehicle shall not exceed RMB15,000. 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 MOF, 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.

***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.

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. We believe that the Group has complied with the applicable regulations and policies that have been issued by the Cybersecurity Administration of China, or CAC, to date in all material respects. As of the date of this annual report, the Group has not been involved in any cybersecurity review initiated by the CAC, and the Group has not received any inquiry, notice, warning, or sanction in such respect.

Given that the relevant laws, regulations and policies were recently promulgated or issued, their interpretation, application and enforcement are subject to 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 smart 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 develop, maintain and strengthen our brands, and our brands 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, as well as other brands that we may develop and promote in the future. If we do not continue to develop, maintain and strengthen our brands, we may lose the opportunity to build a critical mass of customers. Promoting and positioning our brands 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 our brands will depend heavily on the success of our sales and marketing efforts. For example, we seek to enhance our brand recognition by locating many of our 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. Our increasing efforts on expansion through franchise may lead to additional challenges to our branding management. To promote our brands, 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 and Guangzhou plant or the establishment of the new manufacturing base in 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 plants in Zhaoqing and Guangzhou, Guangdong province. Currently, we manufacture our vehicles at the plants in Zhaoqing and Guangzhou. Our future operation and prospects depend on our ability to successfully maintain the operation, and expand the capacity, of the Zhaoqing plant and Guangzhou plant. In addition, we need to effectively control cost of production at the Zhaoqing plant and Guangzhou 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 and Guangzhou plant.

In September 2020, we entered into a cooperation agreement with Guangzhou GET Investment Holdings Co., Ltd., or Guangzhou GET Investment, a wholly owned investment company of Guangzhou Economic and Technological Development Zone, which is a local government authority in Guangzhou. The construction of the Guangzhou plant was completed in June 2022 and it houses a broad range of functions, including research and development, manufacturing, vehicle testing and sales. We started manufacturing Smart EVs at the Guangzhou plant in December 2022.

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 manufacturing base and research and development center in the Wuhan Economic & Technological Development Zone. As of March 31, 2024, the construction of our new manufacturing base in Wuhan has been completed and is currently pending inspection and acceptance procedures conducted by relevant government authorities.

The construction of the new manufacturing base in Wuhan is subject to a number of uncertainties. The commencement of its 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 manufacturing facilities in general may also have an impact on the establishment of our new manufacturing base. There can be no assurance that the new manufacturing base will be able to commence operation in accordance with our plan. In addition, we may not be able to successfully ramp and maintain its operation. We must also maintain good working relationships with Wuhan ETDZ Committee throughout the term of our cooperation. In addition, upon the commencement of operations of the new manufacturing base in Wuhan, our depreciation expenses will increase, which could adversely affect our results of operations.

If we experience any issues or delays in meeting our projected timelines, maintaining sufficient funding and capital efficiency, increasing production capacity or generating sufficient demand for production in our Zhaoqing plant and Guangzhou plant or the new manufacturing base in 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 during the COVID-19 pandemic. 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.

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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. In October 2022, the BIS released broad changes in export controls, including new regulations restricting the export to China of advanced semiconductors, supercomputer technology, equipment for the manufacturing of advanced semiconductors and associated components and technology. On October 17, 2023, the BIS announced additional semiconductor regulations expanding and enhancing export controls under the October 2022 regulations. While we do not expect the new regulations to materially affect our business, there can be no assurance that the United States or other countries will not impose more stringent export controls that may prohibit or restrict our ability to, directly or indirectly, source semiconductor and other components and raw materials, or otherwise affect our business. It is difficult to predict what further trade-related actions the United States or other governments may take, and we may be unable to quickly and effectively react to or mitigate such actions. See “—The 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. If we fail to accurately forecast the demand, including with respect to our vehicle models that are at or near the end of production cycle, we may experience inventory obsolescence and inventory shortage risk. We have incurred inventory write-downs and losses on inventory purchase commitments in 2023 in relation to the cessation of G3i and upgrades of certain models, and similar losses may occur in the future. All of the above 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 and 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. In September 2022, we launched the G9, which is our fourth Smart EV and a mid- to large-sized SUV, and started mass delivery in October 2022. In March 2023, we introduced the P7i, which is the mid-cycle facelift version of the P7, and started delivery during the same month. In June 2023, we launched the G6, which is our fifth Smart EV, and started delivery to customers in July 2023. In January 2024, we launched the X9, which is our sixth Smart EV, and started delivery during the same month. 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 existing Smart EV models or the manufacture and launch of our future models, including in the ramp up of our Zhaoqing plant and Guangzhou 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.

***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.

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 technology support, 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 self-operated charging station network or at third-party charging stations. 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 self-operated 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 primarily 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:



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- 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.

***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, 2023, the Group had installment payment receivables of RMB4,909.6 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 2021, 2022 and 2023, the amount of current expected credit loss of installment payment receivables was RMB50.0 million, RMB44.0 million, and RMB47.4 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.

Illegal, fraudulent, corrupt or collusive activities or misconduct, whether actual or perceived, by our employees, representatives, agents, business partners or service providers could subject us to liability or negative publicity, which could severely damage our brand and reputation. 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. On August 22, 2022, the former employee pleaded guilty to the charge of theft of trade secrets and entered into a plead agreement. Although we are unaffected by the former employee's final sentencing, any future occurrences of similar incidents may divert our management's attention and resources, adversely affect our operations and business, cause reputational harm to the Company and expose us to significant legal liabilities.

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 Smart EV models currently for sale 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 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.

Intellectual property protection may not be sufficient in the jurisdictions in which we operate. 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.

***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 that the PRC authorities may have certain discretion 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, 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. Furthermore, we also obtained an insurance agency business permit to conduct an insurance agency business, which is subject to regulation and inspection by the insurance regulatory authorities from time to time. Such insurance agency business permit is held by GIIA, which is also one of the Group VIEs. 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.

In addition, 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 and Guangzhou 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 and Guangzhou plant or other relevant constructions, any of which could have a material adverse effect on our business, prospects, financial condition and results of operation. Moreover, if we intend to increase our capacity in the future by establishing new manufacturing bases, we will be required to obtain certain environmental, construction and safety approvals and complete certain examination and acceptance procedures for these facilities. We may not be able to obtain such approvals or complete such procedures in a timely manner or at all. If for any reason the relevant government authorities determine that we are not in compliance with environmental and construction laws and regulations, we may be required to pay fines, suspend or cease our operations in the relevant premises.

Moreover, environmental and social laws and regulations, including climate regulations, are also increasing with a variety of stakeholders, including regulators seeking more information and disclosure on related risks and impacts. For example, the SEC has published final rules that would require companies to provide significantly expanded climate-related disclosures in their periodic reporting. We may also be subject to the requirements of the EU Corporate Sustainability Reporting Directive (and its implementing laws and regulations) and other EU directives or EU and EU member state regulations. Compliance with these laws and regulations may require us to incur significant additional costs, including the implementation of significant additional internal controls processes and procedures regarding matters that have not been subject to such controls in the past, and impose increased oversight obligations on our management and board of directors, as well as require us to hire third party experts. These requirements are evolving and may not always be uniform across jurisdictions in which we operate, which may further increase compliance burden and associated regulatory and reporting costs and complexity.



***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, 2023, our management has concluded that our internal control over financial reporting was 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, 2023.

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, 2023, we had warranty reserves in respect of our Smart EVs of RMB1,009.0 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;
- the imposition of U.S. export restrictions on certain advanced computing semiconductors and semiconductor manufacturing equipment by the U.S. 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;
- 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; and
- the statement by the President of the United States on February 29, 2024, directing the U.S. Department of Commerce to investigate the national security risks from connected vehicles that incorporate technology from countries of concern, including China, and consider regulations to address those risks.

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 which the U.S. Public Company Accounting Oversight Board was unable to inspect and investigate completely before 2022 and, as such, our investors have been deprived of the benefits of such inspections in the past, and may be deprived of the benefits of such inspections in the future.” In January 2021, after reversing its own delisting decision, the NYSE ultimately resolved to delist China Mobile, China Unicom and China Telecom in compliance with the executive order issued in November 2020, after receiving additional guidance from the U.S. Department of Treasury and its Office of Foreign Assets Control. In addition, the NYSE announced in February 2021 that it has determined to commence proceedings to delist CNOOC Limited in light of the same executive order. These delistings have introduced greater confusion and uncertainty about the status and prospects of Chinese companies listed on the U.S. stock exchanges. If any further measures were to be implemented, the resulting legislation may have a material and adverse impact on the stock performance of China-based issuers listed in the United States such as us, and we cannot assure you that we will always be able to maintain the listing of our ADSs on a national stock exchange in the U.S., such as the NYSE or the NASDAQ, or that you will always be allowed to trade our Class A ordinary shares or ADSs.

***We are subject to the risks associated with international trade policies, geopolitics and trade protection measures, and our business, financial condition and results of operations could be adversely affected.***

Our international expansions may be negatively affected by export controls administered by the government authorities in different jurisdictions, deterioration in the political and economic relations among countries and sanctions and other geopolitical challenges, including, but not limited to, economic and labor conditions, increased duties, taxes and other costs and political instability. For example, the U.S. government has imposed export controls and economic sanctions directly or indirectly affecting China-based technology companies. Such laws and regulations are likely subject to frequent changes, and their interpretation and enforcement involves substantial uncertainties, which may be heightened by national security concerns or driven by political and/or other factors that are out of our control. Therefore, such restrictions, and similar or more expansive restrictions that may be imposed by the U.S. or other jurisdictions in the future, may be difficult or costly to comply with and may negatively affect our and our technology partners’ abilities to acquire technologies, systems, devices or components that may be critical to our technology infrastructure, service offerings and business operations. On February 29, 2024, the President of the United States issued a statement directing the U.S. Department of Commerce to investigate the national security risks from connected vehicles (CV) that incorporate technology from foreign adversaries, including China, and consider regulations to address those risks. The U.S. Department of Commerce issued an Advanced Notice of Proposed Rulemaking (ANPRM) on March 1, 2024 to seek public comments on issues and questions related to transactions involving information and communications technology and services (ICTS) integral to CV. The ANPRM intends to support BIS’s potential development of a rule which would prohibit or mitigate certain ICTS transactions integral to CVs that involve foreign adversaries (including China) which could create an undue or unacceptable risk to U.S. national security. If any rules were to be adopted along these lines, it may hinder or restrict China-based Smart EV companies like us from accessing the U.S. market or transacting with persons or entities in the U.S. jurisdiction. In addition, on October 4, 2023, the European Commission published a notice of initiation of EU anti-subsidy investigations into EU imports of EVs from China (the “EU Subsidy Probe”). Using the sampling method, the European Commission selected several companies as investigation targets of the EU Subsidy Probe, and as of the date of this annual report, we have not been named or selected under similar investigation. However, there can be no assurance that we will not be publicly named, inquired or investigated by any authority on the basis of national security or anti-subsidy. Such investigations in overseas markets may adversely affect the exports of EVs from China, such as our products, into overseas markets, and our strategy of expanding into overseas markets may be negatively impacted. Any of these circumstances may also materially and adversely affect our business, results of operations, financial condition, and reputation and may further cause the trading prices of our Class A ordinary shares and the ADSs to decline significantly.

***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, 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. In 2022, we opened stores in the Netherlands, Sweden, Denmark and Norway. In February 2023, we launched the G9 mid- to large-sized SUV and the new P7 sports sedan for Europe and opened Delivery and Service Center in Norway. In the second quarter of 2023, we opened our Delivery and Service Centers consecutively in the Netherlands, Sweden, and Denmark. 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;
- recruiting and retaining talented and capable employees outside China and maintaining our company culture across all of our offices;
- 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;
- compliance by us and our business partners with anti-corruption laws, import and export control laws, tariffs, trade barriers, economic sanctions and other regulatory limitations or perceptions on our ability to provide our products in certain international markets;
- changes in diplomatic and trade relationships, including the imposition of new trade restrictions, trade protection measures, import or export requirements, trade embargoes and other trade barriers;
- 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; and
- unanticipated changes in prevailing economic conditions and regulatory requirements.

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, 2024, RSUs which represent 23,395,933 underlying Class A ordinary shares were outstanding (which do not include the Class A ordinary shares underlying the vested RSUs), and 362,614 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 RMB379.9 million, RMB710.5 million, and RMB550.5 million of share-based compensation expenses in 2021, 2022 and 2023, 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, including the economic slowdown in the Eurozone since 2014, potential impact of the United Kingdom's exit from the European Union in January 2020, and the adverse impact on the global economies and financial markets from the COVID-19 pandemic. 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 and China. The ongoing trade tensions between the United States and China may have tremendous negative impact on the economies of not merely the two countries concerned, but the global economy as a whole. Moreover, the current geopolitical tensions may also pose potential challenges for our businesses and operations in the relevant areas. It is unclear whether these challenges will be contained and what effects they each may have in the long term. 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. Any prolonged slowdown in global or 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.***

We have been conducting a portion of our research and development on ADAS 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. Furthermore, in August 2022, the United States enacted the Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022, or the CHIPS Act, which aims to strengthen U.S. domestic semiconductor manufacturing, design and research, fortify the economy and national security, and to help the United States compete economically against China. In addition, the BIS imposed additional export controls on certain advanced computing semiconductor chips, integrated circuits, semiconductor manufacturing items and related transactions in October 2022. In October 2023, the BIS announced additional semiconductor regulations expanding and enhancing export controls under the October 2022 regulations and reinforced the controls to restrict China's ability to both purchase and manufacture certain high-end chips critical for military advantage. These recent export controls are, in part, intended to restrict China's ability to obtain advanced computing chips, develop and maintain supercomputers, and manufacture advanced semiconductors. While we do not expect the new regulations to materially affect our business, there can be no assurance that the United States or other countries will not impose more stringent export controls that may prohibit or restrict our ability to, directly or indirectly, source semiconductor and other components and raw materials, or otherwise affect our business. It is difficult to predict what further trade-related actions the United States or other governments may take, and we may be unable to quickly and effectively react to or mitigate such actions. The implementation, interpretation and impact on our business of these rules and other regulatory actions taken by the U.S. government is uncertain. These actions and/or other actions that may be taken by the governments of either the U.S. or China, or both (including in response to recent increased tensions), could hinder our ability to transfer our U.S.-origin software to China, source U.S.-origin software and components or otherwise access U.S. technology, which could materially and adversely affect our business, results of operations and financial condition.

***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, including with respect to our vehicle models that are at or near the end of production cycle, 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 RMB162.4 million, RMB220.3 million, and RMB1,054.7 million, in 2021, 2022 and 2023, respectively. We have incurred inventory write-downs and losses on inventory purchase commitments in 2023 in relation to the cessation of G3i and upgrades of certain models, and similar losses may occur in the future. 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, vehicle model technology under development, vehicle platform technology, robotics platform technology and other intangible assets. In addition, the Group's controlling financial interest (as a result of existing contractual arrangements and as the term is defined under ASC 810) provides for the consolidation of the Group VIEs which hold certain licenses. 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 on contractual arrangements with the Group VIEs and their respective affiliate shareholders to operate certain businesses that do not have and are not expected in the foreseeable future to have material revenue contributions to the Group. 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 RMB878.7 million, RMB1,043.0 million, and RMB4,949.0 million as of December 31, 2021, 2022, and 2023, 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.

***We recorded a significant amount of indefinite-lived intangible assets and goodwill in connection with our acquisitions, and we may incur material impairment charges to our indefinite-lived intangible assets and goodwill if the recoverability of these assets become substantially reduced.***

In connection with our acquisitions in 2023, we recorded a significant amount of indefinite-lived intangible assets of RMB609.2 million and goodwill of RMB34.1 million in our financial statements. As of December 31, 2023, we have recorded indefinite-lived intangible assets of RMB1,416.1 million and goodwill of RMB34.1 million. The value of the indefinite-lived intangible assets and goodwill is based on assumptions and judgments. If any of the assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our indefinite-lived intangible assets and goodwill and record an impairment loss, which could in turn adversely affect our results of operations. We will determine whether our indefinite-lived intangible assets and goodwill is impaired at least on an annual basis and there are inherent uncertainties relating to these factors and to our management's judgment in applying these factors to the impairment assessment. We could be required to evaluate the impairment prior to the annual assessment if there are any impairment indicators, including disruptions to business operations and unexpected significant declines in operating results or a decline in our market capitalization. We may also suffer from significant impairment loss even if we determine to amend any assumption used in our impairment testing. If we record an impairment loss as a result of these or other factors, our results of operations and financial condition may be adversely affected.

***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 transaction payments allocated to 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 RMB897.3 million, RMB1,083.2 million, and RMB1,299.9 million, as of December 31, 2021, 2022 and 2023, 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, 2023, we did not have any mezzanine equity and recorded total shareholders' equity of RMB36,328.5 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.

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 in the previous years. 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 affected and may affect future delivery of components from certain suppliers that suspended production. For example, some of our suppliers were unable to deliver sufficient components to us due to the COVID-19 pandemic. We cannot assure you that such situation will not occur in the future if the COVID-19 pandemic resurges and that we will be able to find alternative suppliers should that happen in the future. 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 during the pandemic.

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. Moreover, the current geopolitical tensions may also pose potential challenges for our businesses and operations in the relevant areas. 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 and developments in the political, economic and social 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, social 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 decades, growth has been uneven, both geographically and among various sectors of the economy. Recently there have been signs that the rate of China's economic growth is declining. Any prolonged slowdown in China's economic development could have a material adverse effect on our businesses, financial condition and results of operations.

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, the PRC government has recently promulgated new laws and regulations to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on M&A Rules and Overseas Listings." 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.

***Changes and developments in the PRC legal system and the interpretation and enforcement of PRC laws, rules and regulations may subject us to uncertainties.***

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.

The overall effect of legislation over the past decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, the PRC legal system is still evolving rapidly, and the PRC governmental authorities may continue to promulgate new laws and regulations regulating our businesses. In addition, rules and regulations in China can change quickly with little advance notice. We cannot assure you that our business operations would not be deemed to be violating any existing or future PRC laws or regulations, which in turn may limit or restrict us, and could materially and adversely affect our business and operations.

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. On February 17, 2023, the CSRC promulgated the Overseas Listing Trial Measures, and relevant five guidelines on the application of Regulatory Rules, which took effect from March 31, 2023, requiring Chinese domestic companies' overseas equity offerings or listings be filed with the CSRC. The Overseas Listing Trial Measures clarify the scope of overseas offerings or listings by Chinese domestic companies which are subject to the filing and reporting requirements thereunder, and provide, among others, that Chinese domestic companies that have already directly or indirectly offered and listed securities in overseas markets prior to the effectiveness of the Overseas Listing Trial Measures shall fulfil their filing obligations and report relevant information to the CSRC within three working days after conducting a follow-on securities offering on the same overseas market, and follow the relevant reporting requirements within three working days upon the occurrence and public disclosure of any specified circumstances provided thereunder. In addition, we cannot guarantee that new rules or regulations promulgated in the future will not impose any additional requirement on us or otherwise tighten the regulations on PRC companies seeking overseas offering or listing. 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 penalties 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.

Any administrative and court proceedings in China may be time-consuming, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have certain discretion in interpreting and implementing statutory and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy. 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 located in a jurisdiction which the U.S. Public Company Accounting Oversight Board was unable to inspect and investigate completely before 2022 and, as such, our investors have been deprived of the benefits of such inspections in the past, and may be deprived of the benefits of such inspections in the future.***

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, as an auditor of companies that are traded publicly in the 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. In 2021, PCAOB made determinations that the positions taken by PRC authorities prevented the PCAOB from inspecting and investigating firms headquartered in mainland China and Hong Kong completely. On August 26, 2022, the PCAOB signed a Statement of Protocol with the CSRC and the MOF, taking the first step toward opening access for the PCAOB to inspect and investigate completely registered public accounting firms headquartered in mainland China and Hong Kong. According to its announcement, the PCAOB sent staff to conduct on-site inspections and investigations in Hong Kong from September to November 2022. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. Our auditor is located in China, a jurisdiction where the PCAOB was historically unable to conduct inspections and investigations completely before 2022. As a result, we and investors in the ADSs were deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct complete inspections of auditors in China before 2022 may have made 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.

In addition, while the PCAOB announced in December 2022 that it secured complete access to inspect and investigate registered public accounting firms headquartered in China and vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms, we cannot assure you that the PCAOB will continue to have such access in the future. If the PCAOB is not able to inspect and investigate completely auditors in China for any reason, such as any change in the position of the governmental authorities in China in the future, our investors may be deprived of the benefits of such inspections again, which could cause investors or potential investors in our ADSs to lose confidence in the quality of our consolidated financial statements.

***If the PCAOB determines that it is unable to inspect or investigate completely our auditor at any point in the future for two consecutive years, our ADSs may be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, as amended, or the HFCA Act, and any such trading prohibition on our ADSs or threat thereof may materially and adversely affect the price of our ADSs and value of your investment.***

The HFCA Act was signed into law on December 18, 2020 and amended pursuant to the Consolidated Appropriations Act, 2023 on December 29, 2022. Under the HFCA Act and the rules issued by the SEC and the PCAOB thereunder, if we have retained a registered public accounting firm to issue an audit report where the registered public accounting firm has a branch or office that is located in a foreign jurisdiction and the PCAOB has determined that it is unable to inspect or investigate completely because of a position taken by an authority in the foreign jurisdiction, the SEC will identify us as a “covered issuer”, or SEC-identified issuer, shortly after we file with the SEC a report required under the Securities Exchange Act of 1934, or the Exchange Act (such as our annual report on Form 20-F) that includes an audit report issued by such accounting firm; and if we were to be identified as an SEC-identified issuer for two consecutive years, the SEC would prohibit our securities (including our shares or ADSs) from being traded on a national securities exchange or in the over-the-counter trading market in the United States.

In December 2021, the PCAOB made its determinations, or the 2021 determinations, pursuant to the HFCA Act that it was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China or Hong Kong including our independent auditor. After we filed our annual report on Form 20-F for the fiscal year ended December 31, 2021, on April 28, 2022, the SEC conclusively identified us as an SEC-identified issuer on May 26, 2022.

Following the Statement of Protocol signed between the PCAOB and the CSRC and the MOF in August 2022 and the on-site inspections and investigations conducted by the PCAOB staff in Hong Kong from September to November 2022, the PCAOB Board voted in December 2022 to vacate the previous 2021 determinations, and as a result, our auditor is no longer a registered public accounting firm that the PCAOB is unable to inspect or investigate completely as of the date of this annual report on Form 20-F or at the time of issuance of the audit report included herein. As such, we were not identified as a SEC-identified issuer under the HFCA Act after we filed the annual report on Form 20-F for the year ended December 31, 2022 in 2023 and we do not expect to be identified as an SEC-identified issuer again in 2024. Each year, the PCAOB will determine whether it can inspect and investigate completely audit firms in mainland China and Hong Kong, among other jurisdictions. If the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the Securities and Exchange Commission, we would be identified as a SEC-identified issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. We cannot assure you that the PCAOB will always have complete access to inspect and investigate our auditor, or that we will not be identified as an SEC-identified issuer again in the future.

If we are identified as an SEC-identified issuer again in the future, we cannot assure you that we will be able to change our auditor or take other remedial measures in a timely manner, and if we were to be identified as an SEC-identified issuer for two consecutive years, we would be delisted from the NYSE and our securities (including our shares and ADSs) will not be permitted for trading “over-the-counter” either. Although our Class A ordinary shares have been listed on the Hong Kong Stock Exchange and the ADSs and Class A ordinary shares are fully fungible, we cannot assure you that an active trading market for our Class A ordinary shares on the Hong Kong Stock Exchange will be sustained or that the ADSs can be converted and traded with sufficient market recognition and liquidity, if our shares and ADSs are prohibited from trading in the United States. Such a prohibition or any threat thereof would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our ADSs. Also, such a prohibition or any threat thereof would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects. Moreover, the implementation 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 and the market price of the securities of China-based issuers, including us, could be adversely affected.

***Certain PRC regulations establish 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—Regulations on 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 and service fees paid by the Group VIEs 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.***

XPeng Inc. is a holding company with no material operations of its own. We conduct our operations in China (i) primarily through our PRC subsidiaries, and (ii) to a much lesser extent, the Group VIEs. As a result, although other means are available for us to obtain financing at the holding company level, we rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries and service fees paid by the Group VIEs, 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, 2023. 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.

In addition, the PRC Enterprise Income Tax Law and its implementing rules impose a withholding income tax as much as 10% on dividends distributed by a foreign invested enterprise to its immediate holding company outside of China, unless such income tax is reduced under treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC resident enterprise is a tax resident. The undistributed earnings that are subject to dividend tax are expected to be indefinitely reinvested for the foreseeable future. Furthermore, we are subject to restrictions on currency exchange. See “—We are subject to restrictions on currency exchange.”

The Group currently has four 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, economic and social 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. 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. dollar proceeds we received from our PRC-offshore financing activities 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 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 may be 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 may be significant legal and other obstacles to obtaining information needed for shareholder investigations or litigation outside China or otherwise with respect to foreign entities. 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. In addition, on February 24, 2023, the CSRC and several other Chinese authorities promulgated the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies, which provide that where an overseas securities regulator and a competent overseas authority requests to inspect, investigate or collect evidence from a PRC domestic company concerning overseas offering and listing, or to inspect, investigate, or collect evidence from the PRC domestic securities companies and securities service providers that undertake relevant businesses for such PRC domestic companies, such inspection, investigation and evidence collection shall be conducted under a cross-border regulatory cooperation mechanism, and the CSRC or other competent Chinese authorities will provide necessary assistance pursuant to bilateral and multilateral cooperation mechanisms. The PRC domestic company, securities companies and securities service providers shall first obtain approval from the CSRC or other competent Chinese authorities before cooperating with the inspection and investigation by the overseas securities regulator or competent overseas authority, or providing documents and materials requested in such inspection and investigation. 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. As such, 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.

Judgment of United States courts will not be directly enforced in Hong Kong. There are currently no treaties or other arrangements providing for reciprocal enforcement of foreign judgments between Hong Kong and the United States. However, subject to certain conditions, including but not limited to when the judgment is for a liquidated amount in a civil matter and not in respect of taxes, fines, penalties or similar charges, the judgment is final and conclusive and has not been stayed or satisfied in full, the proceedings in which the judgment was obtained were not contrary to natural justice and the enforcement of the judgment is not contrary to public policy of Hong Kong, Hong Kong courts may accept such judgment obtained from a United States court as a debt due under the rules of common law enforcement. However, a separate legal action for debt must be commenced in Hong Kong in order to recover such debt from the judgment debtor, and there can be no assurance that such legal action in Hong Kong would be resolved in favor of the judgment debtor.

***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. Although the PCAOB Board voted in December 2022 to vacate its previous determination following the Statement of Protocol signed between the PCAOB and the CSRC and the MOF in August 2022 and the on-site inspections and investigations conducted by the PCAOB staff in Hong Kong, we cannot assure you that the PCAOB will always have complete access to inspect and investigate the four PRC-based accounting firms. See “—If the PCAOB determines that it is unable to inspect or investigate completely our auditor at any point in the future for two consecutive years, our ADSs may be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, as amended, or the HFCA Act, and any such trading prohibition on our ADSs or threat thereof may materially and adversely affect the price of our ADSs and value of your investment.” 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 and are not expected in the foreseeable future to be 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.*

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 set up a series of contractual arrangements entered into among some of our PRC subsidiaries, the Group VIEs and their shareholders to conduct some of our operations in China. For a detailed description of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure.”

If our corporate structure and contractual arrangements are deemed by the relevant 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.

***We rely on contractual arrangements with the Group VIEs and their respective affiliate shareholders to operate certain businesses that do not have and are not expected in the foreseeable future to have material revenue contributions to the Group. 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.***

We rely on contractual arrangements with the Group VIEs and their respective affiliate shareholders to operate the business in areas where foreign ownership is restricted or prohibited, including the value-added telecommunications business. 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 represent a material percentage of 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 pursuant to U.S. GAAP (ASC 810). However, if the Group VIEs or the respective affiliate shareholders of the Group VIEs fail to perform their respective obligations under these 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 or court proceedings 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, uncertainties regarding the interpretation and enforcement of the relevant PRC laws and regulations 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—Changes and developments in the PRC legal system and the interpretation and enforcement of PRC laws, rules and regulations may subject us to uncertainties.”

***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.

***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, Xiaopeng Motors Sales, or their respective designated person, have the exclusive right to purchase all or any part of the equity interests in the relevant Group VIEs from their respective affiliate shareholders equal to the amount of the relevant registered capital contributed by the affiliate shareholders in the relevant 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 relevant Group VIEs shall return any amount of purchase price they have received to Xiaopeng Technology, Xiaopeng Chuxing or Xiaopeng Motors Sales. 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 conflicts of interest with us, which may materially and adversely affect our business and financial condition.***

We rely on the affiliate shareholders of the Group VIEs to abide by the obligations under such contractual arrangements. Their interests as the affiliate 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 aligned with 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 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, 2024, Mr. Xiaopeng He, our co-founder, chairman beneficially owned all the Class B ordinary shares issued and outstanding, which represented 69.5% of the voting power of our total issued and outstanding shares. As a result, Mr. He has the ability to control or exert significant influence over important corporate matters to the extent permitted under 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;

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- 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 Class A Ordinary Shares 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.

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—If the PCAOB determines that it is unable to inspect or investigate completely our auditor at any point in the future for two consecutive years, our ADSs may be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, as amended, or the HFCA Act, and any such trading prohibition on our ADSs or threat thereof may materially and adversely affect the price of our ADSs and value of your investment.” 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 may be influenced by 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, 2024, we had 1,538,133,989 Class A ordinary shares and 348,708,257 Class B ordinary shares issued and outstanding, excluding 2,080,046 Class A ordinary shares issued to our depositary bank for bulk issuance of ADSs and reserved for future issuance upon the exercise or vesting of awards granted under 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 offerings 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 holders 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 depositary will not make rights available to holders of ADSs unless both the distribution and sale of the rights and the underlying securities to be distributed to holders of ADSs are either registered under the Securities Act or exempt from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective and we may not be able to establish a necessary exemption from registration under the Securities Act. Accordingly, holders of ADSs may be unable to participate in our rights offerings in the future and may experience dilution in their holdings.

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

The depositary will pay cash distribution on the ADSs only to the extent that we decide to distribute dividends on our Class A ordinary shares or other deposited securities, and we do not have any present plan to pay any cash dividends in the foreseeable future. See “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy.” To the extent that there is a distribution, the depositary 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 depositary may, at its discretion, decide that it is illegal or impractical to make a distribution available to any holders of ADSs. For example, the depositary may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may decide not to distribute such property to holders of ADSs.

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

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

***We and certain of our directors and officers may be named as defendants in one or several shareholder class action lawsuits.***

Shareholder class action lawsuits may be filed against us and/or certain of our directors and officers. In the past, shareholders of a public company may bring 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 may utilize a significant portion of our cash resources and could divert a significant amount of our management’s attention from the day-to-day operations of our company 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. We are currently unable to estimate the potential loss, if any, associated with the resolution of such lawsuits, if they proceed. We anticipate that we or certain of our directors or officers may be a target for lawsuits, including putative class action lawsuits brought by our shareholders and lawsuits against our directors and officers as a result of their position in other public companies. We cannot assure you that our directors or officers and we will be able to prevail in their or our defense or reverse any unfavorable judgment on appeal, and our directors or officers and we may decide to settle lawsuits on unfavorable terms. Any adverse outcome of these cases, including any plaintiffs’ appeal of the judgment in these cases, could result in payments of substantial monetary damages or fines, or changes to our business practices, and thus materially and adversely affect our business, financial condition, results of operation, cash flows, and reputation. In addition, we cannot assure you that our insurance carriers will cover all or part of the defense costs, or any liabilities that may arise from these matters. We also may be subject to claims for indemnification related to these matters, and we cannot predict the impact that indemnification claims may have on our business or financial performance.

***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 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. However, our exercise of any such power that may limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions under the memorandum and articles, as well as others' acquisition of control of our company, after our listing on the Hong Kong Stock Exchange is subject to our overriding obligations to comply with all applicable Hong Kong laws and regulations, including the Hong Kong Listing Rules and the Codes on Takeovers and Mergers and Share Buy-backs.

***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.

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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 composition of our income and assets and the value 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 the year ended December 31, 2023, although there can be no assurance in this regard.

It is possible, however, that we may become a PFIC in the current or any future taxable year due to changes in our income or asset composition or changes in the value of our assets. In this regard, the value of our assets may be determined by reference to the trading price of our ADSs and Class A ordinary shares, and fluctuations in the trading price of our ADSs and Class A ordinary shares may affect our PFIC status. Because the trading price of our ADSs and Class A ordinary shares has been volatile and has declined significantly between the beginning of 2024 and the date hereof, we believe there is a significant risk that we will be a PFIC for the year ended December 31, 2024 and possibly for future years.

In addition, 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 are more likely to 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 depositary in exchange for the issuance of our ADSs. Any holder of ADSs may also withdraw the underlying Class A ordinary shares represented by the ADSs pursuant to the terms of the deposit agreement for trading on the Hong Kong Stock Exchange. In the event that a substantial number of Class A ordinary shares are deposited with the depositary in exchange for ADSs or vice versa, the liquidity and 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 depositary for the ADSs is entitled to charge holders fees for various services including, among others, for the issuance of ADSs upon deposit of Class A ordinary shares, cancellation of ADSs, distributions of cash dividends or other cash distributions, distributions of ADSs pursuant to share dividends or other free share distributions and distributions of securities other than ADSs. As a result, shareholders who exchange Class A ordinary shares into ADSs, and vice versa, may not achieve the level of economic return the shareholders may anticipate.

***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. According to the Stamp Duty (Amendment) (Stock Transfers) Bill 2023, which became effective on November 17, 2023, the stamp duty rate on transfer of any Hong Kong stock would be reduced from 0.13% to 0.1% of the consideration or the market value (whichever is the higher) of the stock transferred, payable by each of the buyer and 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. On July 26, 2023, we entered into the VW Share Purchase Agreement for strategic minority investment by the Volkswagen Group in us, pursuant to which, on December 6, 2023, we issued an aggregate of 94,079,255 Class A ordinary shares to Volkswagen Nominee for approximately US\$705.6 million. On August 27, 2023, we and DiDi entered into the DiDi Share Purchase Agreement to acquire DiDi's smart auto development business, pursuant to which on November 13, 2023, upon the initial closing of the DiDi Share Purchase Agreement, we issued 58,164,217 Class A ordinary shares to DiDi, and we may issue additional Class A ordinary shares to DiDi under the DiDi Share Purchase Agreement upon satisfaction of certain milestones under the DiDi Share Purchase Agreement.

***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 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."

In July 2023, we and the Volkswagen Group entered into the VW Technical Framework Agreement on strategic technical collaboration and the VW Share Purchase Agreement for strategic minority investment by the Volkswagen Group in us.

Our principal executive offices are located at No. 8 Songgang Road, Changxing Street, Cencun, Tianhe District, Guangzhou, Guangdong 510640, People's Republic of China. Our telephone number at this address is +86-20-6680-6680. Our registered office in the Cayman Islands is located at the offices of Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands. Our agent for service of process in the United States in connection with our registration statements is Cogency Global Inc., located at 122 East 42nd Street, 18th Floor, New York, N.Y. 10168. We maintain our website at <https://www.xpeng.com/>. The information contained on, or linked from, our website is not a part of this annual report.

The SEC maintains a web site at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC using its EDGAR system.

## **B. Business Overview**

### **Overview**

We are a leading Chinese Smart EV company that designs, develops, manufactures, and markets Smart EVs that primarily 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.

Since our inception in 2015, we have become one of the leading Smart EV companies in China, with leading software 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 started to roll out our XNGP in March 2023 and have made XNGP available in cities without HD map coverage since November 2023. As a result, its geographical coverage has expanded swiftly in China.

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, industry-leading electrification and smart technologies, 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.

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- In July 2021, we introduced the G3i, which is the mid-cycle facelift version of the G3, and started delivery in August 2021.
- In September 2022, we launched the G9, which is our fourth Smart EV and a mid- to large-sized SUV, and started mass delivery in October 2022.
- In March 2023, we introduced the P7i, which is the mid-cycle facelift version of the P7, and started delivery during the same month.
- In June 2023, we launched the G6, which is our fifth Smart EV, and started delivery to customers in July 2023.
- In January 2024, we launched the X9, which is our sixth Smart EV, and started delivery during the same month.

We currently offer the following models:

- P7 (sports sedan), with a wheelbase of 2,998 mm and CLTC range of 586 km.
- P5 (family sedan), with a wheelbase of 2,768 mm and CLTC range of 500 km.
- G9 (mid- to large-sized SUV), with a wheelbase of 2,998 mm and CLTC range between 570 km and 702 km.
- P7i (sports sedan), with a wheelbase of 2,998 mm and CLTC range between 550 km and 702 km.
- G6 (coupe SUV), with a wheelbase of 2,890 mm and CLTC range between 580 km and 755 km.
- X9 (seven-seater MPV), with a wheelbase of 3,160 mm and CLTC range between 610 km and 702 km.

Our ADAS and in-car intelligent operating system enable 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 expand our customer reach by extending our online and physical sales and service network. As of December 31, 2023, our physical sales network consisted of a total of 500 stores, covering 181 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 self-operated charging station network or at third-party charging stations. In addition, we started to launch the 480kW S4 supercharging stations in China in 2022. As of December 31, 2023, XPENG self-operated charging station network further expanded to 1,108 stations, including 902 XPENG self-operated supercharging stations and 206 destination charging stations. Our S4 supercharging stations have covered over 150 cities in China, including all of the tier-1 and the new tier-1 cities.

Our manufacturing philosophy centers on quality, continuous improvement, flexibility and high operating efficiency. We currently manufacture our vehicles at our own Zhaoqing plant and Guangzhou plant. In addition, the construction of our new manufacturing base in Wuhan has been completed as of March 31, 2024, which is currently awaiting the inspection and acceptance procedures conducted by relevant government authorities.

Our total revenues grew rapidly from RMB20,988.1 million in 2021 to RMB26,855.1 million in 2022, and further to RMB30,676.1 million in 2023. Our Smart EV deliveries increased from 98,155 units in 2021 to 120,757 units in 2022, and further to 141,601 units in 2023, representing a year-on-year growth rate of 17.3% between 2022 and 2023. Along with strong revenue growth, our gross profit margin decreased from 12.5% in 2021 to 11.5% in 2022, and decreased to 1.5% in 2023.

## **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. Primarily 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. 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 ceased the manufacturing and sale of the G3 and G3i.

### ***P7 and P7i***

Our second mass-produced Smart EV, the P7, is a four-door sports sedan. 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.

In March 2023, we introduced and started delivering the P7i, which is the mid-cycle facelift version of the P7.

### ***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.

### ***G9***

In September 2022, we launched the G9, which is our fourth Smart EV and a mid- to large-sized SUV, and started mass delivery in October 2022. In September 2023, we upgraded the G9 to 2024 Edition.

Featuring our powertrain system using 800V high-voltage Silicon Carbide (SiC) platform, the G9 demonstrates greater energy consumption efficiency and charging efficiency compared to other EVs built on a 400V platform. The Max trim of G9 can support our full-scenario ADAS, XNGP, by which we intend to offer advanced driver assistance in the full spectrum of driving scenarios from highways and carparks to complex city roads.

### ***G6***

In June 2023, we launched the G6, which is our fifth Smart EV and a coupe SUV, and started delivery to customers in July 2023.

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Based on our next-generation technology architecture, SEPA 2.0, the G6 is equipped with our powertrain system using 800V high-voltage SiC platform and features cutting-edge front and rear integrated aluminum body die-casting technology and Cell Integrated Body (CIB) battery-body integration technology. The Max trim of the G6 can support our full-scenarios ADAS, XNGP.

### **X9**

In January 2024, we launched the X9, which is our sixth Smart EV and a large seven-seater MPV, and started delivery during the same month.

Based on our next-generation technology architecture, SEPA 2.0, the X9 is equipped with our powertrain system using 800V high-voltage SiC platform and features cutting-edge front and rear integrated aluminum body die-casting technology and CIB battery-body integration technology. The X9 is equipped with an active rear-wheel steering system and intelligent dual-chamber air suspension, providing customers with an enhanced driving experience. Also, the X9 features our next-generation smart in-car operating system, XOS Tianji. The Max trim of the X9 can support our full-scenarios ADAS, XNGP.

### **Plans to Launch New Models**

We plan to continuously introduce new models and facelifts to expand our product portfolio and customer base. We have invested in multiple powerful EV vehicle platforms over the past few years, including our fully established E-platform, F-platform and H-platform. Our future models will be based on these platforms and our next-generation technology architecture SEPA 2.0, adaptable and flexible with multiple vehicle platforms. We also acquired the smart vehicle business of DiDi relating to an A-class EV pursuant to the DiDi Share Purchase Agreement upon the initial closing on November 13, 2023. See “Item 4. Information on the Company — B. Business Overview — Strategic Transactions.”

### **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.

In October 2022, we revealed our next-generation ADAS, XNGP, by which we intend to offer driver assistance in the full spectrum of driving scenarios from highways and carparks to complex city roads. We started to rollout our XNGP in March 2023 and have made XNGP available in cities without HD map coverage since November 2023. As a result, its geographic coverage has expanded swiftly in China. The XNGP experience was made available to the Max trim of each of the G6, the P7i, the G9 and the X9 models.

### **Smart EV Deliveries**

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

					<b>For the three months ended</b>							
	<b>March 31, 2021</b>	<b>June 30, 2021</b>	<b>September 30, 2021</b>	<b>December 31, 2021</b>	<b>March 31, 2022</b>	<b>June 30, 2022</b>	<b>September 30, 2022</b>	<b>December 31, 2022</b>	<b>March 31, 2023</b>	<b>June 30, 2023</b>	<b>September 30, 2023</b>	<b>December 31, 2023</b>
<b>Total</b>	<b>13,340</b>	<b>17,398</b>	<b>25,666</b>	<b>41,751</b>	<b>34,561</b>	<b>34,422</b>	<b>29,570</b>	<b>22,204</b>	<b>18,230</b>	<b>23,205</b>	<b>40,008</b>	<b>60,158</b>

### **Our Technologies**

We develop most of our key technologies in-house to achieve a rapid pace of innovation and tailor our product offerings for consumers. 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***

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 our ADAS 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.

At our fourth annual 1024 Tech Day, October 24, 2022, we revealed our next-generation ADAS, XNGP, by which we intend to offer driver assistance in the full spectrum of driving scenarios. When XNGP is activated with a set destination, the vehicle itself can perform a wide range of driving tasks such as cruising, changing lanes, getting around stationary vehicles or obstacles, and navigate through intersections. We started to rollout our XNGP in March 2023, and have made XNGP available in cities without HD map coverage since November 2023. As a result, its geographic coverage has expanded swiftly in China.

### ***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 charging efficiency, 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. 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.

We rolled out our powertrain system using 800V high-voltage SiC platform on the G9. As a result, the G9 demonstrated greater energy consumption efficiency and charging efficiency compared to other EVs built on a 400V platform. We intend to adopt 800V high-voltage SiC platform on new Smart EV models based on SEPA 2.0 in our future product roadmap. Going forward, we intend to leverage a growing suite of electrification technology innovations to improve our Smart EVs' range, charging speed and costs.

### ***SEPA 2.0***

In April 2023, we unveiled our next-generation technology architecture SEPA 2.0 (Smart Electric Platform Architecture), which set the foundation for our future production models. SEPA 2.0 brought a series of more advanced architectural solutions, from our in-house development autonomous driving software to vehicle engineering. It is expected to shorten future models' R&D cycle and optimize R&D efficiency. Most of the architectural components will be compatible with new models, enabling us to meet diverse customer needs at optimized costs.

SEPA 2.0 is adaptable and flexible with multiple vehicle platforms for wheelbases between 1,800 mm and 3,200 mm and scalable to support a variety of vehicle types, including sedan, coupe, hatchback, wagon, SUV, MPV and pickup truck. SEPA 2.0 integrates various features, including smart technology (XNGP ADAS, Xmart OS in-car operating system and X-EEA electrical and electronic architecture), powertrain (800V high-voltage SiC platform, XPower 800V high-voltage oil-cooled flat-wire SiC integrated electric drive system, X-HP smart thermal management system and fast charging), and advanced manufacturing (front and rear integrated aluminum body die-casting technology, Cell Integrated Body (CIB) technology).

We started delivery of the G6, our first new production model built on SEPA 2.0 in July 2023, and the X9 in January 2024, which is also based on SEPA 2.0.

### ***XOS Tianji***

XOS Tianji is our next-generation smart in-car operating system, which offers a comprehensive suite of smart in-car functionality that aims to integrate our smart driving capabilities with next-generation smart cabin scenarios and advance the human-machine co-driving experience. It features multi-tasking on a single screen, a customizable XDock, real-time Surrounding Reality (SR) display, all-round safety warnings, and smart voice assistant. We expect XOS Tianji to serve as a sophisticated in-car companion and automotive expert for our consumers' daily use. In January 2024, we launched the X9, our first model equipped with XOS Tianji.

### **Sales and Marketing**

We seek to cost-efficiently expand our customer reach and grow sales. We had a total of 500 stores, covering 181 cities in China as of December 31, 2023. Stores in our sales network include both stores directly operated by us and franchised stores, and in 2023 we increased our efforts on expansion through 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. In 2022, we opened stores in the Netherlands, Sweden, Denmark and Norway. In February 2023, we launched the G9 mid- to large-sized SUV and the new P7 sports sedan for Europe and opened Delivery and Service Center in Norway. In the second quarter of 2023, we opened our Delivery and Service Centers consecutively in the Netherlands, Sweden, and Denmark.

### **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 self-operated charging station network, or third-party charging stations. We will continue to expand the XPENG self-operated charging station network coverage, to provide greater accessibility and enhanced charging experience to our customers.

In September 2022, we launched seven 480kW S4 supercharging stations in five cities in China. Our S4 supercharging stations significantly shortened the charging time for our customers with the G9, the G6 and the X9, which are equipped with 800V high-voltage platform. As of December 31, 2023, XPENG self-operated charging station network further expanded to 1,108 stations, including 902 XPENG self-operated supercharging stations and 206 destination charging stations. Our S4 supercharging stations have covered over 150 cities in China, including all of the tier-1 and the new tier-1 cities. We are one of the EV companies that have established self-operated charging networks in China, and we will continue to strategically expand the network of our XPENG self-operated 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 technology support. We provide technology support to our customers who purchased our Smart EVs so they may readily obtain automotive insurance from insurance companies. To offer a convenient experience, we leverage some intelligent functions with patented technology to help customers to quickly make insurance claims. In April 2023, GIIA, a Group VIE as an insurance intermediary with qualifications for nationwide sale of insurance products, collection of insurance premiums, investigation and settlement of losses on an agency basis, started operating and entered into cooperation agreements with certain mainstream insurance companies. We also announced strategic cooperation relationships with leading insurance companies to explore insurance products and services in relation to ADAS.
- Automotive loan referral and auto financing. We cooperate with financial institutions and connect them with customers who seek automotive financing solutions. To complement services of these financial institutions, 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.

### **Strategic Transactions**

On July 26, 2023, we and the Volkswagen Group entered into the VW Technical Framework Agreement on strategic technical collaboration and the VW Share Purchase Agreement for strategic minority investment by the Volkswagen Group in us. Pursuant to the VW Technical Framework Agreement, we and the Volkswagen Group will cooperate on joint development of the two B-class battery electric vehicles models for sale in the Chinese market under Volkswagen brand, leveraging respective core competencies and our G9 platform and connectivity and ADAS software. Pursuant to the VW Share Purchase Agreement, on December 6, 2023, we completed the issuance of an aggregate of 94,079,255 Class A ordinary shares to Volkswagen Nominee for approximately US\$705.6 million. Furthermore, on February 29, 2024, we and Volkswagen Group announced entry into a Master Agreement on Platform and Software Strategic Technical Collaboration (the “Master Agreement”), which accelerates the joint development of two B-class battery electric vehicles models for sale in the Chinese market under Volkswagen brand mentioned in the VW Technical Framework Agreement and paves the way for an extended and deeper strategic collaboration in the future. As part of the Master Agreement, we and the Volkswagen Group have also entered into a joint sourcing program for the common parts of vehicles and platform that used by both parties.

On August 27, 2023, we entered into a share purchase agreement with DiDi and Da Vinci Auto Co. Limited, a wholly-owned subsidiary of DiDi, to acquire, in consideration of the Company's newly issued Class A ordinary shares, the entire issued share capital of Xiaoju Smart Auto Co. Limited, which, together with its subsidiaries, is contemplated to be able to operate the smart auto development business previously conducted by DiDi. We and DiDi simultaneously entered into the DiDi Strategic Cooperation Agreement to embark on cooperation in various areas, including the research and development of the new Smart EV model, operation of the Company's Smart EV models on DiDi's ride sharing platform, marketing, financial and insurance services, charging, Robotaxi and the joint development of international market. On November 13, 2023, upon the initial closing of the DiDi Share Purchase Agreement, we issued 58,164,217 Class A ordinary shares to DiDi, and DiDi's smart auto development business became wholly owned by us and its financial results have been consolidated into our consolidated financial statements. We may issue additional Class A ordinary shares to DiDi under the DiDi Share Purchase Agreement upon satisfaction of certain milestones under such agreement.

## **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 currently manufacture our vehicles at our own Zhaoqing plant and Guangzhou plant. In addition, the construction of our new manufacturing base in Wuhan has been completed as of March 31, 2024, which is currently pending inspection and acceptance procedures conducted by relevant government authorities.

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 smart 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 in all material aspects.

## 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 and hardware technologies, 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, 2021, 2022, and 2023, we had a total of 13,978, 15,829, and 13,550 employees, respectively. The following table sets forth a breakdown of our employees categorized by function as of December 31, 2023.

<b>Function</b>	<b>Number of Employees</b>	<b>Percentage to Total</b>
Research and development	5,401	39.9%
Sales and marketing	4,755	35.1%
Manufacturing	2,879	21.2%
General and administration	91	0.7%
Operation	424	3.1%
<b>Total</b>	<b>13,550</b>	<b>100%</b>

As of December 31, 2023, 13,268 of our employees were based in mainland China or Hong Kong, and 282 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.

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 additional commercial health insurance to increase insurance coverage of our employees. Historically, we have offered and sold our Smart EVs to our employees at discounts. We enter into standard labor, confidentiality and non-compete agreements with our employees. The non-compete restricted period typically expires within 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 causing material negative publicity.

## **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 an approved construction area of over 440,000 square meters. We purchased land use rights with respect to an additional parcel of land of over 370,000 square meters in Zhaoqing, Guangdong Province with a construction area of over 220,000 square meters, and such land use rights expire in 2070. We 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 constructed our manufacturing facility, which conducts trial production and manufactures charging solutions and electric drive system, on this parcel of land, and the plant has a construction area of over 117,000 square meters. We also own land use rights with respect to a parcel of land of over 68,000 square meters with respect to our technology park in Guangzhou, Guangdong Province, and such land use rights expire in 2061. We also own land use rights with respect to a parcel of land of over 1,000,000 square meters in Wuhan, Hubei Province, and such land use rights do not expire until 2072 or at a later time. We have commenced the construction of a new manufacturing base on this parcel of land in July 2021. As of March 31, 2024, the construction of our new manufacturing base in Wuhan has been completed and is pending inspection and acceptance procedures conducted by relevant government authorities. Certain manufacturing buildings of Guangzhou and Zhaoqing plants and the land use right of our new manufacturing base in Wuhan and our technology park in Guangzhou were secured for the long-term bank loans with a total appraised value of RMB4.26 billion.

We also maintain a number of leased properties. Our Guangzhou plant is located in Guangzhou, Guangdong Province, where we lease over 375,000 square meters of land with 230,000 square meters of construction area. Our corporate headquarters is located in Guangzhou, Guangdong Province, where we lease over 117,000 square meters of properties primarily for corporate administration, research and development, trial production and testing. In addition, we lease a number of properties in Beijing, Shanghai and Shenzhen as well as in Silicon Valley and San Diego in the United States, primarily for research and development and sales and marketing. We also 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, the Netherlands, Norway, Sweden and Germany.

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, public 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.

## **Raw Materials and Suppliers**

We incur significant costs related to procuring components and raw materials required to manufacture our Smart EVs. We use various components and raw materials in our business, such as steel and 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, and thus our business and operating results are subject to variability in the cost and availability of these components and materials. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Increases in costs, disruption of supply or shortage of components and materials could have a material adverse impact on our business.” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—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, and choose suppliers based on a variety of factors, such as technological expertise, product quality, manufacturing capacity, price and market reputation. To improve cost efficiency and control supply chain risk, a majority of our components are purchased in China.

## **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 Zhaoqing Xiaopeng New Energy, and our Smart EVs (the P5, the P7, the G9, the G6 and the X9) 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 Zhaoqing Xiaopeng New Energy to become a qualified manufacturer for the manufacturing and sales of our Smart EVs. 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.”

Furthermore, the PRC authorities have recently promulgated new or proposed laws and regulations to further regulate securities offerings that are conducted overseas by China-based issuers. For more detailed information, see “Item 4. Information on the Company—Business Overview—Regulations—Regulations on M&A Rules and Overseas Listings” and “Item 4. Information on the Company—Business Overview—Regulations—Regulation Related to Internet Security and Privacy Protection”. According to these new laws and regulations and the draft laws and regulations, if enacted in their current forms, in connection with our future offshore offering activities, we may be required to fulfill filing, reporting procedures with or obtain approval from the CSRC, and may be required to go through cybersecurity review by the PRC authorities. However, 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—Changes and developments in the PRC legal system and the interpretation and enforcement of PRC laws, rules and regulations may subject us to uncertainties.” 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, which was most recently amended in December 2023 and will become effective in July 2024. The PRC Company Law 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 (2022 version), as promulgated by the NDRC and the MOFCOM on October 26, 2022 and taking effect on January 1, 2023. 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 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 vehicle products before commencing the manufacturing and sale of the new energy vehicle products in China. Both of the new energy vehicle products 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 as most recently revised on September 29, 2022 and implemented on November 1, 2022, and according to 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 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 extended the exemption period for the vehicle purchase tax of new energy vehicles to December 31, 2022. Furthermore, on September 18, 2022, the MOF, the SAT and the MIIT stipulated the Announcement on Continuation for the Exemption of Vehicle Purchase Tax for New Energy Vehicles, which continues to extend the exemption period for the vehicle purchase tax for new energy vehicles to December 31, 2023. On June 19, 2023, the MOF and the MIIT issued the Announcement on Continuation and Optimization for the Exemption of Vehicle Purchase Tax for New Energy Vehicles, pursuant to which new energy vehicles purchased during the period from January 1, 2024 to December 31, 2025 shall be exempted from the vehicle purchase tax and the exemption amount for each new energy passenger vehicle shall not exceed RMB30,000; new energy vehicles purchased during the period from January 1, 2026 to December 31, 2027 shall be subject to the vehicle purchase tax at a reduced rate by half and the exemption amount for each new energy passenger vehicle shall not exceed RMB15,000.

### ***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, the Guidance on the Development of Electric Vehicle Charging Infrastructure (2015-2020) which took effect on October 9, 2015 and the Development Plan for the New-energy Vehicle Industry (2021-2035) which took effect on October 20, 2020, the PRC government encourages the construction and development of charging infrastructure for electric vehicles, such as charging stations and battery swap stations, and 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. 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. Furthermore, on January 10, 2022, the NDRC, together with other competent government authorities, promulgated the Implementation Opinions on Further Improving the Service Guarantee Capability of Electric Vehicle Charging Infrastructure, targeting to further strengthen the electric vehicle charging infrastructure's capacity by optimizing the construction of urban public charging network and accelerating the effective coverage of the fast-charging facilities on the highways. In addition, on July 20, 2023, the NDRC and the MIIT, together with several other government authorities, promulgated the Several Measures for Promoting Automobile Consumption, which aims to strengthen the construction of supporting facilities for new energy automobiles by, among others, accelerating the construction of charging infrastructure in townships and countries, highways, residential areas and other locations.

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 29, 2023 and took effect on August 1, 2023. 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 23, 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. The Guiding Opinions on Further Strengthening the Construction of Safety System for New Energy Vehicle Enterprises issued by the MIIT, together with certain other PRC governmental authorities, on March 29, 2022, proposes to comprehensively enhance the safety capabilities of enterprises in safety management mechanism, product quality, operation monitoring, after-sales service, accident response and handling, as well as enhance network security, improve the safety of new energy vehicles, and promote the high-quality development of the new energy vehicle industry.

According to the Notice on the Filing of Online Upgrade of Automotive Software promulgated and implemented by the MIIT Equipment Industry Development Center on April 15, 2022, filing shall be made for a vehicle manufacturer that has obtained the manufacturing permission license for road vehicles, the vehicle products with OTA upgrade function produced by it and the OTA upgrade activities conducted, with tiered filing based on the impact assessment of specific upgrading activities. In particular, it can be divided into three categories: (i) for upgrading activities not involving changes in product safety, environmental protection, energy saving, anti-theft and other technical performance, enterprises may directly conduct such upgrading activities after filing; (ii) for upgrading activities involving changes in product safety, environmental protection, energy saving, anti-theft and other technical performance, enterprises shall submit verification materials to ensure that the products comply with national laws and regulations, technical standards and specifications as well as other relevant requirements. Among them, for upgrading activities involving the change of technical parameters in this Notice, enterprises shall apply for product change or extension with the MIIT in accordance with the management requirements of this Notice before filing such upgrading activities, with such upgrade subject to the completion of product admission under this Notice according to the process so as to ensure the consistency of vehicle product production; and (iii) for upgrading activities involving vehicle autonomous driving functions (Level 3 and above of driving automation classification), they should be approved by the MIIT.

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 on 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" refers 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 took effect on May 1, 2022 and replaced the previous 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 November 30, 2022, 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 Insurance Agency***

According to the Provisions on the Supervision and Administration of Insurance Agents, or the Insurance Agents Provisions, issued on November 12, 2020 and took effect on January 1, 2021 by the China Banking and Insurance Regulatory Commission, or the CBIRC, the predecessor of the National Financial Regulatory Administration, an insurance agent refers to an entity or an individual entrusted by insurance companies to handle insurance business by and within the authorization of, and which collects commissions from insurance companies, including the professional insurance agency, the ancillary-business insurance agency and the individual insurance sales agent. In order to engage in insurance agency business, a professional insurance agency shall obtain an insurance agency business permit issued by the National Financial Regulatory Administration or its local counterpart. After obtaining the business license, the insurance agency company has to satisfy the requirements prescribed by Insurance Agents Provisions or other relevant regulations on the shareholder and management qualification, capital contribution, articles of association, corporate governance and internal control procedures with viable business model and sound business and financial information system.

In addition, professional insurance agencies shall, within 5 days from the date of occurrence of any of the following circumstances, report to the National Financial Regulatory Administration through the supervision information system and make public disclosure: (i) change of name, domicile or business address; (ii) change of shareholders, registered capital or the form of organization; (iii) change of name or capital contribution of a shareholder; (iv) amendments to the articles of association; (v) equity investment in, or establishment of offshore insurance institutions or non-operating institutions; (vi) division, merger, dissolution, or termination of insurance agency business activities of branches; (vii) change of the principal person-in-charge of a sub-branch; (viii) administrative penalties, civil punishment or pending investigation of suspected illegal crime; or (ix) other reportable events prescribed by the insurance regulatory body under the State Council.

### ***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. Furthermore, on September 12, 2022, the CAC released the Draft Amendment to the Cybersecurity Law, which increases the legal liability for violations under the current Cybersecurity Law, integrates and unifies the penalties for violation of network operation security protection obligations, violation of critical information infrastructure security protection obligations and violation of personal information protection obligations. Since the Amendment was released only for soliciting public comments at this stage, uncertainties exist with respect to the enactment timetable, final content, interpretation and implementation.

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. In addition, the Opinions of the Supreme People's Court, the Supreme People's Procuratorate, and the Ministry of Public Security on Several Issues Concerning the Application of Criminal Procedures in Handling of Criminal Cases Involving Information Networks, which took effect on September 1, 2022, further provide detailed procedures on facilitating the handling of criminal cases of (i) refusing to perform the obligation of managing the security of the information networks, (ii) illegally using the information networks, or (iii) assisting in the criminal activities of the information networks.

On March 13, 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 transfer. For example, on July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transfer, which came into effect on September 1, 2022. These measures require a data processor providing data to overseas recipients and falling under any of the specified circumstances to apply for a security assessment of cross-border data transfer by the national cybersecurity authority through its local counterpart. On February 22, 2023, the CAC promulgated the Measures on the Standard Contract for Cross-border Transfer of Personal Information, which became effective on June 1, 2023. These measures require personal information processors providing personal information to overseas recipients by entering into standard contracts and falling under any of the specified circumstances to file with the local counterpart of the CAC within ten business days from the effective date of the relevant standard contracts. Furthermore, on March 22, 2024, the CAC promulgated the Provisions on Promoting and Standardizing Cross-Border Data Transfer, which set forth the circumstances exempted from performing the security assessment or filing procedures for cross-border data transfer and further clarify the thresholds and scenarios for data processors to go through these procedures as stipulated under the aforementioned measures. However, substantial uncertainties still exist with respect to the interpretation and implementation of these measures in practice and how they will affect our business operation and the value of our securities.

### ***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 2020. Invention patents are valid for twenty years, utility model patents are valid for ten years, and since June 1, 2021, the validation period for design patents whose application date is after June 1, 2021 are extended to fifteen years, in each case from the date of application.

#### ***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, direct or indirect securities investment 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. On December 4, 2023, SAFE issued the Notice on Further Deepening Reforms to Promote the Facilitation of Trade and Investment, which provides that qualified high-tech, "professional, sophisticated, unique and new" and technology-based small and medium-sized enterprises in specified areas can borrow foreign debt on their own within an amount not exceeding the equivalent of US\$10 million. In addition, this notice restructured the asset realization account of capital accounts to the settlement account of capital accounts. The equity transfer consideration funds in foreign currency received by a domestic equity transferor (including institutions and individuals) from domestic parties, as well as the foreign exchange funds raised by domestic enterprises through overseas listing, may be directly remitted to the settlement account of capital accounts. Funds in the settlement account of capital accounts may be settled and used at discretion. However, there are still uncertainties as to the interpretation and implementation of relevant laws and regulations 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.

Furthermore, on December 30, 2022, the NPC released the draft version of the Value Added Tax Law of the People’s Republic of China, or the Draft VAT Law. If passed, the Draft VAT Law will consolidate China’s current VAT regulations into one overarching piece of legislation. The Draft VAT Law was released only for soliciting public comments at this stage and thus substantial uncertainties exist with respect to the enactment timetable, final content, interpretation and implementation.

#### ***Regulations on M&A Rules and Overseas Listings***

On August 8, 2006, six PRC regulatory agencies, including the CSRC, 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.

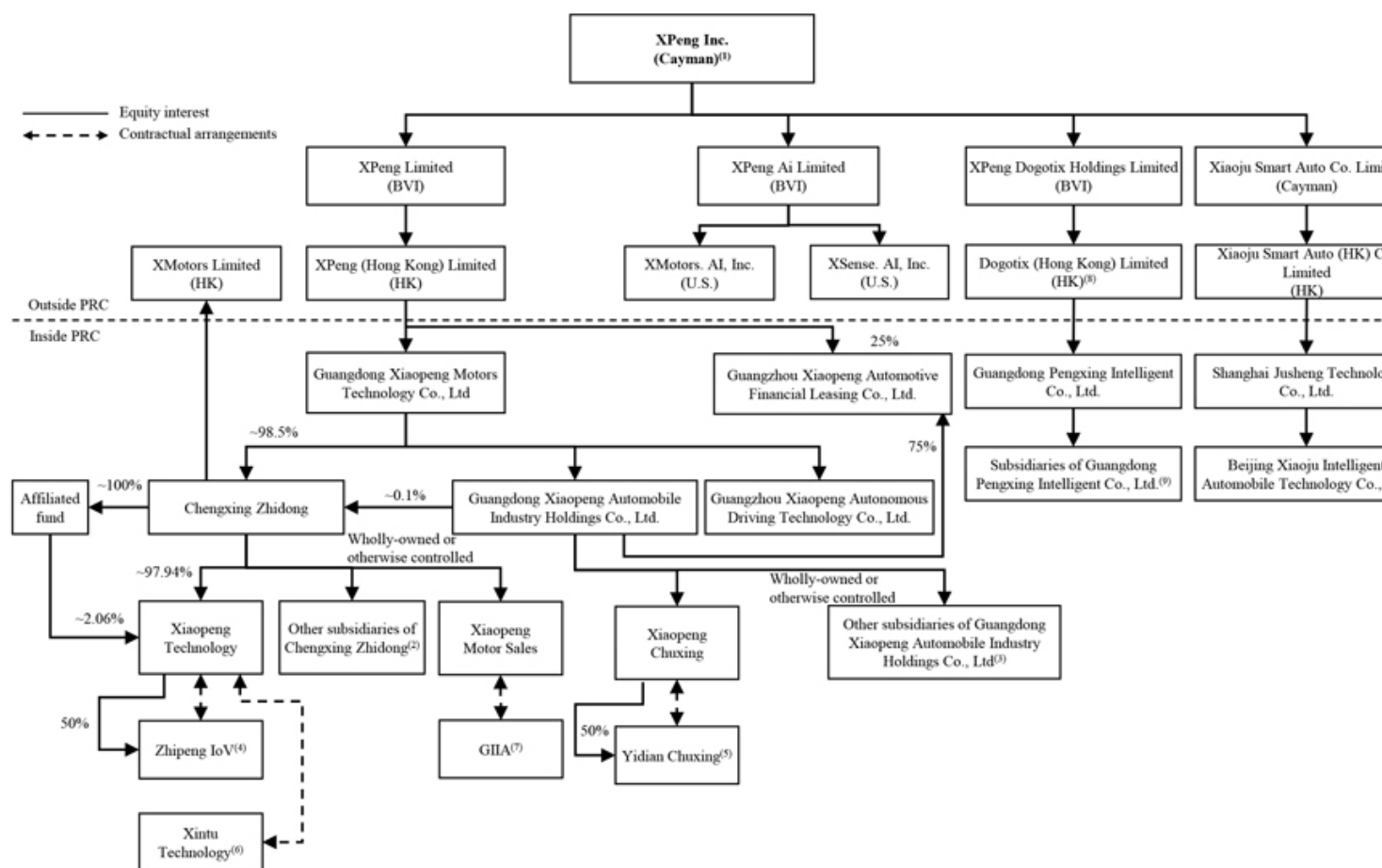
On February 17, 2023, the CSRC promulgated the Overseas Listing Trial Measures, and relevant five guidelines on the application of Regulatory Rules, which took effect from March 31, 2023, requiring Chinese domestic companies' overseas securities offerings or listings be filed with the CSRC. The Overseas Listing Trial Measures clarify the scope of overseas offerings or listings by Chinese domestic companies which are subject to the filing and reporting requirements thereunder, and provide, among others, that Chinese domestic companies that have already directly or indirectly offered and listed securities in overseas markets prior to the effectiveness of the Overseas Listing Trial Measures shall fulfil their filing obligations and report relevant information to the CSRC within three working days after conducting a follow-on securities offering on the same overseas market, and follow the relevant reporting requirements within three working days upon the occurrence and public disclosure of any specified circumstances provided thereunder, including (i) change of control; (ii) investigations or sanctions imposed by overseas securities regulatory agencies or other relevant competent authorities; (iii) change of listing status or transfer of listing segment; (iv) voluntary or mandatory delisting. In addition, where the main business of an issuer undergoes material change after overseas offering and listing, and is therefore beyond the scope of business stated in the filing documents, such issuer shall follow the relevant reporting requirements within three working days after occurrence of the changes. For violations of these provisions or measures, the competent Chinese authorities may impose administrative regulatory measures, such as orders for correction, warnings, fines, and may pursue legal liability in accordance with law.

Furthermore, on February 24, 2023, the CSRC, together with certain other PRC governmental authorities, promulgated the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies ("Revised Confidentiality and Archives Administration Provisions"), which came into effect on March 31, 2023. According to the Revised Confidentiality and Archives Administration Provisions, Chinese companies that directly or indirectly conduct overseas offerings and listings, shall strictly abide by the relevant laws and regulations on confidentiality when providing or publicly disclosing, either directly or through their overseas listed entities, documents and materials to securities service providers such as securities companies and accounting firms or overseas regulators in the process of their overseas offering and listing. In the event such documents or materials contain state secrets or working secrets of government agencies, the Chinese companies shall first obtain approval from competent authorities according to law, and file with the secrecy administrative department at the same level with the approving authority; in the event that such documents or materials, if divulged, will jeopardize national security or public interest, the Chinese companies shall strictly fulfill relevant procedures stipulated by applicable national regulations. The Chinese companies shall also provide a written statement of the specific state secrets and sensitive information provided when providing documents and materials to securities companies and securities service providers, and the securities companies and securities service providers shall properly retain such written statements for inspection. According to the Revised Confidentiality and Archives Administration Provisions, where overseas securities regulators or relevant competent authorities request to inspect, investigate or collect evidence from Chinese domestic companies concerning their overseas offering and listing or their securities companies and securities service providers that undertake securities business for such Chinese domestic companies, such inspection, investigation and evidence collection must be conducted under the cross-border regulatory cooperation mechanism, and the CSRC or competent authorities of the Chinese government will provide necessary assistance pursuant to bilateral and multilateral cooperation mechanism.



**C. Organizational Structure**

The following diagram illustrates our corporate structure as of March 31, 2024. 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) Includes (i) 139 subsidiaries that are wholly-owned by Chengxing Zhidong, (ii) six subsidiaries and three limited partnerships of which a majority equity interest is held by Chengxing Zhidong, and (iii) Zhaoqing Xiaopeng New Energy, of which 100% equity interest was held by Chengxing Zhidong as of December 31, 2023. Chengxing Zhidong and its subsidiaries are primarily involved in research and development, manufacturing and selling our Smart EVs and providing after-sales services. Zhaoqing 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.
- (3) Includes (i) eight subsidiaries that are wholly-owned by Guangdong Xiaopeng Automobile Industry Holdings Co., Ltd. and (ii) two subsidiaries, of which 73.8% and 75% equity interest, respectively, 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.
- (4) 50% of equity interest in Zhipeng IoV is held by us, and Mr. Heng Xia and Mr. Tao He, our co-founders, hold 40% and 10% of equity interest in Zhipeng IoV, respectively.
- (5) 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.

- (6) Xintu Technology is wholly owned by 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.
- (7) GIIA is wholly owned by Guangzhou Xuetao, and Mr. Yeqing Zheng, our joint company secretary, holds 100% equity interest in Guangzhou Xuetao.
- (8) Wholly held by XPeng Dogotix Holdings Limited through intermediary holding entities.
- (9) Includes three subsidiaries wholly owned by Guangdong Pengxing Intelligent Co., Ltd.: Shenzhen Pengxing Intelligent Co., Ltd., Shenzhen Pengxing Intelligent Research Co., Ltd., Shenzhen Pengxing Intelligent Technology Innovation Co., Ltd. Guangdong Pengxing Intelligent Co., Ltd. and its subsidiaries are primarily involved in research and development of robots with human-robot interaction functions.

#### **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 through its subsidiaries in China and through contractual arrangements with the Group VIEs. Under the PRC laws and regulations, (i) the provision of value-added telecommunication service in the PRC is subject to foreign investment restrictions and license requirements, and therefore, we operate such business in China through Zhipeng IoV, which is primarily engaged in the business of development and the operation of an Internet of Vehicles (IoV) network involving the XPENG App, and Yidian Chuxing, which is primarily engaged in the business of provision of online-hailing services through online platform including the Youpeng Chuxing App; (ii) 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, and therefore, we operate such business in China through Xintu Technology and its subsidiary, which is Zhipeng Kongjian, which is 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 (after the Surveying and Mapping Qualification Certificate is renewed, we plan to develop mapping and navigation solutions that will improve customers' driving experience); and (iii) the provision of insurance agency service in the PRC is subject to foreign investment restrictions and license requirements, and therefore, we operate such business in China through GIIA, which is primarily engaged in the business of providing insurance agency services.

We have entered into a series of contractual arrangements with each of Zhipeng IoV, Yidian Chuxing, Xintu Technology and GIIA, each a Group VIE, and its respective affiliate shareholders, 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 such Group VIEs; (ii) exclusive service agreements, which allow us to receive substantially all of the economic benefits from such 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 such Group VIEs when and to the extent permitted by PRC law.

As a result of these contractual arrangements, we maintain a controlling financial interest as the primary beneficiary of the Group VIEs for accounting purposes (as defined in US GAAP, ASC 810). We have consolidated their financial results in our consolidated financial statements without owning a majority equity interest in Zhipeng IoV or Yidian Chuxing or any equity interest in Xintu Technology or GIIA. 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, Xiaopeng Motors Sales and each of the Group 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, Xiaopeng Motors Sales, each of the Group 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 or court proceedings in China. For additional information, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—We rely on contractual arrangements with the Group VIEs and their respective affiliate shareholders to operate certain businesses that do not have and are not expected in the foreseeable future to have material revenue contributions to the Group. 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, (iii) Xiaopeng Technology, Xintu Technology and its shareholder and (iv) Xiaopeng Motors Sales, GILA, Guangzhou Xuetao and its individual 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 Zhipeng IoV 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 (vi) 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 be 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 be 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.

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 Yidian Chuxing and exercise the rights of the individual shareholders in the event of liquidation of Yidian Chuxing; (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 (vi) to instruct the directors and senior officers to act in accordance with the instruction of Xiaopeng Technology and its designated persons.

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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 Chuxing 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 be 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 be 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 sequent 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 Xintu Technology 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 (vi) 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 be 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 be 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.

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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);
- (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.

### ***Contractual Arrangement with GIIA and its Shareholder***

On July 22, 2022, Xiaopeng Motors Sales, Mr. Tao He, our co-founder, his spouse, and Guangzhou Xuetao, of which 50% equity interest is owned by Mr. Tao He and 50% is owned by his spouse, entered into a cooperation agreement. According to the cooperation agreement, Xiaopeng Motors Sales designated Mr. Tao He and his spouse as its representatives to acquire 100% of equity interest in GIIA through Guangzhou Xuetao on the same day. On January 31, 2024, Xiaopeng Motors Sales, Mr. Tao He, his spouse, and Guangzhou Xuetao agreed to terminate the above described cooperation agreement. On the same day, a series of contractual arrangements with GIIA were executed by Xiaopeng Motors Sales, Guangzhou Xuetao and Mr. Yeqing Zheng, the individual shareholder of Guangzhou Xuetao, the key terms of which are summarized as follows.

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

Under the exclusive service agreement executed in January 2024, GIIA appoints Xiaopeng Motor Sales as its exclusive services provider to provide GIIA with services related to GIIA's business during the term of the exclusive service agreement. In consideration of the services provided by Xiaopeng Motor Sales, GIIA shall pay Xiaopeng Motor Sales annual fees, which should be mutually agreed by both parties and can be adjusted according to Xiaopeng Motor Sales' 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 Motor Sales, the exclusive service agreement shall remain effective for 20 years from January 31, 2024, and can be automatically renewed for one year every subsequent year unless otherwise terminated by a written notice served by Xiaopeng Motor Sales. The exclusive service agreement also provides that Xiaopeng Motor Sales has the exclusive proprietary rights in any and all intellectual property rights which are developed by GIIA at the request of Xiaopeng Motor Sales or are developed by the parties jointly. Our directors consider that the above arrangements will ensure the economic benefits generated from the operations of GIIA will flow to Xiaopeng Motor Sales and hence our company as a whole.

#### *Loan Agreement*

Pursuant to the loan agreement executed in January 2024, Xiaopeng Motor Sales should provide Mr. Zheng, the individual shareholder of Guangzhou Xuetao, with a loan in the aggregate amount of RMB31.5 million to acquire 100% of equity interest in GIIA through Guangzhou Xuetao from Mr. Tao He and his spouse. Mr. Zheng has pledged all of his equity interest in Guangzhou Xuetao as a security interest to repay the loan provided by Xiaopeng Motor Sales and guarantee the performance of other obligations under the loan agreement. 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 Guangzhou Xuetao's licensed operating period; and (iii) the expiry date of GIIA's licensed operating period. During the term of loan agreement, Xiaopeng Motor Sales 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 January 2024, Mr. Zheng, the individual shareholder of Guangzhou Xuetao, and Guangzhou Xuetao (collectively, the "Pledgors") have pledged all of his equity interest in GIIA as a security interest, as applicable, to respectively guarantee the performance of obligations of the Pledgors under the relevant contractual arrangement, which include the exclusive service agreement, exclusive option agreement, power of attorney and loan agreement. If the Pledgors breach their contractual obligations under these agreements, Xiaopeng Motor Sales, as pledgee, will be entitled to certain rights regarding the pledged equity interests. In the event of such breaches, upon giving written notice to the Pledgors, Xiaopeng Motor Sales may exercise the right to enforce the pledge to the extent permitted by PRC laws, which is being paid in priority with the equity interest of GIIA from the proceeds from auction or sale of the equity interest. The Pledgors agree that, during the term of the equity interest pledge agreement, it 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 Motor Sales. The Pledgors may receive dividends distributed on the equity interest only with prior consent of Xiaopeng Motor Sales. The equity interest pledge agreement will 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 after the Pledgors and Xiaopeng Motor Sales have duly signed such agreement. The registration of the equity interest pledge as required by the relevant laws and regulations is currently in process as of the date hereof and we expect to complete such registration in due course in accordance with PRC laws.

#### *Power of Attorney*

Pursuant to the power of attorney executed in January 2024, Mr. Zheng and Guangzhou Xuetao (collectively, the "GIIA Shareholder") have irrevocably undertaken to appoint Xiaopeng Motor Sales 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 GIIA Shareholder 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 GIIA according to the articles of association of GIIA, including but not limited to, the rights to (i) convene and participate in the shareholder's meeting of GIIA pursuant to the articles of GIIA in the capacity of a proxy of the GIIA Shareholder; (ii) exercise the voting rights, and adopt resolutions, on matters to be discussed and resolved at shareholder's meetings and the appointment and election of directors, supervisors and other senior management of GIIA to be appointed by the GIIA Shareholder, dispose the company assets, amend the articles of GIIA and exercise the rights of the GIIA Shareholder in the event of liquidation of GIIA; (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 GIIA Shareholder; (iv) to exercise rights of the GIIA Shareholder and any other voting rights of the GIIA Shareholder under the relevant PRC laws and regulations and the articles of associations of GIIA, 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 GIIA by the GIIA Shareholder in accordance with exclusive option agreement, assets transfer, capital reduction or capital increase in GIIA; and (vi) to instruct the directors and senior officers to act in accordance with the instruction of Xiaopeng Motor Sales and its designated persons.

Subject to other terms in the power of attorney, the power of attorney shall remain effective for 20 years from January 31, 2024, 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 the GIIA 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 January 2024, the GIIA Shareholder has irrevocably granted Xiaopeng Motor Sales an irrevocable and exclusive right to purchase, or designate one or more entities or persons to purchase, the equity interests in GIIA then held by the GIIA Shareholder, and the assets of GIIA, once or at multiple times at any time in part or in whole at Xiaopeng Motor Sales' sole and absolute discretion to the extent permitted by PRC law. The purchase price for the equity interests in GIIA shall be equal to the amount of relevant registered capital contributed by the GIIA Shareholder while the purchase price for the assets of GIIA shall be 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 GIIA held by the GIIA Shareholder and all of GIIA's assets have been transferred or assigned to Xiaopeng Motor Sales or its designated entities or persons.

Subject to the relevant PRC laws and regulations, the GIIA Shareholder has also undertaken that it will return to Xiaopeng Motor Sales any consideration it receives in the event that Xiaopeng Motor Sales exercises the options under the exclusive option agreement to acquire the equity interests in GIIA.

Further, pursuant to the exclusive option agreement, the GIIA Shareholder has irrevocably undertaken to perform certain acts or refrain from performing certain other acts unless they have obtained prior written approval from Xiaopeng Motor Sales, including but not limited to matters including:

- (1) The GIIA 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) The GIIA Shareholder shall not increase or reduce GIIA's registered capital, or cause it to merge with any other entity;
- (3) The GIIA Shareholder shall not dispose or cause GIIA to dispose of any material assets (other than in its ordinary course of business);
- (4) The GIIA Shareholder shall not terminate or cause GIIA to terminate any material contract or enter into any contract that will conflict with existing material contracts;
- (5) The GIIA Shareholder shall not appoint or remove any director, supervisor or any other officer that should be appointed by them;
- (6) The GIIA Shareholder shall not cause GIIA to distribute any distributable profit, bonus or dividend;
- (7) The GIIA Shareholder shall not take any action (including inaction) that will affect GIIA's continued existence or adopt any action that will lead to the possibility of its cessation of business, liquidation or dissolution;
- (8) The GIIA Shareholder shall not amend its articles; and

- (9) The GIIA Shareholder 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 Zhaoqing 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, which is jointly owned by Mr. Heng Xia and Mr. Tao He, held 50% of the equity interest of Zhaoqing 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 Zhaoqing 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 Zhaoqing Xiaopeng New Energy to Zhaoqing Xiaopeng. As a result, Zhaoqing Xiaopeng New Energy has become our wholly-owned subsidiary. Zhaoqing 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%.

On June 11, 2021, Yuecai notified Chengxing Zhidong that it irrevocably undertakes not to exercise the rights under the capital increase agreement to request Xiaopeng Motors to purchase the shares of Chengxing Zhidong held by it in connection with our listing on the Hong Kong Stock Exchange. Accordingly, Yuecai continued to be a shareholder of Chengxing Zhidong in respect of its entire investment in Chengxing Zhidong following our listing on the Hong Kong Stock Exchange.

#### **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 primarily 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.

Since our inception in 2015, we have become one of the leading Smart EV companies in China, with leading software 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 started to roll out our XNGP in March 2023 and have made XNGP available in cities without HD map coverage since November 2023. As a result, its geographical coverage has expanded swiftly in China.

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, industry-leading electrification and smart technologies, 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.
- In September 2022, we launched the G9, which is our fourth Smart EV and a mid- to large-sized SUV, and started mass delivery in October 2022.
- In March 2023, we introduced the P7i, which is the mid-cycle facelift version of the P7, and started delivery during the same month.
- In June 2023, we launched the G6, which is our fifth Smart EV, and started delivery to customers in July 2023.
- In January 2024, we launched the X9, which is our sixth Smart EV, and started delivery during the same month.

We currently offer the following models:

- P7 (sports sedan), with a wheelbase of 2,998 mm and CLTC range of 586 km.
- P5 (family sedan), with a wheelbase of 2,768 mm and CLTC range of 500 km.
- G9 (mid- to large-sized SUV), with a wheelbase of 2,998 mm and CLTC range between 570 km and 702 km.
- P7i (sports sedan), with a wheelbase of 2,998 mm and CLTC range between 550 km and 702 km.
- G6 (coupe SUV), with a wheelbase of 2,890 mm and CLTC range between 580 km and 755 km.
- X9 (seven-seater MPV), with a wheelbase of 3,160 mm and CLTC range between 610 km and 702 km

Our ADAS and in-car intelligent operating system enable 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 expand our customer reach by extending our online and physical sales and service network. Our physical sales network consisted of a total of 500 stores in operation, covering 181 cities as of December 31, 2023. 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 self-operated charging station network or at third-party charging stations. In addition, we started to launch the 480kW S4 supercharging stations in China in 2022. As of December 31, 2023, XPENG self-operated charging station network further expanded to 1,108 stations, including 902 XPENG self-operated supercharging stations and 206 destination charging stations. Our S4 supercharging stations have covered over 150 cities in China, including all of the tier-1 and the new tier-1 cities.

Our manufacturing philosophy centers on quality, continuous improvement, flexibility and high operating efficiency. We manufacture our vehicles at our own plants in Zhaoqing and Guangzhou, Guangdong province. In addition, the construction of our new manufacturing base in Wuhan has been completed as of March 31, 2024 and is pending inspection and acceptance procedures conducted by relevant government authorities.

Our total revenue grew rapidly from RMB20,988.1 million in 2021 to RMB26,855.1 million in 2022, and further to RMB30,676.1 million in 2023. Our Smart EV deliveries increased from 98,155 units in 2021 to 120,757 units in 2022, and further to 141,601 units in 2023, representing a year-on-year growth rate of 17.3% between 2022 and 2023. Along with strong revenue growth, our gross profit margin decreased from 12.5% in 2021 to 11.5% in 2022, and decreased to 1.5% in 2023.

#### **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 five Smart EV models as of December 31, 2023 and our X9 on January 1, 2024, and we plan to continuously introduce new models and facelifts to expand our product portfolio and customer base.

### **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;
- 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.
- Seasonal fluctuations of the customers' demand for our Smart EVs.

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 many 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 five Smart EVs as of December 31, 2023, the G3 (including G3i) (which we have ceased manufacturing and selling), the P7 (including P7i), the P5, the G9 and the G6, and our X9 on January 1, 2024. 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, XNGP, Xsmart OS and XOS Tianji, 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 39.9% of our total employees as of December 31, 2023. In August 2023, we acquired 100% ownership interest of DiDi's smart auto development business to develop, design and engineer a new smart EV model. In September 2023, we entered into share purchase agreements to acquire shares of Dogotix, which has been dedicated to research and development of robots with human-robot interaction functions since its incorporation. 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.

**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 multiple Smart EV platforms that are scalable for different types of our vehicles 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 and Guangzhou 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,					
	2021		2022		2023	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
<b>Revenues</b>						
Vehicle sales	20,041,955	95.5	24,839,637	92.5	28,010,857	91.3
Services and others	946,176	4.5	2,015,482	7.5	2,665,210	8.7
<b>Total</b>	<b>20,988,131</b>	<b>100.0</b>	<b>26,855,119</b>	<b>100.0</b>	<b>30,676,067</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, supercharging 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 chargers 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.

**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,					
	2021		2022		2023	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
<b>Cost of sales</b>						
Vehicle sales	17,733,036	84.5	22,493,122	83.8	28,457,909	92.8
Services and others	632,540	3.0	1,273,606	4.7	1,767,003	5.7
<b>Total</b>	<b>18,365,576</b>	<b>87.5</b>	<b>23,766,728</b>	<b>88.5</b>	<b>30,224,912</b>	<b>98.5</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 39.9% of its total employees as of December 31, 2023.

#### *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,					
	2021		2022		2023	
	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)					
<b>Selling, general and administrative expenses</b>						
Selling expenses	4,276,366	80.6	5,028,958	75.2	5,013,734	76.4
General and administrative expenses	1,029,067	19.4	1,659,288	24.8	1,545,208	23.6
<b>Total</b>	<b>5,305,433</b>	<b>100.0</b>	<b>6,688,246</b>	<b>100.0</b>	<b>6,558,942</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 grants that are not contingent upon the Group's further actions or performance.

***Fair value gain on derivative liability relating to the contingent consideration***

The Group's fair value gain on derivative liability relating to the contingent consideration consists of the fair value change of the contingent consideration related to the acquisition of DiDi's smart auto business.

***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 assets or derivative liabilities***

Fair value gain (loss) on derivative assets or derivative liabilities consists of net gain (loss) from the change in the fair value of derivative assets or derivative liabilities, which are primarily related to forward exchange contracts and the forward share purchase agreement with Volkswagen Group.

***Investment gain (loss) on long-term investments***

Investment gain (loss) on long-term investments consists of net gain (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.

**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 us to our shareholders.

***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 in the United States where our subsidiaries have significant operations for the years ended December 31, 2021, 2022 and 2023 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 and was most recently amended on December 29, 2018, applies a uniform enterprise income tax rate of 25% to both FIEs and domestic enterprises. Pursuant to the Administrative Measures on Certification of High and New Technology Enterprises promulgated by the MOST, MOF and State Taxation Administration on January 29, 2016, 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 2022, and it is entitled to enjoy the beneficial tax rate of 15% for the years 2022 through 2024.

Zhaoqing Xiaopeng Automobile Co., Ltd., one of our subsidiaries, qualified as an HNTE in December 2020 and renewed in December 2023, and it is entitled to enjoy the beneficial tax rate of 15% for the years 2023 through 2025.

Beijing Xiaopeng Automobile Co., Ltd., one of our subsidiaries, applied for the HNTE qualification and received approval in December 2020. Beijing Xiaopeng continued to enjoy the beneficial tax rate of 15% as an HNTE for the years 2020 through 2022. Since such qualification expired in 2023, this enterprise applies a tax rate of 25% for the year 2023.

Shanghai Xiaopeng Motors Technology Co., Ltd., one of our subsidiaries, qualified as an HNTE in December 2022, and it is entitled to enjoy the beneficial tax rate of 15% for the years 2022 through 2024.

Shenzhen Pengxing Smart Research Co., Ltd., one of our subsidiaries, qualified as an HNTE in October 2023, and it is entitled to enjoy the beneficial tax rate of 15% for the years 2023 through 2025.

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 still exists 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 Taxation Administration 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 75% or 100% of its qualified 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 Taxation Administration of the PRC in September 2018, and was further extended to December 31, 2023 as the State Taxation Administration of the PRC announced in March 2021.

The additional tax deduction amount of the qualified research and development expenses has been increased from 75% to 100% for manufacturing entities, effective in 2021, according to a new tax incentives policy promulgated by the State Taxation Administration of the PRC in March 2021, and such preferential tax treatment was further implemented as a long-term arrangement since January 1, 2023, according to a new tax incentives policy promulgated by the State Taxation Administration in March 2023.

### **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:

- 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 a sales contract including sales of vehicle, 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, services of lifetime free battery charging in XPENG-branded supercharging stations and lifetime warranty of battery, which are defined by our 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 were entitled to government subsidies when they purchase EVs before December 31, 2022. 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. The government subsidies for the new EVs had expired since January 1, 2023.

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 us, 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 household charging pile is recognized at a point in time when the control of the Smart EV is transferred to the customer and the charging pile 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 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 supercharging stations, we recognize 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 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.

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XPILOT, our intelligent driving system, provides assisted driving and parking functions tailored for different driving behaviors and road conditions in China. A customer can subscribe for XPILOT by either making a lump sum payment or paying annual installments over a three-year period, or purchasing a vehicle equipped with XPILOT. Revenue related to XPILOT is recognized at a point in time when intelligent driving functionality of XPILOT is delivered and transferred to the customers.

### Other services

We provide other services to customers, including services embedded in a sales contract, supercharging service, maintenance service, technical support services, auto financing services and others.

Revenue from services embedded in a sales contract included 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 supercharging station. Other services also included supercharging service, maintenance service, technical support service and second-hand vehicle sales services. These services are recognized either over time or point in time, as appropriate, 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, extended warranty of 10 years or 200,000 kilometers, basic maintenance service of 6 times in 4 years 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 services will be very limited. We also perform an estimation on the standalone 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 standalone 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 and others. 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 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 standalone 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 standalone 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 standalone 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 standalone 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. As of December 31, 2022, the trade-in program has been closed. If the owners of G3 2019, who elected the trade-in right, did not sign the trade-in contracts or reach an additional agreement with us in 2022, the trade-in right will be expired.

#### ***Warranties***

We provided a manufacturer’s standard warranty on all vehicles sold. We accrued for a warranty reserve for the vehicles sold by us, which included our 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 our relatively short history of sales, and changes to our 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.

We do 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. We also provide 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.

#### ***Business Combination***

We account for business combinations under ASC 805, Business Combinations. Business combinations are recorded using the acquisition method of accounting, and the transaction consideration of an acquisition is determined based upon the aggregate fair value at the date of exchange of the assets transferred, liabilities incurred, and equity instruments issued, including any consideration contingent upon future events as defined. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets and liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any noncontrolling interests.

The excess of the total transaction consideration over the aggregate fair value of the acquired identifiable net assets is recorded as goodwill. If the total transaction consideration is less than the fair value of the net assets of the subsidiaries acquired, the difference is recognized directly in the consolidated statements of comprehensive loss. Goodwill is not amortized but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, by performing the quantitative test through comparing each reporting unit’s fair value to its carrying value, including goodwill.



**Fair Value Determination Related to the Accounting for Business Combination**

We estimated the fair value of acquired vehicle platform technology (“VPT”) and vehicle model technology under development (“VMTUD”) from the acquisition of DiDi’s smart auto business using the relief from royalty method and multiperiod excess earnings method, respectively. Our determination of the fair value of acquired VPT and VMTUD involved the use of estimates and assumptions related to projected revenues, royalty rate and discount rate for VPT, and in the case of VMTUD, projected revenues and discount rate. We estimated the useful life of VPT to be 10 years, based on the expected technical obsolescence and innovations and industry experience of such intangible asset. The VMTUD acquired is considered indefinite-lived until the completion of the associated research and development efforts and a determination related to commercial feasibility. At such time, we will determine the related useful life and method of amortization.

We estimated the acquisition date fair value of the contingent consideration liability based on the total contingent shares to be issued, considering projected delivery volume, and the closing price of the Company’s common share on the acquisition date.

**Results of Operations for Continuing Operations**

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,					
	2021		2022		2023	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
<b>Revenues</b>						
Vehicle sales	20,041,955	95.5	24,839,637	92.5	28,010,857	91.3
Services and others	946,176	4.5	2,015,482	7.5	2,665,210	8.7
<b>Total revenues</b>	<b>20,988,131</b>	<b>100.0</b>	<b>26,855,119</b>	<b>100.0</b>	<b>30,676,067</b>	<b>100.0</b>
<b>Cost of sales</b>						
Vehicle sales	(17,733,036)	(84.5)	(22,493,122)	(83.8)	(28,457,909)	(92.8)
Services and others	(632,540)	(3.0)	(1,273,606)	(4.7)	(1,767,003)	(5.7)
<b>Total cost of sales</b>	<b>(18,365,576)</b>	<b>(87.5)</b>	<b>(23,766,728)</b>	<b>(88.5)</b>	<b>(30,224,912)</b>	<b>(98.5)</b>
<b>Gross profit</b>	<b>2,622,555</b>	<b>12.5</b>	<b>3,088,391</b>	<b>11.5</b>	<b>451,155</b>	<b>1.5</b>
<b>Operating expenses</b>						
Research and development expenses	(4,114,267)	(19.6)	(5,214,836)	(19.4)	(5,276,574)	(17.2)
Selling, general and administrative expenses	(5,305,433)	(25.3)	(6,688,246)	(24.9)	(6,558,942)	(21.4)
<b>Total operating expenses</b>	<b>(9,419,700)</b>	<b>(44.9)</b>	<b>(11,903,082)</b>	<b>(44.3)</b>	<b>(11,835,516)</b>	<b>(38.6)</b>
Other income, net	217,740	1.0	109,168	0.4	465,588	1.5
Fair value gain on derivative liability relating to the contingent consideration	—	—	—	—	29,339	0.1
<b>Loss from operations</b>	<b>(6,579,405)</b>	<b>(31.4)</b>	<b>(8,705,523)</b>	<b>(32.4)</b>	<b>(10,889,434)</b>	<b>(35.5)</b>
Interest income	743,034	3.5	1,058,771	3.9	1,260,162	4.1
Interest expenses	(55,336)	(0.3)	(132,192)	(0.5)	(268,666)	(0.9)
Fair value gain (loss) on derivative assets or derivative liabilities	79,262	0.4	59,357	0.2	(410,417)	(1.3)
Investment gain (loss) on long-term investments	591,506	2.8	25,062	0.1	(224,364)	(0.7)
Exchange gain (loss) from foreign currency transactions	313,580	1.5	(1,460,151)	(5.4)	97,080	0.3
Other non-operating income, net	70,253	0.3	36,318	0.1	41,934	0.1
<b>Loss before income tax expenses and share of results of equity method investees</b>	<b>(4,837,106)</b>	<b>(23.2)</b>	<b>(9,118,358)</b>	<b>(34.0)</b>	<b>(10,393,705)</b>	<b>(33.9)</b>
Income tax expenses	(25,990)	(0.1)	(24,731)	(0.1)	(36,810)	(0.1)
Share of results of equity method investees	—	—	4,117	0.0	54,740	0.2
<b>Net loss</b>	<b>(4,863,096)</b>	<b>(23.3)</b>	<b>(9,138,972)</b>	<b>(34.1)</b>	<b>(10,375,775)</b>	<b>(33.8)</b>

**Year Ended December 31, 2023 compared to year ended December 31, 2022**

**Revenues.** The Group’s revenues increased from RMB26,855.1 million in 2022 to RMB30,676.1 million in 2023, which was primarily due to an increase in revenues from vehicle sales. The Group recorded revenues from vehicle sales of RMB28,010.9 million in 2023, as compared to RMB24,839.6 million in 2022. The increase was mainly attributable to the accelerating sales growth of the G6 and the G9 in 2023. We delivered a total of 120,757 units of vehicles in 2022, and a total of 141,601 units of vehicles in 2023. The Group recorded revenues from services and others of RMB2,665.2 million in 2023, as compared to RMB2,015.5 million in 2022. The increase was mainly attributable to the increases of second-hand vehicle sales, maintenance and supercharging services sales, which were in line with the higher accumulated vehicles delivered.

**Cost of sales.** The Group’s cost of sales increased from RMB23,766.7 million in 2022 to RMB30,224.9 million in 2023. Such increase was mainly in line with vehicle deliveries as described above. The Group recorded cost of sales from vehicle sales of RMB28,457.9 million in 2023, as compared to RMB22,493.1 million in 2022. The Group recorded cost of sales from services and others of RMB1,767.0 million in 2023, as compared to RMB1,273.6 million in 2022.

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*Gross profit.* The Group's gross profit decreased from RMB3,088.4 million in 2022 to RMB451.2 million in 2023, mainly due to increased sales promotions, the expiry of new energy vehicle subsidies entitled to car buyers, and the inventory provision and losses on purchase commitment related to the G3i and upgrades of existing models.

*Vehicle margin.* The Group's vehicle margin was negative 1.6% in 2023, compared with 9.4% for the prior year. The year-over-year decrease was explained by (i) increased sales promotions and the expiry of new energy vehicle subsidies entitled to car buyers, and (ii) the inventory provisions and losses on purchase commitment related to the G3i and upgrades of existing models, with a negative impact of 2.4% on vehicle margin for the fiscal year. Excluding aforementioned (ii), the vehicle margin was positive 0.8%.

*Research and development expenses.* The Group's research and development expenses increased by 1.2% from RMB5,214.8 million in 2022 to RMB5,276.6 million in 2023, mainly in line with timing and progress of new vehicle programs.

*Selling, general and administrative expenses.* The Group's selling, general and administrative expenses decreased by 1.9% from RMB6,688.2 million in 2022 to RMB6,558.9 million in 2023, primarily due to the decrease of marketing, promotional and advertising expenses resulting from prudent cost control and improved operational efficiency.

*Other income, net.* The Group recorded other income of RMB465.6 million in 2023, as compared to RMB109.2 million in 2022, primarily due to the increased government subsidies entitled to the Group that are recognized in profit or loss upon receipt, as further performance by us is not required.

*Fair value gain on derivative liability relating to the contingent consideration.* The Group recorded a fair value gain on derivative liability relating to the contingent consideration of RMB29.3 million in 2023, as compared to nil in 2022, primarily due to the fair value change of the contingent consideration related to the acquisition of DiDi's smart auto business.

*Loss from operations.* As a result of the foregoing, the Group incurred a loss from operations of RMB10,889.4 million in 2023, as compared to RMB8,705.5 million in 2022.

*Interest income.* The Group recorded interest income of RMB1,260.2 million in 2023, as compared to RMB1,058.8 million in 2022, primarily due to higher cash balances deposited with banks in 2023.

*Interest expenses.* The Group recorded interest expenses of RMB268.7 million in 2023, as compared to RMB132.2 million in 2022, primarily due to an increase in bank borrowings.

*Fair value gain (loss) on derivative assets or derivative liabilities.* The Group recorded fair value loss on derivative assets or derivative liabilities of RMB410.4 million in 2023, which resulted from the fluctuation in the fair value of the forward share purchase agreement, measured through profit or loss, related to the issuance of Class A ordinary shares by us for strategic minority investment by the Volkswagen Group, as compared to the fair value gain on derivative assets or derivative liabilities of RMB59.4 million in 2022, which was primarily due to the recognition of fair value gain on forward exchange contracts.

*Investment gain (loss) on long-term investments.* The Group recorded investment loss on long-term investments of RMB224.4 million in 2023, as compared to the investment gain on long-term investments of RMB25.1 million in 2022 as a result of fair value fluctuation on the Company's equity and debt investments in 2023.

*Exchange gain (loss) from foreign currency transactions.* The Group recorded exchange gain from foreign currency transactions of RMB97.1 million in 2023, as compared to exchange loss from foreign currency transactions of RMB1,460.2 million in 2022, primarily reflecting the revaluation impact of U.S. dollar-denominated and Euro-denominated assets held in Renminbi functional currency subsidiaries as a result of the depreciation of the Renminbi against the U.S. dollar and Euro in 2023.

*Net loss.* As a result of the foregoing, the Group incurred a net loss of RMB10,375.8 million in 2023, as compared to RMB9,139.0 million in 2022.

### **Year Ended December 31, 2022 compared to year ended December 31, 2021**

For a discussion of the Group's results of operations for the year ended December 31, 2022 compared with the year ended December 31, 2021, see "Item 5. Operating and Financial Review and Prospects — A. Operating Results — Year Ended December 31, 2022 Compared to Year Ended December 31, 2021" in our annual report on Form 20-F for the year ended December 31, 2022, filed with the SEC on April 12, 2023.

## **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, 2021, 2022 and 2023, the Group had cash and cash equivalents, restricted cash, short-term investments and time deposits of a total of RMB43,543.9 million, RMB38,251.8 million, and RMB45,698.5 million, respectively. The Group's restricted cash, which amounted to RMB3,174.9 million as of December 31, 2023, primarily represents bank deposits for letters of guarantee, bank notes and cash restricted as to withdrawal or use due to legal disputes.

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. The principal amount of these two loan agreements had been repaid as of December 31, 2021 in advance.

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.

In February 2022, we completed a debt issuance of RMB775.0 million automobile leasing carbon-neutral asset-backed securities, or the ABS. The ABS was listed on the Shenzhen Stock Exchange in March 2022. The issued ABS of RMB624.0 million in the senior A tranche with a debt rating of AAA has a coupon rate of 3.00%. The issued ABS of RMB31.0 million in the senior B tranche with a debt rating of AA+ has a coupon rate of 3.50%. In September 2023, the ABS issued by us in February 2022 has matured. In November 2022, we completed another debt issuance of RMB964.0 million ABS on the Shanghai Stock Exchange. The issued ABS of RMB805.0 million in the senior A tranche with a debt rating of AAA has a coupon rate of 2.80% and the issued ABS of RMB39.0 million in senior B tranche with a debt rating of AA+ has a coupon rate of 3.00%. As of December 31, 2023, the total balance of the ABS was RMB185.9 million.

In August 2023, we completed an asset-backed notes ("ABN") issuance of RMB975.0 million on the inter-bank bond market. The issued ABN of RMB798.0 million in the senior A tranche with a debt rating of AAA has a coupon rate of 3.20% and the issued ABN of RMB44.0 million in senior B tranche with a debt rating of AA+ has a coupon rate of 3.20%. As of December 31, 2023, the total balance of the ABN was RMB330.9 million.

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In December 2023, we completed the Volkswagen Investment, in which we issued 94,079,255 Class A ordinary shares representing 4.99% of our outstanding share capital immediately following the Volkswagen Investment for a total consideration of US\$705.6 million. The Volkswagen Investment was part of our strategic partnership with Volkswagen Group.

As of December 31, 2023, the Group had short-term borrowings from banks in the PRC of total principals of RMB3,889.1 million and total long-term borrowings (including current and non-current portion, bank loan, ABS, and ABN) of RMB7,014.6 million.

In March 2024, the Company, through its wholly owned subsidiary, completed the launch of an ABS amounting to RMB1,016,000 by issuing debt securities to investors.

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:

	Year Ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
<b>Summary of Consolidated Cash Flow Data:</b>			
Net cash (used in) provided by operating activities	(1,094,591)	(8,232,376)	956,164
Net cash (used in) provided by investing activities	(33,075,878)	4,845,966	631,168
Net cash provided by financing activities	14,627,093	6,003,835	8,015,247
Cash, cash equivalents and restricted cash at beginning of the year	31,541,533	11,634,881	14,714,046
Cash, cash equivalents and restricted cash at end of the year	11,634,881	14,714,046	24,302,049

### **Operating Activities**

Net cash provided by operating activities was RMB956.2 million in 2023, primarily attributable to net loss of RMB10,375.8 million, adjusted for the positive non-cash items primary consisted of: (i) depreciation of property, plant and equipment of RMB1,645.8 million, (ii) inventory write-downs of RMB1,054.7 million, (iii) share-based compensation of RMB550.5 million, (iv) fair value loss on derivative assets or derivative liabilities of RMB410.4 million, (v) amortization of intangible assets of RMB230.5 million, (vi) investment loss on long-term investments of RMB224.4 million, (vii) amortization of right-of-use assets of RMB182.2 million; and further adjusted for changes in itemized balances of operating assets and liabilities that have a positive effect on operating cash flow which were primary consisted of: (i) an increase in accounts and notes payable of RMB7,955.9 million in relation to the increase of purchase of raw material for volume production, (ii) a decrease in accounts and notes receivable of RMB1,138.4 million in relation to collection of new energy vehicle subsidies, (iii) an increase in accruals and other liabilities of RMB1,089.1 million primarily due to the increased accrued cost and expense of research and development, selling and marketing as well as purchase commitments relating to the planned cessation of the G3i and upgrades of certain models, and (iv) an increase of other non-current liabilities of RMB443.5 million primary due to the increased warranty provision in relation to the increased vehicles delivered. However, the positive operating cash flow was partially offset by below negative factors, including non-cash items with negative effect consisted of (i) interest income of RMB352.2 million, (ii) exchange gain from foreign currency transactions of RMB97.1 million; and changes in itemized balances of operating assets and liabilities that have a negative effect which were consisted of an increase in inventory of RMB2,358.8 million primarily in relation to materials for volume production and finished goods and an increase in installment payment receivables of RMB1,473.6 million primarily due to the increase in sales volume.

Net cash used in operating activities was RMB8,232.4 million in 2022, primarily due to net loss of RMB9,139.0 million, adjusted to add back depreciation of property, plant and equipment of RMB915.5 million, share-based compensation of RMB710.5 million, amortization of right-of-use assets of RMB379.2 million, inventory write-downs of RMB220.3 million, and to deduct investment gain on long-term investments of RMB25.1 million. The amount was further adjusted by changes in itemized balances of operating assets and liabilities that have a negative effect on cash flow, including primarily (i) an increase in inventory of RMB2,475.8 million in relation to materials for volume production and finished goods, (ii) an increase in accounts and notes receivable of RMB1,210.7 million in relation to the government subsidies that we are entitled to receive, (iii) an increase in installment payment receivables of RMB776.6 million primarily due to the increase in sales volume, 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 RMB1,860.7 million primarily in relation to the grace period we enjoyed for the payment payable to third-party suppliers.

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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 investment 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.

### ***Investing Activities***

Net cash provided by investing activities in 2023 was RMB631.2 million, which was primarily attributable to maturities of short-term deposits of RMB5,441.4 million, partially offset by (i) placement of long-term deposits of RMB3,128.8 million and (ii) purchase of property, plant and equipment of RMB2,096.3 million.

Net cash provided by investing activities in 2022 was RMB4,846.0 million, which was primarily attributable to maturity of short-term deposits of RMB11,922.2 million, partially offset by (i) purchase of property, plant and equipment of RMB4,275.8 million and (ii) placement of long-term deposits of RMB3,822.3 million.

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.

### ***Financing Activities***

Net cash provided by financing activities in 2023 was RMB8,015.2 million, which was primarily attributable to (i) proceeds from borrowings of RMB8,271.8 million and (ii) proceeds from issuance of our Class A ordinary shares to Volkswagen Group of RMB5,019.6 million, and partially offset by repayment of borrowings of RMB5,162.2 million.

Net cash provided by financing activities in 2022 was RMB6,003.8 million, which was primarily attributable to proceeds from borrowing of RMB6,800.7 million, and partially offset by repayment of borrowings of RMB681.7 million.

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.

### ***Capital Expenditures***

The Group made capital expenditures of RMB4,341.2 million, RMB4,680.0 million, and RMB2,311.5 million in 2021, 2022 and 2023, respectively. In these years, the Group's capital expenditures were used primarily for the construction of plants and purchase of manufacturing equipment, intangible assets and land use rights. The Group expects to make capital expenditures primarily on the construction of plants and purchase of equipment, intangible assets and land use rights in relation to our new 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, 2023:

	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	10,903,717	5,252,935	2,592,307	1,503,701	1,554,774
Operating lease liabilities	2,185,639	444,268	600,715	343,581	797,075
Finance lease liabilities	1,015,462	59,371	63,534	66,602	825,955
Capital commitments for property, plant and equipment	191,690	191,690	—	—	—
Interest on borrowings	1,034,889	309,174	363,492	248,006	114,217
Purchase commitments for raw materials	2,118,392	1,425,353	337,101	355,938	—
Capital commitment for investments	541,186	222,465	318,721	—	—
<b>Total</b>	<b>17,990,975</b>	<b>7,905,256</b>	<b>4,275,870</b>	<b>2,517,828</b>	<b>3,292,021</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. For more information, see "Item 4. Information of the Company—B. Business Overview—Regulation—Regulation Related to Foreign Exchange and Dividend Distribution."

### 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, RMB4,114.3 million, RMB5,214.8 million, and RMB5,276.6 million in 2021, 2022, and 2023 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, 2023 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

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	46	Co-founder, Chairman, Executive Director and Chief Executive Officer
Ji-Xun Foo	55	Non-executive Director
Fei Yang	66	Non-executive Director
Donghao Yang	52	Independent Non-executive Director
Fang Qu	39	Independent Non-executive Director
HongJiang Zhang	63	Independent Non-executive Director
Fengying Wang	53	President
Hongdi Brian Gu	51	Honorary Vice Chairman of the Board and Co-President
Jiaming (James) Wu	40	Vice President of Finance and Accounting
Yonghai Chen	43	Vice President of Product Planning

**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.

**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 has been appointed as a director of Bombardier Inc., a company listed on the Toronto Stock Exchange (symbol: BBD) since May 5, 2022. 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 CSRC 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. Mr. Yang served as an independent director of Qingmu Digital Technology Co., Ltd., a company listed on the ChiNext Market of Shenzhen Stock Exchange (stock code: 301110), from July 2023 to January 2024. 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 Wenao Culture. Prior to working at Wenao Culture, she joined the Bertelsmann Group where she led the marketing segment for its publishing business. Ms. Qu obtained corporate governance experience in the course of her startup and entrepreneurship experience of developing and leading Xiaohongshu. Her corporate governance experience includes, among others, (i) monitoring and implementing internal control systems, (ii) updating and optimizing corporate governance policies, and (iii) regular communication with the board of directors and shareholders. 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 a senior adviser of Carlyle Group since May 2018 and a venture partner at Source Code Capital since December 2016. He served as the chairman of the board of Beijing Academy of Artificial Intelligence from December 2018 to July 2023. 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), from November 2018 to August 2022, 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.

**Fengying Wang** is our president. Ms. Wang has over 30 years of experience in automotive industry. Prior to joining the Company, Ms. Wang served various positions in Great Wall Motor Company Limited, a company listed on The Stock Exchange of Hong Kong Limited (stock code: 2333.HK) and the Shanghai Stock Exchange (stock code: 601633.HK), from 1991 to 2022, including but not limited to, the vice chairman from March 2016 to March 2022, an executive director from June 2001 to March 2022 and the general manager from November 2002 to July 2022. Ms. Wang graduated from Tianjin Institute of Finance in 1999 and obtained a master's degree in economics.

**Hongdi Brian Gu** is our honorary vice chairman of our board of directors and co-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.

**Mr. Jiaming (James) Wu** is our vice president of finance and accounting. Prior to joining the Group, Mr. Wu served as the vice president and chief financial officer of SAIC-GM-Wuling Automotive Co., Ltd. from July 2022 to May 2023. Mr. Wu served as the vice president and chief financial officer of PT SGMW Motor Indonesia from July 2019 to June 2022. From April 2017 to June 2019, Mr. Wu worked as a finance manager at the US headquarters of General Motors Company. From July 2012 to March 2017, Mr. Wu worked as a regional finance manager at General Motors International Operations (GMIO). Mr. Wu received his master's degree in business administration from Yale University in 2012, and his bachelor's degree in economics from Shanghai University of International Business and Economics in 2006.

**Yonghai Chen** is our vice president of product planning. Mr. Chen joined the Group as vice president since January 2022. Prior to joining the Group, Mr. Chen served as the vice president of products of AutoNavi Holdings Limited from 2014 to 2021. Mr. Chen graduated from Beijing Jiaotong University and obtained a master's degree in safety technology and engineering in 2006.

#### **Arrangements between and with Shareholders**

Pursuant to the Investor Rights Agreement between Volkswagen Group and us dated July 26, 2023, we have agreed to appoint an individual nominated by the Volkswagen Group as a non-voting observer to our Board upon the closing of the Volkswagen Investment, as long as the Volkswagen Group continuously holds not less than 3% of the total issued and outstanding shares of the Company. Such observer shall be subject to obligations of non-disclosure of, and no improper use of, confidential information (including inside information) relating to our business and our insider trading policies and procedures, as if such observer is a director. If the holding of the total issued and outstanding shares of the Company by the Volkswagen Group and its affiliates reaches 5% within six months after the completion of the Volkswagen Investment and thereafter is continuously maintained, the Volkswagen Group shall be entitled to present a candidate to our nomination committee and our Board for consideration for appointment as a director. Upon approval by the nomination committee of the Board and the Board, the Company shall appoint such candidate as a Director in compliance with the memorandum and articles of association of the Company and applicable laws and regulations. As of the date of this annual report, Volkswagen Group has appointed a non-voting observer to our Board.

#### **B. Compensation**

##### **Compensation**

In 2023, we paid an aggregate cash compensation and benefits in kind of RMB87.8 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.

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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.

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.

### ***RSU Grants***

As of March 31, 2024, RSUs which represent 23,395,933 underlying Class A ordinary shares were outstanding (which do not include the Class A ordinary shares underlying the vested RSUs), and 362,614 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:

<u>Name</u>	<u>Position</u>	<u>Ordinary Shares Underlying Outstanding RSUs granted</u>	<u>Grant Date</u>
Fengying Wang	President	*	March 2023
Hongdi Brian Gu	Honorary Vice Chairman of the Board and Co-President	*	June 2020
		*	July 2020
Jiaming (James) Wu	Vice President of Finance and Accounting	*	July 2023
Yonghai Chen	Vice President of Product Planning	*	January 2022
		*	October 2022
		*	October 2023
Fang Qu	Independent Non-executive Director	*	June 2021

\* Less than 1% of our outstanding shares.

### **C. Board Practices**

Our board of directors consists of six directors, including one executive director two 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 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; each of Mr. Donghao Yang and Dr. HongJiang Zhang satisfies the requirements for an "independent director" within the meaning of Section 303A.02 of the NYSE Listed Company Manual.

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;
- pre-approving auditing and non-auditing services permitted to be performed by the independent auditor;

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- 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 share-holders;
- 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;

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- 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, 2024 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, 2024, the total number of ordinary shares outstanding was 1,886,842,246, comprising 1,538,133,989 Class A ordinary shares and 348,708,257 Class B ordinary shares, excluding 2,080,046 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 <sup>†</sup>	Percentage of aggregate voting power <sup>††</sup>
<b>Directors and Executive Officers:**</b>					
Xiaopeng He(1)	4,400,000	0.3%	348,708,257	18.7%	69.5%
Ji-Xun Foo	—	—	—	—	—
Fei Yang	—	—	—	—	—
Donghao Yang	—	—	—	—	—
Fang Qu	*	*	—	*	*
HongJiang Zhang	—	—	—	—	—
Fengying Wang	*	*	—	*	*
Hongdi Brian Gu(2)	35,574,660	2.3%	—	1.9%	0.7%
Jiaming (James) Wu	—	—	—	—	—
Yonghai Chen	*	*	—	*	*
All Directors and Executive Officers as a Group	40,668,214	2.6%	348,708,257	20.6%	70.2%
<b>Principal Shareholders:</b>					
Simplicity and Respect entities(3)	4,400,000	0.3%	348,708,257	18.7%	69.5%
Volkswagen Group(4)	94,079,255	6.1%	—	5.0%	1.9%

<sup>†</sup> 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, 2024, by the sum of (i) the total number of ordinary shares issued and outstanding as of March 31, 2024, 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, 2024.

<sup>††</sup> 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) 4,400,000 Class A ordinary shares represented by ADSs and 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 3 below.
- (2) Represents (i) 4,500,000 Class A ordinary shares held by Hongdi Brian Gu and (ii) 31,074,660 Class A ordinary shares held by Quack Holding Limited. 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.
- (3) Represents (i) 4,400,000 Class A ordinary shares represented by ADSs and 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.

- (4) Represents 94,079,255 Class A ordinary shares held by Volkswagen Finance Luxembourg S.A. Volkswagen Finance Luxembourg S.A. is a company incorporated under the laws of Luxembourg, with its principal business office at 19/21 route d’Arlon, Block B, L - 8009 Strassen, Luxembourg. Volkswagen Finance Luxembourg S.A. is a wholly-owned subsidiary of Volkswagen AG, which is deemed to be the beneficial owner of the shares held by Volkswagen Finance Luxembourg S.A. Volkswagen AG is, a company incorporated under the laws of Germany with limited liability with its principal business office at Berliner Ring 2, 38440, Wolfsburg, Germany, and a public company listed on Frankfurt Stock Exchange in Germany.

To our knowledge, as of March 31, 2024, a total of 474,036,066 Class A ordinary shares (representing approximately 30.8% of our total outstanding Class A ordinary shares) was held by Citibank, N.A., the depository for our ADS program, via its Hong Kong nominees for the benefit of the holders and beneficial owners of our ADSs. One record holder in the United States held a de minimis number of our Class A ordinary shares. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our Class A ordinary shares in the United States. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

**F. Disclosure of a Registrant’s Action to Recover Erroneously Awarded Compensation**

Not applicable.

**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, 2021, amounts due from Mr. He represent (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, 2022, amounts due from Mr. He represent the receivables for operation support service and sales of goods amounting to RMB44.8 million and RMB 2.4 million to the companies significantly influenced by Mr. He. As of December 31, 2023, amounts due from Mr. He represent receivables for operation support service and sales of goods amounting to RMB12.6 million and RMB0.4 million, respectively, to the companies significantly influenced 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. As of December 2022, amounts due to Mr. He represent the payables for assets purchased amounting to RMB1.0 million to the companies significantly influenced by Mr. He. As of December 31, 2023, amounts due to Mr. He represent advances from the companies influenced by Mr. He of a *de minimis* amount.

On September 29, 2023, the Company entered into share purchase agreements with Dogotix and its shareholders, which include a wholly-owned company of Mr. He, pursuant to which, the shareholders of Dogotix agreed to sell and the Company agreed to purchase 74.82% of the total issued shares of Dogotix as of the same day for a total consideration of approximately US\$98.96 million.

On January 2, 2024, Guangdong Xiaopeng entered into a cooperation framework agreement with Guangdong Huitian Aerospace Technology Co., Ltd. (廣東匯天航空航天科技有限公司, “Guangdong Huitian”), pursuant to which Guangdong Xiaopeng and Guangdong Huitian agreed to cooperate in the research and development, manufacture, sales and after-sales service of flying vehicles, and Guangdong Xiaopeng will provide R&D service, technology consulting service and sales agent service to Guangdong Huitian. Guangdong Huitian is 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 depositary, as the registered holder of such Class A ordinary shares, and the depositary then will pay such amounts to the ADS holders in proportion to the Class A ordinary shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreement, net of the fees and expenses payable thereunder. 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 and service fees paid by the Group VIEs 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. Offer 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**

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 and the common law of the Cayman Islands. Our ninth amended and restated memorandum and articles of association became effective on June 20, 2023.

Our registered office is situated at Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands or at such other place in the Cayman Islands as our directors may from time to time decide. Under our current ninth amended and restated memorandum and articles of association, the objects for which our company is established are unrestricted and our company have full power to carry out any object not prohibited by any law as provided by Section 7 (4) of the Companies Act of Cayman Islands.

For certain provisions of our memorandum and articles of association with respect to directors, see “Item 6. Directors, Senior Management and Employees—C. Board Practices.” Please further 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 Class A Ordinary 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 who is a 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, and the current income tax treaty between the United States and the PRC, or the Treaty. 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; 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 your tax basis in 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 generally 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 generally treated as a qualified foreign corporation with respect to dividends paid by 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. Since our Class A ordinary shares are not listed on an established securities market in the United States, it is unclear whether 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 generally 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 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.”

Notwithstanding the foregoing, we will not be treated as a qualified foreign corporation, and non-corporate United States Holders will not be eligible for reduced rates of taxation, for any dividends that we pay if we are a passive foreign investment company, or a PFIC, in the taxable year in which such dividends are paid or in the preceding taxable year (see “—Passive Foreign Investment Company” below). As discussed below under “—Passive Foreign Investment Company”, we believe there is a significant risk that we will be a PFIC for the year ended December 31, 2024 and possibly for future years. Therefore, if you are a non-corporate United States Holder, you should not assume that any dividends will be taxed at a reduced rate. You should consult your tax advisors regarding the application of these rules given your particular circumstances.

Subject to certain conditions and limitations (including a minimum holding period requirement), any PRC withholding taxes on dividends may be treated as foreign taxes eligible for credit against your United States federal income tax liability. However, no foreign tax credit will be allowed in respect of Hong Kong stamp duty. 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. However, if you are eligible for Treaty benefits, any PRC withholding taxes on dividends will not be creditable against your United States federal income tax liability to the extent withheld at a rate exceeding the applicable Treaty rate. Instead of claiming a foreign tax credit, you may be able to deduct PRC withholding taxes in computing your taxable income, subject to generally applicable limitations under United States law (including that a United States Holder is not eligible for a deduction for otherwise creditable foreign income taxes paid or accrued in a taxable year if such United States Holder claims a foreign tax credit for any foreign income taxes paid or accrued in the same taxable year). The rules governing foreign tax credits and deductions for foreign taxes are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit or a deduction under your particular circumstances.

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 composition of our income and assets and the value 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 the year ended December 31, 2023, 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 are more likely to be treated as a PFIC.

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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 income or asset composition or changes in the value of our assets. In this regard, the value of our assets may be determined by reference to the trading price of our ADSs and Class A ordinary shares, and fluctuations in the trading price of our ADSs and Class A ordinary shares may affect our PFIC status. Because the trading price of our ADSs and Class A ordinary shares has been volatile and has declined significantly between the beginning of 2024 and the date hereof, we believe there is a significant risk that we will be a PFIC for the year ended December 31, 2024 and possibly for future years. In addition, any further decline in the trading price of our ADSs and Class A ordinary shares would increase our PFIC risk. 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.

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.

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), both determined in U.S. dollars. 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 any foreign tax credit arising from 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. You are urged to consult your tax advisors regarding the tax consequences in case any PRC tax is imposed on gain on a disposition of the ADSs or Class A ordinary shares, including the availability of the foreign tax credit and the election to treat any gain as PRC source, under your particular circumstances.

**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 2021, 2022 and 2023 were increases of 1.5%, 1.8% and 0.2%, respectively. Although we have not been materially affected by inflation in the past, we may be affected if China experiences higher rates of inflation in the future.

**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**

***Depositary 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 depositary 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):

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Service	Fees
<ul style="list-style-type: none"><li>• 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</li></ul>	Up to U.S. 5¢ per ADS issued
<ul style="list-style-type: none"><li>• 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)</li></ul>	Up to U.S. 5¢ per ADS cancelled
<ul style="list-style-type: none"><li>• Distribution of cash dividends or other cash distributions (e.g., upon a sale of rights and other entitlements)</li></ul>	Up to U.S. 5¢ per ADS held
<ul style="list-style-type: none"><li>• Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional ADSs</li></ul>	Up to U.S. 5¢ per ADS held
<ul style="list-style-type: none"><li>• Distribution of securities other than ADSs or rights to purchase additional ADSs (e.g., upon a spin-off)</li></ul>	Up to U.S. 5¢ per ADS held
<ul style="list-style-type: none"><li>• ADS Services</li></ul>	Up to U.S. 5¢ per ADS held on the applicable record date(s) established by the depositary
<ul style="list-style-type: none"><li>• 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)</li></ul>	Up to U.S. 5¢ per ADS (or fraction thereof) transferred
<ul style="list-style-type: none"><li>• 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>)</li></ul>	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 depositary 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 depositary and/or service providers (which may be a division, branch or affiliate of the depositary) in the conversion of foreign currency;
- the reasonable and customary out-of-pocket expenses incurred by the depositary 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 depositary, 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 depositary 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 depositary fees, the depositary may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder. Certain depositary 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 depositary. You will receive prior notice of such changes. The depositary 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 depositary agree from time to time.

#### ***Payments by Depositary***

For the year ended December 31, 2023, we are entitled to receive payment of US\$2.8 million from Citibank, N.A., the depositary 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.

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, 2023, we had used approximately US\$4,100.6 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, supercharging 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, 2023, we had used HK\$9,457.5 million 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, 2023, 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, 2023 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, 2023.

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**

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, 2023, as stated in its report, which appears on page F-2 of this annual report.

**ITEM 16. [Reserved]****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 and its affiliates, our principal independent public accountant for the periods indicated. We did not pay any other fees to our principal accountant during the periods indicated below.

	For the Year Ended December 31,	
	2022	2023
Audit Fees(1)	14,775	16,020
All Other Fees(2)	1,066	400
Total	15,841	16,420

- (1) Audit fees include the aggregate fees billed in each of the fiscal period listed for professional services rendered by our principal independent public accountant for the audit of our annual consolidated financial statements and internal control over financial reporting, review of our quarterly and interim condensed consolidated financial statements.
- (2) All Other Fees include the aggregate fees billed in each of the fiscal period listed for professional services rendered by our principal accountant for other advisory services.

The policy of our audit committee is to pre-approve all auditing and non-audit services provided by our principal 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**

As of the date of this annual report, we have not adopted any share repurchase program. The annual general meeting held on June 20, 2023 approved a general mandate to our board of directors to repurchase shares and/or ADSs of the Company not exceeding 10% of the total number of issued shares of the Company as at the date of such approval, for a period until the earliest of (i) the next annual general meeting, (ii) the end of the period within which the next annual general meeting is required to be held, and (iii) when such authority is revoked or varied by an ordinary resolution of our shareholders in general meeting.

In September 2022, Mr. Xiaopeng He, our co-founder, chairman and chief executive officer, through Simplicity Holding Limited, an entity wholly-owned by Mr. He, purchased a total of 2,200,000 ADSs in the open market in compliance with applicable laws and regulations. The average price paid per ADS was US\$13.58.

**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 Class A ordinary shares, are listed on the New York Stock Exchange. Our Class A ordinary shares are listed on the Hong Kong 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 an audit committee, 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 six members, only three of whom satisfy the requirements for an "independent director" under Section 303A of the NYSE Manual. Under the Hong Kong Listing Rules, at least one-third of our directors shall be independent non-executive directors, and we are required to establish an audit committee, a compensation committee and a nomination committee, but only a majority of each committee's members are required to be independent non-executive directors. Our audit committee is composed of three members, only two of whom satisfy the requirements for an "independent director" under Section 303A of the NYSE Manual, while each of them meets the criteria for independence set forth in Rule 10A-3 of the Exchange Act. 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.

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

Not Applicable.

**ITEM 16J. INSIDER TRADING POLICIES**

Not Applicable.

## ITEM 16K. CYBERSECURITY

### *Risk management and strategy*

We attach great importance to information security and customer privacy protection and have a systematic process for overseeing and managing cybersecurity and related risks, which is integrated into our overall risk management systems and processes. Our cybersecurity program sets out the policies and processes to identify, assess, manage, mitigate and report cybersecurity risks in accordance with industry standards and applicable laws and regulations. The Company has obtained the ISO 27001 Information Security Management System Certificate and ISO 27701 Privacy Information Management System Certificate. Our cybersecurity program is led by a dedicated cybersecurity team principally responsible for managing our cybersecurity risk assessment processes, our security controls, and our response to cybersecurity incidents.

We have established an emergency response center which serves as a central location for the reporting of cybersecurity matters, monitors broader cybersecurity environment, and gathers information on cybersecurity risks from both internal and external sources. We provide monetary rewards for valid identifications of cybersecurity risks. We also maintain a mechanism to monitor updates from applicable regulatory bodies to receive timely alerts on external cybersecurity incidents that may impact us, so that we may promptly assess and respond as needed. We also conduct regular, mandatory privacy protection trainings covering all our employees and maintain a reporting mechanism.

We periodically carry out table-top drills and simulations on cybersecurity incident response and security protection to assess and improve our ability to adapt to security-related threats. In particular, we conduct third-party vulnerability analysis including simulated hacker attacks in connection with our system upgrades. We also engage third-party service providers to conduct security assessments with respect to our ISO certificates and our vehicles network safety.

We also maintain processes to assess cybersecurity risks of our third-party providers, with a goal to strengthen our supply chain resilience to cybersecurity risks. We conduct third-party risk assessment to identify and mitigate risks from third parties such as vendors, suppliers, subcontractors and other third-party providers. We consider cybersecurity risks when determining the selection and oversight of applicable third-party providers.

We have formulated emergency and incident response plans, clarifying the process for handling information security incidents. In the event of a cybersecurity incident, our cybersecurity team would assess, report and react in accordance with our emergency and incident response plans, under the oversight of our Information Security and Data Compliance Committee.

We have not identified risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents, that have materially affected us, including our operations, business strategy, results of operations, or financial condition. We face risks from cybersecurity threats that, if realized, are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition. See “Item 3. Key Information—D. Risk Factors—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” and “—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.”

*Cybersecurity Governance*

Our Information Security and Data Compliance Committee (the “Committee”) is primarily responsible for the oversight, decision-making and resources allocation of our cybersecurity efforts. The Committee is chaired by the Honorary Vice Chairman of the Board, and consists of vice presidents of our various business lines. The Committee oversees an Information Security Working Group and a Data Compliance Working Group. Our Information Security Working Group is primarily responsible for designing and maintaining our cybersecurity program and is led by the Head of our Data Intelligence Center. The Committee and the Information Security Working Group include members with relevant knowledge, skills and experience in assessing and managing cybersecurity risks. The Information Security Working Group reports quarterly to the Committee on the specific implementation of our cybersecurity program and any updates on any cybersecurity risks or incidents. In addition to the Honorary Vice Chairman of the Board who chairs the Information Security and Data Compliance Committee, the Audit Committee under our board of directors oversees cybersecurity risks management as part of its overall risk oversight function and discusses cybersecurity risks management at the Audit Committee meetings held every quarter. The Committee reports to our Audit Committee under our board of directors with respect to significant cybersecurity threats.

**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**

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1	<a href="#">Ninth 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 June 20, 2023)</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 depository, 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>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.2	<a href="#"><u>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)</u></a>
4.3	<a href="#"><u>English translation of Equity Interest Pledge Agreement by and among Xiaopeng Technology, Zhipeng IoV and shareholders of Zhipeng IoV, dated September 6, 2021 (incorporated herein by reference to Exhibit 4.3 to the annual report on Form 20-F (File No. 001-39466), as amended, initially filed with the Securities and Exchange Commission on April 28, 2022)</u></a>
4.4	<a href="#"><u>English translation of Power of Attorney by and among Xiaopeng Technology, Zhipeng IoV and individual shareholders of Zhipeng IoV, dated September 6, 2021 (incorporated herein by reference to Exhibit 4.4 to the annual report on Form 20-F (File No. 001-39466), as amended, initially filed with the Securities and Exchange Commission on April 28, 2022)</u></a>
4.5	<a href="#"><u>English translation of Loan Agreement by and among Xiaopeng Technology and individual shareholders of Zhipeng IoV, dated September 6, 2021 (incorporated herein by reference to Exhibit 4.5 to the annual report on Form 20-F (File No. 001-39466), as amended, initially filed with the Securities and Exchange Commission on April 28, 2022)</u></a>
4.6	<a href="#"><u>English translation of Exclusive Service Agreement between Xiaopeng Technology and Zhipeng IoV, dated September 6, 2021 (incorporated herein by reference to Exhibit 4.6 to the annual report on Form 20-F (File No. 001-39466), as amended, initially filed with the Securities and Exchange Commission on April 28, 2022)</u></a>
4.7	<a href="#"><u>English translation of Exclusive Option Agreement by and among Xiaopeng Technology, Zhipeng IoV and individual shareholders of Zhipeng IoV, dated September 6, 2021 (incorporated herein by reference to Exhibit 4.7 to the annual report on Form 20-F (File No. 001-39466), as amended, initially filed with the Securities and Exchange Commission on April 28, 2022)</u></a>
4.8	<a href="#"><u>English translation of Equity Interest Pledge Agreement by and among Xiaopeng Chuxing, Yidian Chuxing and individual shareholders of Yidian Chuxing, dated September 10, 2021 (incorporated herein by reference to Exhibit 4.8 to the annual report on Form 20-F (File No. 001-39466), as amended, initially filed with the Securities and Exchange Commission on April 28, 2022)</u></a>
4.9	<a href="#"><u>English translation of Power of Attorney by and among Xiaopeng Chuxing, Yidian Chuxing and individual shareholders of Yidian Chuxing, dated September 10, 2021 (incorporated herein by reference to Exhibit 4.9 to the annual report on Form 20-F (File No. 001-39466), as amended, initially filed with the Securities and Exchange Commission on April 28, 2022)</u></a>
4.10	<a href="#"><u>English translation of Loan Agreement by and among Xiaopeng Chuxing and individual shareholders of Yidian Chuxing, dated September 10, 2021 (incorporated herein by reference to Exhibit 4.10 to the annual report on Form 20-F (File No. 001-39466), as amended, initially filed with the Securities and Exchange Commission on April 28, 2022)</u></a>
4.11	<a href="#"><u>English translation of Exclusive Service Agreement between Xiaopeng Chuxing and Yidian Chuxing, dated September 10, 2021 (incorporated herein by reference to Exhibit 4.11 to the annual report on Form 20-F (File No. 001-39466), as amended, initially filed with the Securities and Exchange Commission on April 28, 2022)</u></a>
4.12	<a href="#"><u>English translation of Exclusive Option Agreement by and among Xiaopeng Chuxing, Yidian Chuxing and individual shareholders of Yidian Chuxing, dated September 10, 2021 (incorporated herein by reference to Exhibit 4.12 to the annual report on Form 20-F (File No. 001-39466), as amended, initially filed with the Securities and Exchange Commission on April 28, 2022)</u></a>

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<u>Exhibit Number</u>	<u>Description of Document</u>
4.13	<a href="#"><u>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)</u></a>
4.14	<a href="#"><u>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)</u></a>
4.15†	<a href="#"><u>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)</u></a>
4.16†	<a href="#"><u>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)</u></a>
4.17	<a href="#"><u>Second Amended and Restated 2019 Share Incentive Plan (incorporated herein by reference to Exhibit 4.17 to the annual report on Form 20-F (File No. 001-39466), as amended, initially filed with the Securities and Exchange Commission on April 28, 2022)</u></a>
4.18	<a href="#"><u>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)</u></a>
4.19	<a href="#"><u>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)</u></a>
4.20	<a href="#"><u>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)</u></a>
4.21	<a href="#"><u>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)</u></a>
4.22†	<a href="#"><u>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)</u></a>



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<u>Exhibit Number</u>	<u>Description of Document</u>
4.23	<a href="#"><u>English translation of Equity Interest Pledge Agreement by and among Xiaopeng Technology, Xintu Technology and the shareholder of Xintu Technology, dated August 12, 2021 (incorporated herein by reference to Exhibit 4.23 to the annual report on Form 20-F (File No. 001-39466), as amended, initially filed with the Securities and Exchange Commission on April 28, 2022)</u></a>
4.24	<a href="#"><u>English translation of Power of Attorney by and among Xiaopeng Technology, Xintu Technology and the shareholder of Xintu Technology, dated August 12, 2021 (incorporated herein by reference to Exhibit 4.24 to the annual report on Form 20-F (File No. 001-39466), as amended, initially filed with the Securities and Exchange Commission on April 28, 2022)</u></a>
4.25	<a href="#"><u>English translation of Loan Agreement by and among Xiaopeng Technology and the shareholder of Xintu Technology, dated August 12, 2021 (incorporated herein by reference to Exhibit 4.25 to the annual report on Form 20-F (File No. 001-39466), as amended, initially filed with the Securities and Exchange Commission on April 28, 2022)</u></a>
4.26	<a href="#"><u>English translation of Exclusive Service Agreement between Xiaopeng Technology and Xintu Technology, dated August 12, 2021 (incorporated herein by reference to Exhibit 4.26 to the annual report on Form 20-F (File No. 001-39466), as amended, initially filed with the Securities and Exchange Commission on April 28, 2022)</u></a>
4.27	<a href="#"><u>English translation of Exclusive Option Agreement by and among Xiaopeng Technology, Xintu Technology and the shareholder of Xintu Technology, dated August 12, 2021 (incorporated herein by reference to Exhibit 4.27 to the annual report on Form 20-F (File No. 001-39466), as amended, initially filed with the Securities and Exchange Commission on April 28, 2022)</u></a>
4.28*	<a href="#"><u>Share Purchase Agreement by and among the Registrant, Volkswagen (China) Investment Co., Ltd. and Volkswagen Finance Luxemburg S.A., dated July 26, 2023</u></a>
4.29*	<a href="#"><u>Investor Rights Agreement by and among the Registrant, Volkswagen (China) Investment Co., Ltd. and Volkswagen Finance Luxemburg S.A., dated July 26, 2023</u></a>
4.30*	<a href="#"><u>Share Purchase Agreement by and among the Registrant, DiDi Global Inc. and Da Vinci Auto Co. Limited, dated August 27, 2023</u></a>
4.31*	<a href="#"><u>First Amendment to Share Purchase Agreement, dated August 27, 2023, by and among the Registrant, DiDi Global Inc. and Da Vinci Auto Co. Limited, dated November 12, 2023</u></a>
4.32*	<a href="#"><u>Agreements for the Sale and Purchase of Shares in Dogotix Inc. by and among XPeng Dogotix Holdings Limited, Dogotix Inc., and each of XProbot Holdings Limited and other minority selling shareholders, dated September 29, 2023</u></a>
4.33*	<a href="#"><u>English translation of the Termination Agreement to Cooperation Agreement on the Acquisition of Insurance Agency Business Qualification, dated July 22, 2022, by and among Xiaopeng Motors Sales, Mr. Tao He, Mr. Tao He's spouse and Guangzhou Xuetao, dated January 31, 2024</u></a>
4.34*	<a href="#"><u>English translation of Equity Interest Pledge Agreement by and among Xiaopeng Motors Sales, GIIA, Guangzhou Xuetao and the shareholder of Guangzhou Xuetao, dated January 31, 2024</u></a>
4.35*	<a href="#"><u>English translation of Power of Attorney by and among Xiaopeng Motors Sales, GIIA, Guangzhou Xuetao and the shareholder of Guangzhou Xuetao, dated January 31, 2024</u></a>
4.36*	<a href="#"><u>English translation of Loan Agreement between Xiaopeng Motors Sales and the shareholder of Guangzhou Xuetao, dated January 31, 2024</u></a>
4.37*	<a href="#"><u>English translation of Exclusive Service Agreement between Xiaopeng Motors Sales and GIIA, dated January 31, 2024</u></a>
4.38*	<a href="#"><u>English translation of Exclusive Option Agreement by and among Xiaopeng Motors Sales, GIIA, Guangzhou Xuetao and the shareholder of Guangzhou Xuetao, dated January 31, 2024</u></a>
4.39*	<a href="#"><u>Master Agreement on Platform and Software Collaboration by and among Xiaopeng Motors, Xiaopeng Technology, Volkswagen Group (China) Technology Company Ltd. and Volkswagen (Anhui) Company Ltd., dated February 5, 2024</u></a>
8.1*	<a href="#"><u>List of Significant Subsidiaries</u></a>
11.1	<a href="#"><u>Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1 (File No. 333-242283), as amended, initially filed with the Securities and Exchange Commission on August 21, 2020)</u></a>
12.1*	<a href="#"><u>Certification by Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
12.2*	<a href="#"><u>Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
13.1**	<a href="#"><u>Certification by Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
13.2**	<a href="#"><u>Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
15.1*	<a href="#"><u>Consent of Fangda Partners</u></a>

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<u>Exhibit Number</u>	<u>Description of Document</u>
15.2*	<a href="#">Consent of Independent Registered Public Accounting Firm</a>
97*	<a href="#">Recovery of Erroneously Awarded Incentive-Based Compensation</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 17, 2024

XPENG INC.

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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, 2023 and 2022, and the related consolidated statements of comprehensive loss, of changes in shareholders’ equity and of cash flows for each of the three years in the period ended December 31, 2023, 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, 2023, 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, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 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, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

***Basis for Opinions***

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

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

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

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

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

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

***Critical Audit Matters***

The critical audit 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.

***Warranty Provisions***

As described in Notes 2(r) and 17 to the consolidated financial statements, the Company accrued for a warranty reserve for the vehicles it sold. As of December 31, 2023, the accrued warranty reserve was RMB1,009.0 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, and the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's 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. Professionals with specialized skill and knowledge were used to assist in developing an independent estimate of warranty provisions.

*Valuation of Intangible Assets Acquired and Derivative Liability Relating to the Contingent Consideration in Connection with a Business Combination*

As described in Notes 2(e) and 5 to the consolidated financial statements, on November 13, 2023, the Company completed the acquisition of Xiaoju Smart Auto Co. Limited and its wholly-owned subsidiaries for a total consideration of RMB3,782.2 million in the form of the Company's Class A ordinary shares. Intangible assets of vehicle platform technology and vehicle model technology under development were identified from the acquisition, which were valued using the relief from royalty method and the multiperiod excess earnings method, respectively. The Company recorded RMB3,196.1 million in the aggregate related to these acquired intangible assets and a RMB433.8 million balance for a derivative liability relating to the contingent consideration, each of which was measured at fair value upon acquisition. Management applied significant judgment in determining the fair values of the intangible assets acquired and the derivative liability relating to the contingent consideration, including significant assumptions and estimates relating to projected revenues, royalty rate and discount rates for the intangible assets acquired, and in the case of the derivative liability relating to the contingent consideration, projected delivery volume. Management involved an independent valuation firm to assist with the determination of the fair values of the intangible assets acquired and the derivative liability relating to the contingent consideration.

The principal considerations for our determination that performing procedures relating to valuation of intangible assets acquired and derivative liability relating to the contingent consideration in connection with a business combination is a critical audit matter are (i) the significant judgment by management when developing the fair value estimate of the intangible assets acquired and the derivative liability relating to the contingent consideration, which in turn led to significant auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to projected revenues, royalty rate and discount rates for the intangible assets acquired, and in the case of the derivative liability relating to the contingent consideration, projected delivery volume; and (ii) 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 the acquisition accounting in connection with the business combination, including controls over management's identification of the intangible assets and determination of the contingent consideration, and controls over the development of the significant assumptions related to the valuation of these intangible assets and the derivative liability relating to the contingent consideration. These procedures also included, among others, (i) reading the underlying purchase agreement; (ii) evaluating the competence, capability and objectivity of the independent valuation firm engaged by the Company; (iii) testing the relevance and reasonableness of the underlying data used in the valuation; and (iv) evaluating the reasonableness of the significant assumptions used by management related to projected revenues for the valuation of the intangible assets acquired and projected delivery volume for the valuation of the derivative liability relating to the contingent consideration, respectively, through considering the consistency with external market and industry data. Professionals with specialized skill and knowledge were used to assist in evaluating the appropriateness of the valuation methods and the reasonableness of the royalty rate and discount rates assumption used by management.

/s/PricewaterhouseCoopers Zhong Tian LLP  
Guangzhou, the People's Republic of China  
April 17, 2024

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

**CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2022 AND 2023**

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

	Note	As of December 31,	
		2022	2023
		RMB	RMB
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2(g)	14,607,774	21,127,163
Restricted cash	2(h)	106,272	3,174,886
Short-term deposits	2(i)	14,921,688	9,756,979
Short-term investments	2(k), 6	1,262,129	781,216
Long-term deposits, current portion	2(i)	427,466	7,054,915
Accounts and notes receivable, net		3,872,846	2,716,216
Installment payment receivables, net, current portion	12	1,294,665	1,881,755
Inventory	7	4,521,373	5,526,212
Amounts due from related parties	26	47,124	12,948
Prepayments and other current assets	8	2,466,084	2,489,339
<b>Total current assets</b>		<b>43,527,421</b>	<b>54,521,629</b>
<b>Non-current assets</b>			
Long-term deposits	2(i)	6,926,450	3,035,426
Restricted long-term deposits	16	—	767,899
Property, plant and equipment, net	9	10,606,745	10,954,485
Right-of-use assets, net	18	1,954,618	1,455,865
Intangible assets, net	10	1,042,972	4,948,992
Land use rights, net	11	2,747,854	2,789,367
Installment payment receivables, net	12	2,188,643	3,027,795
Long-term investments	13	2,295,032	2,084,933
Other non-current assets	14	201,271	576,150
<b>Total non-current assets</b>		<b>27,963,585</b>	<b>29,640,912</b>
<b>Total assets</b>		<b>71,491,006</b>	<b>84,162,541</b>



**CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2022 AND 2023 (CONTINUED)**

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

	Note	As of December 31,	
		2022	2023
		RMB	RMB
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short-term borrowings	16	2,419,210	3,889,100
Accounts and notes payable		14,222,856	22,210,431
Amounts due to related parties	26	91,111	30,880
Operating lease liabilities, current portion	18	490,811	365,999
Finance lease liabilities, current portion	18	128,279	34,382
Deferred revenue, current portion	20	389,243	630,997
Long-term borrowings, current portion	16	761,859	1,363,835
Accruals and other liabilities	15	5,583,829	7,580,195
Income taxes payable		27,655	5,743
<b>Total current liabilities</b>		<u>24,114,853</u>	<u>36,111,562</u>
<b>Non-current liabilities</b>			
Long-term borrowings	16	4,613,057	5,650,782
Operating lease liabilities	18	1,854,576	1,490,882
Finance lease liabilities	18	797,743	777,697
Deferred revenue	20	694,006	668,946
Derivative liability	5	—	393,473
Deferred tax liabilities	24	—	404,018
Other non-current liabilities	17	2,506,106	2,336,654
<b>Total non-current liabilities</b>		<u>10,465,488</u>	<u>11,722,452</u>
<b>Total liabilities</b>		<u>34,580,341</u>	<u>47,834,014</u>
<b>Commitments and contingencies</b>	27		

**CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2022 AND 2023 (CONTINUED)**

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

	Note	As of December 31,	
		2022	2023
		RMB	RMB
<b>SHAREHOLDERS' EQUITY</b>			
<b>Class A Ordinary shares</b> (US\$0.00001 par value; 9,250,000,000 and 9,250,000,000 shares authorized, 1,376,693,799 and 1,538,109,009 shares issued, 1,371,774,629 and 1,535,297,395 shares outstanding as of December 31, 2022 and 2023, respectively)	22	92	103
<b>Class B Ordinary shares</b> (US\$0.00001 par value; 750,000,000 and 750,000,000 shares authorized, 348,708,257 and 348,708,257 shares issued and outstanding as of December 31, 2022 and 2023, respectively)	22	21	21
Additional paid-in capital		60,691,019	70,198,031
Statutory and other reserves		6,425	60,035
Accumulated deficit		(25,330,916)	(35,760,301)
Accumulated other comprehensive income		1,544,024	1,830,638
<b>Total shareholders' equity</b>		<u>36,910,665</u>	<u>36,328,527</u>
<b>Total liabilities and shareholders' equity</b>		<u>71,491,006</u>	<u>84,162,541</u>

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS  
FOR THE YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023**

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

	Note	For the Year Ended December 31,		
		2021 RMB	2022 RMB	2023 RMB
<b>Revenues</b>				
Vehicle sales	19	20,041,955	24,839,637	28,010,857
Services and others	19	946,176	2,015,482	2,665,210
<b>Total revenues</b>		<u>20,988,131</u>	<u>26,855,119</u>	<u>30,676,067</u>
<b>Cost of sales<sup>(1)</sup></b>				
Vehicle sales		(17,733,036)	(22,493,122)	(28,457,909)
Services and others		(632,540)	(1,273,606)	(1,767,003)
<b>Total cost of sales</b>		<u>(18,365,576)</u>	<u>(23,766,728)</u>	<u>(30,224,912)</u>
<b>Gross profit</b>		<u>2,622,555</u>	<u>3,088,391</u>	<u>451,155</u>
<b>Operating expenses<sup>(1)</sup></b>				
Research and development expenses	2(u)	(4,114,267)	(5,214,836)	(5,276,574)
Selling, general and administrative expenses	2(v)	(5,305,433)	(6,688,246)	(6,558,942)
<b>Total operating expenses</b>		<u>(9,419,700)</u>	<u>(11,903,082)</u>	<u>(11,835,516)</u>
Other income, net	2(y)	217,740	109,168	465,588
Fair value gain on derivative liability relating to the contingent consideration	5	—	—	29,339
<b>Loss from operations</b>		<u>(6,579,405)</u>	<u>(8,705,523)</u>	<u>(10,889,434)</u>
Interest income		743,034	1,058,771	1,260,162
Interest expenses		(55,336)	(132,192)	(268,666)
Fair value gain (loss) on derivative assets or derivative liabilities		79,262	59,357	(410,417)
Investment gain (loss) on long-term investments	13	591,506	25,062	(224,364)
Exchange gain (loss) from foreign currency transactions		313,580	(1,460,151)	97,080
Other non-operating income, net		70,253	36,318	41,934
<b>Loss before income tax expenses and share of results of equity method investees</b>		<u>(4,837,106)</u>	<u>(9,118,358)</u>	<u>(10,393,705)</u>
Income tax expenses	24(a)	(25,990)	(24,731)	(36,810)
Share of results of equity method investees	13	—	4,117	54,740
<b>Net loss</b>		<u>(4,863,096)</u>	<u>(9,138,972)</u>	<u>(10,375,775)</u>
<b>Net loss attributable to ordinary shareholders of XPeng Inc.</b>		<u>(4,863,096)</u>	<u>(9,138,972)</u>	<u>(10,375,775)</u>

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS  
FOR THE YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023 (CONTINUED)**

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

	Note	For the Year Ended December 31,		
		2021	2022	2023
		RMB	RMB	RMB
<b>Net loss</b>		(4,863,096)	(9,138,972)	(10,375,775)
<b>Other comprehensive (loss) income</b>				
Foreign currency translation adjustment, net of tax		(918,168)	3,192,573	286,614
<b>Total comprehensive loss attributable to XPeng Inc.</b>		<u>(5,781,264)</u>	<u>(5,946,399)</u>	<u>(10,089,161)</u>
<b>Comprehensive loss attributable to ordinary shareholders of XPeng Inc.</b>		<u>(5,781,264)</u>	<u>(5,946,399)</u>	<u>(10,089,161)</u>
<b>Weighted average number of ordinary shares used in computing net loss per ordinary share</b>				
Basic and diluted	25	1,642,906,400	1,712,533,564	1,740,921,519
<b>Net loss per ordinary share attributable to ordinary shareholders</b>				
Basic and diluted	25	(2.96)	(5.34)	(5.96)

(1) Share-based compensation was allocated in cost of sales and operating expenses as follows:

	For the Year Ended December 31,		
	2021	2022	2023
	RMB	RMB	RMB
Cost of sales	—	3,183	3,235
Selling, general and administrative expenses	154,995	282,667	206,936
Research and development expenses	224,953	424,636	340,364

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

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023**

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

	Note	Ordinary Shares		Treasury Shares		Additional Paid-in Capital RMB	Statutory and Other Reserves 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 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)	—	—	—	—	—
Transfer from treasury shares to outstanding ordinary shares for vested RSUs	22	—	—	11,075,214	1	(1)	—	—	—	—
Issuance of ordinary shares for vested RSUs	22	26,471,648	1	29,494,090	3	(4)	—	—	—	—
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 tax		—	—	—	—	—	—	(918,168)	—	(918,168)
Net loss		—	—	—	—	—	—	—	(4,863,096)	(4,863,096)
Appropriations to reserves	2(ab)	—	—	—	—	—	6,047	—	(6,047)	—
<b>Balance as of December 31, 2021</b>		<u>1,712,757,328</u>	<u>113</u>	<u>(11,871,690)</u>	<u>(1)</u>	<u>59,980,534</u>	<u>6,047</u>	<u>(1,648,549)</u>	<u>(16,191,566)</u>	<u>42,146,578</u>

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023 (CONTINUED)**

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

	Note	Ordinary Shares		Treasury Shares		Additional Paid-in Capital RMB	Statutory and Other Reserves RMB	Accumulated Other Comprehensive (Loss) Income RMB	Accumulated Deficit RMB	Total Shareholders' Equity RMB
		Shares	Par Value RMB	Shares	Par Value RMB					
<b>Balance as of December 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
Share-based compensation	23	—	—	—	—	710,486	—	—	—	710,486
Issuance of treasury shares	22	10,614,576	1	(10,614,576)	(1)	—	—	—	—	—
Transfer from treasury shares to outstanding ordinary shares for vested RSUs	22	—	—	17,567,096	1	(1)	—	—	—	—
Issuance of ordinary shares for vested RSUs	22	2,030,152	—	—	—	—	—	—	—	—
Foreign currency translation adjustment, net of tax		—	—	—	—	—	—	3,192,573	—	3,192,573
Net loss		—	—	—	—	—	—	—	(9,138,972)	(9,138,972)
Appropriations to reserves	2(ab)	—	—	—	—	—	378	—	(378)	—
<b>Balance as of December 31, 2022</b>		<u>1,725,402,056</u>	<u>114</u>	<u>(4,919,170)</u>	<u>(1)</u>	<u>60,691,019</u>	<u>6,425</u>	<u>1,544,024</u>	<u>(25,330,916)</u>	<u>36,910,665</u>

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023 (CONTINUED)**

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

Note	Ordinary Shares		Treasury Shares		Additional Paid-in Capital RMB	Statutory and Other Reserves RMB	Accumulated Other Comprehensive Income RMB	Accumulated Deficit RMB	Total Shareholders' Equity RMB	
	Shares	Par Value RMB	Shares	Par Value RMB						
<b>Balance as of December 31, 2022</b>		1,725,402,056	114	(4,919,170)	(1)	60,691,019	6,425	1,544,024	(25,330,916)	36,910,665
Share-based compensation	23	—	—	—	—	550,535	—	—	—	550,535
Issuance of treasury shares	22	8,571,852	—	(8,571,852)	—	—	—	—	—	—
Transfer from treasury shares to outstanding ordinary shares for vested RSUs	22	—	—	10,679,408	—	—	—	—	—	—
Issuance of ordinary shares for vested RSUs	22	599,886	—	—	—	—	—	—	—	—
Issuance of ordinary shares relating to the acquisition of DiDi's smart auto business	5,22	58,164,217	4	—	—	3,268,541	—	—	—	3,268,545
Contingent consideration classified as equity relating to the acquisition of DiDi's smart auto business	5	—	—	—	—	260,546	—	—	—	260,546
Issuance of ordinary shares to Volkswagen Group	22	94,079,255	7	—	—	5,427,390	—	—	—	5,427,397
Foreign currency translation adjustment, net of tax		—	—	—	—	—	—	286,614	—	286,614
Net loss		—	—	—	—	—	—	—	(10,375,775)	(10,375,775)
Appropriations to reserves	2(ab)	—	—	—	—	—	53,610	—	(53,610)	—
<b>Balance as of December 31, 2023</b>		<u>1,886,817,266</u>	<u>125</u>	<u>(2,811,614)</u>	<u>(1)</u>	<u>70,198,031</u>	<u>60,035</u>	<u>1,830,638</u>	<u>(35,760,301)</u>	<u>36,328,527</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023**

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

	Note	For the Year Ended December 31,		
		2021 RMB	2022 RMB	2023 RMB
<b>Cash flows from operating activities</b>				
Net loss		(4,863,096)	(9,138,972)	(10,375,775)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:				
Depreciation of property, plant and equipment	9	573,247	915,481	1,645,760
Amortization of intangible assets	10	25,875	65,714	230,501
Amortization of right-of-use assets		229,031	379,200	182,195
Amortization of land use rights	11	9,642	50,309	48,828
Loss of disposal of property, plant and equipment	2(m)	36,508	15,682	4,863
Loss of disposal of intangible assets		—	—	409
Impairment of property, plant and equipment		34,589	30,849	81,814
Impairment of intangible assets	10	—	26,418	8,712
Current expected credit loss of accounts and notes receivable	2(j)	16,175	11,369	18,222
Current expected credit loss of installment payment receivables	2(j)	49,978	43,971	47,352
Current expected credit loss of other current assets	2(j)	3,578	12,314	4,783
Inventory write-downs	2(l), 7	162,433	220,319	1,054,711
Exchange (gain) loss from foreign currency transactions		(313,580)	1,460,151	(97,080)
Interest income		(351,926)	(237,657)	(352,179)
Share-based compensation	23	379,948	710,486	550,535
Fair value (gain) loss on derivative assets or derivative liabilities		(79,262)	(59,357)	410,417
Fair value gain on derivative liability relating to the contingent consideration	5	—	—	(29,339)
Investment (gain) loss on long-term investments	13	(591,506)	(25,062)	224,364
Share of results of equity method investees	13	—	(4,117)	(54,740)
Changes in operating assets and liabilities, net of effects of acquisitions:				
Accounts and notes receivable		(1,560,777)	(1,210,721)	1,138,408
Inventory		(1,940,225)	(2,475,785)	(2,358,763)
Amounts due from related parties		(32,103)	(14,339)	34,176
Prepayments and other current assets		(652,033)	(219,127)	329,654
Other non-current assets		(68,136)	(23,124)	150,944
Accounts and notes payable		7,250,441	1,860,670	7,955,933
Deferred tax liabilities		—	—	18,797
Deferred revenue	20	588,904	185,961	216,694
Operating lease liabilities		(237,846)	(380,006)	(172,612)
Accruals and other liabilities		2,260,378	119,283	1,089,108
Other non-current liabilities		187,923	237,117	443,545
Installment payment receivables		(2,247,136)	(776,585)	(1,473,594)
Amounts due to related parties		12,857	(17,736)	1,433
Income taxes payable		21,528	4,918	(21,912)
Net cash (used in) provided by operating activities		<u>(1,094,591)</u>	<u>(8,232,376)</u>	<u>956,164</u>
<b>Cash flows from investing activities</b>				
(Placement) Maturities of short-term deposits		(24,899,368)	11,922,171	5,441,363
Maturities of short-term investments		62,305	1,625,763	524,172
Placement of long-term deposits		(3,157,891)	(3,822,326)	(3,128,847)
Purchase of property, plant and equipment		(2,299,698)	(4,275,838)	(2,096,326)
Receipt of government subsidy related to assets		12,954	166,260	111,944
Maturities of derivative assets or derivative liabilities		233,050	10,752	—
Purchase of intangible assets		(288,084)	(98,047)	(124,838)
Disposal of property, plant and equipment		24,124	77,059	8,380
Purchase of land use rights		(223,113)	(306,014)	(90,341)
Prepayment for acquisition of assets		(23,132)	—	—
Prepayments for subscription of equity securities		(50,000)	—	—
Prepayment for acquisition of land use rights		(1,507,170)	—	—
Disposal of long-term investments	13	—	165,000	—
Cash paid for long-term investments		(959,855)	(618,814)	(188,681)
Cash acquired relating to a business combination	5	—	—	684,214
Cash paid for an asset acquisition, net of cash acquired		—	—	(509,872)
Net cash (used in) provided by investing activities		<u>(33,075,878)</u>	<u>4,845,966</u>	<u>631,168</u>



**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023 (CONTINUED)**

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

	Note	For the Year Ended December 31,		
		2021	2022	2023
		RMB	RMB	RMB
<b>Cash flows from financing activities</b>				
Proceeds from Global Offering, net of issuance costs		13,146,811	—	—
Proceeds from issuance of ordinary shares to Volkswagen Group		—	—	5,019,599
Proceeds from borrowings	16	840,106	6,800,730	8,271,823
Repayments of borrowings	16	(982,900)	(681,710)	(5,162,232)
Proceeds from debt from third party investors	17	1,660,000	—	—
Repayments of debt from third party investors		—	(98,000)	—
Repayments of finance lease liabilities	18	—	(15,355)	(113,943)
Payments of listing expenses		(36,924)	(1,830)	—
Net cash provided by financing activities		14,627,093	6,003,835	8,015,247
Effects of exchange rate changes on cash, cash equivalents and restricted cash		(363,276)	461,740	(14,576)
Net (decrease) increase in cash, cash equivalents and restricted cash		(19,906,652)	3,079,165	9,588,003
Cash, cash equivalents and restricted cash at beginning of the year		31,541,533	11,634,881	14,714,046
<b>Cash, cash equivalents and restricted cash at end of the year</b>		<b>11,634,881</b>	<b>14,714,046</b>	<b>24,302,049</b>
<b>Supplemental disclosure of cash flows information</b>				
Cash paid for interest, net of amounts capitalized		(126,090)	(162,470)	(306,656)
Cash paid for income taxes		—	36,071	25,727
Acquisition of property, plant and equipment included in liabilities		843,732	1,624,432	1,723,130
Cash acquired relating to a business combination		—	—	684,214
Cash paid for an asset acquisition		—	—	(710,479)
Cash acquired relating to an asset acquisition		—	—	200,607
<b>Supplemental disclosure of non-cash investing activities</b>				
Ordinary shares issued for the acquisition of DiDi's smart auto business		—	—	3,087,849
Fair value of contingent consideration relating to the acquisition of DiDi's smart auto business		—	—	694,357

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(All amounts 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, develops and delivers smart electric vehicles. It manufactures all vehicles through its own plants in Zhaoqing, Guangzhou and Wuhan. As of December 31, 2022 and 2023, its primary operations are conducted in the People’s Republic of China (“PRC”).

**(b) Initial Public Offering and Global Offering**

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**”).

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**”).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

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

**(c) Principal subsidiaries and VIEs**

As of December 31, 2023, the Company’s principal subsidiaries and VIEs are as follows:

	Place of incorporation	Date of incorporation or acquisition	Equity interest held	Principal activities
<b>Principal subsidiaries</b>				
Guangzhou Chengxing Zhidong Automotive Technology Co., Ltd. (“Chengxing”)	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%	Design and technology development
Zhaoqing Xiaopeng New Energy Investment Co., Ltd. (“Zhaoqing Xiaopeng New Energy”) <sup>(1)</sup>	PRC	February 13, 2020	100%	Manufacturing of vehicles
Zhaoqing Xiaopeng Automobile Co., Ltd. (“Zhaoqing XPeng”)	PRC	May 18, 2017	100%	Manufacturing of battery pack
Xiaopeng Motors Sales Co., Ltd. (“Xiaopeng Motors Sales”)	PRC	January 08, 2018	100%	Vehicle wholesale and retail
Beijing Xiaopeng Automobile Co., Ltd. (“Beijing Xiaopeng”)				Vehicle wholesale and retail, design and technology development
	PRC	April 28, 2018	100%	
Beijing Xiaopeng Automobile Sales Service Co., Ltd.	PRC	November 09, 2020	100%	Vehicle wholesale and retail
Guangzhou Xiaopeng Automatic Driving Technology Co., Ltd.	PRC	November 18, 2019	100%	Technology development
Guangzhou Xiaopeng Smart Charging Technology Co., Ltd.				Smart charging technology development
	PRC	June 22, 2020	100%	
Xiaopeng Automobile Central China (Wuhan) Co., Ltd. (“Wuhan Xiaopeng”)	PRC	April 30, 2021	100%	Technology development and vehicle retail
Shanghai Xiaopeng Motors Technology Co., Ltd. (“Shanghai Xiaopeng”)				Technology development and vehicle retail
	PRC	February 12, 2018	100%	
Guangzhou Zhipeng Manufacturing Co., Ltd.	PRC	January 14, 2021	100%	Manufacturing of vehicles
Wuhan Xiaopeng Smart Manufacturing Co., Ltd.				Manufacturing of battery pack and electric drive system
	PRC	August 16, 2021	100%	
XPeng Huitian Holding Limited	BVI	October 12, 2020	100%	Investment holding
XPeng Dogotix Holding Limited	BVI	January 05, 2021	100%	Investment holding
Dogotix Inc.	BVI	October 09, 2023	100%	Investment holding
XPeng (Hong Kong) Limited	Hong Kong	February 12, 2019	100%	Investment holding

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

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

**(c) Principal subsidiaries and VIEs (continued)**

- (1) 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 Kumpeng Motor Technology Co., Ltd. (“Zhaoqing Kumpeng”), which is jointly owned by two shareholders of the Company. Each of Zhaoqing XPeng and Zhaoqing Kumpeng subscribed for 50% of the equity interest of Zhaoqing Xiaopeng New Energy, with Zhaoqing Kumpeng’s capital contribution representing an 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 Kumpeng 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 Kumpeng entered into a share transfer agreement, among which Zhaoqing Kumpeng 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 Kumpeng upon the earlier of (i) the removal of the PRC foreign investment restrictions in the whole-unit vehicle industry; or (ii) December 31, 2022.

Effective from January 1, 2022, the PRC foreign investment restrictions in the whole-unit vehicle industry were removed. Therefore, on January 4, 2022, Zhaoqing Kumpeng 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. This transfer did not affect the continued consolidation of financial statements of Zhaoqing Xiaopeng New Energy by the Company.

- (2) 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 amounts in thousands, except for share and per share data, unless otherwise stated)

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

**(c) Principal subsidiaries and VIEs (continued)**

As of December 31, 2023, the Company’s principal subsidiaries and VIEs are as follows (continued):

<b>VIEs</b>	<b>Place of incorporation</b>	<b>Date of incorporation or acquisition</b>	<b>Principal activities</b>
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
Guangdong Intelligent Insurance Agency Co., Ltd. (“GIIA”, formerly known as Qingdao Miaobao Insurance Agency Co., Ltd.) (Note 1(c)(iii))	PRC	July 22, 2022	Insurance agency
<b>VIEs’ subsidiary</b>			
Jiangsu Zhipeng Kongjian Information Technology Co., Ltd. (“Zhipeng Kongjian”, formerly known as Jiangsu Zhitu Technology Co., Ltd., a subsidiary of Xintu Technology) (Note 1(c)(i))	PRC	June 23, 2021	Surveying and mapping

(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 a controlling financial interest under ASC 810 in 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 under U.S. GAAP.

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.

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 a controlling financial interest under ASC 810 in 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 under U.S. GAAP. As of December 31, 2023, Xintu Technology did not have significant operations, nor any material assets or liabilities.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

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

**(c) Principal subsidiaries and VIEs (continued)**

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 a controlling financial interest under ASC 810 in 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. Accordingly, the Company continued to consolidate the financial results of Zhipeng IoV under U.S. GAAP. As of December 31, 2023, 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 a controlling financial interest under ASC 810 in 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 under U.S. GAAP.

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 a controlling financial interest under ASC 810 in 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. Accordingly, the Company continued to consolidate the financial results of Yidian Chuxing under U.S. GAAP. As of December 31, 2023, Yidian Chuxing did not have significant operations, nor any material assets or liabilities.

(iii) GIIA, primarily engaged in the business of insurance agency services and established in 2007, was acquired by Guangzhou Xuetao Enterprise Management Co., Ltd. ("Guangzhou Xuetao"), a company jointly established by the former senior vice president of the Company and his spouse (the "GIIA's Nominee Shareholders"). On July 22, 2022, Xiaopeng Motors Sales (wholly owned by the Company), Guangzhou Xuetao and GIIA's Nominee Shareholders entered into a cooperation agreement that Guangzhou Xuetao irrevocably authorized Xiaopeng Motors Sales to exercise the 100% equity owner's rights over GIIA. The agreement provides the Company, as the only shareholder of Xiaopeng Motors Sales, with a controlling financial interest under ASC 810 in GIIA to direct the activities that most significantly impact GIIA's economic performance and enable the Company to obtain substantially all of the economic benefits arising from GIIA. As a result of this contractual arrangement, management concluded that GIIA is a VIE of the Company and the Company is the ultimate primary beneficiary of GIIA and shall consolidate the financial results of GIIA in the Group's consolidated financial statements under U.S. GAAP. As of December 31, 2023, GIIA did not have significant operations, nor any material assets or liabilities.

Subsequently, this cooperation agreement was terminated and the new contractual agreements, including an equity interest pledge agreement, a loan agreement, exclusive service agreement, exclusive call option agreement and power of attorney, were entered into among GIIA, Xiaopeng Motors Sales, Guangzhou Xuetao and a new nominee shareholder who is the Group's general counsel on January 31, 2024. Upon the effective date of these new contractual agreements, the Company remains the ultimate primary beneficiary of GIIA and continues to consolidate the financial results of GIIA.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

(All amounts 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 RMB4,863,096, RMB9,138,972 and RMB10,375,775 for the years ended December 31, 2021, 2022 and 2023, respectively. Accumulated deficit amounted to RMB25,330,916 and RMB35,760,301 as of December 31, 2022 and 2023, respectively. Net cash used in operating activities was approximately RMB1,094,591 and RMB8,232,376 for the years ended December 31, 2021 and 2022, respectively. Net cash provided by operating activities was approximately RMB956,164 for the year ended December 31, 2023.

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 further received the net proceeds, after deducting the underwriting discounts and commissions, of Hong Kong dollar (HK\$) 15,823,315.

In December, 2023, with the completion of the strategic minority investment by Volkswagen Group ("Volkswagen"), the Group received the net proceeds, after deducting related costs and expenses, of RMB5,019,599. As of December 31, 2023, the Group's balance of cash and cash equivalents, restricted cash, excluding RMB6,308 restricted as to withdrawal or use for legal disputes, short-term deposits, short-term investments, and current portion of long-term deposits was RMB41,888,851.

Management has concluded that its existing balance of cash and cash equivalents, short-term deposits, short-term investments and current portion of long-term deposits as of December 31, 2023, provide the Group with sufficient liquidity to meet its working capital requirements and contractual (including debt) obligations for the next twelve months following the issuance of the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**2. Summary of Significant Accounting Policies**

**(a) Basis of presentation**

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 investees under a statute or agreement among the shareholders or equity holders.

A VIE is an entity in which the Company, or its subsidiary, through contractual arrangements, bears the risks of, and enjoys the rewards normally associated with, ownership of the entity, and therefore the Company or its subsidiary is the primary beneficiary of the entity. In determining whether the Company or its subsidiaries are the primary beneficiary, the Company considered whether it has the power to direct activities that are significant to the VIE’s economic performance, and also the Company’s obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIEs that could potentially be significant to the VIEs.

**(c) 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, losses on purchase commitments relating to inventory, assessment for impairment of long-lived assets and intangible assets, useful lives and residual values of long-lived assets and finite-lived intangible assets, determination of the fair value of derivative liability relating to the contingent consideration in business combination, fair value of assets and liabilities acquired or assumed in business combination, fair value of assets and liabilities acquired or assumed in asset acquisition, recoverability of receivables, valuation of deferred tax assets, determination of share-based compensation expenses, 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 model as well as subsequent adjustments for equity investments without readily determinable fair values and not accounted for by the equity method.

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



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

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

**(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 income or loss in the consolidated statements of comprehensive loss, and the accumulated currency translation adjustments are presented as a component of accumulated other comprehensive income or loss in the consolidated statements of changes in shareholders’ equity.

**(e) Business combinations and goodwill**

The Group accounts for business combinations under ASC 805, Business Combinations. Business combinations are recorded using the acquisition method of accounting, and the transaction consideration of an acquisition is determined based upon the aggregate fair value at the date of exchange of the assets transferred, liabilities incurred, and equity instruments issued, including any consideration contingent upon future events as defined. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets and liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any noncontrolling interests.

The excess of the total transaction consideration over the aggregate fair value of the acquired identifiable net assets is recorded as goodwill. If the total transaction consideration is less than the fair values of the net assets of the subsidiaries acquired, the difference is recognized directly in the consolidated statements of comprehensive loss.

Goodwill is not amortized but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, by performing the quantitative test through comparing each reporting unit’s fair value to its carrying value, including goodwill. No impairment provision was made related to the Group’s goodwill for the year ended December 31, 2023.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

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

**(f) Fair value**

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be either recorded or disclosed at fair value, the Group considers the principal or most advantageous market in which it would transact, and it also considers assumptions that market participants would use when pricing the asset or liability.

The Group applies a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. This guidance specifies a hierarchy of valuation techniques, which is based on whether the inputs into the valuation technique are observable or unobservable. The hierarchy is as follows:

Level I — Valuation techniques in which all significant inputs are unadjusted quoted prices from active markets for assets or liabilities that are identical to the assets or liabilities being measured.

Level II — Valuation techniques in which significant inputs include quoted prices from active markets for assets or liabilities that are similar to the assets or liabilities being measured and/or quoted prices for assets or liabilities that are identical or similar to the assets or liabilities being measured from markets that are not active. Also, model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are Level II valuation techniques.

Level III — Valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are valuation technique inputs that reflect the Group's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

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

**(f) Fair value (continued)**

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, restricted long-term deposits, long-term investments, finance lease receivables, other assets, accounts and notes payable, short-term borrowings, finance lease liabilities, operating lease liabilities, accruals and other liabilities, derivative liability and long-term borrowings. As of December 31, 2022 and 2023, the carrying values of these financial instruments, except for other non-current assets, non-current portion of long-term deposits, restricted long-term deposit, non-current portion of long-term borrowings, and non-current portion of lease liabilities, approximated their respective fair values due to the short-term maturity of these instruments.

Financial assets and liabilities that are measured at fair value on a recurring basis consist of short-term investments, equity investments with readily determinable fair values, debt investments that are accounted for under the fair value option model and derivative liabilities.

Equity investments with readily determinable fair values (Note 13) are valued using the market approach based on the quoted prices in active markets at the reporting date. The Group classifies the valuation techniques that use these inputs as Level I of fair value measurements.

All of the Group's short-term investments, which are comprised primarily of structured deposits, bank financial products, 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 model (Note 13), and a derivative liability relating to certain contingent consideration (Note 5), which are initially measured at fair value with changes in fair value in the subsequent periods recognized through earnings. Such debt investments and derivative liability 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 Group has adopted certain valuation techniques using unobservable inputs to measure their respective fair values.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**2. Summary of Significant Accounting Policies (continued)****(g) Cash and cash equivalents**

Cash and cash equivalents represent cash on hand, time deposits and highly liquid investments placed with banks or other financial institutions, which are unrestricted as to withdrawal and use, and which have original maturities of three months or less.

Cash and cash equivalents as reported in the consolidated statements of cash flows are presented separately on the consolidated balance sheets as follows:

	As of December 31, 2022		As of December 31, 2023	
	Amount	RMB equivalent	Amount	RMB equivalent
Cash and cash equivalents:				
RMB	13,230,745	13,230,745	13,597,107	13,597,107
US\$	194,588	1,355,226	1,021,773	7,236,909
HK\$	9,256	8,268	4,218	3,823
Others	not applicable	13,535	not applicable	289,324
Total		<u>14,607,774</u>		<u>21,127,163</u>

As of December 31, 2022 and 2023, 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.

**(h) Restricted cash**

Restricted cash primarily represents bank deposits for letters of guarantee, bank notes and others amounted to RMB84,371 and RMB3,168,578 as of December 31, 2022 and 2023, respectively. In addition, restricted cash includes certain deposits, amounting to RMB21,901 and RMB6,308, as of December 31, 2022 and 2023, respectively, that are restricted due to legal disputes.

**(i) 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, 2022 and 2023, substantially all of the Group's short-term deposits amounting to RMB14,921,688 and RMB9,756,979, respectively, had been placed in reputable financial institutions in the PRC.

Long-term deposits represent time deposits placed with banks with original maturities more than one year. Interest earned is recorded as interest income in the consolidated statements of comprehensive loss during the years presented. As of December 31, 2022 and 2023, substantially all of the Group's long-term deposits amounting to RMB7,353,916 and RMB10,090,341, respectively, had been placed in reputable financial institutions in the PRC, out of which, RMB427,466 and RMB7,054,915 will be due within one year and are classified to "Long-term deposits, current portion", respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

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

**(j) Current expected credit losses**

The Group's accounts and notes receivable, other current assets, installment payment receivables and finance lease receivables (Note 18) 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, installment payment receivables and finance lease 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, 2021, 2022 and 2023, the Group recorded RMB69,731, RMB67,654 and RMB70,357 in expected credit loss expense in selling, general and administrative expenses, respectively. As of December 31, 2022, the expected credit loss provision recorded in current and non-current assets were RMB67,181 and RMB54,526, respectively. As of December 31, 2023, the expected credit loss provision recorded in current and non-current assets were RMB76,090 and RMB74,693, respectively.

Accounts and notes receivable are amounts due from large-volume buyers for vehicle sales in the ordinary course and amounts due from government subsidies that are collected 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, 2022 and 2023, 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, notes receivable and finance lease receivables, within the scope of ASC Topic 326 were immaterial.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**2. Summary of Significant Accounting Policies (continued)****(j) Current expected credit losses (continued)**

The following table summarizes the activity in the allowance for credit losses related to accounts receivable, other current assets and installment payment receivables, for the years ended December 31, 2021, 2022 and 2023 :

	<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	<u>67,096</u>
	<b>For the Year Ended December 31, 2022</b>
Balance as of December 31, 2021	67,096
Current period provision	67,654
Write-offs	(13,043)
Balance as of December 31, 2022	<u>121,707</u>
	<b>For the Year Ended December 31, 2023</b>
Balance as of December 31, 2022	121,707
Current period provision	70,357
Write-offs	(41,281)
Balance as of December 31, 2023	<u>150,783</u>

**(k) 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 as "Interest income" in the consolidated statements of comprehensive loss. The Group's short-term investments in financial instruments were RMB1,262,129 and RMB781,216 as of December 31, 2022 and 2023, respectively.

**(l) 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 RMB162,433, RMB220,319 and RMB1,054,711 were recognized in cost of sales for the years ended December 31, 2021, 2022 and 2023, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

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

**(m) 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 lives of the assets. Leasehold improvements are depreciated over the shorter of the lease terms or the estimated useful lives, which range from two to ten years, of the related assets. Residual 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	15 months 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 RMB36,508, RMB15,682 and RMB4,863 were recognized in operating expenses during the years ended December 31, 2021, 2022 and 2023, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**2. Summary of Significant Accounting Policies (continued)****(n) Intangible assets, net**

Intangible assets consist of manufacturing license, surveying and mapping qualification, insurance agency qualification, license plate, software, license of maintenance and overhauls, vehicle model technology under development (“VMTUD”), vehicle platform technology (“VPT”), robotics platform technology and other intangible assets. Intangible assets with finite lives, including software, license of maintenance and overhaul, VPT, robotics platform technology and other intangible assets, 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
VPT	10 years
Robotics platform technology	10 years
Others	5 to 10 years

The Group estimates the useful life of the software to be 2 to 10 years, VPT and robotics platform technology to be 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 overhaul to be 26 months based on the contract terms. The Group estimates the useful life of other intangible assets to be 5 to 10 years, based on the laws and regulations by registration authorities.

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 are manufacturing license, surveying and mapping qualification, insurance agency qualification, license plates and VMTUD, as of December 31, 2023. No useful life was determined in the contract terms when the Group acquired the manufacturing license, surveying and mapping qualification, insurance agency qualification and license plates. The Group expects that such intangible assets are unlikely to be terminated and will continue to be renewed as a matter of course 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 VMTUD acquired through business combination was considered indefinite-lived until the completion of the associated research and development efforts and a determination related to commercial feasibility. At such time, the Group will determine the related useful life and method of amortization. Research and development expenditures that are incurred after the acquisition, including those for completing the research and development activities, are expensed as incurred.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

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

**(n) Intangible assets, net (continued)**

The Group evaluates indefinite-lived intangible assets annually as of each balance sheet date 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 sales performance, the stable macroeconomic conditions in China and the Group's future manufacturing plans, the Company determined that it is not likely that the manufacturing license, surveying and mapping qualification certificate, insurance agency qualification certificate, license plates and VMTUD were impaired as of December 31, 2022 and 2023. As such, no impairment of indefinite-lived intangible assets was recognized for the years ended December 31, 2021, 2022 and 2023.

**(o) 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 49.5 to 50 years that represent the terms of land use rights certificate.

**(p) Long-term investments**

*Equity Method Investments*

The Group applies the equity method to account for its equity investments, according to ASC 323 "Investments — Equity Method and Joint Ventures", over which it has significant influence but does not own a controlling financial interest.

Under the equity method, the Group initially records its investments at fair value. The Group subsequently adjusts the carrying amount of the investments to recognize the Group's proportionate share of each equity investee's net income or loss into earnings after the date of investment.

The Group continually reviews its investments in equity method investees to determine whether a decline in fair value below the carrying value is other-than-temporary. The primary factors the Group considers in its determination include current economic and market conditions, the financial condition and operating performance of the equity method investees, and other company specific information.

The Group's long-term investments also include other 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

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

**(p) Long-term investments (continued)**

*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 model 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 model permits the irrevocable election on an instrument-by-instrument basis at initial recognition or upon an event that gives rise to a new basis of accounting for that instrument. The investments accounted for under the fair value option model 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 amounts in thousands, except for share and per share data, unless otherwise stated)

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

**(q) 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 the 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.

**(r) 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.

**(s) 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

#### (s) Revenue recognition (continued)

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.

#### *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 supercharging 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 were entitled to government subsidies when they purchase electric vehicles before December 31, 2022. 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. The new energy vehicle subsidies had expired since January 1, 2023.

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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

#### (s) Revenue recognition (continued)

##### *Vehicle sales (continued)*

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 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 supercharging 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.

XPILOT, the Group's intelligent driving system, provides assisted driving and parking functions tailored for different driving behaviors and road conditions in China. A customer can subscribe for XPILOT by either making a lump sum payment or paying annual installments over a three-year period, or purchasing a vehicle equipped with XPILOT. Revenue related to XPILOT is recognized at a point in time when intelligent driving functionality of XPILOT is delivered and transferred to the customers.

##### *Other services*

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

Revenue from services embedded in a sales contract included 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 included supercharging service, maintenance service, technical support services and second-hand vehicle sales service. These services are recognized either over time or point in time, as appropriate, 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, extended warranty of 10 years or 200,000 kilometers, basic maintenance service of 6 times in 4 years 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 services will be very limited. The Group also performs an estimation on the standalone 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 standalone 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 and others. Related costs are then accrued instead.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

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

**(s) 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 standalone 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 standalone 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 standalone 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 standalone 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. As of December 31, 2022, the trade-in program has been closed. If the owners of G3 2019, who elected the trade-in right, did not sign the trade-in contracts or reach an additional agreement with the Group in 2022, the trade-in right will be expired.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

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

**(t) 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, losses on purchase commitments relating to inventory, 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.

**(u) 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, 2021, 2022 and 2023, R&D expenses were RMB4,114,267, RMB5,214,836 and RMB5,276,574, respectively.

**(v) 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, 2021, 2022 and 2023, advertising costs were RMB873,256, RMB577,569 and RMB413,832, respectively, and total sales and marketing expenses were RMB4,276,366, RMB5,028,958 and RMB5,013,734, 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, 2021, 2022 and 2023, general and administrative expenses were RMB1,029,067, RMB1,659,288 and RMB1,545,208, respectively.

**(w) 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. There are no forfeited contribution that may be used by the Group as the employer to reduce the existing level of contributions. Total amounts of such employee benefit expenses, which were expensed as incurred, were approximately RMB466,444, RMB766,915 and RMB750,002 for the years ended December 31, 2021, 2022 and 2023, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

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

**(x) Government grants**

Government grants 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. Government grants relating to interest expense (not capitalized) are initially recognized as other non-current liabilities if the amount is received in advance (of the incurrence of interest expense). Such amounts would then reduce related interest expense when incurred.

Government grants relating to the purchase or construction of property, plant and equipment and intangible assets are accounted for as a reduction in such a capitalized amount with the subsidy benefit reflected over the useful life of related asset through reduced depreciation expenses.

Government grants requiring the performance of certain other business related activities or other required conditions are deferred and recognized in profit or loss when all applicable conditions have been met.

Nonrefundable grants received without further performance or conditions are recognized immediately as other income upon receipt.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

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

**(y) Other income, net**

For the year ended December 31, 2021, other income, net mainly represents other subsidies that are recognized upon receipt 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 21).

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 16).

For the years ended December 31, 2022 and 2023, other income, net mainly represents government subsidies that are recognized upon receipt in profit or loss of RMB109,168 and RMB465,588, respectively, as further performance by the Group is not required.

**(z) Income taxes**

Current income taxes are recorded in accordance with the regulations of the relevant tax jurisdiction. The Group accounts for income taxes under the asset and liability method in accordance with ASC 740, Income Tax. Under this method, deferred tax assets and liabilities are recognized for the tax consequences attributable to differences between carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax basis, and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in the consolidated statements of comprehensive loss in the period of change. Valuation allowances are established when necessary to reduce the amount of deferred tax assets if it is considered more likely than not that amount of the deferred tax assets will not be realized.

**Uncertain tax positions**

The guidance on accounting for uncertainties in income taxes prescribes a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Guidance was also provided on derecognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods, and income tax disclosures. The Group recognizes interests and penalties, if any, under accrued expenses and other current liabilities on its consolidated balance sheets and under other expenses in its consolidated statements of comprehensive loss. The Group did not recognize any significant interest and penalties associated with uncertain tax positions for the years ended December 31, 2021, 2022 and 2023. As of December 31, 2022 and 2023, the Group did not have any significant unrecognized uncertain tax positions.

**(aa) 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 the 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 granted prior to the completion of the IPO was 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 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

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

**(aa) Share-based compensation (continued)**

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.

**(ab) Statutory and other reserves**

The Group's subsidiaries and the 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.

In accordance with PRC law, manufacturing enterprises have to make appropriations for the safety production reserve, pursuant to the policies promulgated by the Ministry of Finance and the Ministry of Emergency Management of the State.

For the years ended December 31, 2021, 2022 and 2023, appropriations to the general reserve fund, the statutory surplus fund and safety production reserve amounted to RMB6,047, RMB378 and RMB53,610, respectively.

**(ac) Comprehensive loss**

The Group applies ASC 220, Comprehensive Income, with respect to reporting and presentation of comprehensive loss and its components in a full set of financial statements. Comprehensive loss is defined to include all changes in equity of the Group during a period arising from transactions and other events and circumstances except those resulting from investments by shareholders and distributions to shareholders. For the years presented, the Group's comprehensive loss includes net loss and other comprehensive income or 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 amounts in thousands, except for share and per share data, unless otherwise stated)

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

**(ad) Leases**

In February 2016, the FASB issued ASC 842, Leases, to require lessees to recognize all leases, with certain exceptions, on the balance sheets, while recognition on the statement of operations will remain similar to lease accounting under ASC 840. Subsequently, the FASB issued ASU No. 2018-10, Codification Improvements to Topic 842, Leases, ASU No. 2018-11, Targeted Improvements, ASU No. 2018-20, Narrow-Scope Improvements for Lessors, and ASU 2019-01, Codification Improvements, to clarify and amend the guidance in ASU No. 2016-02. ASC 842 eliminates real estate-specific provisions and modifies certain aspects of lessor accounting.

(a) As a lessee

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 recognized lease assets and lease liabilities related to substantially all of the Group's lease arrangements in the consolidated balance sheets. Operating lease assets are included within "Land use rights, net" and "Right-of-use assets, net", and the corresponding operating lease liabilities are included within "Operating lease liabilities, current portion" for the current portion, and within "Operating lease liabilities" for the long-term portion on the consolidated balance sheets as of December 31, 2022 and 2023. Finance lease assets are included within "Property, plant and equipment, net" and the corresponding finance lease liabilities are included within "Finance lease liabilities, current portion" for the current portion, and within "Finance lease liabilities" for the long-term portion on the consolidated balance sheets as of December 31, 2022 and 2023.

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. The incremental borrowing rate is a hypothetical rate based on the Group's understanding of what its credit rating would be to borrow and resulting interest the Group would pay to borrow an amount equal to the lease payments in a similar economic environment over the lease term on a collateralized basis.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

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

***(ad) Leases (continued)***

(b) As a lessor

The Group provides vehicle leasing services 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.

The vehicle leasing income was immaterial for the years ended December 31, 2021, 2022 and 2023, respectively.

The Group classifies a lease as a sales-type when the lease meets any of one of the following criteria at lease commencement:

- i. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
- ii. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.
- iii. The lease term is for the major part of the remaining economic life of the underlying asset.
- iv. The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments equals or exceeds substantially all of the fair value of the underlying asset.
- v. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

For a sales-type lease, when collectability is probable at lease commencement, the Group derecognizes the underlying asset, recognizes the net investment in the lease which is the sum of the lease receivable and the unguaranteed residual asset and recognizes in net income any selling profit or loss based on the business model. The net investment in the lease is presented as “Financial lease receivables, net”, which is included within “Other current asset” for the current portion, and within “Other non-current asset” for the long-term portion on the consolidate balance sheets as of December 31, 2023. Finance lease receivables are carried at amortized cost comprising of original financing lease, net of unearned income. Interest income is recognized in financing income over the lease term using the interest method.

The Group provides a 15-year lease of a factory under a sales-type lease. As of December 31, 2023, total finance lease receivable related to this lease amounted to RMB240,023.

***(ae) Accounts and notes payable***

Accounts and notes payable represent the amount due to the suppliers by the Group for the purchase of raw materials. The Group normally receives credit terms of 0 days to 180 days from its suppliers. Accounts payable were RMB7,269,757 and RMB13,491,144 as of December 31, 2022 and 2023, respectively. Notes payable, which were pledged by bank deposits (note 2(h)), were RMB6,953,099 and RMB8,719,287 as of December 31, 2022 and 2023, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

#### *(af) Dividends*

Dividends are recognized when declared. No dividend was declared for the years ended December 31, 2021, 2022 and 2023, respectively.

#### *(ag) Earnings (losses) per share*

Basic earnings (losses) per share is computed by dividing net income (loss) attributable to holders of ordinary 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 (losses) 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 unvested RSUs and contingently issuable shares relating to the contingent consideration. 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.

#### *(ah) 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 segment geographical information is presented.

### 3. Recent Accounting Pronouncements

#### *Recently issued accounting pronouncements not yet adopted*

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU No. 2023-07, Improvements to Reportable Segment Disclosures (Topic 280). This ASU updates reportable segment disclosure requirements by requiring disclosures of significant reportable segment expenses that are regularly provided to the Chief Operating Decision Maker ("CODM") and included within each reported measure of a segment's profit or loss. This ASU also requires disclosure of the title and position of the individual identified as the CODM and an explanation of how the CODM uses the reported measures of a segment's profit or loss in assessing segment's performance and deciding how to allocate resources. The ASU is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Adoption of the ASU should be applied retrospectively to all prior periods presented in the financial statements. Early adoption is also permitted. This ASU will likely result in us including the additional required disclosures when adopted. The Group are currently evaluating the provisions of this ASU and expect to adopt them for the year ending December 31, 2024.

In December 2023, the FASB issued ASU No. 2023-09, Improvements to Income Tax Disclosures (Topic 740). The ASU requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as additional information on income taxes paid. The ASU is effective on a prospective basis for annual periods beginning after December 15, 2024. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. This ASU will result in the required additional disclosures being included in the Group's consolidated financial statements, once adopted.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

(All amounts 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, short-term investments, long-term deposits and restricted long-term deposits. The maximum exposure of such assets to credit risk is their carrying amounts as of the balance sheet dates. As of December 31, 2022 and 2023, substantially all of the Group's cash and cash equivalents, restricted cash, short-term deposits, short-term investments, long-term deposits and restricted long-term deposits 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, short-term investments, long-term deposits and restricted long-term deposits 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 overseas 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 amounts in thousands, except for share and per share data, unless otherwise stated)

**5. Business Combination**

On August 27, 2023, the Company entered into a share purchase agreement (“SPA”) with DiDi Global Inc. (“DiDi”) and Da Vinci Auto Co. Limited (“Target HoldCo”, a direct and wholly-owned subsidiary of DiDi), pursuant to which the Company agreed to acquire and DiDi agreed to cause the Target HoldCo to sell the entire issued share capital of Xiaoju Smart Auto Co. Limited and its wholly-owned subsidiaries (“Xiaoju Group”), which were engaged in certain smart auto business that develops, designs and engineers A class automobile vehicles (“DiDi’s smart auto business”).

The Group believes that the acquisition of DiDi’s smart auto business will increase the Group’s brand exposure and customer reach through DiDi’s platform, which will in turn result in commercial growth and opportunities in new international markets.

On November 13, 2023, the closing of the acquisition has been completed and the Company acquired a 100% equity interest in Xiaoju Group with a total purchase consideration of RMB3,782,206, after which Xiaoju Group became wholly-owned subsidiaries of the Company.

The following table summarizes the components of the purchase consideration transferred based on the closing price of the Company’s common share of US\$7.83 per share as of the acquisition date:

	<u>As of acquisition date</u>
Fair value of ordinary shares issued on the acquisition date <sup>(i)</sup>	3,087,849
Fair value of contingent consideration related to SOP Milestone <sup>(ii)</sup>	260,546
Fair value of contingent consideration related to Earn-Out Period Milestone <sup>(iii)</sup>	433,811
<b>Total Consideration</b>	<b><u>3,782,206</u></b>

- (i) The Company issued 58,164,217 Class A ordinary shares to DiDi on the acquisition date. A portion of the fair value for the shares issued, in the amount of RMB180,696 was attributed to a prepayment for subsequent technical support and advertising services to be provided by DiDi to the Group. Accordingly, this amount was not included in the total consideration of the acquisition.
- (ii) SOP Milestone refers to the start of production (“SOP”) of the new vehicle model (“Qualified New Model”) specified in the SPA for sales and delivery to ordinary customers. The acquisition of DiDi’s smart auto business includes a contingent consideration arrangement that requires an additional 4,636,447 Class A ordinary shares to be issued to DiDi if the SOP Milestone is met, which was classified as equity. In estimating the acquisition date fair value of the contingent consideration related to the SOP Milestone, the Company anticipated that the SOP Milestone would be met and the Company will issue these additional 4,636,447 Class A ordinary shares to DiDi upon the date of the SOP.
- (iii) The acquisition of DiDi’s smart auto business also includes a contingent consideration arrangement that requires additional Class A ordinary shares to be issued to DiDi based on (i) the aggregate delivery volume of the Qualified New Model within the 13-month period immediately following the start of delivery (“First Earn-Out Period”) reaching 100,000 at any time during the period, or (ii) the aggregate delivery volume of the Qualified New Model within the 12-month period immediately following the expiry of the First Earn-Out Period reaching 100,000 at any time during the period, both of which is defined as “Earn-Out Period Milestone”. The range of shares to be issued related to the Earn-Out Period Milestone is between nil and 28,331,126, leading to the range of fair value of the contingent consideration between nil and RMB1,592,071 on the acquisition date. The Group estimated the acquisition date fair value of the contingent consideration related to the Earn-Out Period Milestone, which is classified as a derivative liability, based on the total contingent shares to be issued, considering projected delivery volume, and the closing price of the Company’s common share on the acquisition date. As of December 31, 2023, the fair value of the contingent consideration related to the Earn-Out Period Milestone was RMB393,473, with a fair value gain of RMB29,339 recorded in the consolidated statements of comprehensive loss, and the range of fair value of the contingent consideration was between nil and RMB1,463,821, which was mainly due to the change in the Company’s stock price.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**5. Business Combination (continued)**

The acquisition was accounted for as a business combination. The Group made estimates and judgements in determining the fair values of the assets acquired and liabilities assumed with the assistance from an independent valuation firm. The consideration was allocated on the acquisition date as follows:

	<u>As of acquisition date</u>
Intangible assets	
- VPT (Note 10)	2,586,911
- VMTUD (Note 10)	609,170
- Software	9,570
Cash and cash equivalents	684,214
Prepayments and other current assets	254,402
Property and equipment, net	113,818
Deferred tax assets	453,125
Other non-current assets	127,256
Accounts and notes payable	(30,473)
Accruals and other liabilities	(255,483)
Deferred tax liabilities	(804,410)
Goodwill	34,106
<b>Total</b>	<b><u>3,782,206</u></b>

The Group estimated the fair value of acquired VPT using the relief from royalty method. The value is estimated as the present value of the after-tax cost savings at an appropriate discount rate. In terms of the fair value of the acquired VMTUD, which was initially recognized as in-process research and development asset, the multiperiod excess earnings method was used. The value is estimated as the present value of the earnings calculated at an appropriate discount rate. The Group's determination of the fair values of acquired VPT and VMTUD involved the use of estimates and assumptions related to projected revenues, royalty rate, and discount rates.

The goodwill was mainly attributable to intangible assets that cannot be recognized separately as identifiable assets under U.S. GAAP, including synergies which result from the assembled work force and the benefits of the strategic partnership with DiDi. None of the goodwill recognized is expected to be deductible for income tax purposes.

*Pro forma information of the acquisition*

The following unaudited pro forma information summarizes the results of operations for the years ended December 31, 2022 and 2023 of the Group as if the acquisition had occurred on January 1, 2022. The unaudited pro forma information includes: (i) amortization associated with estimates for the acquired intangible assets and corresponding deferred tax asset and liability; (ii) removal of the transaction costs related to the acquisition and (iii) the associated tax impact on these unaudited pro forma adjustments. The following pro forma financial information is presented for informational purpose only and is not necessarily indicative of the results that would have occurred had the acquisition been completed on January 1, 2022, nor is it indicative of future operating results.

	<u>For the year ended December 31,</u>	
	<u>2022</u>	<u>2023</u>
Pro forma net revenues	26,855,119	30,856,674
Pro forma net loss	(12,035,550)	(14,066,681)

Since the acquisition date, Xiaoju Group contributed nil to the Group's consolidated revenue and RMB47,655 to the Group's consolidated net loss for the year ended December 31, 2023, respectively.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**6. 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 measurements on a recurring basis**

Assets and liabilities that were measured at fair value on a recurring basis were as follows:

	As of December 31, 2022				As of December 31, 2023			
	Fair Value	Level I	Level II	Level III	Fair Value	Level I	Level II	Level III
<b>Assets</b>								
Short-term investments <sup>(i)</sup> (Note 2(k))	1,262,129	—	1,262,129	—	781,216	—	781,216	—
Debt investments <sup>(ii)</sup> (Note 13)	1,626,131	—	—	1,626,131	1,228,595	—	—	1,228,595
Equity investments with readily determinable fair values <sup>(iii)</sup> (Note 13)	112,641	112,641	—	—	104,972	104,972	—	—
	<u>3,000,901</u>	<u>112,641</u>	<u>1,262,129</u>	<u>1,626,131</u>	<u>2,114,783</u>	<u>104,972</u>	<u>781,216</u>	<u>1,228,595</u>
<b>Liability</b>								
Derivative liability relating to the contingent consideration <sup>(iv)</sup> (Note 5)	—	—	—	—	393,473	—	—	393,473

(i) Short-term investments are investments in financial instruments with variable interest rates and maturity dates within one year. Fair value of short-term investments is estimated based on the quoted prices of similar financial products provided by banks at the end of each period (Level II).

(ii) Debt investments do not have readily determinable market values and are categorized as Level III in the fair value hierarchy. The Group uses a combination of valuation methodologies, including the equity allocation model, market and income approaches based on the Group's best estimate, which are 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.

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

(iv) Derivative liability relating to the contingent consideration is valued based on (i) the quoted prices in active markets at the reporting date and (ii) an estimation on potential issuance of the Company's ordinary shares relating to the contingent consideration from business combination. The Group classifies the valuation techniques that use these inputs as Level III of fair value measurements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**6. Fair Value of Financial Instruments (continued)**

**Fair value measurements on a non-recurring basis**

The Group measures investments without readily determinable fair value (Note 13(i)) on a non-recurring basis when fair value changes can be determined based upon observable and relevant market information. Related adjustments (impairment related) are recorded as appropriate based upon such observable information. 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, which are significant unobservable inputs (Level III).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**7. Inventory**

Inventory consisted of the following:

	As of December 31,	
	2022	2023
Finished goods	3,059,567	3,661,299
Raw materials	1,449,596	1,834,082
Work-in-process	12,210	30,831
Total	<u>4,521,373</u>	<u>5,526,212</u>

Finished goods primarily consist of vehicles ready for transit at production factory, vehicles in transit to fulfill customer orders, new vehicles available for immediate sale at its delivery and service centers and charging piles.

Raw materials primarily consist of materials for volume production as well as spare parts used for aftersales services.

Work-in-process primarily consist of vehicles in production which will be transferred into production cost when incurred.

For the years ended December 31, 2021, 2022 and 2023, write-downs of inventories to net realizable value, recognized in cost of sales, amounted to RMB162,433, RMB220,319 and RMB1,054,711, (out of which RMB77,310 was for the excess of dedicated raw materials as a result of the cessation of production of the G3i and upgrades of existing models), respectively. For the impact of accelerated depreciation and loss on purchase commitments due to the cessation of production and upgrades of certain models, please refer to Note 9(iii) and Note 15, respectively.

**8. Prepayments and Other Current Assets**

Prepayments and other current assets consisted of the following:

	As of December 31,	
	2022	2023
Deductible input value-added tax	1,359,581	1,521,488
Prepayments	587,289	395,022
Deposits	92,023	125,451
Receivables from third party online payment service providers	38,201	36,939
Finance lease receivables, current portion, net (Note 18)	—	11,100
Others	388,990	399,339
Total	<u>2,466,084</u>	<u>2,489,339</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 amounts in thousands, except for share and per share data, unless otherwise stated)

**9. Property, Plant and Equipment, Net**

Property, plant and equipment, net, consisted of the following:

	As of December 31,	
	2022	2023
Machinery and equipment	2,589,709	4,647,957
Buildings <sup>(i)(ii)</sup>	2,206,923	4,125,849
Molds and toolings	1,505,876	2,179,681
Vehicles	867,434	898,607
Leasehold improvements	681,341	695,972
Construction in process <sup>(i)</sup>	3,858,358	663,640
Computer and electronic equipment	282,082	388,071
Charging infrastructure	369,994	385,832
Others	130,864	226,905
Sub-total	12,492,581	14,212,514
Less: Accumulated depreciation <sup>(iii)</sup>	(1,788,193)	(3,151,019)
Less: Impairment <sup>(iv)</sup>	(97,643)	(107,010)
Property, plant and equipment, net	10,606,745	10,954,485

The Group recorded depreciation expenses of RMB573,247, RMB915,481 and RMB1,645,760 for the years ended December 31, 2021, 2022 and 2023, respectively.

- (i) Construction in progress primarily consists of the construction of Guangzhou Xiaopeng technology park, Wuhan, Guangzhou and Zhaoqing manufacturing plants, molds, toolings, machinery and equipment relating to the manufacturing of the Group's vehicles. For the years ended December 31, 2021, 2022 and 2023, the Group capitalized RMB10,598, RMB84,998 and RMB107,415 of gross interest expenses, respectively. Government grants 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 grants will be reflected through reduced depreciation charges over the useful lives of these assets. Government grants relating to expensed interest 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 expense to which the subsidies relate. In September 2022, the construction of the first phase of Guangzhou manufacturing equipment had been completed and transferred to respective fixed assets. In May 2023, the construction of the first phase of Wuhan buildings and manufacturing equipment had been completed and transferred to respective fixed assets.
- (ii) The Group entered into a lease contract with Guangzhou GET New Energy Technology Co., Ltd. ("Guangzhou GET New Energy") to lease the plant and underlying land use right of Guangzhou manufacturing plant and further had an obligation to purchase the plant and underlying land use right at the construction cost at the end of lease term. On July 1, 2022, the lease commencement date, the lease asset for the plant was recorded with the amount of RMB1,001,820, being the present value of the lease payment and the exercise price of the purchase obligation (Note 18).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**9. Property, Plant and Equipment, Net (continued)**

Property, plant and equipment, net, consisted of the following (continued):

- (iii) For the year ended of December 31, 2023, the Company completed an assessment of the estimated units of production of certain molds and toolings and the useful lives of certain production facilities, all of which can only be used for certain vehicle production. The Company's assessment in 2023, which considered the planned cessation or upgraded of certain vehicle production, indicated that certain production facilities directly used for certain vehicle production will not be used for the period of time originally estimated. As a result, the Company changed its estimates of useful lives for the certain production facilities as well as its estimates of the production volume of certain molds and toolings. These changes in estimates are accounted for on a prospective basis with an acceleration of recorded depreciation expense for impacted production facilities and molds and toolings. The Company recorded an accelerated depreciation expense of RMB295,930 related to these changes in estimates for the year ended December 31, 2023.
- (iv) The accumulated impairment loss was RMB97,643 and RMB107,010 as of December 31, 2022 and 2023, respectively, primarily due to the upgrade of vehicles.

**10. Intangible Assets, Net**

Intangible assets, net consisted of the following:

	As of December 31, 2022				As of December 31, 2023			
	Gross Carrying Amount	Accumulated Amortization	Impairment Amount <sup>(iv)</sup>	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Impairment Amount <sup>(iv)</sup>	Net Carrying Amount
<b>Finite-lived intangible assets</b>								
VPT <sup>(i)</sup>	—	—	—	—	2,586,911	(43,115)	—	2,543,796
Robotics platform technology <sup>(ii)</sup>	—	—	—	—	777,711	(19,443)	—	758,268
Software	389,409	(120,766)	(26,418)	242,225	542,335	(287,943)	(35,130)	219,262
License of maintenance and overhauls	2,290	(2,290)	—	—	2,290	(2,290)	—	—
Others <sup>(iii)</sup>	—	—	—	—	12,033	(417)	—	11,616
<b>Total finite-lived intangible assets</b>	<b>391,699</b>	<b>(123,056)</b>	<b>(26,418)</b>	<b>242,225</b>	<b>3,921,280</b>	<b>(353,208)</b>	<b>(35,130)</b>	<b>3,532,942</b>
<b>Indefinite-lived intangible assets</b>								
VMTUD <sup>(i)</sup>	—	—	—	—	609,170	—	—	609,170
Manufacturing license	494,000	—	—	494,000	494,000	—	—	494,000
Surveying and mapping qualification	250,000	—	—	250,000	250,000	—	—	250,000
Others <sup>(iii)</sup>	56,747	—	—	56,747	62,880	—	—	62,880
<b>Total indefinite-lived intangible assets</b>	<b>800,747</b>	<b>—</b>	<b>—</b>	<b>800,747</b>	<b>1,416,050</b>	<b>—</b>	<b>—</b>	<b>1,416,050</b>
<b>Total intangible assets</b>	<b>1,192,446</b>	<b>(123,056)</b>	<b>(26,418)</b>	<b>1,042,972</b>	<b>5,337,330</b>	<b>(353,208)</b>	<b>(35,130)</b>	<b>4,948,992</b>

The Group recorded amortization expense of RMB25,875, RMB65,714 and RMB230,501 for the years ended December 31, 2021, 2022 and 2023, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**10. Intangible Assets, Net (continued)**

Total future amortization expenses for finite-lived intangible assets were estimated as follows:

Within 1 year	478,432
Between 1 and 2 years	387,426
Between 2 and 3 years	358,742
Between 3 and 4 years	345,978
Between 4 and 5 years	340,744
Thereafter	1,621,620
Total	<u>3,532,942</u>

- (i) The useful life of VPT acquired in the business combination of Xiaoju Group (Note 5) is assessed to be 10 years. The VMTUD acquired through business combination is considered indefinite-lived until the completion of the associated research and development efforts and a determination related to commercial feasibility. At such time, the Group will determine the related useful life and method of amortization. Research and development expenditures that are incurred after the acquisition, including those for completing the research and development activities, are expensed as incurred. No impairment was recognized for these assets as of December 31, 2023.
- (ii) Dogotix Inc. (“Dogotix”) is primarily engaged in research and development of robots with human-robot interaction functions since 2021. On September 29, 2023, the Group entered into share purchase agreements to acquire 74.82% of the equity interest of Dogotix for a cash consideration of US\$98.96 million (approximated to RMB710 million). Upon completion of the acquisition on October 9, 2023, Dogotix became a wholly-owned subsidiary of the Group. The fair value of the 25.18% equity interest in Dogotix previously held by the Group amounted to RMB205 million at the acquisition date. The total consideration amounted to RMB915 million. Substantially all of the fair value of the gross assets (excluding cash and cash equivalents, deferred tax assets, and consideration transferred in excess resulting from the effects of deferred tax liabilities) acquired was concentrated in the robotics platform technology. The acquisition was determined to be an asset acquisition for accounting purposes. The Group accounted for the acquisition of the robotics platform technology as an intangible asset with a total cost of RMB778 million. The useful life of this asset is assessed as 10 years. No impairment was recognized for the asset as of December 31, 2023.
- (iii) As of December 31, 2023, other finite-lived intangible assets included trademarks, domain names and patents amounting to RMB2,626, RMB2,554 and RMB6,436, respectively. As of December 31, 2022, other indefinite-lived intangible assets included license plate amounting to RMB34,747 and insurance agency qualification amounting to RMB22,000. As of December 31, 2023, other indefinite-lived intangible assets included license plate amounting to RMB40,880 and insurance agency qualification amounting to RMB22,000.
- (iv) Impairment losses of RMB26,418 and RMB8,712 were recognized for the years ended December 31, 2022 and 2023, respectively, primarily due to the phase out of certain software.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**11. Land Use Rights, Net**

Land use rights and related accumulated amortization consisted of the following:

	<u>As of December 31,</u>	
	<u>2022</u>	<u>2023</u>
Land use rights	2,822,757	2,913,098
Less: Accumulated amortization	(74,903)	(123,731)
Total land use rights, net	<u>2,747,854</u>	<u>2,789,367</u>

For the years ended December 31, 2022 and 2023, the Group acquired land use rights of RMB2,202,692 and RMB90,341, respectively, to build plants and buildings for its manufacturing of vehicles and daily operation.

The Group entered into a lease contract with Guangzhou GET New Energy to lease the plant and underlying land use right of Guangzhou manufacturing plant and further had an obligation to purchase the plant and underlying land use right at the construction cost at the end of lease term. On July 1, 2022, the lease commencement date, the right of use asset for the land was recorded with the amount of RMB389,508, being the present value of the lease payment and the exercise price of the purchase obligation(Note 18).

The Group recorded amortization expenses for land use rights of RMB9,642, RMB50,309 and RMB48,828 for the years ended December 31, 2021, 2022 and 2023, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**12. Installment Payment Receivables, Net**

Installment payment receivables relating to the installment payments for vehicles and batteries from customers consisted of the following:

	<u>As of December 31,</u>	
	<u>2022</u>	<u>2023</u>
Current portion of installment payment receivables, net	1,294,665	1,881,755
Non-current portion of installment payment receivables, net	2,188,643	3,027,795
<b>Total</b>	<b>3,483,308</b>	<b>4,909,550</b>

Installment payment receivables consisted of the following:

	<u>As of December 31,</u>	
	<u>2022</u>	<u>2023</u>
Current portion of installment payment receivables	1,328,283	1,929,463
Non-current portion of installment payment receivables	2,243,169	3,102,488
Allowance for doubtful accounts	(88,144)	(122,401)
<b>Total</b>	<b>3,483,308</b>	<b>4,909,550</b>

The Group recognized interest income resulting from installment payment sales of RMB89,895, RMB204,765 and RMB278,199 for the years ended December 31, 2021, 2022 and 2023, respectively.

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>2023</u>
Within 1 year	1,985,380
Between 1 and 2 years	1,553,474
Between 2 and 3 years	1,088,336
Between 3 and 4 years	677,517
Between 4 and 5 years	313,795
Thereafter	1,586
<b>Total receivables of installment payments</b>	<b>5,620,088</b>
Less: Unrealized finance income	(588,137)
<b>Installment payment receivables, gross</b>	<b>5,031,951</b>
Less: Allowance for installment payment receivables	(122,401)
<b>Installment payment receivables, net</b>	<b>4,909,550</b>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

(All amounts 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>	Equity investments with readily determinable fair values <sup>(ii)</sup>	Debt investments <sup>(iii)</sup>	Equity method investments <sup>(iv)</sup>	Total
<b>Balance as of December 31, 2020</b>	<b>1,000</b>	—	—	—	<b>1,000</b>
Additions	209,900	—	749,955	—	959,855
Investment gain	—	—	591,506	—	591,506
Foreign currency translation	(546)	—	(2,639)	—	(3,185)
<b>Balance as of December 31, 2021</b>	<b>210,354</b>	—	<b>1,338,822</b>	—	<b>1,549,176</b>
	Equity investments without readily determinable fair values <sup>(i)</sup>	Equity investments with readily determinable fair values <sup>(ii)</sup>	Debt investments <sup>(iii)</sup>	Equity method investments <sup>(iv)</sup>	Total
<b>Balance as of December 31, 2021</b>	<b>210,354</b>	—	<b>1,338,822</b>	—	<b>1,549,176</b>
Additions	—	191,981	209,451	329,045	730,477
Investment gain(loss)	95,752	(78,282)	7,592	—	25,062
Share of results of equity method investees <sup>(iv)</sup>	—	—	—	4,117	4,117
Changes from equity investment to debt investment <sup>(iii)</sup>	(116,129)	—	116,129	—	—
Disposals (Note 26(5))	—	—	(165,000)	—	(165,000)
Foreign currency translation	1,023	(1,058)	119,137	32,098	151,200
<b>Balance as of December 31, 2022</b>	<b>191,000</b>	<b>112,641</b>	<b>1,626,131</b>	<b>365,260</b>	<b>2,295,032</b>
	Equity investments without readily determinable fair values <sup>(i)</sup>	Equity investments with readily determinable fair values <sup>(ii)</sup>	Debt investments <sup>(iii)</sup>	Equity method investments <sup>(iv)</sup>	Total
<b>Balance as of December 31, 2022</b>	<b>191,000</b>	<b>112,641</b>	<b>1,626,131</b>	<b>365,260</b>	<b>2,295,032</b>
Additions	—	—	—	127,018	127,018
Changes from debt investments to equity investments without readily determinable fair values <sup>(i)</sup>	57,832	—	(57,832)	—	—
Investment loss	(50,826)	(7,989)	(165,549)	—	(224,364)
Share of results of equity method investees <sup>(iv)</sup>	—	—	—	54,740	54,740
Transfer <sup>(iii)</sup>	—	—	(204,836)	—	(204,836)
Foreign currency translation	—	320	30,681	6,342	37,343
<b>Balance as of December 31, 2023</b>	<b>198,006</b>	<b>104,972</b>	<b>1,228,595</b>	<b>553,360</b>	<b>2,084,933</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

### 13. Long-term investments (continued)

#### (i) Equity investments without readily determinable fair values

In December 2021, the Group acquired a minority common equity interest in 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.

In April 2022, the Group acquired a minority preferred equity interest in a company engaged in research, development, production and sales of batteries for new energy vehicles for a total cash consideration of RMB50,000, which were redeemable merely by the passage of time at the option of the Group as a holder. Accordingly, the Group elected to account for this investment under the fair value option model. In May 2023, upon completion of the modification in the investee's shareholding structure, the preferred shares held by the Group were converted into common shares, which do not have readily determinable fair values because the investee is a privately held company. Accordingly, the Group reclassified this investment from debt securities to equity securities at the fair value of RMB57,832 upon the modification, and elected to use the measurement alternative under ASC 321 to measure this investment. The difference in the carrying value and the fair value of this investment immediately before the modification was immaterial.

For equity investments accounted for using the measurement alternative as of December 31, 2023, the Company recorded cumulative upward adjustments of RMB39,107 and cumulative downward adjustments due to impairments of RMB89,933. For these investments, the Company recorded upward adjustments of RMB39,107 and downward adjustments due to impairments of RMB89,933 in earnings during the year ended December 31, 2023.

#### (ii) Equity investments with readily determinable fair values

In December 2021, the Group prepaid RMB50,000 as a subscription for a minority equity interest in common shares of a company engaged in research, development, production and sales of semiconductors, which was converted into common shares in January 2022.

In October 2022, the Group paid HK\$156,982 (equivalent to RMB141,981 as of the injection date) to acquire a minority equity interest in common shares of a company engaged in research, development, production and sales of batteries for new energy vehicles.

The minority equity interests in common shares have readily determinable fair values because the investees are listed companies and the Group does not have the ability to exercise significant influence over these investments. Accordingly, the Group accounted for them at fair value based on the quoted prices in active markets.

#### (iii) 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**13. Long-term investments (continued)**

**(iii) Debt investments (continued)**

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 model.

*Investment in 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 ("Dogotix's Series Angel preferred shares"), 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. In October 2021, the Group acquired Dogotix's convertible bonds in the amount of US\$6,440 (equivalent to RMB41,258 as of the injection date) and elected to account for this investment at fair value option model.

In July 2022, the Group further invested US\$14,000 (equivalent to RMB94,451 as of the injection date) into Dogotix's preferred shares during its A round of fund raising ("Dogotix's Series A preferred shares"). Concurrently, Dogotix's Series Angel preferred shares previously acquired by the Group in 2021 were modified to align with the terms of the newly invested Dogotix's Series A preferred shares. The Group concluded that both Dogotix's Series Angel and Series A preferred shares investment are debt securities since Dogotix'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 addition, the convertible bond (acquired in October 2021) held by the Group in Dogotix was converted into Series A preferred shares in July 2022 and accounted for as debt investments under the fair value option model.

In anticipation of the change in accounting model applicable to Dogotix's Series Angel preferred shares as a result of the modification, the Group opted to change its measurement accounting policy relating to Dogotix's Series Angel preferred shares as permitted by ASC 321, and elected to measure the original Dogotix's Series Angel preferred shares at fair value immediately before the modification (discussed in the preceding paragraph). The difference of RMB95,752 between the carrying value and the fair value of Dogotix's Series Angel preferred shares immediately before the modification was recognized in earnings. The Group then reclassified Dogotix's Series Angel preferred shares amounting to RMB116,129 from equity securities to debt securities upon the modification. The modified Dogotix'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.

On October 9, 2023, the Group completed the acquisition of the remaining equity interest in Dogotix and Dogotix became a wholly owned subsidiary of the Group (Note 10(ii)). Upon the completion of the acquisition, the fair value of the previously held equity interest in Dogotix, classified as a debt investment amounting to RMB204,836, was derecognized and Dogotix was consolidated within the Group's financial position and results.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**13. Long-term investments (continued)***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. Subsequently, the Group disposed of this debt investment for a cash consideration of RMB100,000 to a related party in April 2022 (Note 26(5)).

In January 2022, the Group acquired minority preferred equity interests of a company engaged in research, development, production and sales of semiconductors for a total cash consideration of RMB65,000. Subsequently, the Group disposed of this debt investment for a cash consideration of RMB65,000 to a related party in October 2022 (Note 26(5)).

The preferred shares held by the Group in connection with above each investment are debt securities as they become redeemable merely by the passage of time and are redeemable at the option of the Group as a holder. Accordingly, the Group elected to account for these investments under the fair value option model.

**(iv) Equity Method Investments**

In March 2022, the Company and other third party investors jointly set up an offshore investment fund (“Fund”), named Rockets Capital L.P., for the purpose of making investments in companies and businesses engaging in high technology sectors. The Company subscribed for a commitment of US\$150,000 to the Fund and invested consideration of US\$51,874 (equivalent to RMB329,045 as of the injection date) and US\$69,965 (equivalent to RMB456,063 as of the injection date) into the Fund as of December 31, 2022 and 2023, respectively. The Company held a 60.7% financial interests in the Fund as a limited partner while the other 39.3% financial interests were held by other third party investors as of December 31, 2022 and 2023.

Based on the Company’s assessment under ASC 810-10-15-14, the investment fund (a limited partnership) is considered to be a VIE for accounting purposes. The Company is not considered the primary beneficiary of the investment due to the fact that the Company does not possess the power to direct activities of the Fund that would mostly impact its economics performance. As a result, the Company accounts for its 60.7% financial interests in the Fund using the equity method of accounting pursuant to ASC 323-30 considering that the Company has significant influence over the operating and investing activities of the Fund.

**14. Other Non-current Assets**

Other non-current assets consisted of the following:

	<b>As of December 31,</b>	
	<b>2022</b>	<b>2023</b>
Finance lease receivables, non-current portion, net (Note 18)	—	205,118
Deposits <sup>(i)</sup>	151,914	120,354
Prepayments for purchase of property and equipment	47,258	118,945
Non-current portion of prepayments for advertising and technical support services (Note 5)	—	87,656
Goodwill (Note 5)	—	34,106
Others	2,099	9,971
<b>Total</b>	<b>201,271</b>	<b>576,150</b>

(i) Deposits primarily consist of deposits for offices and retail and service centers whose lease expiration dates are not within one year.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**15. Accruals and Other Liabilities**

Accruals and other liabilities consisted of the following:

	As of December 31,	
	2022	2023
Payables for purchase of property, plant and equipment	1,624,432	1,723,130
Payables for R&D expenses	1,023,344	1,085,353
Employee compensation payables	729,806	939,023
Accrued expenses	417,396	598,423
Debt from a third party investor(Note 17(i))	—	541,918
Deposits from third parties	386,412	501,197
Payables for marketing events	483,059	368,163
Tax payables	51,147	350,263
Accrued cost of purchase commitments <sup>(i)</sup>	—	285,519
Warranty provisions	216,260	219,988
Advance from customers	113,730	100,281
Refundable deposit from customers	26,806	61,717
Interest payables	39,082	44,526
Others	472,355	760,694
<b>Total</b>	<b>5,583,829</b>	<b>7,580,195</b>

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) For the year ended December 31, 2023, in response to the planned cessation of the G3i and upgrades of certain models, the Group recorded the loss on purchase commitments mainly related to raw materials that are specifically related to these models with amount of RMB285,519.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**16. Borrowings**

Borrowings consisted of the following:

	<u>As of December 31,</u>	
	<u>2022</u>	<u>2023</u>
<b>Current</b>		
Short-term borrowings:		
Bank loans <sup>(i)</sup>	2,419,210	3,889,100
Long-term borrowings, current portion:		
Bank loans <sup>(ii)</sup>	124,500	934,976
Asset-backed securities <sup>(iii)</sup>	637,359	185,864
Asset-backed notes <sup>(iv)</sup>	—	242,995
Total current borrowings	<u>3,181,069</u>	<u>5,252,935</u>
<b>Non-Current</b>		
Long-term borrowings:		
Bank loans <sup>(ii)</sup>	4,328,880	5,562,837
Other loans <sup>(ii)</sup>	100,000	—
Asset-backed securities <sup>(iii)</sup>	184,177	—
Asset-backed notes <sup>(iv)</sup>	—	87,945
Total non-current borrowings	<u>4,613,057</u>	<u>5,650,782</u>
Total borrowings	<u>7,794,126</u>	<u>10,903,717</u>

**(i) Short-term bank loans**

As of December 31, 2022, the Group had short-term borrowings from banks in the PRC of RMB2,419,210 in aggregate. The effective interest rate of these borrowings was 3.53% per annum. As of December 31, 2023, the Group had short-term borrowings from banks in the PRC of RMB3,889,100 in aggregate. The effective interest rate of these borrowings was 2.62% per annum. Certain short-term bank loans were collateralized by pledges of long-term deposits with carrying values of RMB203,777 as of December 31, 2023, which are classified as “Restricted long-term deposits”.

**(ii) Long-term bank and other loans**

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. In 2021, the principal amount of RMB700,000 out of the RMB800,000 loans from Zhaoqing High-tech Zone had been repaid before the original due date, and the remaining RMB100,000 loans had been repaid on December 25, 2023 before the maturity date.

Moreover, the Group received subsidies from the local government for interest expenses incurred associated with the borrowings. For the years ended December 31, 2021, 2022 and 2023, 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 a result, the balance of the loans due to Zhaoqing High-tech Zone amounted to RMB100,000 and nil as of December 31, 2022 and 2023, respectively. The bank loans amounted to RMB784,000 and RMB776,000 as of December 31, 2022 and 2023, respectively. The effective interest rate of the loans from Zhaoqing High-tech Zone was 4.90% as of December 31, 2022. The effective interest rate of the loans from the bank was 4.98% per annum as of December 31, 2022 and December 31, 2023, respectively. The principal amount of RMB8,000 and RMB8,000 of the bank loans will be due within one year and was classified to “Long-term borrowings, current portion” as of December 31, 2022 and 2023, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**16. Borrowings (continued)**

(ii) Long-term bank and other loans (continued)

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, 2022 and 2023, RMB797,980 and RMB838,858 had been drawn from the bank with an effective interest rate of 5.30% and 4.99% per annum, respectively. For the years ended December 31, 2021, 2022 and 2023, the Group recognized the subsidies to reduce the interest expenses capitalized in the construction costs of Guangzhou manufacturing plant or to reduce the related interest expenses as incurred, upon the acceptance of subsidy application by the local government, if any. As of December 31, 2022 and 2023, the principal amount of nil and RMB10,000 of the bank loans will be due within one year and was classified to “Long-term borrowings, current portion”, respectively.

In September 2021, Wuhan Xiaopeng 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, 2022 and 2023, RMB1,706,400 and RMB2,035,520 had been drawn from the banks with effective interest rates of 4.35% and 4.47% per annum, respectively. For the years ended December 31, 2021, 2022 and 2023, 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. As of December 31, 2022 and 2023, the principal amount of nil and RMB101,776 of the bank loans will be due within one year and was classified to “Long-term borrowings, current portion”, respectively.

In March 2023 and September 2022, Zhaoqing XPeng obtained facilities, specified for financing the expenditures of operations, from banks in the PRC. As of December 31, 2022 and 2023, the bank loans were RMB768,000 and RMB1,398,200 with effective interest rates of 3.35% and 3.14% per annum, respectively, among which RMB76,800 and RMB673,400 will be due within one year and were classified to “Long-term borrowings, current portion”, respectively.

In September 2023 and September 2022, Zhaoqing Xiaopeng New Energy obtained facilities, specified for financing the expenditures of operations, from banks in the PRC. As of December 31, 2022 and 2023, the bank loans were RMB397,000 and RMB1,253,125 with effective interest rates of 3.35% and 3.06% per annum, respectively, among which RMB39,700 and RMB124,300 will be due within one year and were classified to “Long-term borrowings, current portion”, respectively.

In September 2023, Guangzhou Xiaopeng Automobile Finance Leasing Co., Ltd. (“Xiaopeng Automobile Finance Leasing”) obtained a facility, specified for financing the expenditures of operations, of up to RMB200,000 from a bank in the PRC. As of December 31, 2023, RMB175,000 had been drawn from the bank with effective interest rates of 3.80% per annum, among which RMB17,500 will be due within one year and was classified to “Long-term borrowings, current portion”.

In November 2023, Guangzhou Pengyue Automobile Development Co., Ltd. obtained a facility, specified for financing the expenditures of operations, of up to RMB2,350,000 from a syndicate of banks in the PRC. As of December 31, 2023, RMB21,110 had been drawn from the banks with effective interest rates of 3.75% per annum.

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, 2022 and 2023, none of the covenants relating to drawn down facilities had been breached. Certain long-term bank loans are collateralized by a pledge of certain buildings and land use rights in the PRC with carrying values of RMB846,854 and RMB2,280,419 as of December 31, 2022 and 2023, respectively. As of December 31, 2023, long-term deposits of RMB564,122 were collateralized as pledges for certain long-term bank loans, which are classified as “Restricted long-term deposits”.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**16. Borrowings (continued)**

(iii) Asset-backed securities (“ABS”)

In February and November 2022, the Group entered into asset-backed securitization arrangements with third-party financial institutions and set up two securitization vehicles to issue senior debt securities to third party investors, which are collateralized by installment payment receivables (the “transferred financial assets”). The Group also acts as a servicer to provide management, administration and collection services on the transferred financial assets and has the power to direct the activities that most significantly impact the securitization vehicles. The economic interests are retained by the Group in the form of subordinated interests as well as its obligation to absorb losses under certain circumstances. As a result, the Group consolidated the securitization vehicles. The proceeds from the issuance of debt securities are reported as securitization debt. The securities were repaid as collections on the underlying collateralized assets occur and the amounts were included in “Long-term borrowings, current portion” or “Long-term borrowings” according to the contractual maturities of the debt securities. The ABS issued in February 2022 has matured in September 2023. As of December 31, 2022, the balance of current and non-current portion of the ABS were RMB637,359 and RMB184,177, respectively. As of December 31, 2023, the balance of current and non-current portion of the ABS were RMB185,864 and nil, respectively.

(iv) Asset-backed notes (“ABN”)

In August 2023, the Group entered into asset-backed notes by issuing senior debt notes to third party investors, which are collateralized by installment payment receivables (the “transferred financial assets”). The Group also acts as a servicer to provide management, administration and collection services on the transferred financial assets and has the power to direct the activities that most significantly impact the securitization vehicles. The economic interests are retained by the Group in the form of subordinated interests as well as its obligation to absorb losses under certain circumstances. As a result, the Group consolidated the securitization vehicles. The proceeds from the issuance of debt notes are reported as securitization debt. The notes were repaid as collections on the underlying collateralized assets occur and the amounts were included in “Long-term borrowings, current portion” or “Long-term borrowings” according to the contractual maturities. As of December 31, 2023, the balance of current and non-current portion of the ABN are RMB242,995 and RMB87,945, respectively.

The aggregate carrying value of the borrowings approximates fair value as of December 31, 2022 and 2023, respectively. 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 amounts in thousands, except for share and per share data, unless otherwise stated)

**17. Other Non-Current Liabilities**

Other non-current liabilities consisted of the following:

	As of December 31,	
	2022	2023
Debt from third party investors <sup>(i)</sup>	1,763,062	1,276,145
Warranty provisions <sup>(ii)</sup>	424,802	789,005
Deposits from a third party <sup>(iii)</sup>	—	148,991
Government grants	318,242	122,513
Total	<u>2,506,106</u>	<u>2,336,654</u>

(i) The debt from third party investors consisted of the following three 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 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 and RMB6,233 as of December 31, 2022 and 2023, respectively. The interest of RMB6,400 and RMB6,400 was repaid to Guangzhou GET Investment by the Group for the years ended December 31, 2022 and 2023, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**17. Other Non-Current Liabilities (continued)**

(i) The debt from third party investors consisted of the following three 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**17. Other Non-Current Liabilities (continued)**

(i) The debt from third party investors consisted of the following three financing arrangements (continued):

**2) Financing in an amount of RMB500 million from Guangdong Yuecai Industry Investment Fund Partnership (Limited Partnership) (“Guangdong Utrust”) (continued)**

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 RMB26,856 and RMB41,918 as of December 31, 2022 and 2023, respectively.

As of December 31, 2023, the principal amount of RMB500,000 and interest of RMB41,918 will be due within one year and were classified to “Accruals and Other Liabilities”.

**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 RMB69,973 and RMB109,912 as of December 31, 2022 and 2023, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**17. Other Non-Current Liabilities (continued)**

(ii) Movement of accrued warranty is as following:

	<b>For the Year Ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Accrued warranty - beginning of the year	111,351	371,140	641,062
Warranty costs incurred	(32,352)	(61,551)	(228,674)
Provision for warranty	292,141	331,473	596,605
Accrued warranty - end of year	371,140	641,062	1,008,993
Less: Current portion of warranty	(105,068)	(216,260)	(219,988)
Non-current portion of warranty	<u>266,072</u>	<u>424,802</u>	<u>789,005</u>

(iii) Deposits from a third party represent the refundable deposit for the finance lease cooperation in which the Group serves as the lessor (Note 18).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**18. Leases**

As a lessee

The Group has entered into various operating lease agreements for certain land use rights, 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. In 2022, the Group also entered into a finance lease agreement for the Guangzhou manufacturing plant. The Group determines if an arrangement is a lease, or contains a lease, at inception and records 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 Group entered into a cooperation agreement and supplementary agreements (collectively "Guangzhou Cooperation Agreements") in September 2020 and June 2021 for the establishment of the Group's Guangzhou manufacturing plant with Guangzhou GET Investment and Guangzhou GET New Energy. Pursuant to Guangzhou Cooperation Agreement, the Group intends to construct a new Smart EV manufacturing base which houses a broad range of functions, including research and development, manufacturing, vehicle testing and sales.

The Group entered into a lease contract with Guangzhou GET New Energy to lease the plant and underlying land use right of Guangzhou manufacturing plant with an annual lease payment of RMB57,900 from July 2022 to June 2029, and further obtained an obligation to purchase the plant and underlying land use right at the construction cost of RMB1,300,000 at the end of lease term. Further construction cost amounting to RMB30,670 will be paid subsequently according to the payment schedule. The lease payment made before the lease commencement date was RMB60,443. The initial direct cost made and the incentive received on or before the lease commencement date were immaterial.

The lease of the land use right or a purchased land use right, under normal operative terms, can only be classified as an operating lease under U.S. GAAP. As the Group has an obligation to purchase the plant at cost and the assets are designed for the use of the Group, so the obligation is reasonably certain to be exercised, and accordingly, the lease of the plant was classified as a finance lease and recognized as property, plant and equipment of the Group. Therefore, on the lease commencement date, the land use right and property, plant and equipment for the plant amounted RMB389,508 and RMB1,001,820, respectively, being the present value of the lease payment and the exercise price of the purchase obligation.

The balances for the leases where the Group is the lessee are presented as follows within the consolidated balance sheets:

	As of December 31,	
	2022	2023
<b>Operating lease</b>		
Land use rights, net	393,561	401,901
Right-of-use assets, net	1,954,618	1,455,865
<b>Total operating lease assets</b>	<b>2,348,179</b>	<b>1,857,766</b>
Operating lease liabilities - current	490,811	365,999
Operating lease liabilities - non current	1,854,576	1,490,882
<b>Total operating lease liabilities</b>	<b>2,345,387</b>	<b>1,856,881</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**18. Leases (continued)**

As a lessee (continued)

	<b>As of December 31,</b>	
	<b>2022</b>	<b>2023</b>
<b>Finance lease</b>		
Property, plant and equipment, at cost	1,001,820	1,001,820
Accumulated depreciation	(25,046)	(75,137)
<b>Property, plant and equipment, net</b>	<u>976,774</u>	<u>926,683</u>
Finance lease liabilities - current	128,279	34,382
Finance lease liabilities - non current	797,743	777,697
<b>Total finance lease liabilities</b>	<u>926,022</u>	<u>812,079</u>

The components of lease expense are as follows within the consolidated statements of comprehensive loss:

	<b>For the Year Ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Operating lease expense:</b>			
Operating lease expense	340,744	595,032	540,688
Short-term lease expense	102,901	265,800	231,467
Total operating lease expenses	<u>443,645</u>	<u>860,832</u>	<u>772,155</u>
<b>Finance lease expense:</b>			
Amortization expense	—	25,046	50,091
Interest expense	—	22,846	40,205
Total finance lease expenses	<u>—</u>	<u>47,892</u>	<u>90,296</u>
<b>Total lease expenses</b>	<u>443,645</u>	<u>908,724</u>	<u>862,451</u>

Short-term leases primarily consist of the parking areas and pop-up stores leases with a term of 12 months or less.

Amortization expense of finance lease, operating lease expense and short-term lease expense are recognized as cost of sales, selling, general and administrative expenses and research and development expenses.

Interest expense on finance lease liabilities is recognized over the lease term as “Interest expenses”.

Other information related to operating leases where the Group is the lessee is as follows:

	<b>For the Year Ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Weighted-average remaining lease term</b>			
Operating leases	5.3 years	5.1 years	4.6 years
Finance leases	—	6.6 years	5.6 years
Land use rights	—	49.5 years	49.0 years
<b>Weighted-average discount rate</b>			
Operating leases	4.71%	4.78%	4.85%
Finance leases	—	4.90%	4.90%
Land use rights	—	4.90%	4.90%

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. The Group elected to use the collateralized borrowing rate based on a similar borrowing terms and amount with associated lease.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**18. Leases (continued)**

As a lessee (continued)

Supplemental cash flow information related to leases where the Group is the lessee is as follows:

	<b>For the Year Ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash outflows from operating leases	289,456	486,260	268,290
Operating cash outflows from finance leases (interest payments)	—	22,846	40,205
Financing cash outflows from finance leases	—	15,355	113,943
Leased assets obtained in exchange for operating lease liabilities net of decrease in leased assets for early terminations	1,329,021	1,162,151	(316,558)
Leased assets obtained in exchange for finance lease liabilities	—	1,001,820	—

As of December 31, 2023, the maturities of the Group's lease liabilities (excluding short-term leases) are as follows:

	<b>As of December 31,</b>	
	<b>2023</b>	
	<b>Finance Lease</b>	<b>Operating Lease</b>
Within 1 year	59,371	444,268
Between 1 and 2 years	31,767	324,645
Between 2 and 3 years	31,767	276,070
Between 3 and 4 years	34,835	188,382
Between 4 and 5 years	31,767	155,199
Thereafter	825,955	797,075
Total minimum lease payments	1,015,462	2,185,639
Less: Interest	(203,383)	(328,758)
Present value of lease obligations	812,079	1,856,881
Less: Current portion	(34,382)	(365,999)
Non - current portion of lease obligations	<u>777,697</u>	<u>1,490,882</u>

As a lessor

The Group provided a lease of a factory to a third party in December 2023 with a lease term of 15 years. The lease did not contain any contingent rental income clauses. Initial direct costs were insignificant for all periods presented. No residual value guarantees, variable lease provision and options to purchase the underlying asset was contained in the lease arrangement.

The lease of the factory was classified as a sales-type lease as the lease term represents a significant portion of the remaining economic useful life of the underlying asset. Therefore, on the lease commencement date, the Group derecognized the underlying asset in the amount of RMB194,284, and recognized accordingly the net investment in the lease in the amount of RMB216,218, which represents the present value of the lease receivables and the amount that a lessor expects to derive from the underlying asset following the end of the lease term. The Group also recorded a related gain of RMB2,116 in "Selling, general and administrative expenses" in the consolidated statements of comprehensive loss for the year ended December 31, 2023.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**18. Leases (continued)**

**As a lessor (continued)**

The balances for the factory lease where the Group is the lessor are presented as follows within the consolidated balance sheets:

	<u>As of December 31,</u>	
	<u>2022</u>	<u>2023</u>
<b>Other current assets</b>		
Finance lease receivables, current portion, net	—	11,100
<b>Other non-current assets</b>		
Finance lease receivables, non-current portion, net	—	205,118
<b>Total Finance lease receivables, net</b>	<u>—</u>	<u>216,218</u>

The net investment in the sales-type lease consisted of:

	<u>As of December 31,</u>		
	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Total minimum lease payments receivable</b>	—	—	<b>240,023</b>
Unguaranteed residuals	—	—	27,736
Less: Unearned income	—	—	(51,541)
<b>Net investment in lease payments receivable</b>	<u>—</u>	<u>—</u>	<b>216,218</b>
Current portion	<u>—</u>	<u>—</u>	11,100
Non-current portion	<u>—</u>	<u>—</u>	<u>205,118</u>

Future minimum lease payments to be received for the sales-type lease for the five succeeding fiscal years as of the December 31, 2023 are as follows:

	<u>As of December 31,</u>
	<u>2023</u>
Within 1 year	20,002
Between 1 and 2 years	16,001
Between 2 and 3 years	16,001
Between 3 and 4 years	16,001
Between 4 and 5 years	16,001
Thereafter	156,017
<b>Total minimum lease payments receivable</b>	<u>240,023</u>
Unguaranteed residuals	27,736
Less: Unearned income	(51,541)
<b>Net investment in sales-type lease</b>	<u>216,218</u>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**19. Revenues**

Revenues by source consisted of the following:

	For the Year Ended December 31,		
	2021	2022	2023
Vehicle sales	20,041,955	24,839,637	28,010,857
Services and others	946,176	2,015,482	2,665,210
<b>Total</b>	<b>20,988,131</b>	<b>26,855,119</b>	<b>30,676,067</b>

**20. 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,		
	2021	2022	2023
Deferred revenue - beginning of year	308,384	897,288	1,083,249
Additions	19,339,153	24,344,226	28,513,918
Recognition	(18,750,249)	(24,158,265)	(28,297,224)
Deferred revenue - end of year	897,288	1,083,249	1,299,943
Less: Deferred revenue, current portion	(418,227)	(389,243)	(630,997)
Deferred revenue, non-current portion	<u>479,061</u>	<u>694,006</u>	<u>668,946</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 RMB897,288, RMB1,083,249 and RMB1,299,943 as of December 31, 2021, 2022 and 2023, respectively.

The Group expects that 49% of the transaction price allocated to unsatisfied performance obligations which were accounted for as deferred revenue as of December 31, 2023 will be recognized as revenue during the period from January 1, 2024 to December 31, 2024. The remaining 51% will be substantially recognized during the period from January 1, 2025 to December 31, 2033.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**21. 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 was expired on December 31, 2021, and such agreements were 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 years ended December 31, 2021, 2022 and 2023, RMB43,755, nil and RMB43,903 were paid in cash, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**22. Ordinary Shares**

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 40,569,304 Class A treasury shares to employees for the vested RSUs for the year ended December 31, 2021.

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 HK\$165 per Class A ordinary share. All Class B ordinary shares held by an executive director of the Company 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.

Upon the completion of the extraordinary general meeting held on December 8, 2021, the Company authorized 9,250,000,000 Class A ordinary shares and 750,000,000 Class B ordinary shares of par value US\$0.00001.

As of December 31, 2021, 1,302,911,192 Class A ordinary shares had been issued, out of which, 1,291,039,502 Class A ordinary shares were outstanding, and 409,846,136 Class B ordinary shares had been issued and outstanding.

The Group issued 12,644,728 Class A ordinary shares for the year ended December 31, 2022, out of which, 2,030,152 Class A ordinary shares are outstanding and transferred to employees for the vested RSUs and 10,614,576 Class A ordinary shares are treasury shares held by XPeng Inc.

XPeng Inc. and XPeng Fortune Holding Limited transferred 17,567,096 Class A treasury shares to employees and independent directors for the vested RSUs for the year ended December 31, 2022.

61,137,879 Class B ordinary shares held by an executive director of the Company were converted into Class A ordinary shares on a one-on-one basis upon his resignation took effect.

As of December 31, 2022, 1,376,693,799 Class A ordinary shares had been issued, out of which, 1,371,774,629 Class A ordinary shares were outstanding, and 348,708,257 Class B ordinary shares had been issued and outstanding.

The Group issued 9,171,738 Class A ordinary shares for the year ended December 31, 2023, out of which, 599,886 Class A ordinary shares are outstanding and transferred to employees for the vested RSUs and 8,571,852 Class A ordinary shares are treasury shares held by XPeng Inc.

XPeng Inc. and XPeng Fortune Holding Limited transferred 10,679,408 Class A treasury shares to employees and independent directors for the vested RSUs for the year ended December 31, 2023.

On November 13, 2023, the Group allotted and issued 58,164,217 Class A ordinary shares as the purchase consideration to DiDi for completing the closing of acquisition of DiDi's smart auto business (Note 5).

On July 26, 2023, the Group and Volkswagen entered into a forward share purchase agreement, pursuant to which the Group would issue a number of Class A ordinary shares that equal to the lower of 4.99% of its total share number as of five business days prior to the closing date and 94,666,666 to Volkswagen at the purchase price of US\$7.5 per share in cash. The number of shares to be issued is subject to certain adjustments, which preclude the forward contract from meeting the "fixed-for-fixed" requirements under ASC 815-40 for equity classification. Accordingly, the forward share purchase agreement was classified as a liability measured at fair value with changes in fair value recognized in earnings. On December 6, 2023, the Group allotted and issued 94,079,255 Class A ordinary shares to Volkswagen for the fulfillment of the forward share purchase agreement for strategic minority investment. The Group recognized a fair value loss on derivative liability amounting to RMB410,417 for the year ended December 31, 2023.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**22. Ordinary Shares (continued)**

As of December 31, 2023, 1,538,109,009 Class A ordinary shares had been issued, out of which, 1,535,297,395 Class A ordinary shares were outstanding, and 348,708,257 Class B ordinary shares had been issued and outstanding.

**23. Share-based Compensation**

On June 28, 2020, the board of directors of the Company approved the 2019 Equity Incentive Plan ("2019 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 Plan.

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 and performance conditions. For service condition, vesting schedules include: (i) 25% of the RSUs shall become vested on each anniversary of the vesting commencement date for four years thereafter; (ii) 40% of the RSUs shall become vested on the grant date and 15% of the RSUs become vested on each anniversary of the vesting commencement date for four years thereafter; (iii) 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 service conditions, for the RSUs granted prior to the completion of the IPO, employees are also required to provide continued service through the satisfaction of the occurrence of change of control or an IPO ("Liquidity Event") that occurs within seven or ten years after the vesting commencement date. For RSUs with performance conditions which were granted subsequent to the completion of the IPO, employees are required to achieve the performance targets relating to performance appraisal results as set out in the respective relevant award agreements over the respective requisite service period.

The RSUs granted prior to the completion of the IPO are measured at the grant date fair value of the awards and recognized as expense using the graded vesting method, net of estimated forfeitures, if any, over the requisite service period.

Subsequent to the completion of the IPO, RSUs with only a service condition to employees under the 2019 Plan are vested on a straight-line basis net of estimated forfeitures, if any, over the requisite service period. RSUs with both service and performance conditions are recognized as expenses using the graded vesting method, net of estimated forfeitures, if any, over the requisite service period, when the performance condition is concluded to be probable to achieve.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**23. Share-based Compensation (continued)**

A summary of the Group's RSU activity for the years ended December 31, 2021, 2022 and 2023 follows:

	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	
	Number of restricted share units	Weighted average grant date fair value RMB
Outstanding as of December 31, 2021	33,860,228	38.75
Granted <sup>(i)</sup>	28,010,128	68.29
Vested	(19,564,802)	37.27
Forfeited	(6,309,648)	81.29
Outstanding as of December 31, 2022	35,995,906	59.72
Expected to vest as of December 31, 2022	33,116,233	
	Number of restricted share units	Weighted average grant date fair value RMB
Outstanding as of December 31, 2022	35,995,906	59.72
Granted	15,177,322	39.31
Vested	(11,276,824)	55.66
Forfeited	(10,701,587)	51.52
Outstanding as of December 31, 2023 <sup>(i)</sup>	29,194,817	54.42
Expected to vest as of December 31, 2023 <sup>(i)</sup>	24,487,867	

Share-based compensation expense amounting to RMB379,948, RMB710,486 and RMB550,535 was recognized for RSUs for the years ended December 31, 2021, 2022 and 2023, respectively. As of December 31, 2023, there was RMB987,535 of unrecognized compensation expense relating to the RSUs. Excluding the 2022 Performance Based Award mentioned below, the expense is expected to be recognized over a weighted average period of 1.62 years.

For the years ended December 31, 2021, 2022 and 2023, nil, 21,994 and 12,922 RSUs with no condition were granted to the Company's independent directors and the RSUs were vested upon granted, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**23. Share-based Compensation (continued)**

*(i) 2022 Performance Based Award*

In November 2022, the board of directors of the Company granted 8.02 million RSUs to certain employees (“2022 Award”) under 2019 Plan. The 2022 Award consists of five vesting tranches with both service and performance conditions. Such employees are required to provide continued services through the achievement of the performance conditions which were different for each vesting tranche. The Group will recognize the compensation cost when the performance conditions become probable of achievement. One of the five tranches of the 2022 Award had achieved the necessary performance condition as of December 31, 2023 and become probable to vest. For the years ended December 31, 2022 and 2023, share-based compensation expense related to the 2022 Award amounted to nil and RMB26,582, respectively. As of December 31, 2023, unrecognized compensation expenses relating to the 2022 Award amounted to RMB68,376 as the remaining performance conditions were still not considered probable of achievement.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

(All amounts 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, 2021, 2022 and 2023 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 2022. Xiaopeng Technology is entitled to continue to enjoy the beneficial tax rate of 15% as an HNTE for the years 2022 through 2024.

Zhaoqing XPeng applied for the HNTE qualification and received approval in December 2020 and renewed in December 2023. Zhaoqing XPeng is entitled to continue to enjoy the beneficial tax rate of 15% as an HNTE for the years 2023 through 2025.

Beijing Xiaopeng applied for the HNTE qualification and received approval in December 2020. This enterprise is entitled to continue to enjoy the beneficial tax rate of 15% as an HNTE for the years 2020 through 2022. Since the qualification was expired in 2023, this enterprise applies tax rate of 25% for the year 2023.

Shanghai Xiaopeng applied for the HNTE qualification and received approval in December 2022. Shanghai Xiaopeng is entitled to continue to enjoy the beneficial tax rate of 15% as an HNTE for the years 2022 through 2024.

Shenzhen Pengxing Smart Research Co., Ltd. ("Shenzhen Pengxing Research") applied for the HNTE qualification and received approval in October 2023. Shenzhen Pengxing Research is entitled to continue to enjoy the beneficial tax rate of 15% as an HNTE for the years 2023 through 2025.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**24. Taxation (continued)****(a) Income taxes (continued)***PRC (continued)*

Under the EIT Law enacted by the National People's Congress of the PRC, dividends generated after January 1, 2008 and payable by a foreign investment enterprise in the PRC to its foreign investors who are non-resident enterprises are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. Under the taxation arrangement between the PRC and Hong Kong, a qualified Hong Kong tax resident which is the "beneficial owner" and directly holds 25% or more of the equity interest in a PRC resident enterprise is entitled to a reduced withholding tax rate of 5%. The Cayman Islands, where the Company was incorporated, does not have a tax treaty with the PRC.

In accordance with accounting guidance, all undistributed earnings are presumed to be transferred to the parent company and are subject to the withholding taxes. All FIEs are subject to the withholding tax from January 1, 2008. The presumption may be overcome if the Group has sufficient evidence to demonstrate that the undistributed 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 relevant policies 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 75% or 100% of qualified R&D expenses incurred in determining its tax assessable profits for that year ("Super Deduction"). The additional deduction of 100% or 75% of qualified R&D expenses can only be claimed directly in the annual EIT filling and subject to the approval from the relevant tax authorities.

Composition of income tax expenses for the years presented are as follows:

	For the Year Ended December 31,		
	2021	2022	2023
Current income tax expenses	25,990	24,731	18,014
Deferred income tax expenses	—	—	18,796
Income tax expenses	<u>25,990</u>	<u>24,731</u>	<u>36,810</u>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

(All amounts 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:

	<b>For the Year Ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Loss before income tax expenses and share of results of equity method investees	(4,837,106)	(9,118,358)	(10,393,705)
Income tax credit computed at the PRC statutory income tax rate of 25% <sup>(i)</sup>	(1,209,277)	(2,279,590)	(2,598,426)
Effect of preferential tax rate <sup>(ii)</sup>	254,061	202,968	29,362
Tax-free income	(25,000)	(14,000)	(33,657)
Effect of change in tax rate	33,454	16,554	(79,401)
Effect of different tax rate of different jurisdictions	(323,601)	322,514	114,036
Effect of additional deduction for qualified R&D expenses	(217,395)	(515,288)	(1,184,717)
Non-deductible expenses	163,980	92,906	(230,127)
Other adjustments <sup>(iii)</sup>	—	—	(494,696)
Changes in valuation allowance	1,349,768	2,198,667	4,514,436
<b>Income tax expenses</b>	<b>25,990</b>	<b>24,731</b>	<b>36,810</b>

- (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%.
- (iii) Other adjustments include acquisition of subsidiaries resulted in RMB536,974 of the income tax credit.

**(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>2021</b>	<b>2022</b>	<b>2023</b>
<b>Deferred tax assets:</b>			
Net operating loss carry-forwards	3,051,082	5,026,589	10,189,606
Government grants	41,565	72,674	41,713
Impairment of long-lived assets	12,239	17,372	29,660
Inventory reserve	7,221	55,397	69,730
Accruals and others	452,612	591,354	457,366
Leases	—	—	502,799
Valuation allowance	(3,564,719)	(5,763,386)	(10,277,822)
<b>Sub-total</b>	<b>—</b>	<b>—</b>	<b>1,013,052</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**24. Taxation (continued)**

**(b) Deferred tax (continued)**

	As of December 31,		
	2021	2022	2023
<b>Deferred tax liabilities:</b>			
Leases	—	—	(509,441)
Acquired intangible assets	—	—	(907,629)
Sub-total	—	—	(1,417,070)
<b>Total deferred tax liabilities, net</b>	<u>—</u>	<u>—</u>	<u>(404,018)</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:

	For the Year Ended December 31,		
	2021	2022	2023
<b>Valuation allowance</b>			
Balance at beginning of the year	2,214,951	3,564,719	5,763,386
Additions	1,511,434	2,221,222	3,990,147
Acquisition of subsidiaries	—	—	536,974
Loss utilized and expired	(128,212)	(6,001)	(92,086)
Effect of change in tax rate	(33,454)	(16,554)	79,401
Balance at end of the year	<u>3,564,719</u>	<u>5,763,386</u>	<u>10,277,822</u>

For the years ended December 31, 2021, 2022 and 2023, with the growth of its business performance, some subsidiaries of the Group are generating profits and utilized tax losses brought forward from prior years.

The Group has tax losses arising in Mainland China of RMB45,422,967 that will expire in one to ten years for deduction against future taxable profits.

Loss expiring in 2024	823,867
Loss expiring in 2025	1,651,343
Loss expiring in 2026	3,524,998
Loss expiring in 2027	6,477,329
Loss expiring in 2028	19,490,587
Loss expiring in 2029	4,163,914
Loss expiring in 2030	1,354,404
Loss expiring in 2031	1,997,693
Loss expiring in 2032	3,220,655
Loss expiring in 2033	2,718,177
<b>Total</b>	<u>45,422,967</u>

The Group has tax losses arising in Hong Kong and Others of RMB1,234,180 that will not expire for deduction against future taxable profit.

Hong Kong	671,655
Others	562,525
<b>Total</b>	<u>1,234,180</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**24. Taxation (continued)***Uncertain Tax Positions*

The Group did not identify any significant unrecognized tax benefits for the years ended December 2021, 2022 and 2023. 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, 2023. 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 2019 through 2023 remain subject to the review to be performed by the relevant PRC tax authorities.

**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, 2021, 2022 and 2023 as follows:

	For the Year Ended December 31,		
	2021	2022	2023
<b>Numerator:</b>			
Net loss	<u>(4,863,096)</u>	<u>(9,138,972)</u>	<u>(10,375,775)</u>
Net loss attributable to ordinary shareholders of XPeng Inc.	<u>(4,863,096)</u>	<u>(9,138,972)</u>	<u>(10,375,775)</u>
<b>Denominator:</b>			
Weighted average number of ordinary shares outstanding-basic and diluted	<u>1,642,906,400</u>	<u>1,712,533,564</u>	<u>1,740,921,519</u>
Basic and diluted net loss per share attributable to ordinary shareholders of XPeng Inc.	<u>(2.96)</u>	<u>(5.34)</u>	<u>(5.96)</u>

For the years ended December 31, 2021, 2022 and 2023, the Company had potential ordinary shares, including non-vested RSUs granted and contingently issuable shares relating to contingent consideration (Note 5). As the Group incurred losses for the years ended December 31, 2021, 2022 and 2023, these potential ordinary shares were anti-dilutive and excluded from the calculation of diluted net loss per share of the Company. The weighted-average numbers of non-vested RSUs excluded from the calculation of diluted net loss per share of the Company were 44,422,384, 39,259,022 and 34,385,852 as of December 31, 2021, 2022 and 2023, respectively. The number of contingently issuable shares relating to contingent consideration excluded from the calculation of diluted net loss per share of the Company is nil, nil and between nil and 32,967,573, as of December 31, 2021, 2022 and 2023, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

(All amounts 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
Mr. Hongdi Brian Gu	Honorary Vice Chairman of the Board and President
Mr. Tao He <sup>(4)</sup>	Former Senior Vice President
HT Flying Car Inc.	A Company Significantly Influenced by the Principal Shareholder
HT Flying Car (Hong Kong) Limited	A Company Significantly Influenced by the Principal Shareholder
Guangzhou Huitian Aerospace Technology Co., Ltd. ("Guangzhou Huitian") <sup>(1)</sup>	A Company Significantly Influenced by the Principal Shareholder
Guangdong Huitian Aerospace Technology Co., Ltd. ("Guangdong Huitian") <sup>(1)</sup>	A Company Significantly Influenced by the Principal Shareholder
Guangzhou Zhongpeng Investment and Development Co., Ltd.	A Company Controlled by the Principal Shareholder
Rockets Capital L.P. <sup>(2)</sup>	A Partnership Significantly Influenced by the Company
Dogotix <sup>(3)</sup>	A Company Significantly Influenced by the Principal Shareholder
Dogotix (Hong Kong) Limited <sup>(3)</sup>	A Company Significantly Influenced by the Principal Shareholder
PX Robotics Inc. ("PX Robotics") <sup>(3)</sup>	A Company Significantly Influenced by the Principal Shareholder
Shenzhen Pengxing Smart Co., Ltd. ("Shenzhen Pengxing") <sup>(3)</sup>	A Company Significantly Influenced by the Principal Shareholder
Shenzhen Pengxing Research <sup>(3)</sup>	A Company Significantly Influenced by the Principal Shareholder
Guangzhou Xuetao <sup>(4)</sup>	A Company Jointly Controlled by the former Senior Vice President
XProbot Holdings Limited ("XProbot Holdings")	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.
- (2) As of December 31, 2023, the principal shareholder and the President are the shareholders of the General Partner of Rockets Capital L.P. and the President is entitled to appoint one of three directors of the General Partner. The Group, together with its related parties, can exercise significant influence over Rockets Capital L.P. (Note 13(iv)).
- (3) Since April 2021, Dogotix, Dogotix (Hong Kong) Limited, Shenzhen Pengxing, Shenzhen Pengxing Research and PX Robotics were controlled by the principal shareholder. In July 2022, upon the completion of Dogotix's A round of fund raising, Dogotix, Shenzhen Pengxing and Shenzhen Pengxing Research became significantly influenced by the principal shareholder.

In September 2023, the Group entered into an equity transfer agreement for the acquisition of the 74.82% equity shares of Dogotix. Upon the completion of the acquisition, Dogotix, Dogotix (Hong Kong) Limited, Shenzhen Pengxing, Shenzhen Pengxing Research and PX Robotics became subsidiaries wholly controlled by the Group.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**26. Related parties (continued)**

- (4) Mr. Tao He joined the Company as senior vice president in January 2015 and was appointed as director in March 2020. In July 2021, he resigned from the directorship with effect from the Global Offering. Since June 2022, he established and jointly controlled Guangzhou Xuetao with 50% equity interests. He had resigned from senior vice president since April 2023.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**26. Related parties (continued)**

(5) Major transactions with related parties:

(i) Non-trade in nature

For the years ended December 31, 2021, 2022 and 2023, the interest expenses on the payable due to a company jointly controlled by the former senior vice president was nil, RMB1,021 and RMB2,402, respectively.

For the years ended December 31, 2021, 2022 and 2023, a debt investment was disposed of to a partnership significantly influenced by the Company amounted to nil, RMB165,000 and nil, respectively (Note(13)(iii)).

For the year ended December 31, 2023, the consideration related to the acquisition of Dogotix was paid to a company controlled by the principal shareholder amounted to RMB344,019.

(ii) Trade in nature

For the years ended December 31, 2021, 2022 and 2023, the rental expenses to a company controlled by the principal shareholder amounted to RMB10,150, nil and nil, respectively.

For the years ended December 31, 2021, 2022 and 2023, the operation support service provided to companies controlled by the principal shareholder amounted to RMB36,857, RMB31,293 and nil, respectively.

For the years ended December 31, 2021, 2022 and 2023, the operation support service provided to companies significantly influenced by the principal shareholder amounted to RMB2,300, RMB20,210 and RMB14,823, respectively.

For the year ended December 31, 2021, the purchase of fixed assets, the purchase of services, the rental income and the sales income from the companies controlled by the principal shareholder amounted to RMB698, RMB101, RMB862 and RMB140, respectively. For the year ended December 31, 2022, the purchase of fixed assets, the purchase of service and the rental income from the companies controlled by the principal shareholder amounted to nil, nil and RMB55, respectively. For the year ended December 31, 2023, the rental income from the companies controlled by the principal shareholder amounted to nil.

For the year ended December 31, 2021, the purchase of fixed assets, the purchase of services, 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, 2022, the purchase of fixed assets, the purchase of services, the rental income and the sales income from the companies significantly influenced by the principal shareholder amounted to RMB3,752, RMB663, RMB534 and RMB2,167, respectively. For the year ended December 31, 2023, the purchase of fixed assets, the purchase of services, the rental income and the sales income from the companies significantly influenced by the principal shareholder amounted to nil, RMB1,068, RMB306 and RMB1,172, respectively.

(6) Amounts due from related parties:

As of December 31, 2022, amounts due from related parties represents the receivables for operation support service and sales of goods amounting to RMB44,755 and RMB2,369, respectively, to the companies significantly influenced by the principal shareholder.

As of December 31, 2023, amounts due from related parties represents the receivables for operation support service and sales of goods amounting to RMB12,566 and RMB382, respectively, to the companies significantly influenced by the principal shareholder.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**26. Related parties (continued)**

(7) Amounts due to related parties:

As of December 31, 2022, amounts due to related parties represents: (i) the payables for assets purchased amounting to RMB978 to the companies significantly influenced by the principal shareholder, and (ii) the payable due to a company jointly controlled by the former senior vice president amounting to RMB28,470, and (iii) the payable for investment amounting to RMB61,663 to a partnership significantly influenced by the Company, which was subsequently paid in January 2023.

As of December 31, 2023, amounts due to related parties represents: (i) the payable due to a company jointly controlled by the former senior vice president amounted to RMB30,872, and (ii) the advances from the companies significantly influenced by the principal shareholder amounted to RMB8.

(8) As of December 31, 2022 and 2023, there was an investment commitment of RMB658,160 and RMB541,186 to a partnership significantly influenced by the Company, respectively (Note 27(a)).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

(All amounts 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:

	<u>As of December 31,</u>	
	<u>2022</u>	<u>2023</u>
Investments	658,160	541,186
Property, plant and equipment	1,721,666	191,690
Total	<u>2,379,826</u>	<u>732,876</u>

**(b) Purchase commitments**

Purchase expenditures contracted for at the balance sheet dates but not recognized in the consolidated financial statements are as follows:

	<u>As of December 31,</u>	
	<u>2022</u>	<u>2023</u>
Purchase commitments on purchase of raw materials <sup>(i)</sup>	<u>2,046,326</u>	<u>2,118,392</u>

- (i) Such amount excludes purchase commitments related to certain models which have been upgraded or where production has ceased. Losses on such commitments have been provided for during the year ended December 31, 2023 (Note 15).



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**28. 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.

The restricted portion was RMB59,145,690 and RMB77,141,231 as of December 31, 2022 and 2023, 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, 2022 and 2023 and for the years ended December 31, 2021, 2022 and 2023 are disclosed in Note 29.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**29. 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 notes to consolidated financial statements of the Company.

As of December 31, 2022 and 2023, except for the investment commitment disclosed in Note 27(a), the Company did not have significant capital and other commitments, or guarantees.

**Condensed Balance Sheets**

	<b>As of December 31,</b>	
	<b>2022</b>	<b>2023</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	951,656	5,187,597
Short-term deposits	12,145,309	7,906,283
Long-term deposits, current portion	—	1,852,070
Prepayments and other current assets	36,541	46,685
<b>Total current assets</b>	<b>13,133,506</b>	<b>14,992,635</b>
<b>Non-current assets</b>		
Investments in subsidiaries and VIEs	21,997,908	21,126,723
Long-term deposits	1,416,782	—
Long-term investments	431,028	618,629
<b>Total non-current assets</b>	<b>23,845,718</b>	<b>21,745,352</b>
<b>Total assets</b>	<b>36,979,224</b>	<b>36,737,987</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Amount due to a related party	61,663	—
Accruals and other liabilities	6,896	15,987
<b>Total current liabilities</b>	<b>68,559</b>	<b>15,987</b>
<b>Non-current liabilities</b>		
Derivative liability	—	393,473
<b>Total non-current liabilities</b>	<b>—</b>	<b>393,473</b>
<b>Total liabilities</b>	<b>68,559</b>	<b>409,460</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**29. Company Financial Statements (Parent Company Only) (continued)****Condensed Balance Sheets (continued)**

	As of December 31,	
	2022	2023
<b>SHAREHOLDERS' EQUITY</b>		
<b>Class A Ordinary shares</b>	92	103
<b>Class B Ordinary shares</b>	21	21
Additional paid-in capital	60,691,019	70,198,031
Statutory and other reserves	6,425	60,035
Accumulated deficit	(25,330,916)	(35,760,301)
Accumulated other comprehensive income	1,544,024	1,830,638
<b>Total shareholders' equity</b>	<u>36,910,665</u>	<u>36,328,527</u>
<b>Total liabilities and shareholders' equity</b>	<u>36,979,224</u>	<u>36,737,987</u>

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

**29. Company Financial Statements (Parent Company Only) (continued)**

**Condensed Statements of Comprehensive Loss**

	<b>For the Year Ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Operating expenses</b>			
Selling, general and administrative expenses	(8,966)	(22,896)	(28,511)
<b>Total operating expenses</b>	<u>(8,966)</u>	<u>(22,896)</u>	<u>(28,511)</u>
Fair value gain on derivative liability relating to the contingent consideration	—	—	29,339
<b>(Loss) gain from operations</b>	(8,966)	(22,896)	828
Interest income	208,463	314,668	601,475
Equity in loss of subsidiaries and VIEs	(5,696,578)	(7,074,057)	(10,165,831)
Other non-operating income, net	84,620	35,867	17,718
Exchange gain (loss) from foreign currency transactions	470,103	(2,380,873)	(473,467)
Investment loss on long-term investments	—	(75,155)	(821)
Fair value gain (loss) on derivative assets or derivative liabilities	79,262	59,357	(410,417)
<b>Loss before income tax expenses and share of results of equity method investees</b>	<u>(4,863,096)</u>	<u>(9,143,089)</u>	<u>(10,430,515)</u>
Income tax expenses	—	—	—
Share of results of equity method investees	—	4,117	54,740
<b>Net loss</b>	<u>(4,863,096)</u>	<u>(9,138,972)</u>	<u>(10,375,775)</u>
<b>Net loss attributable to ordinary shareholders of XPeng Inc.</b>	<u>(4,863,096)</u>	<u>(9,138,972)</u>	<u>(10,375,775)</u>
<b>Net loss</b>	<u>(4,863,096)</u>	<u>(9,138,972)</u>	<u>(10,375,775)</u>
<b>Other comprehensive (loss) income</b>			
Foreign currency translation adjustment, net of tax	(918,168)	3,192,573	286,614
<b>Total comprehensive loss attributable to XPeng Inc.</b>	<u>(5,781,264)</u>	<u>(5,946,399)</u>	<u>(10,089,161)</u>
<b>Comprehensive loss attributable to ordinary shareholders of XPeng Inc.</b>	<u>(5,781,264)</u>	<u>(5,946,399)</u>	<u>(10,089,161)</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**29. Company Financial Statements (Parent Company Only) (continued)****Condensed Statements of Cash Flows**

	For the Year Ended December 31,		
	2021	2022	2023
<b>Cash flows from operating activities</b>	<u>232,625</u>	<u>175,195</u>	<u>520,066</u>
<b>Cash flows from investing activities</b>			
(Placement) maturities of term deposits	(14,607,257)	3,099,780	4,164,149
Investment in equity investees	(19,015,285)	(6,934,426)	(5,306,987)
Cash paid for long-term investments	—	(409,363)	(188,681)
Maturities of derivative assets or derivative liabilities	233,050	10,752	—
Net cash used in investing activities	<u>(33,389,492)</u>	<u>(4,233,257)</u>	<u>(1,331,519)</u>
<b>Cash flows from financing activities</b>			
Proceeds from Global Offering, net of issuance cost	13,146,811	—	—
Payments of listing expenses	(36,924)	(1,830)	—
Proceeds from issuance of ordinary shares to Volkswagen	—	—	5,019,599
Net cash provided by (used in) financing activities	<u>13,109,887</u>	<u>(1,830)</u>	<u>5,019,599</u>
Effects of exchange rate changes on cash, cash equivalents and restricted cash	(316,835)	500,454	27,795
Net (decrease) increase in cash, cash equivalents and restricted cash	(20,363,815)	(3,559,438)	4,235,941
Cash, cash equivalents and restricted cash at beginning of the year	24,874,909	4,511,094	951,656
<b>Cash, cash equivalents and restricted cash at end of the year</b>	<u>4,511,094</u>	<u>951,656</u>	<u>5,187,597</u>

## (i) 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

**30. Subsequent events**

(i) Strategic Technical Collaboration and Joint Sourcing Program with Volkswagen

On February 29, 2024, XPeng and Volkswagen entered into a Master Agreement on Platform and Software strategic technical collaboration (“Master Agreement”) to provide technical services for Volkswagen to develop two B-class battery electric vehicles. As part of the Master Agreement, both parties also entered into a Joint Sourcing Program, targeting to jointly reduce the cost of the platform.

(ii) Issuance of Auto Leasing ABS

In March 2024, the Company, through its wholly owned subsidiary, completed the launch of an ABS amounting to RMB1,016,000 by issuing debt securities to investors.

(iii) End of Production of the P5

In the first quarter of 2024, the Company determined to cease the production of the P5 by the end of June 2024, which will result in a potentially material charge to the Group’s consolidated statement of comprehensive loss for the quarter ended March 31, 2024. Management is still assessing the financial impact as of the issuance date of the 2023 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, 2023, 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.5, 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, 2023 is provided on the cover of our annual report on Form 20-F for the year ended December 31, 2023.

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 ninth 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 poll except where the chairman of such meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Before or on the declaration of the result of the show of hands, a poll may be demanded by 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 ninth 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 ninth 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 ninth 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 may be closed in accordance with the terms equivalent to the relevant section of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) 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 at least three-fourths of the issued shares of that class or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the shares of that class present and voting in person or by proxy at a separate meeting of such holders. 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. Under our ninth amended and restated articles of association, we shall in each financial year hold a general meeting as our annual general meeting within six months after the end of the financial year at such time and place as may be determined by our board of directors.

## **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 ninth 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, 2023.

## **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 ninth 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 ninth 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 ninth 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 ninth 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 ninth 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 ninth amended and restated articles of association, we shall in each financial year hold a general meeting as our annual general meeting within six months after the end of the financial year at such time and place as may be determined by our board of directors.

### **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 ninth 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 ninth 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 ninth 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 ninth 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 at least three-fourths of the issued shares of that class or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the shares of that class present and voting in person or by proxy at a separate meeting of such holders.

#### **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 ninth 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 ninth 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 ninth 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 depository. As an ADS holder you appoint the depository 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 depository, 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 depository 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 depository 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 depository'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 depository in your name reflecting the registration of uncertificated ADSs directly on the books of the depository (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 depository. Under the direct registration system, ownership of ADSs is evidenced by periodic statements issued by the depository to the holders of the ADSs. The direct registration system includes automated transfers between the depository 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 depository or the custodian shall, to the maximum extent permitted by applicable law, vest in the depository 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 depository 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 depository 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 depository; or
- It is not reasonably practicable to distribute the rights.

The depository 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 depository 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 depository and will indicate whether we wish the elective distribution to be made available to you. In such case, we will assist the depository in determining whether such distribution is lawful and reasonably practicable.

The depository 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 depository 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 depositary in advance. If it is practicable and if we provide all of the documentation contemplated in the deposit agreement, the depositary 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 depositary 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 depositary. 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 depositary 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 depositary 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 depositary may not lawfully distribute such property to you, the depositary 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 depositary may create ADSs on your behalf if you or your broker deposit Class A ordinary shares with the custodian. The depositary 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 depositary 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 depositary 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 depositary. 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 depositary 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 depository 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 depository 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 depository may ask you to provide proof of identity and genuineness of any signature and such other documents as the depository 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 depository receives satisfactory evidence of compliance with all applicable laws and regulations. Please keep in mind that the depository 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 depository 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 depository will distribute to you any notice of shareholders' meeting received from us together with information explaining how to instruct the depository to exercise the voting rights of the securities represented by ADSs. In lieu of distributing such materials, the depository may distribute to holders of ADSs instructions on how to retrieve such materials upon request.

If the depository 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 depository 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 depository 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 depository 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 depository 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 depository 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 depository in a timely manner.

#### ***Amendments and Termination***

We may agree with the depository 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 depository to terminate the deposit agreement. Similarly, the depository may in certain circumstances on its own initiative terminate the deposit agreement. In either case, the depository 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 depository 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 depository 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 depository 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 depository may make available to owners of ADSs a means to withdraw the Class A ordinary shares represented by ADSs and to direct the depository of such Class A ordinary shares into an unsponsored American depository share program established by the depository. The ability to receive unsponsored American depository 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 depository shares and the payment of applicable depository 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 depositary'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 depositary's compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder. In fact, you cannot waive our or the depositary's compliance with U.S. federal securities laws and the rules and regulations promulgated thereunder.*

#### **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 depositary 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 depositary 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 depositary 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 depositary and to the custodian proof of taxpayer status and residence and such other information as the depositary and the custodian may require to fulfill legal obligations. You are required to indemnify us, the depositary and the custodian for any claims with respect to taxes based on any tax benefit obtained for you.

#### **Foreign Currency Conversion**

The depositary 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 depositary 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.*

SHARE PURCHASE AGREEMENT

BY AND AMONG

XPENG INC.

VOLKSWAGEN (CHINA) INVESTMENT CO., LTD.  
(大众汽车 (中国) 投资有限公司)

AND

VOLKSWAGEN FINANCE LUXEMBURG S.A.

Dated as of July 26, 2023

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This SHARE PURCHASE AGREEMENT dated as of July 26, 2023 (as may be amended, supplemented, modified or varied from time to time in accordance with the terms herein, this “Agreement”) is entered into by and among XPENG INC., an exempted company incorporated with limited liability under the laws of the Cayman Islands (the “Company”), VOLKSWAGEN (CHINA) INVESTMENT CO., LTD. (大众汽车 (中国) 投资有限公司), a company established with limited liability under the laws of the PRC (the “Investor”), and VOLKSWAGEN FINANCE LUXEMBURG S.A., a company incorporated under the laws of Luxembourg (the “Investor Nominee”, and together with the Company and the Investor, each a “Party” and collectively, the “Parties”). Capitalized terms used but not defined herein have the meanings assigned to them in Schedule 1 hereto.

## RECITALS

WHEREAS, the Group and Investor Group (as defined below) wish to engage in certain collaboration with respect to the development of certain automobile platform and software (the “Platform and Software Collaboration”);

WHEREAS, on or about the date hereof and concurrently with the execution and delivery of this Agreement, a certain Group Company and the Investor have entered into a Framework Agreement on Technical Collaboration in respect of the Platform and Software Collaboration (the “Technical Framework Agreement”);

WHEREAS, on or about the date hereof and concurrently with the execution and delivery of this Agreement, (i) the Company, the Investor and the Investor Nominee are entering into an investor rights agreement (the “Investor Rights Agreement”), (ii) Mr. Xiaopeng He (the “Founder”) and the Company are entering into an undertaking agreement (the “Founder-Company Undertaking Agreement”), and (iii) the Founder, the Investor and the Investor Nominee are entering into an undertaking agreement (the “Founder-Investor Undertaking Agreement”); and

WHEREAS, in addition to the Platform and Software Collaboration, the Investor desires to subscribe for and purchase from the Company, and the Company desires to issue and allot to the Investor, certain Purchased Shares (as defined below), on the terms and subject to the conditions set forth herein.

In consideration of the premises and the mutual representations, warranties, covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

## ARTICLE I PURCHASE AND SALE OF PURCHASED SHARES

Section 1.1 Purchase and Sale. Subject to the terms and conditions of this Agreement, at the Closing: the Investor shall subscribe for and purchase from the Company, and the Company shall issue and allot to the Investor, the Purchased Shares for an aggregate purchase price equal to the Purchase Price, free and clear of all Encumbrances (other than (A) Encumbrances pursuant to the Transaction Documents or applicable securities Laws and (B) Encumbrances created by the Investor or its Affiliates) and reflecting a per share purchase price of US\$7.5 (the “Per Share Purchase Price”, and the transactions described in this Section 1.1, the “Share Issuance”).

Section 1.2 Determination of Purchased Shares and Purchase Price.

(a) Certain Defined Terms. For purposes of this Agreement:

(i) "Company Total Share Number" as of a given time means the sum of the aggregate number of issued and outstanding shares in the capital of the Company as of such time, including (x) the issued and outstanding Class A Ordinary Shares (for purposes of such calculation, including the Class A Ordinary Shares represented by ADSs and excluding Class A Ordinary Shares issued to the Company's depository bank for bulk issuance of ADSs and reserved for future issuances upon the exercise or vesting of awards granted under the applicable Incentive Plan), and (y) the issued and outstanding Class B Ordinary Shares.

(ii) "Determination Date" means the date falling five (5) Business Days prior to the Closing Date or such other date mutually agreed between the Parties in writing.

(iii) "Purchase Price" means the number of Purchased Shares multiplied by the Per Share Purchase Price.

(iv) "Purchased Shares" means a number of Class A Ordinary Shares equal to the lower of (x) the Company Total Share Number as notified by the Company in accordance with Section 1.2(b), multiplied by a fraction, the numerator of which is 4.99% and the denominator of which is 95.01%, then rounded down to the nearest whole number, and (y) 94,666,666.

(b) Promptly after the close of business in Hong Kong and by no later than 9:00 p.m. (Hong Kong time) on the Determination Date, the Company shall notify the Investor in writing of (i) the Company Total Share Number as of the close of business of the Determination Date and (ii) the number of Purchased Shares and the amount of the Purchase Price, calculated as per Section 1.2(a).

Section 1.3 Closing. Subject to the terms and conditions of this Agreement, the closing of the issuance and purchase of the Purchased Shares (the "Closing") shall take place via the remote exchange of electronic documents and signature pages on the fifth (5<sup>th</sup>) Business Day after the Conditions Satisfaction Date. For purposes hereof, "Conditions Satisfaction Date" means the date on which each of the conditions set forth in Section 5.1 (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions at the Closing) has been satisfied or waived. The date on which the Closing occurs shall be referred to as the "Closing Date".

Section 1.4 Closing Deliverables. At the Closing:

(a) The Investor shall:

(i) pay or cause to be paid the Purchase Price to the Company by wire transfer of immediately available funds in USD to the Company Bank Account;

(ii) deliver or cause to be delivered to the Company the Observer Appointment Letter, duly executed by the individual designated by the Investor to be appointed as the Investor Observer in accordance with the Investor Rights Agreement and the Founder-Investor Undertaking; and

(iii) deliver or cause to be delivered to the Company a true and complete copy of the T&T AT Approval, if the T&T AT Approval is confirmed by the T&T AT Authority as required under the Antitrust Laws of Trinidad and Tobago pursuant to the consultation contemplated by Section 4.5(b)(i).

(b) The Company shall:

(i) deliver or cause to be delivered to the Investor:

(1) a certified true copy of the Board resolutions or minutes approving (A) the execution and performance of the Transaction Documents to which the Company is a party and the allotment and issue of the Purchased Shares to the Investor; and (B) the appointment of the observer candidate nominated by the Investor as an observer of the Board;

(2) a certified true copy of an extract of the updated register of members of the Company, dated as of the Closing Date and evidencing that the Purchased Shares of the Investor have been issued and registered under the name of the Investor;

(3) a copy of the written approval granted by the Listing Committee of the HKEX regarding the listing or, and the permission to deal with, the Purchased Shares;

(4) a copy of the written authorization given by the NYSE in respect of the supplemental listing application for the issuance of the Purchased Shares;

(5) a copy of the Taobao Waiver;

(6) the Observer Appointment Letter, duly executed by the Company; and

(ii) allot the Purchased Shares to the Investor and issue and deliver to the Investor, definitive share certificates in respect of the Purchased Shares in the name of the Investor.

(c) The issuance and purchase of all the Purchased Shares shall be completed simultaneously at the Closing. The Company shall not be obliged to complete the Share Issuance unless the Investor has complied with its obligations under Section 1.4(a). The Investor shall not be obliged to complete the Share Issuance unless the Company has complied with all of its obligations under Section 1.4(b).

(d) Solely for purposes of determining whether the Closing has taken place, the performance by the Investor of its payment obligation set forth under Section 1.4(a)(i) may be evidenced by an MT-103 message generated by the remitting bank of the Investor showing that the correct amount in immediately available USD has been remitted to the Company Bank Account, it being agreed that in the event of a lost, delayed or returned bank wire, the Company and the Investor will cooperate with each other to trace such wire and take all necessary actions to ensure that the Company will receive the full amount of the amount of such wire as soon as practicable.



**ARTICLE II**  
**REPRESENTATIONS AND WARRANTIES OF THE COMPANY**

The Company represents and warrants to the Investor Warrantors (as defined in Article III below) that, as of the date hereof and as of the Closing Date (except to the extent made only as of a specified date, in which case as of such date), the statements set out in this Article II are true and accurate as such statements are qualified by facts, matters and circumstances (i) Fairly Disclosed in the Company Public Filings (excluding the Financial Statements and any financial statements, financial reports and financial results announcements issued by the Company after the date hereof and any disclosures contained in the “Risk Factors” and “Forward-Looking Statements” sections thereof, any other forward-looking statements or any other disclosures of risks or uncertainties that are non-specific, of general application, predictive, cautionary or forward-looking in nature set forth therein, in each case, other than any specific factual information contained therein); (ii) disclosed in the Financial Statements; and (iii) disclosed in the disclosure letter delivered to the Investor Warrantors by the Company concurrently with the execution and delivery of this Agreement (the “Company Disclosure Letter”), it being acknowledged and agreed that disclosure of any information in any section of the Company Disclosure Letter shall also be deemed disclosure with respect to any other section or subsection of this Article II to the extent the relevance of such information to such other section of this Article II is reasonably apparent on the face of such disclosure. Notwithstanding the above, disclosures in the Company Public Filings shall not qualify any Company Fundamental Warranties.

Section 2.1 Organization and Power; Subsidiaries.

(a) The Company is duly incorporated, validly existing and in good standing under the laws of the Cayman Islands, and has the requisite corporate power and authority to own or lease its properties and assets and to carry on its business as now conducted in all material respects. Each Subsidiary has been duly organized and is validly existing in good standing (to the extent that the concept of “good standing” is recognized by the applicable jurisdiction) under the laws of its jurisdiction of organization, and has the requisite corporate power and authority to own or lease its properties and assets and to carry on its business as now conducted in all material respects. All outstanding shares or other ownership interests of each Subsidiary are duly authorized, validly issued, fully paid (other than for Xpeng European Holding B.V.) and non-assessable and all such shares or other ownership interests in any Subsidiary are owned, directly or indirectly, by the Company free and clear of any Encumbrance (other than Permitted Encumbrances).

(b) Section 2.1(b) of the Company Disclosure Letter contains a true, correct, complete and up-to-date structure chart of the Group as of the date hereof and, except as is not a Material Adverse Effect, as of the Closing Date. Except as set forth in Section 2.1(b) of the Company Disclosure Letter, as of the date hereof and, except as is not a Material Adverse Effect, as of the Closing Date, neither the Company nor any Group Company directly or indirectly own any other equity interest, ownership interest or securities (whether equity or debt) in any Person that is not a Subsidiary of the Company.

(c) The Company Controls (i) Guangzhou Zhipeng IoV Technology Co., Ltd., (ii) Guangzhou Yidian Zhihui Chuxing Technology Co., Ltd., (iii) Guangzhou Xintu Technology Co., Ltd., and (iv) Guangdong Intelligent Insurance Agency Co., Ltd. (together, the “VIEs”), through a series of contractual arrangements (the “Control Contracts”). All of the Control Contracts are in full force and effect and do not violate the applicable Law. The Company possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the VIEs, through its wholly owned Subsidiaries being authorized to exercise the voting rights in the VIEs by the respective shareholders of the VIEs. None of the parties to the Control Contract is in breach or default in the performance of any of the terms of the Control Contract. None of the parties to any of the Control Contracts has sent or received any communication regarding termination of or intention not to renew, any of the Control Contracts, and no such termination or non-renewal has been threatened by any of the parties thereto. There have been no legal, arbitration, government or other legal proceedings challenging the legality or validity of the corporate structure of the Company pending before or, to the Company’s knowledge, threatened by, any Governmental Authority or any other Person.

Section 2.2 Authorization: No Conflicts.

(a) The Company has all necessary corporate power and authority and has taken all necessary corporate action required for the due authorization, execution, delivery and performance by the Company of the Transaction Documents and the Collaboration Documents to which it is a party and the consummation by the Company of the transactions contemplated thereby. This Agreement has been, and each other Transaction Document and Collaboration Documents to which the Company is a party will be, duly executed and delivered by the Company and, assuming due execution and delivery thereof by the Investor and other parties thereto, this Agreement is, and each other Transaction Document and Collaboration Documents to which the Company is a party will be, when executed and delivered by the Company, a valid and binding obligation of the Company enforceable against the Company in accordance with their respective terms, except as such enforceability may be limited by applicable Laws relating to bankruptcy, insolvency, reorganization, moratorium or other similar legal requirement relating to or affecting creditors’ rights generally and except as such enforceability is subject to general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law). Without limiting the generality of the foregoing, as of the Closing Date, no approval by the shareholders of the Company is required for the transactions contemplated under this Agreement and any other Transaction Documents and the Collaboration Documents, the performance by the Company of its obligations and the consummation by the Company of the transactions contemplated under the Transaction Documents and the Collaboration Documents. As of the Closing Date, the Taobao Waiver has been obtained in respect of the registration rights to be granted to the Investor.

(b) Assuming that each of the consents, approvals, authorizations and filings contemplated by Section 2.3 have been obtained or made, as applicable, the authorization, execution, delivery and performance by the Company of the Transaction Documents and the Collaboration Documents and the consummation by the Company of the transactions contemplated thereby will not (i) violate or result in the breach of any provision of the organizational documents of the Company or any of its Subsidiaries, (ii) in any material respect, violate any provision of, constitute a breach of, or default under, result in the acceleration of or creation of any Encumbrances (other than Permitted Encumbrances) under, adversely affect any right under, or create in any party the right to accelerate, terminate, modify, or cancel, any judgment, order, writ, or decree applicable to the Company or any of its Subsidiaries, or any mortgage, loan or credit agreement, indenture, bond, note, deed of trust, lease, sublease, license (including relating to Intellectual Property), contract or other agreement (each, a “Contract”) to which the Company or any of its Subsidiaries is a party, or (iii) in any material respect, violate any provision of, constitute a breach of, or default under, any Laws applicable to the Company or any of its Subsidiaries.

Section 2.3 Government Approvals. No consent, approval or authorization of, or filing with, any Governmental Authority is or will be required on the part of the Company in connection with the execution, delivery and performance by the Company of the Transaction Documents and the Collaboration Documents to which it is a party, other than (i) SEC filings required under applicable U.S. federal and state securities Laws regarding the issuance of the Purchased Shares, (ii) NYSE's authorization of a supplemental listing application for the issuance of the Purchased Shares, (iii) the application for, and the granting of, the listing of and permission to deal in the Purchased Shares by HKEX, and (iv) post-Closing filings with the CSRC required under applicable Laws (the "CSRC Filing").

Section 2.4 Capitalization.

(a) As of the date hereof, the authorized share capital of the Company is US\$100,000 consisting of 10,000,000,000 shares and comprising of 9,250,000,000 Class A Ordinary Shares and 750,000,000 Class B Ordinary Shares.

(b) As of the close of business on July 25, 2023, there were (i) 1,382,801,563 Class A Ordinary Shares issued and outstanding and (ii) 348,708,257 Class B Ordinary Shares issued and outstanding. Except as disclosed in the Company Public Filings and other than securities issued pursuant to the Incentive Plan from time to time, there are no securities convertible or exchangeable into or exercisable for, or giving any person a right to subscribe for or acquire, any securities of the Company, in each case, that are issued by the Company and remain outstanding. All issued and outstanding Ordinary Shares have been duly authorized and validly issued and are fully paid and non-assessable, have been issued in compliance with all applicable securities Laws, and none of such outstanding Ordinary Shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. The ADSs have been duly listed and admitted and authorized for trading on NYSE, and the Class A Ordinary Shares have been duly listed and admitted and authorized for trading on HKEX.

(c) As of the Closing Date, the Purchased Shares (prior to any rounding in accordance with the definition of such term, and assuming that the number of Purchased Shares is calculated pursuant to Section 1.2(a)(iv)(x) and not Section 1.2(a)(iv)(y)) will represent no less than 4.99%, and less than 5%, of the Company Total Share Number as of immediately after the Closing and giving effect to the Share Issuance.

(d) (i) The Company has sufficient authorized but unissued share capital to allot and issue the Purchased Shares, (ii) all the Purchased Shares will be allotted and issued pursuant to the authorization granted under the 2023 General Mandate, and (iii) the allotment and issue of the full amount of the Purchased Shares will not exceed any limit to which the 2023 General Mandate is subject.

Section 2.5 Valid Issuance. The Purchased Shares have been duly authorized for issuance and, when issued and delivered by the Company to the Investor in accordance with the terms hereof, will be validly issued, fully paid and non-assessable, free and clear of all Encumbrances (other than (a) Encumbrances pursuant to the Transaction Documents or applicable securities Laws and (b) Encumbrances created by the Investor or its Affiliates) and shall rank *pari passu* in all respects with the Class A Ordinary Shares in issue at the date of allotment.

Section 2.6 Exempt Offering. Assuming the accuracy of the representations and warranties of the Investor Warrantors set forth in Section 3.4, no registration under the Securities Act is required for the offer and sale of the Purchased Shares to the Investor in accordance with the terms hereof. None of the Company, its Affiliates (for purposes of this paragraph as defined in Regulation 501 under the Securities Act) and, to the knowledge of the Company, any other Person authorized by the Company to act on its behalf has engaged in any “directed selling efforts” within the meaning of Rule 902 of Regulation S under the Securities Act with respect to the Purchased Shares. The Company, its Affiliates, and any Person acting on the Company’s or its Affiliates’ behalf, have complied with the offering restrictions requirement of Regulation S under the Securities Act in connection with the offer and sale of the Purchased Shares; and the Company is a “foreign issuer” (as defined in Regulation S).

Section 2.7 Public Filings. The Company has filed or furnished, as applicable, on a timely basis, all of the Company Public Filings. As of their respective effective dates (in the case of the Company Public Filings that are registration statements filed pursuant to the requirements of the Securities Act) and as of their respective filing dates (in the case of all other Company Public Filings), or in each case, if amended, as of the date of the last such amendment: (a) each of the Company Public Filings complied in all material respects with the requirements under applicable securities Laws, and any rules and regulations promulgated thereunder applicable to the Company Public Filings, and (b) none of the Company Public Filings contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

Section 2.8 Inside Information. The Company is not in possession of any material non-public information relating to the Group which is required to be but has not been disclosed by the Company under Laws and the rules and regulations that are applicable to a company whose securities are listed on the NYSE or HKEX.

Section 2.9 Financial Statements. The Financial Statements (a) complied in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, (b) were prepared in accordance with GAAP applied on a consistent basis throughout the periods covered thereby (except in the case of unaudited financial statements, to the extent they may exclude footnotes or may be condensed to summary statements); and (c) (in respect of audited financial statements) give a true and fair view of, or (in respect of unaudited financial statements) present fairly, in all material respects, the consolidated financial position of the Company and its Subsidiaries as of the respective dates thereof and the consolidated results of operations and cash flows of the Company and its Subsidiaries for the periods covered thereby (subject, in the case of unaudited financial statements, to normal year-end audit adjustments that are currently expected to (i) be consistent in extent with those for the previous financial year year-end audits and (ii) not exceed the materiality threshold adopted for the Financial Statements for the year ended 31 December 2023, and the absence of notes), in each case except as disclosed therein and as permitted under the Exchange Act.

Section 2.10 Internal Control. The Company has established and maintains a system of internal control over: (a) compliance by the Group with applicable Sanctions and Export Controls and AML Laws; and (b) financial reporting (as defined in Rule 13a-15 or 15d-15, as applicable, under the Exchange Act) that complies with the requirements of the Exchange Act and that is sufficient to provide reasonable assurance that the Company has made and kept books, records and accounts which, in reasonable detail, accurately and fairly reflect the transactions of such entity and provide a sufficient basis for the preparation of financial statements in accordance with GAAP. Neither the Company nor, to the knowledge of the Company, its independent registered public accounting firm has identified or been made aware of any “material weaknesses” (as defined by the Public Company Accounting Oversight Board) in the design or operation of internal controls over financial reporting as of December 31, 2021 or 2022 that were reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information. Since December 31, 2020, there has been no change in the Company’s internal control over financial reporting that has materially adversely affected, or is reasonably likely to materially adversely affect, the Company’s internal control over financial reporting.

Section 2.11 Absence of Certain Changes. Since December 31, 2022, (a) the Company and its Subsidiaries have conducted their businesses in all material respects in the ordinary course of business consistent with past practice, and (b) no Material Adverse Effect has occurred.

Section 2.12 No Undisclosed Liabilities. There are no liabilities of the Company or any of its Subsidiaries of any kind (including Tax), whether accrued, contingent or otherwise, except (a) liabilities reflected or otherwise reserved against in the Financial Statement for the fiscal year ended December 31, 2022 or referenced in the footnotes thereto, (b) liabilities incurred since December 31, 2022 in the ordinary course of business consistent with past practices, and (c) liabilities that are not a Material Adverse Effect. There are no unconsolidated Subsidiaries of the Company or any off-balance sheet arrangements (as described in Item 5 of Form 20-F promulgated by the SEC) that have not been so described in the Company Public Filings.

Section 2.13 Compliance with Laws and Permits.

(a) Each of the Company, the Group Companies, the directors and officers (each acting in its capacity as such) of a Group Company and, to the knowledge of the Company, the agents, representatives, Persons Controlling or Controlled by the Company or the Group Companies, employees and other Persons acting on behalf of a Group Company (each acting in its capacity as such): (i) has not violated, is not in violation of, and has not taken any act in furtherance of violating, directly or indirectly, any applicable Sanctions and Export Controls in any material respect; (ii) is not a Sanctioned Person; (iii) has not engaged in and is not knowingly engaged in, any dealings or transactions of, with or involving a Sanctioned Person, in violation of applicable Sanctions and Export Controls in any material respect. No Proceeding with regard to any actual or alleged violation of Sanctions and Export Controls in connection with any Group Company and no such Proceeding is pending or, to the knowledge of the Company, threatened.

(b) The Company and each of its Subsidiaries have conducted at any time since the listing of the Company on the NYSE, their businesses in compliance with all applicable (i) Laws (including applicable Laws relating to foreign investments, variable-interest-entities, surveying, mapping, cash settlement services and payment services, online transmission of audio and visual program, data security and protection, labour, environmental protection, occupational health and safety and fire safety) and (ii) industry standards set forth in Part A of Exhibit A, in each case of (i) and (ii), except where the failure to be in compliance is not a Material Adverse Effect. The Company and each of the other Group Companies is not liable to pay any penalty, surcharge, fine, liability or interest in connection with non-compliance with applicable Laws where the amount of such penalty, surcharge, fine, liability or interest is material to the Group taken as a whole. The Group’s Platform, the OS Connectivity Software and the ADAS System (as defined in the Technical Framework Agreement) comply in all material respects with the standards as set forth in Part A of Exhibit A and other applicable mandatory industry standards and Laws and the Group has obtained the relevant industry ratings as set out in Part B of Exhibit A.

(c) The Company and each of its Subsidiaries have all permits, licenses, authorizations, consents, orders and approvals that are required in order to construct, own, lease and operate its properties in all material respects as currently constructed, owned, leased or operated, and to carry on their business in all material respects as presently conducted (collectively, "Permits"), and all such Permits are in full force and effect and, to the knowledge of the Company, no suspension or cancellation of any of them is threatened. The Company and its Subsidiaries have taken no action designed to, or reasonably likely to have the effect of, delisting the ADSs from the NYSE or its Class A Ordinary Shares from HKEX. As of the date hereof and, except as is not a Material Adverse Effect, as of the Closing Date, the Company has not received any notifications from any of the SEC, SFC, NYSE or HKEX, and there are no Proceedings pending or, to the knowledge of the Company, threatened against the Company, in each case, relating to the delisting or suspension of its ADSs from NYSE or its Class A Ordinary Shares from HKEX (or the applicable registration under the Exchange Act related thereto).

Section 2.14 Material Contracts. The Company has filed, as exhibits to its Company Public Filings, all contracts, agreements and instruments (including amendments thereto) to which a Group Company is a party or by which it is bound and which are required to be filed in the Company Public Filings pursuant to applicable securities Law (excluding any such contracts, agreements and instruments that may have expired or been terminated, the "Material Contracts"). Each Material Contract is in full force and effect (except for those that have been fully performed or have expired or terminated in accordance with their terms), and is enforceable against the Company or the applicable Group Company and, to the knowledge of the Company, the other counterparties of the relevant Group Company, except as such enforceability may be limited by applicable Laws relating to bankruptcy, insolvency, reorganization, moratorium or other similar legal requirement relating to or affecting creditors' rights generally and except as such enforceability is subject to general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law). As of the date of this Agreement, the Group and, to the knowledge of the Company, each other counterparty thereto, are not in default under, or in breach or violation of, any Material Contract in any material respect. As of the Closing Date, the Group and, to the knowledge of the Company, each other counterparty thereto, are not in default under, or in breach or violation of, any Material Contract except where such breach, default or violation is not a Material Adverse Effect.

Section 2.15 Related Party And Continuing Connected Transactions.

(a) All transactions entered into between a Group Company and/or with related parties or "connected persons" (as defined under applicable rules and regulations of HKEX) have been properly disclosed in the Company Public Filings in accordance with the applicable rules and regulations of the NYSE or HKEX or the applicable securities Laws.

(b) Any and all related party transactions and connected transactions referred to in [Section 2.15\(a\)](#) were entered into on terms and conditions that are fair and reasonable or no less favourable to the relevant Group Company than those applicable in comparable transactions between independent parties acting at arm's length, and have been entered into in the interest of the Company and its shareholders as a whole.

[Section 2.16 Assets and Properties.](#) (a) Each Group Company has good and marketable title to (including valid and legal land use rights for), or in the case of leased property and assets, has valid, binding and enforceable leasehold interests in, and other comparable contract rights to (i) all property and assets that are used in the operation of the business of the Group as currently being conducted and material to the Group taken as a whole ("[Material Assets and Properties](#)"); and (ii) all property and assets reflected on the Financial Statements for the fiscal years ended December 31, 2022 or acquired after [December 31, 2022](#), except for properties and assets sold (or leasehold interests terminated) since such date in the ordinary course of business consistent with past practices, (b) none of the Material Assets and Properties is subject to any Encumbrance, except for Permitted Encumbrances, (c) for the leased Material Assets and Properties, the Group and to the knowledge of the Company, each other counterparty thereto, are not in default under, or in breach or violation of, any such leases; (d) the construction and completion acceptance of the construction projects of the Group have been conducted in accordance with applicable PRC Laws, and (e) the Material Assets and Properties are in good operating condition and repair in all respects, subject to normal wear and tear, and without structural defects; except in each case of (c) and (d) and (e), as is not a Material Adverse Effect. For clarity, the representations set forth in this [Section 2.16](#) shall not apply to Intellectual Property.

[Section 2.17 Environmental.](#) The Group's production of vehicles is in all material respects in compliance with the self-prepared project completion inspection and approval expert panel review opinions for the existing production in the Company's manufacturing plant in Zhaoqing, Guangdong province, dated 27 May 2020. No Group Company (a) has, as of the date hereof and, except as is not a Material Adverse Effect, as of the Closing Date received any written notice or written request for information; or (b) has entered into any agreement, in each case relating to any alleged material violation of any Environmental Law by any Group Company or any actual or alleged release or threatened release or clean-up of any Hazardous Materials by any Group Company.

[Section 2.18 Employment and Labour Laws.](#) No labour dispute, work stoppage, slowdown or other conflict with the employees of any Group Company exists, or to the knowledge of the Company, is threatened in writing, except where such labour dispute, work stoppage, slowdown or other conflict is not a Material Adverse Effect.

[Section 2.19 Insurance.](#) Each Group Company maintains valid insurance of the type and in amounts as are reasonable and adequate to protect its properties and business in accordance with normal industry practices as are customary for companies conducting business or owning assets similar to those of the Group. There is no material insurance claim pending and which coverage has been denied or disputed in writing by the underwriter of such insurance policy. As of the date of this Agreement, to the knowledge of the Company, no facts or circumstances exist which would reasonably be expected to give rise to any material insurance claim. As of the Closing Date, to the knowledge of the Company, no facts or circumstances exist which would reasonably be expected to give rise to any insurance claim which, if denied by the underwriters of the relevant insurance policy or not covered by an insurance policy, is a Material Adverse Effect.

Section 2.20 Intellectual Property.

(a) All registered or unregistered, (i) patents, patentable inventions and other patent rights (including any divisionals, continuations, continuations-in-part, reissues, re-examinations and interferences thereof); (ii) trademarks, service marks, trade dress, trade names, taglines, brand names, logos and corporate names and all goodwill related thereto; (iii) copyrights, mask works, designs, get-up of products and packaging and other signs used in trade; (iv) trade secrets, know-how, inventions, processes, procedures, databases, rights in integrated circuits, confidential business information and other proprietary information and rights (including information comprised in formulae, algorithms, techniques, specifications, codes, computation models, software and manuals, and rights in data (including geometrical data) which, in each case is considered or claimed to be confidential information or proprietary); (v) computer software programs, including all source code, object code, specifications, designs and documentation related thereto; (vi) domain names, internet addresses and other computer identifiers, and (vii) all other industrial and intellectual property rights and equivalent or similar forms of protection existing anywhere in the world ("Intellectual Property"), in each case that is material and is used in the operation of the business of the Group as currently being conducted, is either: (1) owned by a Group Company free and clear of all Encumbrances other than Permitted Encumbrances; or (2) used pursuant to a valid license or other valid right to use. The foregoing representation shall not be construed to be a representation as to the non-infringement of any Intellectual Property of a third party, which is the subject of Section 2.20(d).

(b) There are no infringements, other violations or unauthorized use by any third party of any Intellectual Property Rights owned by or exclusively licensed to, a Group Company, except where such infringements, violations or unauthorized use are not a Material Adverse Effect.

(c) (i) The Group has taken all necessary actions to maintain and protect each registration and application for material Intellectual Property Rights owned by them, including by paying in full all renewal and maintenance fees due for the same; and (ii) no Group Company has initiated in writing any opposition, invalidation, revocation or cancellation proceedings, or any other proceedings or counterclaims (including any Proceedings), in each case, concerning the validity, enforceability or title to any Intellectual Property of any third party and which would adversely affect material Intellectual Property Rights owned by the Group.

(d) The conduct of the business of the Group, including any and all use (including any licensing or by way of provision) of products, and services provided to third parties including contractors, licensees, end users and consumers, does not infringe, misappropriate or otherwise violate ("Infringe") any rights of any third party in any Intellectual Property or other proprietary rights, or any arrangement with any other person, and there are no Proceedings pending or otherwise received in the 3 years prior to the date of this Agreement, or to the knowledge of the Company threatened in writing (i) alleging any such Infringement or (ii) challenging the Intellectual Property Rights owned by a Group Company or any use by a Group Company of any Intellectual Property Rights including any licensing or by way of provision of products or services involving any Intellectual Property Rights, except in each case of the foregoing for any Infringement or Proceeding that, if resolved in an adverse manner to a Group Company, is not a Material Adverse Effect.



(e) None of the Intellectual Property Rights owned by a Group Company and the Group Companies' rights thereto will be adversely affected in any material respect by the consummation by the Company of the transactions contemplated by the Transaction Documents.

(f) The Company has taken and caused its Subsidiaries to take commercially reasonable measures to maintain and protect the confidentiality and secrecy of its material confidential information, trade secrets and know-how used in the operation of the business of the Group and, to the knowledge of the Company, there has been no unauthorized disclosure, misappropriation or loss of any such confidential information, trade secrets and know-how.

(g) To the extent any current or former officers, directors, employees, contractors and consultants of a Group Company ("Group Employees") have, on behalf of the Group, created or developed, either solely or together with other Group Employees, any Intellectual Property Rights that are material to the business of the Group, the relevant Group Company, as between it and the relevant Group Employee, owns the entire right, title and interest in such creations and/or developments.

(h) To the knowledge of the Company, no current or former employee, officer, director, consultant, agent or other representative of a Group Company has breached an obligation of confidentiality which it owes to the Group Company with respect to any material Intellectual Property Rights.

Section 2.21 Legal Proceedings. There are (a) no material Proceedings pending or, to the knowledge of the Company, threatened against the Company or any of its Subsidiaries or directors or officers of the Company or any of its Subsidiaries in their capacities as such before or by any Governmental Authority or by any other Person, and (b) no material Proceedings pending or, to the knowledge of the Company, threatened against the Company, that seek to restrain or enjoin the consummation of the transactions contemplated under the Transaction Documents. No order has been made or petition presented or resolution passed for the winding up or dissolution of the Company or any of its Subsidiaries or for the appointment of a liquidator or receiver for the Company or any of its Subsidiaries.

Section 2.22 Solvency. Both before and after giving effect to the transactions contemplated by the Transaction Documents and the Collaboration Documents, (i) each of the Company and its Subsidiaries will be solvent; and (ii) the Group Companies, taken as a whole, will have adequate capital and liquidity with which to engage in their businesses as currently conducted and as described in the Company Public Filings.

Section 2.23 Tax.

(a) The Company and each of its Subsidiaries (i) have duly and timely filed all material Tax Returns that are required to be filed or have requested applicable extensions thereof, and such Tax Returns are true, correct and complete in all material respects; and (ii) have paid all material Taxes that are required to be paid by them, except those being contested or which will be contested in good faith; and (iii) without prejudice to subclause (ii) above, have deducted or withheld all material Tax which it has been obliged or entitled by Law to deduct or withhold from any payments made by it and have properly accounted to the relevant Governmental Authority for all amounts of material Tax so deducted or withheld, including material Taxes in relation to the Incentive Plan.

(b) As of the date hereof and, except as is not a Material Adverse Effect, as of the Closing Date, no Group Company has received notice regarding unpaid foreign, federal and state income in any amount or any Taxes in any material amount claimed to be due by the Governmental Authority of any jurisdiction, and the Company is not aware of any reasonable basis for such claim. To the knowledge of the Company as of the date hereof and, except as is not a Material Adverse Effect, as of the Closing Date, (i) no material Taxes paid or Tax Returns filed by or on behalf of a Group Company are currently being audited or investigated, and (ii) no Group Company has received notice of any such audit or investigation.

(c) No Group Company is a party to or bound by any special Tax agreement or arrangement with any Governmental Authority that is a Material Adverse Effect.

Section 2.24 Investment Company. The Company is not and, after giving effect to the issuance and purchase of the Purchased Shares, the consummation of the transactions and the application of the proceeds hereof, will not be an “investment company,” as such term is defined in the U.S. Investment Company Act of 1940, as amended.

Section 2.25 No Brokers. No broker, investment banker, financial advisor or other Person is entitled to any broker’s, finder’s, financial advisor’s or other similar fee or commission from the Investor in connection with the transactions contemplated by the Transaction Documents and the Collaboration Documents based on arrangements made by or on behalf of the Company.

Section 2.26 Compliance Laws and CMS.

(a) The information in relation to Group Companies’ CMS that has been provided in writing by the Company to the Investor as of the date hereof is true and accurate as of the date such information is given.

(b) Apart from the information disclosed in the Company’s Public Filings or the ESG reports made available to the Investor prior to the date hereof, each of the Company, the Group Companies, the directors and officers (each acting in its capacity as such) of a Group Company, the employees acting on behalf of a Group Company and, to the knowledge of the Company, the agents, representatives, Persons Controlling or Controlled by the Company or the Group Companies and other Persons acting on behalf of a Group Company (each acting in its capacity as such) has not violated any Compliance Laws in any material respect.

(c) Each of the Company, the Group Companies, the directors and officers (each acting in its capacity as such) of a Group Company, the employees acting on behalf of a Group Company and, to the knowledge of the Company, the agents, representatives, Persons Controlling or Controlled by the Company or the Group Companies and other Persons acting on behalf of a Group Company (each acting in its capacity as such) has not offered, paid, promised to pay, or authorized the payment of any money or anything of value, to any Government Entity, or Government Official (including any government official to whom the relevant foregoing person knows or ought to know that all or a portion of such money or things of value will be offered, given or promised, directly or indirectly): (i) for the purpose of (1) influencing any act or decision of Government Officials in their official capacity; (2) inducing Government Officials to act or omit to act in violation of lawful duties; (3) securing any improper advantage; (4) inducing Government Officials to influence or affect any act or decision of any Government Entity; or (5) assisting the Group Company in obtaining or retaining business, or directing business to, the Group Company; and (ii) in a manner that would constitute a breach of Anti-Bribery Laws.

(d) Each of the Company, the Group Companies, the directors and officers (each acting in its capacity as such) of a Group Company, the employees acting on behalf of a Group Company and, to the knowledge of the Company, the agents, representatives, Persons Controlling or Controlled by the Company or the Group Companies and other Persons acting on behalf of a Group Company (each acting in its capacity as such) has not violated in any material respect the Compliance Laws relating to the principle of fair competition, by offering property or other interests, such as making payments or paying anything of value to existing or potential Business Partners, in order to impose undue influence on Business Partners or to obtain inappropriate commercial advantages.

(e) Except as disclosed in the Company Public Filings, no (i) employee or official of any government or any governmental department, agency or institution; (ii) employee or official of any public international organization; (iii) person acting officially on behalf of or in the name of a government, governmental agency or institution or department, or a public international organization; (iv) political party or official or candidate for political office; (v) director, officer, employee or official of state-owned, state-controlled or state-operated enterprises or Government Entity holds any equity interest in any Group Company as of the date hereof, in each case, except for any equity interests obtained through public offerings or acquisition of shares that are publicly listed on a stock exchange.

### **ARTICLE III REPRESENTATIONS AND WARRANTIES OF THE INVESTOR WARRANTORS**

The Investor and the Investor Nominee (each, an “Investor Warrantor”), each represents and warrants to the Company that, as of the date hereof and as of the Closing Date (except to the extent made only as of a specified date, in which case as of such date):

Section 3.1 Organization and Power. Such Investor Warrantor is duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has the requisite corporate power and authority to own or lease its properties and assets and to carry on its business as now conducted in all material respects.

Section 3.2 Authorization; No Conflicts.

(a) Such Investor Warrantor has all necessary corporate power and authority and has taken all necessary corporate action required for the due authorization, execution, delivery and performance by such Investor Warrantor of the Transaction Documents and the Collaboration Documents to which it is a party and the consummation by such Investor Warrantor of the transactions contemplated thereby. This Agreement has been, and each other Transaction Document and Collaboration Documents to which such Investor Warrantor is a party will be, duly executed and delivered by such Investor Warrantor and, assuming due execution and delivery thereof by the Company and other parties thereto, this Agreement is, and each other Transaction Document and Collaboration Documents to which such Investor Warrantor is a party will be, when executed and delivered by such Investor Warrantor a valid and binding obligation of such Investor Warrantor enforceable against such Investor Warrantor in accordance with their respective terms, except as such enforceability may be limited by applicable Laws relating to bankruptcy, insolvency, reorganization, moratorium or other similar legal requirement relating to or affecting creditors’ rights generally and except as such enforceability is subject to general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law).

(b) Assuming that each of the consents, approvals, authorizations and filings contemplated by Section 3.3 have been obtained or made, as applicable, the authorization, execution, delivery and performance by such Investor Warrantor of the Transaction Documents and the Collaboration Documents and the consummation by such Investor Warrantor of the transactions contemplated thereby will not (i) violate or result in the breach of any provision of the organizational documents of such Investor Warrantor, (ii) in any material respect, violate any provision of, constitute a breach of, or default under, any judgment, order, writ, or decree applicable to such Investor Warrantor or any Contract to which such Investor Warrantor is a party, or (iii) in any material respect, violate any provision of, constitute a breach of, or default under, any Laws applicable to such Investor Warrantor.

Section 3.3 Government Approvals. No consent, approval or authorization of, or filing with, any Governmental Authority is or will be required on the part of such Investor Warrantor in connection with the execution, delivery and performance by such Investor Warrantor of the Transaction Documents and the Collaboration Documents to which it is a party, other than (a) SEC filings and filings with HKEX required under applicable Laws regarding the purchase of the Purchased Shares, (b) the ODI Registration and Approval; and (c) if required under the Antitrust Laws of Trinidad and Tobago, the T&T AT Approval.

Section 3.4 Investment Representations.

(a) Such Investor Warrantor is not a “U.S. person” as defined in Rule 902 of Regulation S under the Securities Act. Such Investor Warrantor has not been subject to any “directed selling efforts” within the meaning of Rule 902 of Regulation S under the Securities Act in connection with its execution of this Agreement.

(b) Such Investor Warrantor acknowledges that the Purchased Shares have not been registered under the Securities Act or any applicable state securities law. Such Investor Warrantor further acknowledges that, absent an effective registration under the Securities Act, the Purchased Shares may only be offered, sold or otherwise transferred (i) to the Company, (ii) outside the United States in accordance with Rule 904 of Regulation S under the Securities Act, or (iii) pursuant to an exemption from registration under the Securities Act. Neither such Investor Warrantor nor its Affiliates (for purposes of this paragraph as defined in Regulation 501 under the Securities Act), nor, to the knowledge of such Investor Warrantor, any Persons acting on such Investor Warrantor’s or its Affiliates’ behalf, has engaged in any “directed selling efforts” within the meaning of Rule 902 of Regulation S under the Securities Act with respect to any Purchased Shares, and such Investor Warrantor, its Affiliates, and any Person acting on such Investor Warrantor’s or its Affiliates’ behalf, have complied with the offering restrictions requirement of Regulation S under the Securities Act.

(c) Such Investor Warrantor is purchasing the Purchased Shares for its own account and not with a view to, or for sale in connection with, any distribution (as such term is used in Section 2(a)(11) of the Securities Act) thereof. Such Investor Warrantor does not presently have any agreement or understanding, directly or indirectly, with any Person to distribute any of the Purchased Shares. Such Investor Warrantor is not a broker-dealer registered with the SEC under the Exchange Act or an entity engaged in a business that would require it to be so registered as a broker-dealer.

(d) Without prejudice to such Investor Warrantor's rights, power and remedy under this Agreement, such Investor Warrantor has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in the Purchased Shares and is capable of bearing the relevant risks of such investment.

Section 3.5 Financial Capability. Such Investor Warrantor has, or will have at the Closing Date, cash in immediately available U.S. dollar funds sufficient to pay the Purchase Price hereunder. Such Investor Warrantor affirms that it is not a condition to the Closing or to any of its obligations under this Agreement that it first obtain financing for, or related to, any of the transactions contemplated under the Transaction Documents and the Collaboration Documents.

Section 3.6 No Existing Ownership. No Investor Group Company Beneficially Owns or Controls, directly or indirectly, any shares, convertible debt or any securities convertible into or exercisable or exchangeable for, or any rights, warrants or options to acquire, any shares or convertible debt in the Company, or has any agreement, understanding or arrangement with any Person to acquire any of the foregoing, except pursuant to the Transaction Documents.

Section 3.7 Legal Proceedings. As of the date hereof, there are no Proceedings pending or, to the knowledge of such Investor Warrantor, threatened against such Investor Warrantor, that seek to restrain or enjoin the consummation of the transactions contemplated under the Transaction Documents, except in each case, where such Proceedings do not and would not reasonably be expected to have a material and adverse effect on the ability of such Investor Warrantor to consummate the transactions contemplated by this Agreement and the other Transaction Documents to which it is a party and to timely perform its obligations hereunder and thereunder.

Section 3.8 Qualified Investor Group Member. Such Investor Warrantor is a Qualified Investor Group Member.

Section 3.9 No Brokers. No broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission from the Company or any of its Subsidiaries in connection with the transactions contemplated by the Transaction Documents and the Collaboration Documents based on arrangements made by or on behalf of such Investor Warrantor.

#### **ARTICLE IV ADDITIONAL AGREEMENTS**

Section 4.1 No Additional Representations or Warranties. The representations and warranties set forth in Article II (in the case of the Company) and Article III (in the case of each of the Investor Warrantors) are the only representations and warranties made by the Company and each Investor Warrantor (or any of their direct or indirect shareholders, and their and such shareholders' respective Representatives) respectively in connection with the transactions contemplated by this Agreement. Each Investor Warrantor hereby expressly disclaims any and all reliance of any other statements, promises, advice, data or information made, communicated or furnished (orally or in writing, including electronically) by or on behalf of the Company (or any of its direct or indirect shareholders, and their and such shareholders' respective Representatives), and the Company hereby expressly disclaims any and all reliance of any other statements, promises, advice, data or information made, communicated or furnished (orally or in writing, including electronically) by or on behalf of the Investor Warrantors (or any of their direct or indirect shareholders, and their and such shareholders' respective Representatives).

Section 4.2 Conduct of business.

(a) Except as expressly contemplated, required or permitted by any Transaction Document or any Collaboration Document, or as required by any Governmental Authority or by applicable Laws, or as requested in writing by the Investor:

(i) during the period commencing from the date hereof and ending on the earlier of (x) the Closing Date and (y) the termination of this Agreement pursuant to Section 6.1, the Company shall, and shall cause each of its Subsidiaries to (A) use their respective reasonable best efforts to conduct their respective business and operations in the ordinary course of business consistent with past practice in all material respects; (B) not take any action, or omit to take any action, that would, individually or in the aggregate, reasonably be likely to prevent, materially delay or materially impede the consummation of the Share Issuance; and (C) use their respective reasonable best efforts to continue the listing and trading of the Company's ADSs on the NYSE and the Company's Class A Ordinary Shares on the HKEX;

(ii) during the period commencing from the date hereof and ending on the earliest of (x) the Closing Date, (y) the termination of this Agreement pursuant to Section 6.1 and (z) the execution of the Platform and Software Collaboration Agreement, the Company shall not take any action to (A) refresh the 2023 General Mandate, or (B) seek or obtain any consent of the shareholders of the Company at any general meeting in relation to the issue of shares, securities convertible into shares, or options, warrants or similar rights to subscribe for any shares or such convertible securities in the Company; and

(iii) during the period commencing from the Determination Date and ending on the earlier of (x) the Closing Date and (y) the termination of this Agreement pursuant to Section 6.1, the Company shall not, directly or indirectly (A) alter the capital structure of the Company resulting in reduction in its total issued and outstanding share capital or (B) purchase or redeem any share capital of the Company, in each case of (A) and (B), if it would result in the Investor becoming a "connected person" of the Company (as such term is defined in the Hong Kong Listing Rules from time to time) immediately following the consummation of the Share Issuance.

(b) The Company shall, and shall cause its relevant Subsidiaries to, use its reasonable efforts to obtain the international standard for environmental management systems certification (ISO 14001:2015) in respect of its manufacturing bases located in Guangzhou, Guangdong Province and Wuhan, Hubei Province (as referred to in the Company Public Filings) as soon as reasonably practicable.

Section 4.3 Notification. Each Party shall promptly notify, upon becoming aware of the same, the other Parties of any event, condition or circumstance occurring prior to the Closing Date that would constitute a breach of any terms and conditions contained in this Agreement by such Party.

Section 4.4 Assumption by Investor Nominee.

(a) If, subject to Section 4.5(d)(ii), as of 9:00 p.m. (Hong Kong time), on the date falling four (4) months after the date hereof, (i) the condition set forth in Section 5.1(a) remains not satisfied, or (ii) the condition set forth in Section 5.1(a) is satisfied but the Investor has not obtained immediately available funds in U.S. dollars in an amount sufficient to pay the Purchase Price in full, then, without the need for any further action by any Party or any other Person, all of the rights and obligations of the Investor hereunder and under the other Transaction Documents shall immediately and automatically be assumed by the Investor Nominee (the "Investor Nominee Assumption").

(b) Upon the Investor Nominee Assumption:

(i) without prejudice to the force or effect of Section 4.4(a), each of the Parties and the Investor Nominee shall promptly sign all documents and take all such action or procure that all such action is taken, in each case as may be necessary in order to ensure that the Investor Nominee Assumption is given full force and effect;

(ii) all references in the Transaction Documents to the Investor must be read and construed as referring to the Investor Nominee and all references to the "Investor" shall be deemed updated accordingly;

(iii) the Investor Nominee (A) assumes and is bound by all of the covenants, undertakings and obligations of the Investor under this Agreement and the other Transaction Documents to which the Investor is a party, *mutatis mutandis*, and (B) succeeds to, and shall be substituted for, and may exercise every right and power of, the Investor under this Agreement and the other Transaction Documents to which the Investor is a party, *mutatis mutandis*, in each case of (A) and (B), with the same effect as if the Investor Nominee had been named herein or therein instead of the Investor from the date the applicable Transaction Document became effective;

(iv) the Investor shall be released and discharged from all covenants, undertakings and obligations under this Agreement and the other Transaction Documents to which the Investor is a party, and shall cease to have any right or power under this Agreement and the other Transaction Documents to which the Investor is a party, except for any liabilities arising out of any breach by the Investor prior to the Investor Nominee Assumption;

(v) Section 4.5(d), Section 5.1(a) and the references to "ODI Registration and Approvals" in Section 4.5(a) shall be deemed to have been deleted; and

(vi) none of the rights and obligations of the Parties under this Agreement and the other Transaction Documents shall be affected by the Investor Nominee Assumption except to the extent expressly set out in this Section 4.4.

(c) If the Investor completes the transactions contemplated under this Agreement, on and from the Closing Date, the Investor Nominee shall be released and discharged from all covenants, undertakings and obligations under this Agreement and the other Transaction Documents to which the Investor Nominee is a party, and shall cease to have any right or power under this Agreement and the other Transaction Documents to which the Investor Nominee is a party.

(a) Subject to the terms and conditions of this Agreement, each of the Company and the Investor shall use its reasonable efforts to take, or cause to be taken, all appropriate action and do, or cause to be done, all things necessary, proper or advisable under applicable Laws to consummate and make effective the transactions contemplated by the Transaction Documents as promptly as practicable following the date hereof, including (i) obtaining the Taobao Waiver, (ii) obtaining from any Governmental Authorities any consents, licenses, permits, waivers, approvals, authorizations or orders required to be obtained by such Party or its Affiliates, or to avoid any action or proceeding by any Governmental Authorities, in connection with the authorization, execution and delivery of this Agreement and the consummation of the transactions contemplated by the Transaction Documents, (iii) making all necessary filings with respect to and in connection with this Agreement and the transactions contemplated by the Transaction Documents under applicable Laws. For the avoidance of doubt, this includes the ODI Registration and Approvals (prior to the Investor Nominee Assumption) and any post-Closing filings with the CSRC and SEC required under applicable Laws. The Company and the Investor shall furnish to each other all information concerning itself, its Affiliates, directors, officers and shareholders and such other matters as may be reasonably required for any application or filing under applicable Laws in connection with the transactions contemplated by the Transaction Documents. Each Party (or their respective Representatives, as appropriate) shall have the right to review in advance, and shall consult with each other on any application or filing made with, or material written materials submitted to, any Governmental Authorities (redacted as appropriate) in connection with the transactions contemplated by the Transaction Documents. Each Party shall keep the other Parties reasonably apprised of the status of matters relating to consummation of the transactions contemplated by the Transaction Documents, including promptly furnishing to the other Parties copies of notices or other material written communications (redacted as appropriate) received from third parties and Governmental Authorities in respect of the transactions contemplated by the Transaction Documents, in each case to the extent permitted by applicable Law.

(b) Without limiting the generality of Section 4.5(a):

(i) within three (3) Business Days after the date hereof (to the extent not already done as of the date hereof), the Investor shall consult with the T&T AT Authority to request a confirmation that no T&T AT Approval is required for the consummation of the transactions contemplated by the Transaction Documents, and the Investor shall not take any position to the contrary in such consultation or subsequent communication with the T&T AT Authority; and

(ii) if the T&T AT Authority has confirmed in writing to the Investor (in the case that the T&T AT Authority does not provide such written confirmation, the Investor's counsel in T&T will confirm in writing) that the Investor is required under the Antitrust Laws of Trinidad and Tobago to make a merger control filing in respect of the transactions contemplated by the Transaction Documents prior to the Closing:



(1) the Investor shall promptly (and in any event within two (2) Business Days of receipt) provide a true and complete copy of such confirmation via email to the Company, and shall as soon as reasonably practicable (and in any event within ten (10) Business Days after its receipt of the information required by such formal merger filing or otherwise as mutually agreed by the Parties) make all necessary filings, notices and applications which are required in connection with seeking the T&T AT Approval and promptly provide such additional information as is necessary, proper or advisable to respond to any inquiries raised by, the T&T AT Authority in connection with any such filings, notices and applications and in compliance with prescribed timeframes and deadlines; and

(2) the Company shall, and shall procure its Affiliates to, as promptly as reasonably practicable and (where applicable) in compliance with timeframes and deadlines prescribed by applicable Laws or T&T AT Authority, provide all assistance (including furnish all information and documents), as reasonably requested by the Investor or its Affiliates which are required in connection with obtaining the T&T AT Approval.

(c) Without limiting the generality of Section 4.5(a), the Company shall (and shall cause its Subsidiaries to) prepare and file as promptly as reasonably practicable following the Closing Date (and in any event within the timeline required under applicable Laws) all documentation to effect the CSRC Filing, and provide any such additional information as is necessary to respond to any inquiries raised by, any PRC Governmental Authority in connection with the CSRC Filing and in compliance with prescribed timeframes and deadlines.

(d) Without limiting the generality of Section 4.5(a), in respect of the ODI Registration and Approvals:

(i) the Investor shall submit the necessary materials to the Beijing Municipal Commerce Bureau (or the Shanghai Municipal Commission of Commerce, as the case may be) and the NDRC and complete the foreign exchange registration with a foreign exchange bank designated by SAFE, in each case as promptly as reasonably practicable, and provide any such additional information as is necessary to respond to any inquiries raised by, any PRC Governmental Authority in connection with the ODI Registration and Approvals and in compliance with prescribed timeframes and deadlines; and

(ii) the Company shall, and shall procure its Affiliates and use reasonable efforts to procure its other relevant domestic shareholders to, as promptly as reasonably practicable and (where applicable) in compliance with timeframes and deadlines prescribed by applicable Laws or Governmental Authorities, provide all assistance (including furnish all information and documents), as reasonably requested by the Investor or its Affiliates for the purpose of effecting the ODI Registration and Approvals. Any period(s) which exceed the timeframe as reasonably requested by the Investor for the provision of the documents as set out in Exhibit B (such excess, the “Company Delayed Periods”), shall not be counted towards the four (4) months-period referred to under Section 4.4(a) above, and the Investor Nominee Assumption shall not occur until the expiry of four (4) months plus the aggregate duration of the Company Delayed Periods.

(e) Subject to applicable Laws, the Parties shall not, and shall procure its respective Affiliates to not, take any action that would reasonably be expected to have the effect of increasing the risk of any competent Governmental Authority entering an order prohibiting consummation of the transactions contemplated under the Transaction Documents.

(f) From and after the Closing and for so long as the Investor or any of its Affiliates holds the most number of Shares among all domestic shareholders of the Company who invested in the Company in accordance with the ODI Regulations, the Investor shall, and shall procure its Affiliates to, provide all necessary assistance (including furnish all information and documents), as reasonably requested by the Company or its Affiliates, for the purpose of effecting any registrations or filings required by ODI Regulations.

Section 4.6 Public Disclosure. The Parties agree and acknowledge that the Company shall publish a public announcement and file a current report on Form 6-K in a form jointly approved by the Parties on or promptly after the date of this Agreement describing the material terms of the transactions contemplated by this Agreement, and the other Transaction Documents and in accordance with applicable Laws. Except as provided in the foregoing sentence, no press release or public announcement or any other filings concerning the transactions contemplated hereby or by any other Transaction Documents or by any Collaboration Documents may be issued by the Company, the Investor or any of their respective Affiliates without the prior written consent of the Company (in the case of a press release or public announcement or any other filings by the Investor or any of its Affiliates) or the Investor (in the case of a press release or public announcement or any other filings by the Company or any of its Affiliates) (which consent shall not be unreasonably withheld, conditioned or delayed), except for any such press release or public announcement or any other filings required by applicable Law or Governmental Authorities, in which case the Company or the Investor, as the case may be, shall, to the extent permissible under applicable Laws, give the other Parties a reasonable opportunity to review and comment on such press release or public announcement or any other filings in advance of the issuance thereof, and shall consider the other Parties' comments in good faith. Notwithstanding the foregoing, this Section 4.6 shall not apply to any press release or public announcement or any other filings made by the Company, the Investor or any of their respective Affiliates so long as the information contained therein relating to the transactions contemplated hereby or by any other Transaction Documents or by any Collaboration Documents has been previously announced or made public in accordance with the terms of this Agreement.

Section 4.7 Use of Proceeds. The Parties shall further evaluate in good faith whether the Platform and Software Collaboration requires investments from the Company to fulfil its responsibilities and contributions under the Collaboration Documents. If such investments are required, the Company shall ensure that sufficient funding will be available for such investments.

Section 4.8 Project Feasibility Study and Platform and Software Collaboration Agreement. The Company shall, and shall procure its Affiliates to, provide and disclose all necessary information, materials and data and provide all assistance, technical or otherwise, in each case, that is required under Section 5.2 (*Project Feasibility Study*) of the Technical Framework Agreement to be provided by the Group Company that is a party thereto.

Section 4.9 Standstill. During the period commencing from the date hereof and ending on the earlier of (i) the Closing Date, (ii) the termination of this Agreement pursuant to Section 6.1, the Investor shall not, and shall procure that its Affiliates shall not, without the prior written approval of the Company, directly or indirectly (whether acting alone, as a part of a group or otherwise in concert with others), acquire, agree to acquire, propose, seek or offer to acquire any securities of the Company.

Section 4.10 Non-Solicitation. From the date hereof until the date falling 12 months after the date of this Agreement, the Investor, on the one hand, and the Company, on the other hand (each, a “Restricted Person”) shall not, and shall cause their respective Affiliates to not, directly or indirectly, induce, solicit or entice (or attempt to induce, solicit, or entice), or engage as an independent contractor, any current or former employee of the Company (in the case of the Investor being a Restricted Person) or the Investor (in the case of the Company being a Restricted Person), or the Company’s or any of the Investor’s Affiliates, as applicable, who is, and is known by the Restricted Person to be, involved in the Platform and Software Collaboration, or with whom the Restricted Person interacts in the course of providing confidential information in connection with the Platform and Software Collaboration (each, a “Covered Employee”), except (i) pursuant to a general solicitation through the media or by a search firm, in each case, that is not directed specifically to any employees of such other Party or such other Party’s Affiliates, unless such solicitation is undertaken as a means to circumvent the restrictions contained in or conceal a violation of this Section 4.10, or (ii) in the event that such other Party terminated the employment of the Covered Employee before the Restricted Person having solicited or otherwise contacted such Covered Employee, or (iii) in the event that such Restricted Person’s interaction with the Covered Employee regarding possible employment starts before the discussion regarding the Platform and Software Collaboration takes place, or (iv) in the event that the Covered Employee voluntarily seeks employment with the Restricted Person without any solicitation or encouragement from the Restricted Person.

Section 4.11 Compliance Requirements.

(a) The Company shall conduct its business in compliance with all Compliance Laws and its CMS, and shall take reasonable measures to ensure that the other Group Companies, the directors and officers (each acting in its capacity as such) of a Group Company and the agents, representatives, Persons Controlling or Controlled by the Company or the Group Companies, employees and other Persons acting on behalf of a Group Company (each acting in its capacity as such) comply with the Compliance Laws and the requirements of the Company’s CMS. Such requirements include but are not limited to:

(i) Each of the Company, the Group Companies, the directors and officers (each acting in its capacity as such) of a Group Company and the agents, representatives, Persons Controlling or Controlled by the Company or the Group Companies, employees and other Persons acting on behalf of a Group Company (each acting in its capacity as such) shall not offer to pay, promise to pay, or authorize the payment of any money or anything of value, to any Government Entity, or Government Official (including any government officials to whom the relevant foregoing person knows or ought to know that all or a portion of such money or things of value will be offered, given or promised, (directly or indirectly)): (x) for the purpose of (1) influencing any act or decision of Government Officials in their official capacity; (2) inducing Government Officials to act or omit to act in violation of lawful duties; (3) securing any improper advantage; (4) inducing Government Officials to influence or affect any act or decision of any Government Entity; or (5) assisting the Group Company in obtaining or retaining business, or directing business to, the Group Company; and (y) in a manner that would constitute a breach of Anti-Bribery Laws;

(ii) Each of the Company, the Group Companies, the directors and officers (each acting in its capacity as such) of a Group Company and the agents, representatives, Persons Controlling or Controlled by the Company or the Group Companies, employees and other Persons acting on behalf of a Group Company (each acting in its capacity as such) shall not violate the Compliance Laws relating to the principle of fair competition, by offering property or other interests, such as making payments or paying anything of value to existing or potential Business Partners, in order to impose undue influence on Business Partners or to obtain inappropriate commercial advantages; and

(iii) The Group Companies shall maintain such financial records and effective internal control measures, in each case, as required by applicable Anti-Bribery Laws and GAAP.

(b) Within eighty (80) Business Days after the Closing Date, the Company shall implement an effective CMS reflecting the actions plan as confirmed in writing by the Company and the Investor on or about the date of this Agreement with respect to compliance with the Compliance Laws, which shall include provisions requiring appropriate documentation and approval of all gifts and hospitalities to be provided by the Company's employees in the course of its business; and provisions expressly requiring the identification and disclosure of the recipients and purpose for providing gifts and hospitalities with oversight by department(s) responsible for providing compliance oversight at the Company.

Section 4.12 Corporate Structure. During the period commencing from the date hereof and ending on the earlier of (i) the Closing Date and (ii) the termination of this Agreement pursuant to Section 6.1, the Company shall promptly notify the Investor in writing of any material change to the structure chart of the Group as provided in the Disclosure Letter (including winding up or dissolution of material Subsidiaries and any change as a result of carrying on business in new countries or establishing new business lines by the Group, but excluding any other change that is in the ordinary course of business consistent with past practice by the Group) and, in any event, shall provide the Investor with a true, complete and up-to-date structure chart of the Group by the Determination Date.

## **ARTICLE V CONDITIONS TO THE PARTIES' OBLIGATIONS**

Section 5.1 Conditions to the Obligations of Each Party. The obligations of the Investor and the Company to proceed to the Closing are subject to the satisfaction or waiver (to the extent such waiver is permitted by applicable Laws) of the following conditions:

(a) the ODI Registration and Approvals shall have been obtained and remain in full force and effect;

(b) no applicable Laws (including Antitrust Laws) shall have been enacted, issued, enforced, adopted or promulgated by any Governmental Authority that restrain, enjoin, prevent, prohibit or otherwise make illegal the consummation of the transactions contemplated by the Transaction Documents;

(c) no Proceeding shall have been initiated or threatened in writing by any Governmental Authority after the date hereof that seeks to make the transactions contemplated by the Transaction Documents illegal or otherwise restrain, enjoin, prevent or prohibit the consummation of the transactions contemplated by the Transaction Documents;

(d) (i) NYSE shall have authorized a supplemental listing application for the issuance of the Purchased Shares and such authorization shall not have been withdrawn; (ii) HKEX shall have granted listing of and permission to deal in the Purchased Shares and such granting of permission shall not have been withdrawn; and (iii) no stop order or suspension of trading shall have been imposed (and is continuing) by the SEC, NYSE, SFC, HKEX or any other Governmental Authority with respect to the public trading of the ADSs on NYSE or the Class A Ordinary Shares on HKEX; and

(e) subject to the Investor's compliance with Section 4.5(a) and Section 4.5(b), if the T&T AT Authority has confirmed in writing (in the case that the T&T AT Authority does not provide such written confirmation, the Investor's counsel in T&T will confirm in writing) to the Investor that the Investor is required under applicable Antitrust Laws to make a merger control filing in respect of the transactions contemplated by the Transaction Documents prior to the Closing, the T&T AT Authority shall have granted the clearance required under applicable Antitrust Laws for the transactions contemplated by the Transaction Documents to be consummated (the "T&T AT Approval").

Section 5.2 No Other Conditions. The Company and the Investor agree that the Closing is not subject to any condition other than those conditions expressly set forth in Section 5.1.

## ARTICLE VI TERMINATION

Section 6.1 Termination. This Agreement may be terminated at any time prior to Closing:

(a) by mutual written consent of the Company and the Investor;

(b) by the Company or the Investor upon written notice to the other Parties, if the Closing has not occurred by March 31, 2024 (the "Long Stop Date"), provided that the right to terminate this Agreement under this Section 6.1(b) shall not be available to any Party if such Party has breached this Agreement and such breach has resulted in the failure of the Closing to occur on or before the Long Stop Date;

(c) by the Company or the Investor upon written notice to the other Parties, if any of the conditions set forth in Section 5.1 has become incapable of fulfillment by the Long Stop Date and has not been waived in writing by both Parties (to the extent such waiver is permitted by applicable Law), provided that the right to terminate this Agreement under this Section 6.1(c) shall not be available to any Party if such Party has breached this Agreement and such breach has resulted in such condition being incapable of fulfillment by the Long Stop Date;

(d) by any Party upon written notice to the other Parties, if the Technical Framework Agreement has been validly terminated by the non-breaching party in accordance with clause 13.3.3 (*Termination*) thereof due to a material breach of clause 5.2 (*Project Feasibility Study*) or clause 10.1 (*Integrity of Information Disclosed*) thereof;

(e) by the Investor upon written notice to the other Parties if: (i) there has been a breach by the Company of Section 2.1(a) (*Organization and Power*), Section 2.1(c) (*VIEs*), Section 2.2 (*Authorization; No Conflicts*), Section 2.4(a), Section 2.4(b) (*Capitalization*), Section 2.5 (*Valid Issuance*), Section 2.22 (*Solvency*), Section 4.2(a)(i)(C) or Section 4.2(a)(ii) of this Agreement; or (ii) a Sanctions Event has occurred after the date of this Agreement, and, in each case of (i) and (ii), such breach or event (A) is not capable of being cured, or (B) if capable of being cured, shall not have been cured (x) within sixty (60) Business Days following receipt by the Company of written notice of such breach or event from the Investor stating the Investor's intention to terminate this Agreement pursuant to this Section 6.1(e) and the basis for such termination; or (y) by the Long Stop Date, whichever is earlier, provided that, solely for purposes of this Section 6.1(e), all references to "in any material respect" in Section 2.2 shall be read as if they were replaced with "except as is not a Material Adverse Effect". In the event that the aforementioned breach or event is capable of being cured within the timeframe set out in Section 6.1(e)(B), notwithstanding anything else to the contrary in this Agreement, the Closing shall occur within five (5) Business Days after (x) such breach or event has been cured, or (y) the Conditions Satisfaction Date, whichever is later; or

(f) by the Company or the Investor upon written notice to the other Parties, if the Investor fails to comply with any of its obligations under Section 1.1 (in the event of termination by the Company) or the Company fails to comply with any of its obligation under Section 1.1 (in the event of termination by the Investor).

Section 6.2 Effect of Termination. In the event that this Agreement is terminated in accordance with Section 6.1, this Agreement shall forthwith become null and void and there shall be no liability or obligation under this Agreement on the part of any Party, provided that (a) nothing herein shall release any such Party from liability for any breach of this Agreement occurring prior to such termination and (b) the provisions of Article VIII shall survive any termination of this Agreement.

## ARTICLE VII SURVIVAL AND INDEMNIFICATION

### Section 7.1 Survival of Representations and Warranties.

(a) The representations and warranties of the Company set forth in Section 2.1 (*Organization and Power; Subsidiaries*), Section 2.2 (*Authorization; No Conflicts*), Section 2.3 (*Government Approvals*), Section 2.4 (*Capitalization*), Section 2.5 (*Valid Issuance*) and Section 2.25 (*No Brokers*) (together, the “Company Fundamental Warranties”) and the representations and warranties of the Investor Warrantors set forth in Section 3.1 (*Organization and Power*), Section 3.2 (*Authorization; No Conflicts*), Section 3.3 (*Government Approvals*), Section 3.4 (*Investment Representations*) and Section 3.9 (*No Brokers*) shall survive the Closing until, and shall expire upon, the expiration of the applicable statute of limitations. The representations and warranties of the Company set forth in Section 2.13 (*Compliance with Laws and Permits*), Section 2.20 (*Intellectual Property*.) and Section 2.26 (*Compliance Laws and CMS*) shall survive the Closing until, and shall expire upon, thirty-six (36) months after the Closing Date. All other representations and warranties set forth in Article II and Article III shall survive the Closing until, and shall expire upon, the date falling eighteen (18) months after the Closing Date.

(b) It is the express intent of the Parties that, (i) if the applicable survival period set forth in Section 7.1(a) for the survival of representations and warranties and for the making of claims for indemnification based on any breaches thereof is shorter than the statute of limitations that would otherwise have been applicable thereto, then, by contract, the statute of limitations applicable thereto shall be reduced to the applicable survival period set forth in Section 7.1(a), and (ii) subject to Section 7.1(c), no Indemnifying Party shall have any obligation to indemnify and hold harmless any Indemnified Party in respect of a breach of representations and warranties after the last date that is within the applicable survival period set forth in Section 7.1(a), and all rights and remedies that may be exercised by an Indemnified Party with respect to such breach and any claim for indemnification based on any breaches thereof will expire and terminate simultaneously with the ending of such applicable survival period. The Parties further acknowledge that the survival periods set forth in Section 7.1(a) are the results of arms’ length negotiations and are intended to be enforced as agreed among the Parties.

(c) Notwithstanding anything to the contrary in this Section 7.1, (i) any breach of representation or warranty in respect of which a claim may be brought under this Agreement shall survive the time at which it would otherwise terminate pursuant to the preceding sentences, if a notice of claim of such breach shall have been given with reasonable specificity to the Party against whom such claim may be sought prior to such time, in which case the representation or warranty that is the subject of such claim shall survive with respect to such claim until such time as such claim is finally resolved; and (ii) any breach of representation or warranty in respect of which a claim may be brought by a Party that was caused as a result of fraud or intentional misrepresentation by another Party in connection with the transaction contemplated under this Agreement shall survive until the expiration of the applicable statute of limitations.

Section 7.2 Indemnification by the Company. The Company (the “Company Indemnifying Party”) agrees to, from and after the Closing, indemnify and hold harmless the Investor and its officers, directors, shareholders, accountants, legal counsel and Affiliates (collectively, the “Investor Indemnified Parties”) against any and all Losses actually incurred by the Investor Indemnified Party as a result of, or arising out of, (i) any breach of any representation or warranty made by the Company under Article II of this Agreement or (ii) any breach of any covenant or agreement by the Company contained in this Agreement.

Section 7.3 Indemnification by the Investor. The Investor (the “Investor Indemnifying Party”, and together with the Company Indemnifying Party, the “Indemnifying Party”) agrees to, from and after the Closing indemnify and hold harmless the Company and its officers, directors, shareholders, accountants, legal counsel and Affiliates (collectively, the “Company Indemnified Parties”, and together with the Investor Indemnified Parties, the “Indemnified Parties”) against any and all Losses actually incurred by any Company Indemnified Party as a result of, or arising out of, (i) any breach of any representation or warranty made by the Investor under Article III of this Agreement or (ii) any breach of any covenant or agreement by the Investor contained in this Agreement.

Section 7.4 Exclusive Remedy. Notwithstanding any other provision contained in this Agreement and other than with respect to fraud or intentional misrepresentation by a Party, from and after the Closing, the right to indemnity pursuant to this Article VII and the specific performance remedy referenced in Section 8.3 shall be the sole and exclusive remedies of any claims arising out of or resulting from any breach of any representation, warranty, covenant or agreement made in this Agreement.

Section 7.5 Calculation of Indemnification. Solely for purposes of determining the amount of Losses of an Indemnified Party (but not for determining whether a breach actually occurred) under this Article VII, any qualification or exception contained in the Indemnifying Party’s representations and warranties relating to materiality or Material Adverse Effect or any similar qualification or standard shall be disregarded, other than with respect to Section 2.11 (*Absence of Certain Changes*) and Section 2.14 (*Material Contracts*).

Section 7.6 Limitation on Liability. Except for any claims in respect of any fraud or intentional misrepresentation by the Indemnifying Party in connection with the transactions contemplated under this Agreement, Section 2.26 (Compliance Laws and CMS) or Section 4.11 (Compliance Requirements):

(a) the Indemnifying Party shall have no liability to any Indemnified Party unless and until the aggregate amount of Losses actually incurred by the Indemnified Parties exceeds US\$3,410,260 (the "Threshold Amount"), in which case the Indemnifying Party shall be liable for all such Losses (including the Threshold Amount);

(b) the maximum aggregate liabilities of the Company Indemnifying Party pursuant to Section 7.2 shall be subject to a cap equal to, and shall not in any event be greater than, the Purchase Price actually received by the Company; and

(c) the maximum aggregate liabilities of the Investor Indemnifying Party pursuant to Section 7.3 shall be subject to a cap equal to, and shall not in any event be greater than the Purchase Price.

Section 7.7 Limitation on Compliance Liability. Notwithstanding anything to the contrary herein, the Investor shall not be entitled to bring any claim under this Agreement for any breach of Section 4.11 (Compliance Requirements) at any time (a) prior to the Closing Date or (b) after the earlier of (i) the termination of this Agreement in accordance with the terms herein and (ii) the date on which the Investor first ceases to meet after the Closing the 3% Threshold (as defined in the Investor Rights Agreement).

Section 7.8 Other Limitations. Notwithstanding anything herein to the contrary and except for any claims in respect of any fraud or intentional misrepresentation by the Indemnifying Party in connection with the transactions contemplated under this Agreement, the Indemnifying Party shall not be liable hereunder to any Indemnified Party for any matter (a) to the extent such Indemnified Party actually recovers an amount in respect of such matter, or from the circumstances out of which such matter arises, from any third party (including under any insurance policy) and only to the extent of such recovered amount, (b) to the extent such matter has arisen as a result of an act, omission, transaction or arrangement carried out at the written request or with the written approval of such Indemnified Party or its Representatives, (c) that is a contingent liability, unless and until such liability is actually due and payable, provided that in respect of such contingent liability, if such Indemnified Party has duly given a notice of claim prior to the expiration of any applicable survival periods under Section 7.1(a), then such Indemnified Party shall be deemed to have preserved its right and entitlement to be indemnified for such claim by the Indemnifying Party if and when the contingent liability becomes actually due and payable, (d) the liabilities arising out of which have been specifically provided for or reserved against in the Financial Statements and only to the extent of the amount so provided for or reserved against, or (e) that arises out of an action taken pursuant to any of the Transaction Documents to the extent such action was carried out in accordance with such Transaction Document(s). Any Loss shall be determined without duplication of recovery by reason of the state of facts giving rise to such Loss, and no Indemnified Party shall be entitled to recover for any Loss based on substantially the same set of facts more than once.



**ARTICLE VIII  
MISCELLANEOUS**

Section 8.1 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

Section 8.2 Dispute Resolution. Any dispute arising out of or in any way relating to this Agreement shall be submitted to the Hong Kong International Arbitration Centre (“HKIAC”) and resolved in accordance with the Arbitration Rules of HKIAC in force at the relevant time (the “HKIAC Rules”). The arbitral tribunal shall be constituted of three (3) arbitrators. The Company shall have the right to appoint one arbitrator, the Investor shall have the right to appoint the second arbitrator, and the third arbitrator shall be appointed by the HKIAC. The seat of arbitration shall be in Hong Kong. The language of arbitration shall be English. The award of the arbitration tribunal shall be final and binding upon the parties thereto. Any party to an award may apply to any court of competent jurisdiction for enforcement of such award and, for purposes of the enforcement of such award, the Parties irrevocably and unconditionally submit to the jurisdiction of any court of competent jurisdiction and waive any defenses to such enforcement based on lack of personal jurisdiction or inconvenient forum. During the course of the arbitral tribunal’s adjudication of the dispute, this Agreement shall continue to be performed except with respect to the part in dispute and under adjudication. Nothing in this Section 8.2 shall be construed as preventing any Party from seeking conservatory or interim relief (including injunction, specific performance or other similar or comparable forms of equitable relief) from any court of competent jurisdiction pending final determination of the dispute by the arbitral tribunal.

Section 8.3 Specific Performance. Each Party acknowledges that money damages may not be an adequate remedy in the event that any of the covenants or agreements in this Agreement are not performed in accordance with its terms, and it is therefore agreed that in addition to and without limitation to any other remedy or right it may have, the non-breaching Party will have the right to seek an injunction, temporary restraining order or other equitable or non-monetary relief in any court of competent jurisdiction enjoining any such breach and enforcing specifically the terms and provisions hereof.

Section 8.4 Entire Agreement. This Agreement (including the Schedules and Exhibits hereto) and other Transaction Documents and Collaboration Documents contain the entire agreement between the Parties with respect to the subject matter hereof and thereof and all prior agreements, understandings, representations and warranties, whether written or oral, between the Parties with respect to the subject matter hereof and thereof.

Section 8.5 Successors and Assigns. This Agreement will be binding upon and inure solely to the benefit of the Parties and their respective successors and permitted assigns. No Party may assign this Agreement or any of its rights, interests or obligations hereunder without the prior written consent of the other Parties, and any assignment does not relieve the assigning Party of its obligations hereunder.

Section 8.6 No Third Party Beneficiary; No Partnership. A Person who is not a party to this Agreement shall not have any right under this Agreement, nor shall any such Person be entitled to enforce any provision of this Agreement. Nothing in this Agreement shall be deemed to constitute a partnership between the Parties.

Section 8.7 Expenses. Each Party will bear its own legal, accounting and other costs and expenses incurred by such Party in connection with the negotiation, execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby.

Section 8.8 Notices. All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing in the English language and shall be deemed duly given (a) on the date of delivery if delivered personally, (b) on the second Business Day following the date of dispatch if delivered by a nationally recognized next-day courier service, or (c) if given by electronic mail, when such electronic mail is sent. All notices hereunder to a Party shall be sent to the applicable address of such Party set forth below (or such other address as such Party may have notified the other Parties in writing not less than five (5) Business Days in advance):

If to the Company, to:

No. 8 Songgang Road, Changxing Street  
Cencun, Tianhe District, Guangzhou  
Guangdong 510640, China  
Attention: Yeqing Zheng  
Email: [REDACTED]

with a required copy (which shall not constitute notice) to:

Simpson Thacher & Bartlett LLP  
3919 China World Center  
1 Jianguomenwai Avenue  
Beijing, 100004, China  
Attention: Yang Wang  
Facsimile: [REDACTED]  
Email: [REDACTED]

If to the Investor, to:

Building 1, No. 12 Qisheng Mid Street,  
Chaoyang District, Beijing 100028, P. R. China  
Attention: Mr. Stefan Mecha  
Email: [REDACTED]

with a required copy (which shall not constitute notice) to:

Clifford Chance LLP  
25/F, HKRI Centre Tower 2, HKRI Taikoo Hui  
288 Shi Men Yi Road  
Shanghai 200041  
The People's Republic of China  
Attention: Kelly Gregory / Virginia Lee  
Email: [REDACTED]

If to the Investor Nominee, to:

Volkswagen Finance Luxembourg S.A.  
19/21 route d'Arlon, Block B  
L-8009 Strassen  
Luxemburg  
Attention: Mr. Frank Mitschke  
Email: [REDACTED]

with a required copy (which shall not constitute notice) to:

Clifford Chance LLP  
25/F, HKRI Centre Tower 2, HKRI Taikoo Hui  
288 Shi Men Yi Road  
Shanghai 200041  
The People's Republic of China  
Attention: Kelly Gregory / Virginia Lee  
Email: [REDACTED]

Section 8.9 Amendments and Waivers. This Agreement may be amended only with the written consent of each of the Investor and the Company. Any waiver of any provision of this Agreement must be in a written form duly executed by the Party against whom such waiver is to be enforced. Any amendment or waiver effected in accordance with this Section 8.9 shall be binding upon the respective successors and permitted assigns of the Parties.

Section 8.10 Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any Party, upon any breach or default of any other Party under this Agreement, shall impair any such right, power or remedy of such Party, nor shall it be construed to be a waiver of any such breach or default, or of an acquiescence therein, or of any similar breach or default thereafter occurring; nor shall it be construed to be any waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any Party of any breach or default under this Agreement or any waiver on the part of any Party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any Party, shall be cumulative and not alternative.

Section 8.11 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. Facsimile and e-mailed copies of signatures in portable document format (PDF) shall be deemed to be originals for purposes of the effectiveness of this Agreement.

Section 8.12 Severability. If any provision of this Agreement is found to be illegal, invalid or unenforceable, then such provision shall be construed, to the extent feasible, so as to render the provision enforceable and to provide for the consummation of the transactions contemplated hereby on substantially the same terms as originally set forth herein, and if no feasible interpretation would save such provision, it shall be severed from the remainder of this Agreement, which shall remain in full force and effect unless the severed provision is essential to the rights or benefits intended by the Parties. In such event, the Parties shall use their reasonable best efforts to negotiate, in good faith, a substitute, valid and enforceable provision or agreement which most nearly reflects the Parties' intent in entering into this Agreement.

Section 8.13 Confidentiality.

(a) The existence of the Transaction Documents and the Collaboration Documents and the terms and conditions of the transactions contemplated thereunder (collectively, the "Collaboration Terms") are confidential information and shall not be disclosed by any Party to any third party except in accordance with the provisions set forth in this Section 8.13 or Section 4.6, provided that the following shall not be considered confidential information for purposes hereof: (i) any information that comes into the public domain other than by reason of a breach of the confidentiality obligations hereunder by such Party, (ii) any information that is already in the possession of such Party or its Representatives at the time the information was disclosed to such Party by or on behalf of the other Parties, (iii) any information acquired by such Party from a source other than the other Parties or its Representatives, which source, to the knowledge of the receiving Party, is not in breach of any obligation owed to any Person in respect of such disclosure, (iv) any information independently developed by such Party or its Representatives without using or making reference to any confidential information, and (v) any information agreed in writing by the other Parties not to be confidential.

(b) Notwithstanding Section 8.13(a), (i) in the event that any Party is requested by any Governmental Authority or becomes legally compelled (including, without limitation, pursuant to securities Laws and regulations or in connection with any legal, judicial, arbitration or administrative proceedings) to disclose any Collaboration Terms, such Party (the "Disclosing Party") shall, to the extent practicable and permitted by applicable Laws, provide the Other Party (the "Non-Disclosing Party") with prompt written notice of that fact and use reasonable efforts to seek (with the cooperation and reasonable efforts of the other Parties), at the Disclosing Party's costs, a protective order (in any event without initiating any litigation or similar proceedings), confidential treatment or other appropriate remedy with respect to the information which is requested or legally required to be disclosed. In such event, the Disclosing Party shall furnish only that portion of the information which is requested or legally required to be disclosed and shall exercise reasonable efforts to keep confidential such information to the extent reasonably requested by any Non-Disclosing Party, and (ii) each of the Company and the Investor may disclose the Collaboration Terms to its Representatives on a need-to-know basis, provided that (x) each such recipient shall either be subject to professional obligations to keep such information confidential or confidentiality obligations that are as restrictive as this Section 8.13 and that the Company or the relevant Investor, as applicable, shall be liable for any breach of confidentiality obligations by its recipients.

(c) The Company and the Investor acknowledge and agree that the Confidentiality Agreements shall continue in full force and effect in accordance with their terms, provided that in the event of any conflict between this Section 8.13 and the Confidentiality Agreements with respect to the confidentiality obligations regarding the Collaboration Terms, this Section 8.13 shall prevail.

Section 8.14 Headings and Schedules. The Section, Article and other headings contained in this Agreement are inserted for convenience of reference only and will not affect the meaning or interpretation of this Agreement. The Schedules and the Exhibits referred to herein are attached hereto and incorporated herein by this reference.

Section 8.15 Interpretation; Absence of Presumption.

(a) For the purposes hereof: (i) words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other gender as the context requires; (ii) the terms “hereof,” “herein,” and “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole (including all of the Schedules and Exhibits) and not to any particular provision of this Agreement, and Article, Section, paragraph, Exhibit and Schedule references are to the Articles, Sections, paragraphs, Exhibits, and Schedules to this Agreement unless otherwise specified; (iii) the word “including” and words of similar import when used in this Agreement shall mean “including, without limitation,” unless the context otherwise requires or unless otherwise specified; and (iv) the word “or,” “any” or “either” shall not be exclusive. References to a Person are also to its permitted assigns and successors. When calculating the period of time between which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded (and unless, otherwise required by Law, if the last day of such period is not a Business Day, the period in question shall end on the next succeeding Business Day). Unless otherwise expressly provided herein, any statute or law defined or referred to herein means such statute or law as from time to time amended, modified or supplemented, including by succession of comparable successor statutes.

(b) With regard to each and every term and condition of this Agreement and any and all agreements and instruments subject to the terms hereof, the Parties understand and agree that the same have or has been mutually negotiated, prepared and drafted, and if at any time the Parties desire or are required to interpret or construe any such term or condition or any agreement or instrument subject hereto, no consideration will be given to the issue of which Party actually prepared, drafted or requested any term or condition of this Agreement or any agreement or instrument subject hereto. Each Party agrees that this Agreement has been purposefully drawn and correctly reflects its understanding of the transactions contemplated by this Agreement and, therefore, waives the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the Party drafting such agreement or document.

Section 8.16 Several Liability. Notwithstanding anything to the contrary in this Agreement, the obligations and liabilities of the Investor and the Investor Nominee under this Agreement are several but not joint and neither Investor shall have any liability with respect to the compliance or non-compliance of the other Investor under this Agreement or any other Transaction Documents or Collaboration Documents.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, The Parties have caused their respective duly authorized representatives to execute this Agreement as of the date first written above.

**COMPANY**

XPENG INC.

By: /s/ Xiaopeng He

Name: Xiaopeng He

Title: Director

IN WITNESS WHEREOF, The Parties have caused their respective duly authorized representatives to execute this Agreement as of the date first written above.

**INVESTOR**

Volkswagen (China) Investment Co., Ltd.  
(大众汽车 (中国) 投资有限公司)

By: /s/ Ralf Brandstätter

Name: Ralf Brandstätter

Title: Chairman and CEO of  
Volkswagen Group China

By: /s/ Stefan Mecha

Name: Stefan Mecha

Title: CEO of Volkswagen China  
Passenger Cars Brand  
Head of Group Sales of Volkswagen  
Group China

IN WITNESS WHEREOF, The Parties have caused their respective duly authorized representatives to execute this Agreement as of the date first written above.

**INVESTOR NOMINEE**

Volkswagen Finance Luxemburg S.A.

By: /s/ Frank Mitschke

Name: Frank Mitschke

Title: Managing Director

By: /s/ Julie Roeser

Name: Julie Roeser

Title: Daily Business Manager



SCHEDULE 1  
DEFINED TERMS

1. For purposes of this Agreement, the following terms shall have the meanings indicated:

“2023 General Mandate” means the general mandate that was granted to the directors of the Company under rule 13.36(2)(b) of the HKEX Listing Rules at the annual general meeting of the Company held on June 20, 2023, to allot, issue or deal with additional Class A Ordinary Shares not exceeding 20% of the total number of issued shares of the Company as at the date of such annual general meeting.

“ADSs” means American Depositary Shares, each of which represents two (2) Class A Ordinary Shares of the Company.

“Affiliate” means, with respect to any specified Person, any other Person who directly or indirectly, Controls, is Controlled by or under common Control with such specified Person and, for the avoidance of doubt, includes a Subsidiary of such specified Person.

“AML Laws” means all anti-money laundering laws (including without limitation the US Bank Secrecy Act of 1970, as amended by the USA PATRIOT Act of 2001, the Organized and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong) and the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Chapter 615 of the Laws of Hong Kong), and the rules and regulations promulgated thereunder, as well as any other laws or regulations relating to money laundering or terrorism financing, including without limitation, financial record-keeping and reporting and Know-Your-Client (KYC)) that are applicable to the business and transactions of the Group Companies and their Affiliates (whether by virtue of place of incorporation or registration, principal place of business or otherwise), in each case as amended, re-enacted or replaced from time to time.

“Anti-Bribery Laws” means all anti-bribery or anti-corruption laws or regulations (including but not limited to laws and regulations relating to anti-corruption and anti-commercial bribery in China, the US Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010, any laws intended to implement the UN Convention against Corruption, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions) that are applicable to any business or transactions of the Group Companies and their Affiliates (whether by virtue of place of incorporation or registration, principal place of business or otherwise), in each case as amended, re-enacted or replaced from time to time.

“Antitrust Laws” means all applicable Laws issued by a Governmental Authority that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition.

“Beneficially Own” shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

“Board” means the board of directors of the Company.

“Business Day” means any day other than a Saturday, Sunday or another day on which commercial banks in the Cayman Islands, the PRC, Hong Kong, Germany or New York are required or authorized by law or executive order to be closed or on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. Hong Kong time.

“Business Partners” means Government Entities, non-government customers, suppliers or distributors, owners, directors, managers or other employees of the entities identified above, entities or individuals known to be entrusted by Business Partners to handle relevant matters, entities or individuals that are reasonably likely to take advantage of the work position or influential power to exercise influence on the transactions between the Group Company and Business Partners.

“Class A Ordinary Shares” means the Class A ordinary shares of the Company, with par value US\$0.00001 per share.

“Class B Ordinary Shares” means the Class B ordinary shares of the Company, with par value US\$0.00001 per share.

“CMS” means compliance management system of an entity which is an integrated system comprised of written documents, policies, functions, processes, procedures, protocols, and tools that help the entity to comply with Compliance Laws in order to prevent, identify, mitigate and minimize risks of Compliance Violations.

“Collaboration Documents” means the Technical Framework Agreement and, if executed and delivered by the parties thereto as of the relevant time, the Platform and Software Collaboration Agreement.

“Company Bank Account” means a bank account in the name of the Company set forth in Schedule 2 hereto, or such other bank account in the name of the Company designated in writing by the Company at least five (5) Business Days prior to the Closing Date.

“Company Public Filings” means all registration statements, proxy statements and other statements, reports, schedules, forms and other documents required to be filed or furnished by the Company with the SEC and/or HKEX pursuant to applicable Laws and the rules and regulations of NYSE and HKEX, and all exhibits included therein and financial statements, notes and schedules thereto and documents incorporated by reference therein, in each case, filed or furnished with the SEC and/or HKEX from time to time.

“Compliance Laws” means (i) Anti-Bribery Laws, (ii) the AML Laws, (iii) the Labor Protection Laws, and (iv) Human Rights Laws.

“Compliance Violation” means any violation of any Compliance Laws.

“Confidentiality Agreements” means collectively, (i) the Confidentiality Agreement, dated January 30, 2023, by and between Volkswagen (China) Investment Company Limited (大众汽车(中国)投资有限公司) and Guangdong Xiaopeng Automotive Technology Co., Ltd. (广东小鹏汽车科技有限公司) and (ii) the Confidentiality Agreement, dated May 11, 2023, by and between Volkswagen AG and Guangdong Xiaopeng Automotive Technology Co., Ltd. (广东小鹏汽车科技有限公司).

“Control” (including its correlative meanings “under common Control with” and “Controlled by”) means, with respect to any Person, the possession, directly or indirectly, of the power or authority to direct or cause the direction of the business, management or policies of such Person, whether through ownership of securities or partnership or other interests, by contract or otherwise. With respect to any Person, its “Affiliates” includes the Subsidiaries, whether directly or indirectly owned, that are controlled by it.

“CSRC” means the China Securities Regulatory Commission (中国证券监督管理委员会) or any of its successor governmental department that has a similar function and its applicable local counterpart.

“Encumbrances” means a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect.

“Environmental Law” means any Law relating to health, safety or the protection, clean-up or restoration of the environment or natural resources, including those relating to the use, distribution, processing, generation, treatment, storage, disposal, transportation, other handling or release or threatened release of Hazardous Materials.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Fairly Disclosed” means any fact, matter or circumstance which is disclosed with sufficient explanation and detail to enable a reasonable purchaser to identify the nature and scope of the particular fact, matter or circumstance.

“Financial Statements” means the audited financial statements (including any notes thereto) for the fiscal years ended December 31, 2020, 2021 and 2022 and the unaudited financial statements for the three months ended March 31, 2023, in each case contained in the Company Public Filings.

“GAAP” means generally accepted accounting principles in the United States.

“Governmental Authority” means any nation or government or any province or state or any other political subdivision thereof, or any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any government authority, agency, department, board, commission or instrumentality or any political subdivision thereof, any court, tribunal or arbitrator, and any self-regulatory organization or national or international stock exchange on which the securities of the applicable Party or its Affiliates are listed.

“Government Entities” means (a) any national, provincial, municipal, local or foreign government or any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, (b) any public international organization, (c) any agency, division, bureau, department or other sector of any government, entity or organization described in the foregoing clauses (a) or (b) of this definition, or (d) any state-owned or state-controlled enterprise or other entity owned or controlled by any government, entity or organization described in clauses (a), (b) or (c) of this definition.

“Government Officials” means employees or officials of any government or any governmental department, agency or institution; employees or officials of any public international organization; persons acting officially on behalf of or in the name of a government, governmental agency or institution or department, or a public international organization; political parties or officials or candidates for political office; directors, officers, employees or officials of state-owned, state-controlled or state-operated enterprises; or close relatives (e.g., parents, children, spouse and parents-in-law), close friends and business partners of persons identified above.

“Group” means the Company and all of its Subsidiaries, collectively, and each is referred to individually as a “Group Company”.

“Hazardous Materials” means any material (including, without limitation, pollutants, contaminants, hazardous or toxic substances or wastes) that is regulated by or may give rise to liability under any Environmental Law.

“HKEX” means The Stock Exchange of Hong Kong Limited.

“Hong Kong Listing Rules” means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

“Human Rights Laws” means the international human rights treaties set forth on <https://www.ohchr.org/en/core-international-human-rights-instruments-and-their-monitoring-bodies> (or such web page’s successor) and the German Supply Chain Act, to the extent they have been ratified and have the force of law in the applicable jurisdiction in which the relevant Group Company operates, in each case as amended, re-enacted or replaced from time to time.

“Incentive Plan” means any equity incentive plan, share purchase or share option plans of the Company, in each case, as duly approved by the Board or the shareholders of the Company and in effect from time to time established for the purpose of attracting and retaining employees, consultants, directors and other service providers of a Group Company, including any agreement or document entered into by the Company in connection with any award granted thereto. For the avoidance of doubt, this includes the equity incentive plan of the Company approved and adopted in June 2020, as amended and restated in June 2021, and as may be further amended, supplemented or modified from time to time.

“Intellectual Property Rights” means all Intellectual Property owned or used by a Group Company in the conduct of its business.

“Investor Group” means Volkswagen AG and all of its Subsidiaries, and each is referred to individually as an “Investor Group Company”.

“Investor Observer” has the meaning set forth in the Investor Rights Agreement.

“Labor Protection Laws” means the labor protection laws (including internationally recognized labor standards that have the force of law) in the applicable jurisdiction in which the relevant Group Company operates, in each case as amended, re-enacted or replaced from time to time.

“Law” means any order, law, statute, regulation, rule (including interpretive rules), ordinance, writ, injunction, directive, judgment, decree, principle of common law, constitution or treaty enacted, promulgated, issued, enforced or entered by, or any stipulation or requirement of, or binding agreement with, any Governmental Authority, as in effect at the applicable time, including any rules promulgated by a stock exchange or regulatory body.

“Listing Committee” means the Listing Committee of the HKEX.

“Losses” means losses, claims, damages, expenses, fines, judgments and liabilities, of any kind or nature whatsoever, including but not limited to any investigative, legal and other expenses incurred in connection with, and any amounts paid in settlement of, any pending or threatened legal action or proceeding, and any taxes or levies that may be payable by such person by reason of the indemnification of any indemnifiable loss, but in any event, excluding (i) any losses, claims, damages, expenses or liabilities (including those arising out of any delay or failure to achieve any intended or desired outcome) in relation to or arising out of the proposed Platform and Software Collaboration (which will be exclusively governed by the Collaboration Documents and not this Agreement), other than any such losses, claims, damages, expenses or liabilities in relation to or arising out of a breach of any warranty or covenant under this Agreement by any Party to the extent such warranty or covenant specifically relates to the Collaboration Documents, and (ii) any punitive or exemplary damages.

“Material Adverse Effect” means any change, development, circumstance, fact or effect that individually or taken together with any other changes, developments, circumstances, facts or effects:

(a) has, or would reasonably be expected to have, a material adverse effect to the business, condition (financial or otherwise), assets, properties, liabilities, operations, solvency or results of operations of the Company and its Subsidiaries, taken as a whole, provided, however, that in no event shall any of the following exceptions, alone or in combination with the other enumerated exceptions below, be deemed to constitute a Material Adverse Effect:

(i) any change, development, circumstance, fact or effect arising as a result of compliance with the terms and conditions of, or from the announcement of the transactions contemplated by, any Transaction Documents or Collaboration Documents;

(ii) any change, development, circumstance, fact or effect arising as a result of actions taken (or omitted to be taken) at the written request of or with the written consent of the Investor or its Affiliates;

(iii) any failure by the Company or any of its Subsidiaries to meet any internal projections or forecasts of the Company or such Subsidiary in respect of revenues, earnings or other financial or operating metrics for any period (provided that the underlying facts and circumstances giving rise to or contributing to such failure may be taken into account in determining whether a Material Adverse Effect has occurred); or

(iv) other than to the extent such changes adversely affect the Company and its Subsidiaries, taken as a whole, in a disproportionate manner relative to other similarly situated participants that are in the smart electric vehicle industry and geographic regions in which the Group operates (in which case only the incremental disproportionate impact may be taken into account, and only to the extent otherwise permitted by this definition): (X) any change, development, circumstance, fact or effect arising as a result of changes or developments occurring after the date hereof generally affecting the smart electric vehicle industry, or changes or developments in general economic, financial market or political conditions in one or more jurisdictions in which the Company and its Subsidiaries operate; (Y) any change, development, circumstance, fact or effect arising as a result of any changes occurring after the date hereof in applicable Law or the interpretation or enforcement thereof or in applicable accounting principles or the interpretation thereof applicable to the Group or of general application to the electric vehicle industry; and (Z) any change or effect as a result of any pandemic (including any escalation or recurrence thereof), earthquake, typhoon or other natural disaster, or any outbreak or escalation of hostilities of war or any act of terrorism (including cyberattacks); or

(b) is, or would reasonably be expected to be, materially adverse to the ability of the Company to consummate the transactions contemplated by the Transaction Documents to which it is a party and to timely perform its obligations hereunder and thereunder.

“Mr. He” means Mr. Xiaopeng He, Chairman and Chief Executive Officer of the Company.

“NDRC” means the National Development and Reform Commission of the PRC.

“NYSE” means the New York Stock Exchange.

“Observer Appointment Letter” means an observer appointment letter between the Company and the Investor Observer in a form acceptable by the Investor and the Company.

“ODI Registration and Approvals” means the required registrations and filings with the NDRC and the Beijing Municipal Commerce Bureau (or the Shanghai Municipal Commission of Commerce, as the case may be) and the foreign exchange registration with a foreign exchange bank designated by the SAFE pursuant to the *Administrative Measures on Overseas Investments* (境外投资管理办法) effective as of October 6, 2014, the *Opinions on Further Guiding and Regulating Outbound Investment* (关于进一步引导和规范境外投资方向的指导意见) effective as of August 4, 2017, the *Administrative Measures for the Outbound Investment by Enterprises* (企业境外投资管理办法) dated December 26, 2017 and any other applicable rules and regulations of the PRC for outbound direct investments, in each case in respect of the Investor’s subscription of Purchased Shares hereunder.

“ODI Regulations” means the *Administrative Measures on Overseas Investments* (境外投资管理办法) effective as of October 6, 2014, the *Opinions on Further Guiding and Regulating Outbound Investment* (关于进一步引导和规范境外投资方向的指导意见) effective as of August 4, 2017, the *Administrative Measures for the Outbound Investment by Enterprises* (企业境外投资管理办法) dated December 26, 2017 and any other applicable rules and regulations of the PRC for outbound direct investments.

“OFAC” means the Office of Foreign Assets Control of the U.S. Department of the Treasury.

“Ordinary Shares” means, collectively, the Class A Ordinary Shares and the Class B Ordinary Shares.

“Permitted Encumbrances” means any (a) Encumbrances that result from any statutory or other Encumbrances for Taxes or assessments that are not yet due and payable or subject to penalty or the validity of which is being contested in good faith by appropriate proceedings, (b) regulations, permits, licenses, covenants, conditions, restrictions, easements, rights of way or other similar matters of record affecting title to real property, zoning, building and other similar restrictions that are not violated in any material respect by the current use or occupancy of the applicable real property, (c) any cashiers’, landlords’, workers’, mechanics’, carriers’, workmen’s, repairmen’s and materialmen’s Encumbrances and other similar Encumbrances imposed by Law and incurred in the ordinary course of business that are not yet subject to penalty and pursuant to which none of the Company and its Subsidiaries is in default, (d) with respect to real property, non-monetary Encumbrances or other minor imperfections of title to the extent such Encumbrances or imperfections of title do not materially impair the continued existing use and operation or value of the specific parcel or real estate to which they relate or the conduct of the business of the Group Companies as presently conducted; (e) rights of parties in possession incurred or made in the ordinary course of business consistent with past practice by the Company or its Subsidiaries, (f) non-exclusive licenses of Intellectual Property granted to third parties in the ordinary course consistent with past practice by the Company or its Subsidiaries, (g) pledges or deposits to secure obligations under workers’ compensation Laws or similar legislation or to secure public or statutory obligations, in each case incurred or made in the ordinary course of business, (h) pledges or deposits to secure the performance of bids, trade contracts, leases, surety and appeal bonds, performance bonds and other obligations of a similar nature, in each case incurred or made in the ordinary course of business, or (i) Encumbrances securing indebtedness that are reflected in the Company Public Filings.

“Person” means an individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or a Governmental Authority or other agency or political subdivision thereof.

“Platform and Software Collaboration Agreement” means a definitive agreement by the Investor and the Company (and/or their respective Affiliates) in respect of the Platform and Software Collaboration.

“PRC” means the People’s Republic of China and solely for the purpose of this Agreement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan.

“Proceedings” means actions, claims, demands, judgment, awards, investigations, examinations, indictments, litigations, suits or other criminal, civil or administrative or investigative proceedings.

“Project Feasibility Study” means a feasibility study to be conducted by the Investor and/or its Affiliates to evaluate the technical and commercial feasibility of the use of the Platform, OS Connectivity Software and ADAS System (each as defined under the Framework Technical Agreement) for the development and production of the Volkswagen B BEVs in connection with the Platform and Software Collaboration.

“Public Company Accounting Oversight Board” means the Public Company Accounting Oversight Board of the United States of America.

“Qualified Investor Group Members” means a company the share capital of which is at least 90% directly or indirectly held by Volkswagen AG.

“Representatives” means, with respect to any Person, its Affiliates, and such Person’s and its Affiliates’ directors, officers, employees, agents, consultants, investment bankers, accountants, attorneys or financial advisors, bona fide prospective investors (other than prospective investors in the public market) and other representatives.

“SAFE” means the State Administration of Foreign Exchange of the PRC.

“Sanctioned Jurisdiction” means any country, region or territory that is the subject or the target of comprehensive Sanctions and Export Controls which widely prohibit dealings or transactions in, with or involving such country or territory (currently, Cuba, Iran, North Korea, Syria, and the Crimea, Donetsk, Luhansk, Kherson, and Zaporizhzhia regions of Ukraine).

“Sanctioned Person” means any Person: (i) identified on the Specially Designated Nationals and Blocked Persons List, the Chinese Military-Industrial Complex Companies List, or other sanctions lists maintained by OFAC, the Consolidated List of Persons, Groups and Entities Subject to EU Financial Sanctions, and the Consolidated List of Financial Sanctions Targets in the United Kingdom; (ii) organized or resident in, or the government or any agency or instrumentality of the government of, any Sanctioned Jurisdiction; (iii) owned 50% or more or controlled by, or acting for or on behalf of, directly or indirectly, one or more Persons described in the foregoing clauses (i) or (ii); or (iv) otherwise the subject or target of economic or financial sanctions maintained by a Sanctions Authority.

“Sanctions and Export Controls” means any economic or financial sanctions or trade embargoes or export restrictive measures imposed and administered by a Sanctions Authority.

“Sanctions Authority” means: (i) the United Nations Security Council; (ii) the United States of America; (iii) the European Union and its member states; (iv) the United Kingdom; (v) the Cayman Islands; and (vi) the respective governmental institutions, departments, committees, agencies, or offices of the foregoing.

“Sanctions Event” means (i) the Company, any of its Subsidiaries or the Founder being included in any of the following lists: the Specially Designated Nationals and Blocked Persons List, the Chinese Military-Industrial Complex Companies List, the Consolidated List of Persons, Groups and Entities Subject to EU Financial Sanctions, and the Consolidated List of Financial Sanctions Targets in the United Kingdom, or any other list of Persons who are the subject of economic or financial sanctions published by a Sanctions Authority; (ii) the Company being included in any of the following lists: the Denied Persons List, the Military End User List, the Entity List maintained by the United States Department of Commerce, or any other list of Persons who are the subject of US export restrictions (excluding, for the avoidance of doubt, any such list that does not specifically name the Company but has the effect of restricting exports to the Company); (iii) the Company, any of its Subsidiaries, or the Founder otherwise becoming a Sanctioned Person; (iv) a Governmental Authority concludes that the Company or its Subsidiaries have, after the date of this Agreement, violated Sanctions and Export Controls and the Company or its Subsidiaries having received notice from such Governmental Authority of such conclusion; or (v) applicable Sanctions and Export Controls restrict the sharing of any goods, services, technologies or technical data by the Investor and its Affiliates with the Group Companies as contemplated under the Collaboration Documents and such restrictions would render the transactions contemplated under the Collaboration Documents not capable of being substantially implemented in a manner that would be compliant with Sanctions and Export Controls.



“SEC” means the Securities and Exchange Commission of the United States of America or any other federal agency at the time administering the Securities Act.

“Securities” means (a) any Ordinary Share or any equity interest of, or shares of any class in the share capital (ordinary, preferred or otherwise) of, the Company; (b) any ADS, depository receipt or similar instrument issued in respect of Ordinary Shares; and (c) any convertible securities, options, warrants and any other type of equity or equity-linked securities convertible, exercisable or exchangeable for any such equity interest or shares of any class in the share capital of the Company.

“Securities Act” means the Securities Act of 1933, as amended.

“SFC” means the Hong Kong Securities and Futures Commission.

“Subsidiary” means, with respect to any Person, each other Person in which the first Person (a) Beneficially Owns, directly or indirectly, share capital or other equity interests representing more than fifty percent (50%) of the outstanding voting stock or other equity interests, (b) holds the rights to more than fifty percent (50%) of the economic interest of such other Person, including interests held through a variable-interest-entity structure or other, similar contractual arrangements, or (c) has a relationship such that the financial statements of the other Person may be consolidated into the financial statements of the first Person under applicable accounting conventions.

“T&T” means Trinidad and Tobago.

“T&T AT Authority” means the Trinidad and Tobago Fair Trading Commission.

“Taobao Waiver” means the written waiver from Taobao China Holding Limited pursuant to the registration right agreement dated August 20, 2020 between the Company, Taobao China Holding Limited and certain other shareholders, in respect of the registration rights to be granted to the Investor.

“Tax” and “Taxes” means all U.S. and non-U.S. federal, state, local and foreign taxes (including, without limitation, income, franchise, property, sales, value added, withholding, payroll and employment taxes, or levies in similar nature), assessments, fees, duties, levies or other charges imposed or collected by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Tax Return” means a report, return or other document (including any amendments thereto) required to be supplied to a Governmental Authority with respect to Taxes.

“Technical Framework Agreement” means the framework agreement on technical collaboration dated on or about the date hereof in respect of the Platform and Software Collaboration.

“Transaction Documents” means this Agreement, the Investor Rights Agreement, the Undertaking Agreements and any other documents as mutually designated by the Parties in writing as Transaction Documents from time to time.

“Undertaking Agreements” means the Founder-Investor Undertaking Agreement and the Founder-Company Undertaking Agreement.

“U.S.” means the United States of America.

“USD”, “US\$” or “U.S. dollars” means the lawful money of the United States of America.

2. The following terms are defined in the Sections of the Agreement indicated:

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BY AND AMONG

XPENG INC.

VOLKSWAGEN (CHINA) INVESTMENT CO., LTD.  
(大众汽车 (中国) 投资有限公司)

AND

VOLKSWAGEN FINANCE LUXEMBURG S.A.

Dated as of July 26, 2023

INVESTOR RIGHTS AGREEMENT

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SCHEDULE 1 FORM OF ADHERENCE AGREEMENT

This INVESTOR RIGHTS AGREEMENT dated as of July 26, 2023 (as may be amended, supplemented, modified or varied from time to time in accordance with the terms herein, this "Agreement") is entered into by and among XPENG INC., an exempted company incorporated with limited liability under the laws of the Cayman Islands (the "Company"), VOLKSWAGEN (CHINA) INVESTMENT CO., LTD. (大众汽车 (中国) 投资有限公司), a company established with limited liability under the laws of the PRC (the "Investor") and VOLKSWAGEN FINANCE LUXEMBURG S.A., a company incorporated under the laws of Luxembourg (the "Investor Nominee"), together with the Company and the Investor, each a "Party" and collectively, the "Parties").

## RECITALS

WHEREAS, the Investor (or the Investor Nominee) has agreed to subscribe for and purchase from the Company, and the Company has agreed to issue and sell to the Investor (or the Investor Nominee), certain number of Class A ordinary shares, with par value US\$0.00001 per share of the Company (the "Class A Ordinary Shares"), respectively, on the terms and conditions set forth in the Share Purchase Agreement dated on or about the date hereof, by and among the Company, the Investor and the Investor Nominee (as may be amended, supplemented, modified or varied from time to time in accordance with the terms therein, the "Share Purchase Agreement");

WHEREAS, on or about the date hereof, Mr. Xiaopeng He (the "Founder") and the Company are entering into an undertaking agreement (the "Founder-Company Undertaking"); and

WHEREAS, the Parties wish to enter into this Agreement to set forth certain rights and obligations of the Parties in connection with the transactions contemplated under the Share Purchase Agreement.

NOW THEREFORE, in consideration of the premises and the mutual representations, warranties, covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

## ARTICLE I DEFINITIONS

Section 1.1. Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated:

"3% Threshold" has the meaning set forth in Section 2.1(a).

"5% Longstop Date" has the meaning set forth in Section 2.1(b).

"5% Threshold" has the meaning set forth in Section 2.1(c).

"ADS" means an American depositary share of the Company, each of which represents two (2) Class A Ordinary Shares.

"Affiliate" means, with respect to any specified Person, any other Person who directly or indirectly, Controls, is Controlled by or under common Control with such specified Person and, for the avoidance of doubt, includes a Subsidiary of such specified Person.

“Agreement” has the meaning set forth in the Preamble.

“Applicable Securities Law” means (a) with respect to any offering of securities in the United States of America, or any other act or omission within that jurisdiction, the securities laws of the United States, including the Exchange Act and the Securities Act, and any applicable law of any state of the United States of America, and (b) with respect to any offering of securities in any jurisdiction other than the United States of America, or any related act or omission in that jurisdiction, the applicable laws of that jurisdiction.

“Articles” means the Memorandum of Association of the Company and the Articles of Association of the Company, as each may be amended and/or restated from time to time.

“Beneficially Own” and “Beneficial Ownership” shall have the meaning set forth in Rule 13d-3 under the Exchange Act.

“Board” and “Board of Directors” means the board of directors of the Company.

“Business Day” means any day other than a Saturday, Sunday or another day on which commercial banks in the Cayman Islands, the PRC, Hong Kong, Germany or New York are required or authorized by law or executive order to be closed.

“CCASS” means the Central Clearing and Settlement System established and operated by HKSCC.

“Class A Ordinary Shares” has the meaning set forth in the recitals.

“Class B Ordinary Shares” means class B ordinary shares of the Company, with par value US\$0.00001 per share.

“Closing” means the closing of the transactions contemplated under the Share Purchase Agreement.

“Collaboration Documents” has the meaning set forth in the Share Purchase Agreement.

“Commission” means the United States Securities and Exchange Commission or any other federal agency at the time administering the Securities Act or other governmental agency administering the securities laws in the jurisdiction in which the Company’s securities are registered or being registered.

“Company” has the meaning set forth in the Preamble.

“Company Total Share Number” as of a given time means the sum of the aggregate number of issued and outstanding shares in the capital of the Company as of such time, including (x) the issued and outstanding Class A Ordinary Shares (for purposes of such calculation, including the Class A Ordinary Shares represented by ADSs but excluding the Class A Ordinary Shares issued to the Company’s depository bank for bulk issuance of ADSs and reserved for future issuances upon the exercise or vesting of awards granted under the applicable Incentive Plan), and (y) the issued and outstanding Class B Ordinary Shares.



“Confidentiality Agreements” has the meaning set forth in the Share Purchase Agreement.

“Confidential Information” has the meaning set forth in Section 6.15(a).

“Control” (including its correlative meanings “under common Control with” and “Controlled by”) means, with respect to any Person, the possession, directly or indirectly, of the power or authority to direct or cause the direction of the business, management or policies of such Person, whether through ownership of securities or partnership or other interests, by contract or otherwise.

“Derivative Transactions” means bona fide derivative transactions between the Investor and a financial institution, which derivative transactions will be only settled in cash (and not in Subject Shares), as well as the creation by the Investor of any charge, pledge or other similar form of security interest over the Subject Shares as collateral to support such derivative transactions.

“Director(s)” means the director(s) of the Company.

“Disclosing Party” has the meaning set forth in Section 6.15(b).

“Equity Securities” means, with respect to any Person, shares in the capital of such Person and any other securities exchangeable or exercisable for or convertible into shares in the capital of such Person, and unless the context specifies otherwise, Equity Securities shall mean Equity Securities of the Company.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“Governmental Authority” means any nation or government or any province or state or any other political subdivision thereof, or any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any government authority, agency, department, board, commission or instrumentality or any political subdivision thereof, any court, tribunal or arbitrator, and any self-regulatory organization or national or international stock exchange on which the securities of the applicable Party or its Affiliates are listed.

“HKEX” means The Stock Exchange of Hong Kong Limited.

“HKIAC” has the meaning set forth in Section 6.4.

“HKIAC Rules” has the meaning set forth in Section 6.4.

“HKSCC” means Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited.

“Holder” means the Investor or a Qualified Investor Group Member for so long as it holds any Registrable Shares, or any other holder of Registrable Shares to whom the Registration Rights in respect of such Registrable Shares have been assigned in accordance with this Agreement.

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China.

“Incentive Plan” has the meaning set forth in the Share Purchase Agreement.

“Investor” has the meaning set forth in the Preamble.

“Investor Director” has the meaning set forth in Section 2.3.

“Investor Director Nomination Right” has the meaning set forth in Section 2.3.

“Investor Nominee” has the meaning set forth in the Preamble.

“Investor Nominee Assumption” has the meaning set forth in the Share Purchase Agreement.

“Investor Observer” has the meaning set forth in Section 2.3.

“Investor Observer Appointment Right” has the meaning set forth in Section 2.3.

“Law” means any order, law, statute, regulation, rule (including interpretive rules), ordinance, writ, injunction, directive, judgment, decree, principle of common law, constitution or treaty enacted, promulgated, issued, enforced or entered by, or any stipulation or requirement of, or binding agreement with, any Governmental Authority, as in effect at the applicable time, including any rules promulgated by a stock exchange or regulatory body.

“Lock-Up Termination Date” means the earliest of (i) the second (2<sup>nd</sup>) anniversary of the date of Closing, (ii) the SOP Date, and (iii) the date on which a Specific Termination Event occurs.

“NED Appointment Letter” means a non-executive Director appointment letter between the Company and the Investor Director in a form acceptable to the Investor and the Company.

“Non-Disclosing Party” has the meaning set forth in Section 6.15(b).

“Observer Appointment Letter” means an observer appointment letter between the Company and the Investor Observer in a form acceptable to the Investor and the Company.

“Ordinary Shares” means the Class A Ordinary Shares and the Class B Ordinary Shares.

“Permitted Transferee” has the meaning set forth in Section 4.2(a).

“Person” means an individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or a Governmental Authority or other agency or political subdivision thereof.

“Platform and Software Collaboration” has the meaning set forth in the Share Purchase Agreement.

“Qualified Investor Group Member” means a company the share capital of which is at least 90% directly or indirectly (on a look-through basis) held by Volkswagen AG.

“register”, “registered” and “registration” means (i) a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of the effectiveness of such registration statement, or (ii) in the context of a public offering in a jurisdiction other than the United States, a registration, qualification or filing under the Applicable Securities Laws of such other jurisdiction.

“Registrable Shares” means (i) the Subject Shares, (ii) Ordinary Shares issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the Subject Shares, and (iii) any ADS, depositary receipts or similar instrument issued by an institutional depositary upon deposit of any of the foregoing. Notwithstanding the foregoing, Registrable Shares shall not include any Registrable Shares Transferred in which the Registration Rights are not transferred or assigned in accordance with this Agreement or any Registrable Shares sold in a public offering, whether sold pursuant to Rule 144, or in a registered offering, or otherwise.

“Registration Expenses” has the meaning set forth in Section 3.5.

“Registration Rights” means the rights to cause the Company to register Registrable Shares pursuant to Section 3.1, Section 3.2 and Section 3.3.

“Representatives” means, with respect to any Person, its Affiliates, and such Person’s and its Affiliates’ directors, officers, employees, agents, consultants, investment bankers, accountants, attorneys or financial advisors, bona fide prospective investors (other than prospective investors in the public market) and other representatives.

“Rule 144” means Rule 144 promulgated under the Securities Act and any successor provision.

“Rule 145” means Rule 145 promulgated under the Securities Act and any successor provision.

“Sanctions Event” has the meaning set forth in the Share Purchase Agreement.

“Sanctions Event Notice” means a written notice from the Investor of the occurrence of a Sanctions Event and its intent to Transfer under Section 4.2.

“SEC” means the Securities and Exchange Commission of the United States of America or any other federal agency at the time administering the Securities Act.

“Securities Act” means the United States Securities Act of 1933 as amended from time to time.

“Selling Expenses” means the underwriting discounts and commissions and share transfer taxes.

“Share Purchase Agreement” has the meaning set forth in the Recitals.

“Shareholder” or “Shareholders” means Persons who hold the Ordinary Shares from time to time.

“SOP Date” means the date of the start of production of the first model of the VW B BEVs.

“Specific Termination Event” means (i) any of the events set out in Section 4.2(c) and Section 4.2(e) to Section 4.2(h) or (ii) Laws applicable to the Investor and Investor Nominee that come into effect after Closing resulting in neither the Investor nor the Investor Nominee being able to hold any Subject Shares in compliance with applicable Laws.

“Strategic Collaboration” means collectively the Platform and Software Collaboration and the transactions contemplated under the Technical Framework Agreement.

“Subject Shares” means the Class A Ordinary Shares issued to the Investor at the Closing, including, as applicable, ADSs representing any such Class A Ordinary Shares.

“Subsidiary” means, with respect to any Person, each other Person in which the first Person (a) Beneficially Owns, directly or indirectly, share capital or other equity interests representing more than fifty percent (50%) of the outstanding voting stock or other equity interests, (b) holds the rights to more than fifty percent (50%) of the economic interest of such other Person, including interests held through a variable-interest-entity structure or other, similar contractual arrangements, or (c) has a relationship such that the financial statements of the other Person may be consolidated into the financial statements of the first Person under applicable accounting conventions.

“Technical Framework Agreement” has the meaning set forth in the Share Purchase Agreement.

“Transaction Documents” has the meaning set forth in the Share Purchase Agreement.

“Transfer” means, when used as a noun, any direct or indirect, voluntary or involuntary, sale, disposition, hypothecation, mortgage, gift, hedge, pledge, assignment, attachment or other transfer (including the creation of any derivative or synthetic interest, including a participation or other similar interest) and, when used as a verb, voluntarily to directly or indirectly sell, dispose, hypothecate, mortgage, gift, hedge, pledge, assign, attach or otherwise transfer, in any case, whether by operation of law or otherwise. For the avoidance of doubt, any issuance of Equity Securities by, or Transfer of Equity Securities in, the Investor or its direct or indirect shareholders resulting in the Investor ceasing to be a Qualified Investor Group Member shall, for purposes of this Agreement, be deemed a Transfer of the Subject Shares by the Investor to a third party who is not a Qualified Investor Group Member.

“Underwritten Public Offering” means a firm underwritten public offering of the Ordinary Shares in the United States that has been registered under the Securities Act, or a similar public offering of the Ordinary Shares in another jurisdiction, which results in the Ordinary Shares trading publicly on a recognized regional or national securities exchange.

“VW B BEVs” means the two (2) VW B-class battery electric vehicle models (namely, one VW B SUV and one VW B Notchback/Coupe) to be developed in the Strategic Collaboration.

**ARTICLE II**  
**DIRECTOR NOMINATION; OBSERVER**

Section 2.1. Certain Defined Terms. For purposes of this Agreement:

(a) “3% Threshold” means the Qualified Investor Group Members collectively holding a number of Class A Ordinary Shares (including Class A Ordinary Shares represented by the ADSs or other similar depository receipts) representing at least three percent (3%) of the Company Total Share Number as of the relevant time. For the avoidance of any doubt, any Class A Ordinary Shares held by the Qualified Investor Group Members and subsequently used for Derivative Transactions shall, for so long as such Class A Ordinary Shares remain held by the Qualified Investor Group Members (including held through brokers in street name), be counted for the purposes of 3% Threshold.

(b) “5% Longstop Date” means the date falling 6 months after the Closing.

(c) “5% Threshold” means the Qualified Investor Group Members collectively holding a number of Class A Ordinary Shares (including Class A Ordinary Shares represented by the ADSs or other similar depository receipts) representing at least five percent (5%) of the Company Total Share Number as of the relevant time. For the avoidance of any doubt, any Class A Ordinary Shares held by the Qualified Investor Group Members and subsequently used for Derivative Transactions shall, for so long as such Class A Ordinary Shares remain held by the Qualified Investor Group Members (including held through brokers in street name), be counted for the purposes of 5% Threshold.

Section 2.2. Investor Director Nomination Right. Subject to (i) the HKEX having confirmed in writing or verbally to the Company or its counsel, that the arrangements set out in this Section 2.2 are acceptable to the HKEX or that the HKEX has no objection or no comment to such arrangements; and (ii) the 5% Threshold being either (x) met at the Closing; or (y) first met on or prior to the 5% Longstop Date, and in each case of (x) and (y), thereafter being continuously met:

(a) when there is no Investor Director then serving, the Investor shall have the right to propose to the Company that one (1) individual designated by the Investor be nominated for appointment or election as a Director (such individual, as elected, the “Investor Director”, and such right to nominate, the “Investor Director Nomination Right”). The Company shall ensure that such individual designated by the Investor will be presented as a Director candidate for consideration by the nomination committee of the Board and the Board for appointment as a Director and upon the approval of the nomination committee of the Board and the Board (and in this regard the Company shall promptly convene a meeting of the relevant committee of the Board and/or the Board pursuant to the Articles), in compliance with the Articles and applicable Laws and subject to its receipt of an NED Appointment Letter duly executed by such individual, the Company shall promptly cause the appointment or election of such candidate to the Board, including if necessary, expanding the size of the Board (including the constituents of the independent Directors) in order to facilitate the appointment of the Investor Director and where the appointment of such Director candidate is required to be approved by way of a general meeting of the Company, the Company shall promptly (i) convene a general meeting and recommend to the Shareholders the election of such Investor Director to the Board in any such meeting of the shareholders to elect directors, and (ii) include such nomination and recommendation regarding such individual in the Company’s notice or circular for convening any such meeting of the shareholders to elect directors.

(b) At any meeting of the Board and/or a committee of the Board or any general meeting of the Company, when and if held, at which the Investor Director is up for re-appointment to the Board, the Company shall use reasonable best efforts to ensure that the Investor Director is re-appointed by the Shareholders to the Board pursuant to the Articles and applicable Laws. Subject to the Articles, the Company agrees that it shall not take any action in favour of the removal of the Investor Director other than in accordance with Section 2.2 or upon a material breach by the Investor Director of his or her obligations under the NED Appointment Letter.

If the 5% Threshold is met at or after the Closing and then subsequently ceases to be met, (A) the Investor Director Nomination Right shall terminate and shall not be reinstated if the 5% Threshold is subsequently met again, and the Company's obligations under Section 2.2(a) and Section 2.2(b) shall terminate, and (B) the Investor shall promptly upon the request of the Company cause the Investor Director (if any person is actually appointed) to resign from the Board.

Section 2.3. Investor Observer Appointment Right. Subject to (i) the HKEX having confirmed, in writing or verbally to the Company or its counsel, that the arrangements set out in this Section 2.3 are acceptable to the HKEX or that the HKEX has no objection or no comment to such arrangements; and (ii) the 3% Threshold being met at the Closing and thereafter being continuously met:

(a) When there is no Investor Observer then serving, (i) the Investor shall have the right to appoint one (1) individual to attend meetings of the Board in a non-voting observer capacity (such individual, as so appointed, the "Investor Observer", and such right to appoint, the "Investor Observer Appointment Right"), (ii) subject to its receipt of an Observer Appointment Letter duly executed by such individual, the Company shall promptly cause the appointment of such individual as an observer to the Board, and (iii) the Company shall, and shall procure its Affiliates, to promptly take actions to support and otherwise agree not to take any action to prevent, the appointment of such Investor Observer, including convening a meeting of the Board and appointing such Investor Observer.

(b) The Investor Observer shall be entitled to (i) receive any notice in the same form and manner as given to the Directors and the same materials as and when provided to the Directors and (ii) attend each Board meeting in the same manner as the Directors and to participate in discussions at such meeting, provided that (A) the Investor Observer shall, and the Investor shall cause the Investor Observer to, comply with the confidentiality obligations set forth in the Observer Appointment Letter with respect to all materials provided to the Investor Observer in his or her capacity as such and all matters discussed at Board meetings in which the Investor Observer participates and (B) the Investor Observer shall be subject to the Company's insider trading policies and procedures as if the Investor Observer were a Director. For the avoidance of doubt, the Investor Observer shall not constitute a member of the Board and shall not be entitled to vote on or be required to consent to any matters presented to the Board.

(c) Upon the exercise of the Investor Director Nomination Right by the Investor, (i) if an Investor Observer is then appointed, the Investor shall promptly cause the Investor Observer to resign with effect from the day that the Investor Director is appointed to the Board in accordance with Section 2.2 and the Articles, and (ii) the Investor Observer Appointment Right is suspended. The Investor Observer Appointment Right will remain suspended until the date on which the Investor Director Nomination Right terminates, whereupon the Investor Observer Appointment Right shall, subject to the 3% Threshold being met at the Closing and thereafter being continuously met, be revived automatically.

At any time the 3% Threshold is not met, (A) the Investor Observer Appointment Right shall terminate and shall not be reinstated if the 3% Threshold is subsequently met again, and the Company's obligations under Section 2.3(a) and Section 2.3(b) shall terminate, and (B) the Investor shall promptly upon the request of the Company cause the Investor Observer to resign.

Section 2.4. Efforts. The Company shall ensure that the Investor has reasonable access to and participation in any submission, application, filing or communication with the HKEX in relation to the arrangements set out in Section 2.2 and Section 2.3 (including the opportunity to review and provide comments on any document) before they are submitted or made to HKEX. Each Party shall keep the other Parties reasonably apprised of the status of matters relating to the arrangements set out in Section 2.2 and Section 2.3, including promptly furnishing to the Investor copies of material written communications received from the HKEX in respect of the arrangements set out in Section 2.2 and Section 2.3.

Section 2.5. Recusal. The Investor agrees to procure that any Investor Director and Investor Observer recuse themselves, and agrees that they be recused, from any discussion of the Board or any of its committees (a) relating to any disputes, litigation or other legal proceedings between the Company and/or any of its Affiliates, on the one hand, and the Investor and/or any of its Affiliates, on the other hand, (b) in the good faith determination of the Board based on the opinion of counsel (which may be from the Company's internal counsel or from an internationally reputable law firm engaged by the Company or the Board) that could result in the loss of the attorney-client privilege between the Company or any of its Subsidiaries and their respective counsel or the loss of protection of any trade secret and (c) in the good faith determination of the Board based on the opinion (which may be from the Company's internal counsel or from an internationally reputable law firm engaged by the Company or the Board) where such withholding or exclusion is required for the Company or its Subsidiaries to comply with applicable Laws, in each case of (b) and (c), provided that the Investor Director and Investor Observer have been provided with a copy of opinion of counsel setting out the relevant basis, and provided further that in the event an external counsel engaged by the Investor issues an opinion that it is not necessary for the Investor Director and Investor Observer to recuse themselves to preserve the attorney-client privilege or protect any trade secret referred to in (b) above, or for the Company or its Subsidiaries to comply with applicable Laws referred to in (c) above (and a copy of such opinion shall have been provided to the Board), the Board shall engage an internationally reputable law firm to provide the opinion with respect to the same subject matter and provide a copy of such opinion to the Investor.

Section 2.6. No Transfer or Assignment. Notwithstanding anything to the contrary herein, the Investor Director Nomination Right set forth in Section 2.1 and the Investor Observer Appointment Right set forth in Section 2.3 may not be transferred or assigned to any other Person (other than to a Permitted Transferee to whom all of the Subject Shares have been transferred and subject to the Investor's prior written notice to the Company of such assignment), whether in connection with a Transfer of the Subject Shares or otherwise, without the prior written consent of the Company.

**ARTICLE III  
REGISTRATION RIGHTS**

Section 3.1. Demand Registration.

(a) At any time after the Lock-Up Termination Date, the Holders (such as “Initial Requesting Holders”) may, by written notice, request that the Company register under the Securities Act all or any portion of the Registrable Shares held by such Initial Requesting Holders for sale in the manner specified in such notice; provided that the reasonably anticipated aggregate offering price to the public of such Registrable Shares is no less than US\$5,000,000; provided, further, that the Company shall not be obligated to register Registrable Shares pursuant to such request: (i) subject to Section 3.2, during the period beginning thirty (30) days prior to the Company’s good faith estimate of the date of the filing, and ending on a date ninety (90) days following the effective date, of a registration statement filed by the Company relating to the Equity Securities (other than a registration pursuant to this Section 3.1(a), a registration of securities in a transaction under Rule 145 or with respect to an Incentive Plan), provided that the Company is using best efforts to cause such registration statement to become effective; (ii) if the Company then meets the eligibility requirements applicable to use the Form F-3 or Form S-3 in connection with such registration and is able to effect such requested registration pursuant to Section 3.3; or (iii) if external U.S. counsel to the Company of reputable standing opines to the Initial Requesting Holders within fifteen (15) days of the relevant request that the filing of such a registration statement would require the disclosure of material non-public information about the Company that the Company is not otherwise required to disclose, the disclosure of which could have a material adverse effect on the business or financial condition of the Company, in which event no such registration statement need be filed until the earlier of the lapse of sixty (60) days from the issuance of the opinion of counsel or such time as the information is no longer required to be disclosed, is not material or non-public, or its disclosure would not have a material adverse effect on the business or financial condition of the Company; provided, however, that the Company may not exercise its right under this subclause (iii) more than twice in any twelve-month-period; provided, further that the Company shall not register any Equity Securities for the account of itself or any other Shareholders during such period. Notwithstanding anything to the contrary contained herein, no request may be made under this Section 3.1(a) within one hundred eighty (180) days after the effective date of a registration statement filed by the Company covering an Underwritten Public Offering in which the holders of Registrable Shares shall have been entitled to join pursuant to this Section 3.1(a) or Section 3.2 and in which they shall have effectively registered all Registrable Shares as to which registration shall have been so requested.



(b) Following receipt of any notice under Section 3.1(a), the Company shall immediately notify all other holders of Registrable Shares from whom notice has not been received and shall file and use its best efforts to have declared effective a registration statement under the Securities Act for the public sale, in accordance with the method of disposition specified in such notice from the Initial Requesting Holders, of the number of Registrable Shares specified in such notice (and in any notices received from other holders of Registrable Shares within twenty (20) days after the date of such notice from the Company) (such a “Requesting Holder”). If such method of disposition shall be an Underwritten Public Offering, the Company may designate the managing underwriter of such Underwritten Public Offering, subject to the approval of such Requesting Holders, which approval shall not be unreasonably withheld or delayed. The number of Registrable Shares to be included in such an underwriting may be reduced (pro rata among all Requesting Holders under this Section 3.1, to participate in such registration) if and to the extent that the managing underwriter shall be of the opinion that such inclusion would adversely affect the marketing of the securities to be sold therein; provided, however, that the Company shall include in such underwriting, prior to the inclusion of any securities held by the management or by employees or directors of the Company (or any other securities that are not Registrable Shares), the number of Registrable Shares requested to be included which in the opinion of such managing underwriter will not adversely affect the marketing of the securities to be sold therein, pro rata among the respective Holders thereof on the basis of the amount of Registrable Shares owned by each such Holder. With respect to the preceding sentence, if the Company elects to reduce pro rata the amount of Registrable Shares proposed to be offered in the underwriting, for purposes of making any such reduction, each holder of Registrable Shares which is a partnership, together with the affiliates, partners, employees, retired partners and retired employees of such holder, the estates and family members of any such partners, employees, retired partners and retired employees and of their spouses, and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single “person”, and any pro rata reduction with respect to such “person” shall be based upon the aggregate number of Registrable Shares owned by all entities and individuals included as such “person,” as defined in this sentence (and the aggregate number so allocated to such “person” shall be allocated among the entities and individuals included in such “person” in such manner as such holder of Registrable Shares may reasonably determine). The Company shall be obligated to register Registrable Shares pursuant to requests made under Section 3.1(a) on only two (2) occasions; provided, however, that as to each such occasion such obligation shall be deemed satisfied only when a registration statement covering at least fifty percent (50%) of the Registrable Shares specified in notices received as aforesaid, for sale in accordance with the method of disposition specified by the Initial Requesting Holders, shall have become effective and, if such method of disposition is an Underwritten Public Offering, all such Registrable Shares shall have been sold pursuant thereto. Inclusion of Registrable Shares held by any Holder in a registration statement pursuant to this Section 3.1(b) shall be counted towards the threshold for fulfilment of the Company’s obligation to file registration statements under this Section 3.1.

(c) The Company shall be entitled to include in any registration statement referred to in this Section 3.1 for which the method of distribution is an Underwritten Public Offering, for sale in accordance with the method of disposition specified by the Initial Requesting Holders, Ordinary Shares to be sold by the Company for its own account, except as and to the extent that, in the opinion of the managing underwriter, such inclusion would adversely affect the marketing of the Registrable Shares to be sold. Except with respect to registration statements on Form S-8, the Company will not file with the Commission any other registration statement with respect to its Ordinary Shares, whether for its own account or that of other Shareholders, from the date of receipt of a notice from Initial Requesting Holders pursuant to this Section 3.1 until the completion of the period of distribution of the registration contemplated thereby.

### Section 3.2. Piggyback Registrations.

(a) Subject to the terms of this Agreement, if the Company proposes to register for its own account any of its Equity Securities, or for the account of any holder (other than the Holders or any other Qualified Investor Group Members) of Equity Securities any of such holder's Equity Securities, in connection with the public offering of such securities (except as set forth in Section 3.2(d)) after the Lock-Up Termination Date, the Company shall promptly give the Holders written notice of such registration and, upon the written request of any Holder given within fifteen (15) days after receipt of such notice, the Company shall use its commercially reasonable efforts to include in such registration any Registrable Shares thereby requested to be registered by such Holder. If any Holder decides not to include all or any of its Registrable Shares in such registration by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Shares in any subsequent registration statement as may be filed by the Company, all upon the terms and conditions set forth herein.

(b) The Company shall have the right to terminate or withdraw any registration initiated by it under Section 3.2(a) prior to the effectiveness of such registration, whether or not any Holder has elected to participate therein. The expenses of such withdrawn registration shall be borne by the Company in accordance with Section 3.5.

(c) In connection with any Underwritten Public Offering involving the Company's Equity Securities solely for cash, the Company shall not be required to register the Registrable Shares held by any Holder under this Section 3.2 unless such Registrable Shares are included in the underwriting and such Holder enters into an underwriting agreement in customary form with the underwriter or underwriters of internationally recognized standing selected by the Company. The number of Registrable Shares to be included in such an underwriting may be reduced (pro rata among all requesting Holders to participate in such registration under this Section 3.2) if and to the extent that the underwriter(s) are of the opinion that such inclusion would adversely affect the marketing of the securities to be sold therein. If any Holder disapproves the terms of any underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriters delivered at least ten (10) days prior to such Holder's good faith estimate of the effective date of the registration statement. Any Registrable Shares excluded or withdrawn from the underwriting shall be withdrawn from the registration.

(d) The Company shall have no obligation to register any Registrable Shares under this Section 3.2 in connection with a registration by the Company (i) relating solely to the sale of securities to participants in an Incentive Plan, (ii) relating to a corporate reorganization or other transaction under Rule 145 of the Securities Act (or comparable provision under the laws of another jurisdiction, as applicable); (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 Shares; or (iv) relating to a registration in which the only Ordinary Shares being registered are Ordinary Shares issuable upon conversion of debt securities that are also being registered.

### Section 3.3. Form F-3 Registration.

(a) If at a time after the Lock-Up Termination Date when Form S-3 or Form F-3 is available for registration, the Company shall receive from a Holder a written request that the Company effect a registration on Form S-3 or Form F-3 of any Registrable Shares held by such Holder, the Company will promptly give written notice of the proposed registration to all other Holders and, as soon as reasonably practicable, effect such registration and all such related qualifications and compliances as may be requested and as would permit or facilitate the sale and distribution of all Registrable Shares as are specified in such request and any written requests of other holders of Registrable Shares given within twenty (20) days after receipt of such notice. The Company shall not be required to file a registration statement under Form S-3 or Form F-3 if it would not be required to file a registration statement under Section 3.1 pursuant to subclause (iii) of the first sentence of Section 3.1(a). The Company shall have no obligation to effect a registration under this Section 3.3 unless the aggregate offering price of the securities requested to be sold pursuant to such registration is, in the good faith judgment of the Board, expected to be equal to or greater than US\$5,000,000. The Company shall not be obligated to effect more than two (2) F-3 registrations consecutively in any twelve-month period. Any registration under this Section 3.3 will not be counted as a registration under Section 3.1.

### Section 3.4. Registration Procedures.

(a) If and whenever the Company is required by the provisions of Section 3.1, Section 3.2 or Section 3.3 to effect the registration of any Registrable Shares under the Securities Act, the Company will, as expeditiously as possible:

(i) prepare and file with the Commission a registration statement with respect to such securities and use its best efforts to cause such registration statement to become and remain effective (provided that before filing a registration statement or any amendments or supplements thereto, the Company will furnish to the counsels of the selling Holders with respect to the Registrable Shares covered by such registration statement, copies of all such documents and include any reasonable comments of such counsels in such document) for the period of the distribution contemplated thereby (determined as provided in Section 3.4(b));

(ii) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for the period specified in Section 3.4(a)(i) above and as to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Shares covered by such registration statement in accordance with the selling Holders' intended method of disposition set forth in such registration statement for such period;

(iii) furnish to each selling Holder and to each underwriter such number of copies of the registration statement and the prospectus included therein (including each preliminary prospectus and any amendment or supplement thereto) and such other documents as such persons may reasonably request in order to facilitate the public sale or other disposition of the Registrable Shares covered by such registration statement;

(iv) use its best efforts to register or qualify the Registrable Shares covered by such registration statement under the securities or blue sky laws of such jurisdictions as the selling Holders of Registrable Shares or, in the case of an Underwritten Public Offering, the managing underwriter shall reasonably request and do any and all other acts and things which are reasonably necessary or advisable to enable such selling Holder to consummate the disposition in such jurisdictions of the Registrable Shares owned by such selling Holder (provided that the Company will not be required to (x) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subsection or (y) consent to general service of process (i.e., service of process which is not limited solely to securities law violations) in any such jurisdiction);

(v) promptly notify each selling Holder under such registration statement and each underwriter, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus contained in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing and, at the request of any selling Holder, the Company will promptly prepare a supplement or amendment to such registration statement so that, as thereafter delivered to the purchasers of such Registrable Shares, such registration statement will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading;

(vi) use its best efforts to cause all such Registrable Shares to be listed on a recognized U.S. share exchange or traded on a U.S. inter-dealer quotation system and, if similar securities issued by the Company are already so listed, on each securities exchange or inter-dealer quotation system on which similar securities issued by the Company are then listed or traded;

(vii) provide a transfer agent and registrar for all such Registrable Shares not later than the printing of any preliminary prospectus;

(viii) assist any underwriter or selling Holder participating in such registration and public offering in its marketing efforts with prospective investors by causing the Company's officers, directors and employees to participate in marketing efforts, including "roadshow" presentations in various major national and international centers, in connection with any public offering;

(ix) otherwise use its best efforts to comply with all applicable rules and regulations of the Commission or any other applicable regulatory authority, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months beginning with the first day of the Company's first full calendar quarter after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 promulgated thereunder;

(x) in the event of the issuance of any stop order suspending the effectiveness of a registration statement, or of any order suspending or preventing the use of any related public offering document or suspending the qualification of any Registrable Shares included in such registration statement or public offering document for sale in any jurisdiction, the Company will use its best efforts to promptly obtain the withdrawal of such order and to notify holders of the Registrable Shares promptly; and

(xi) use its best efforts to cause such Registrable Shares covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as would ordinarily be necessary to enable the selling Holder thereof to consummate the disposition of such Registrable Shares.

(b) For purposes of Section 3.4(a)(i) and Section 3.4(a)(ii), the period of distribution of Registrable Shares in an Underwritten Public Offering shall be deemed to extend until each underwriter has completed the distribution of all securities purchased by it, and the period of distribution of Registrable Shares in any other registration shall be deemed to extend until the earlier of the sale of all Registrable Shares covered thereby or six months after the effective date thereof.

(c) In connection with each registration hereunder, the selling Holders of Registrable Shares will only be required to furnish to the Company such information with respect to themselves and the proposed distribution by them as shall be necessary in order to assure compliance with Applicable Securities Laws.

(d) In connection with each registration pursuant to Section 3.1 and Section 3.2 covering an Underwritten Public Offering, the Company agrees to enter into such customary agreements (including underwriting agreements) as the managing underwriter selected in the manner herein provided may request in such form and containing such provisions as are customary in the securities business for such an arrangement between major underwriters and companies of the Company's size and investment stature, provided that such agreement shall not contain any such provision applicable to the Company which is inconsistent with the provisions hereof.

(e) Any Holder receiving any written notice from the Company regarding the Company's plans to file a registration statement shall treat such notice confidentially and shall not disclose such information to any Person other than as necessary to exercise its rights under this Agreement; provided, however, that such Holder may disclose such notice in its reasonable discretion for the purpose of seeking additional insurance coverage for its directors and officers and for purposes of fund reporting or inter-fund reporting or to its fund manager, other funds managed by its fund manager or their respective Affiliates, advisors, consultants, auditors, directors, officers, employees, shareholders, investors and insurers.

Section 3.5. Expenses. All expenses incurred in complying with Section 3.1, Section 3.2, Section 3.3 and Section 3.4, including, without limitation, all registration and filing fees, fees and expenses of compliance with securities and blue sky laws, fees and expenses in connection with any listing of the Ordinary Shares on a securities exchange or inter-dealer quotation system, printing expenses, fees and disbursements of counsel and independent public accountants for the Company and the fees and disbursements of the underwriters, fees of the United States Financial Industry Regulatory Authority (FINRA), transfer taxes, fees of transfer agents and registrars and costs of insurance and the reasonable fees and expenses of one counsel for the selling Holder(s), but excluding any Selling Expenses, are herein called "Registration Expenses". The Company will pay all Registration Expenses in connection with each registration statement filed pursuant to Section 3.1, Section 3.2, Section 3.3 and Section 3.4, provided, however, that the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 3.1 if the registration request is subsequently withdrawn at the request of the Holders, unless the Holders agree to forfeit their right to one registration pursuant to Section 3.1; provided further, that if at the time of such withdrawal, the Holders have learned of a material adverse change in the condition, business or prospects of the Company from that known to the Holders at the time of its request and has withdrawn the request with reasonable promptness following disclosure by the Company of such material adverse change, then the Holders shall not be required to pay any of such expenses. All Selling Expenses incurred in connection with any sale of Registrable Shares by any participating Holder shall be borne by such Holder, or by such persons other than the Company (except to the extent that the Company shall be a seller) as they may agree.

### Section 3.6. Indemnification.

(a) In the event of a registration of any of the Registrable Shares under the Securities Act pursuant to Section 3.1, Section 3.2 or Section 3.3, the Company will indemnify and hold harmless each selling Holder thereunder and its officers, directors, shareholders, accountants and legal counsel and each other Person, if any, who controls such Holder within the meaning of the Securities Act, against any and all losses, claims, damages, expenses or liabilities, joint or several, to which such Person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which the Registrable Shares were registered under the Securities Act pursuant to Section 3.1, Section 3.2 or Section 3.3, any preliminary prospectus or final prospectus contained therein, any amendment or supplement thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each such Person for any legal or other expenses reasonably incurred by it in connection with investigating or defending any such loss, claim, damage, liability, expense or action; provided, however, that the Company will not be liable in any such case if and to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished by such Person in writing specifically for use in such registration statement or prospectus nor for amounts paid in settlement of any claim or proceeding if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld.

(b) In the event of a registration of any of the Registrable Shares under the Securities Act pursuant to Section 3.1, Section 3.2 or Section 3.3, each selling Holder will severally and not jointly indemnify and hold harmless the Company, each director or officer of the Company who signs the registration statement, and each Person, if any, who controls the Company within the meaning of the Securities Act, against all losses, claims, damages, expenses or liabilities, to which the Company or such director or officer or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages, expenses or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the registration statement under which such Registrable Shares was registered under the Securities Act pursuant to Section 3.1, Section 3.2 or Section 3.3, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Company and each such director, officer and controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that such Holder will be liable hereunder in any such case if and only to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with information pertaining to such Holder, as such, furnished in writing to the Company by such Holder specifically for use in such registration statement or prospectus; provided, further, however, that the liability of such Holder hereunder shall be limited to the proportion of any such loss, claim, damage, liability or expense which is equal to the proportion that the public offering price of the shares sold by such Holder under such registration statement bears to the total public offering price of all securities sold thereunder, but not to exceed the proceeds received by such Holder from the sale of Registrable Shares covered by such registration statement.

(c) Promptly after receipt by an indemnified party hereunder of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party hereunder, notify the indemnifying party in writing thereof. In case any such action shall be brought against any indemnified party, the indemnified party shall notify the indemnifying party of the commencement thereof and the indemnifying party shall be entitled to participate in and, to the extent it shall wish, to assume and undertake the defense thereof with counsel reasonably satisfactory to such indemnified party. After notice from the indemnifying party to such indemnified party of its election to assume and undertake the defense thereof, the indemnifying party shall not be liable to such indemnified party under this Section 3.6 for any legal expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation and of liaison with counsel so selected; provided, however, that, if the indemnified party shall have reasonably concluded that there may be reasonable defenses available to it which are different from or additional to those available to the other party or parties thereto or if the interests of the indemnified party may reasonably be deemed to conflict with the interests of the other party or parties thereto, the indemnified party shall have the right to select a separate counsel and to assume such legal defenses and otherwise to participate in the defense of such action, with the expenses and fees of such separate counsel and other expenses related to such participation to be reimbursed by the indemnifying party as incurred. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party, to the extent so prejudiced, of any liability to the indemnified party under this Section 3.6, but the omission to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party other than under this Section 3.6.

(d) It is understood that the indemnifying party shall not, in connection with any action or related actions in the same jurisdiction, be liable for the fees and disbursements of more than one separate firm qualified in such jurisdiction to act as counsel for the indemnified party. The indemnifying party shall not (i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding, or (ii) be liable for any settlement of any proceeding effected without its written consent (which consent shall not be unreasonably withheld), but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. If the indemnification provided for in Section 3.6(a) and Section 3.6(b) is unavailable to or insufficient to hold harmless an indemnified party under such paragraphs in respect of any losses, claims, damages or liabilities or actions referred to therein, then each indemnifying party shall in lieu of indemnifying such indemnified party contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or actions in such proportion as appropriate to reflect the relative fault of the Company, on the one hand, and the selling Holders, on the other, in connection with the statement or omissions which resulted in such losses, claims, damages, liabilities or actions, as well as any other relevant equitable considerations including, without limitation, the failure to give any notice under Section 3.6(b). The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, on the one hand, or by the selling Holders, on the other hand, and to the Parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(e) The Company and the Holders agree that it would not be just and equitable if contribution pursuant to this Section 3.6 were determined by any method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or action referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this and the immediately preceding paragraph, the selling Holders shall not be required to contribute any amount in excess of the amount, if any, by which the net proceeds received by the Holders exceeds the amount of any damages which they would have otherwise been required to pay by reason of such untrue or alleged untrue statement or omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation. The indemnification of underwriters provided for in this Section 3.6 shall be on such other terms and conditions as are at the time customary and reasonably required by such underwriters and the indemnification of the selling Holders in such underwriting shall, at the selling Holders' request, be modified to conform to such terms and conditions.

(f) The indemnification provided for under this Agreement will remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling person of such indemnified party and will survive the Transfer of securities and completion of any offering of Registrable Shares in a registration statement under this Agreement.

(g) To the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the Underwritten Public Offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

Section 3.7. Rule 144 Reporting. With a view to making available to the Holders the benefits of Rule 144 promulgated under the Securities Act and any comparable provision of any Applicable Securities Laws that may at any time permit the Holders to sell securities of the Company to the public without registration or pursuant to a registration statement on Form F-3 or Form S-3 (or any comparable form in a jurisdiction other than the United States), the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144 (or comparable provision, if any, under Applicable Securities Laws in any jurisdiction where the Company's securities are listed), at all times following ninety (90) days after the effective date of the first registration under the Securities Act filed by the Company for an offering of its securities to the general public;



(b) file with the Commission in a timely manner all reports and other documents required of the Company under all Applicable Securities Laws; and

(c) at any time following ninety (90) days after the effective date of the first registration under the Securities Act filed by the Company for an offering of its securities to the general public by the Company, promptly furnish to any Holder, upon request (i) if true, a written statement by the Company that it has complied with the reporting requirements of all Applicable Securities Laws at any time after it has become subject to such reporting requirements or, at any time after so qualified, that it qualifies as a registrant whose securities may be resold pursuant to Form F-3 or Form S-3 (or any form comparable thereto under Applicable Securities Laws of any jurisdiction where the Company's securities are listed), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents as may be filed by the Company with the Commission, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the Commission, that permits the selling of any such securities without registration or pursuant to registration statement on Form F-3 or Form S-3 (or any form comparable thereto under Applicable Securities Laws of any jurisdiction where the Company's Ordinary Shares are listed).

Section 3.8. Assignment of Registration Rights. The Registration Rights may not be assigned by a Holder except in connection with a Transfer of Registrable Shares and otherwise in accordance with this Section 3.8. In connection with a Transfer of Registrable Shares, the transferring Holder may assign the Registration Rights, together with all related obligations under Article III, in respect of the Registrable Shares so transferred, to the transferee of such Registrable Shares, provided that (i) the number of Registrable Shares held by such transferee as of immediately following such transfer is more than five percent (5%) of the total number of the then issued and outstanding Registrable Shares, and (ii) the Permitted Transferee, if not already a party hereto (whether as an original party or by way of executing and delivering an adherence agreement in substantially the form set out in Schedule 1 hereto), shall have executed and delivered to the Company a document in a form reasonably acceptable to the Company pursuant to which such transferee agrees and undertakes to be bound by the provisions of this Article III as a Holder.

Section 3.9. Termination of Registration Rights. The provisions of Article III shall terminate and cease to have any force or effect upon the earlier of (i) the fifth (5<sup>th</sup>) anniversary of the Closing, and (ii) such time as all Registrable Shares may be sold in a period of three (3) months pursuant to Rule 144.

Section 3.10. Other Registration Rights. Except as provided in this Agreement, the Company will not grant to any person the right to request the Company to register any Equity Securities if the Holder's exercise of its right pursuant to terms under this Article III will be prejudiced.

**ARTICLE IV  
TRANSFER RESTRICTIONS**

Section 4.1. General Restrictions. The Investor may not, and shall cause its Affiliates to not, Transfer any Subject Shares unless such Transfer is conducted in compliance with all applicable Laws, this Agreement and the Articles. Any Transfer or attempted Transfer of any Subject Shares not made in compliance with this Article IV shall be null and void ab initio, and the purported transferee in any such Transfer shall not be treated (and the purported transferor shall continue to be treated) as the owner of such Subject Shares for all purposes of this Agreement and the Articles.

Section 4.2. Lock-Up. The Investor shall not, and shall cause its Affiliates not to, Transfer any Subject Shares without the prior written consent of the Company prior to the Lock-Up Termination Date, other than:

(a) Transfer to a Qualified Investor Group Member (a "Permitted Transferee"), provided that (i) the transferee shall agree to be bound by the terms of this Agreement by executing and delivering to the Company an adherence agreement in substantially the form set out in Schedule 1 hereto and (ii) in the event such transferee ceases to be a Permitted Transferee prior to the Lock-Up Termination Date, the transferee shall Transfer back all of the relevant Subject Shares (excluding any relevant Subject Shares which have been Transferred by such transferee as permitted under other subsections of this Section 4.2) to the Investor or another Qualified Investor Group Member in compliance with this Section 4.2;

(b) Transfer required by Laws applicable to the Investor that come into effect after the Closing, provided that the Investor shall, prior to effecting the proposed Transfer, deliver an opinion of counsel reasonably satisfactory to the Company setting out the basis for the requirement under applicable Law and the applicability thereof to the Investor and it being agreed that if Transferring the relevant Subject Shares to a Qualified Investor Group Member would result in compliance with such requirements of Laws, then the Investor shall Transfer such Subject Shares to a Qualified Investor Group Member pursuant to Section 4.2(a) and not this Section 4.2(b);

(c) Transfer on and from May 1, 2024 if the Platform and Software Collaboration Agreement has not been executed by April 30, 2024;

(d) Transfer in the event that the total shareholding of the Investor and its Affiliates becomes 10% or more of the Company Total Share Number solely due to the Company's repurchase, redemption, or change of its share capital, provided that such Transfer may be made only to the extent that, absent other Transfers permitted under this Agreement, the Investor and its Affiliates will collectively hold approximately 9.99% of the Company Total Share Number, and the Investor will use its commercially reasonable efforts to Transfer as soon as practicable to the extent that the total shareholding of the Investor and its Affiliates immediately after the Transfer is as close to 9.99% of the Company Total Share Number as reasonably possible, provided that the Company has promptly provided the Share Information in accordance with Section 5.4;

(e) Transfer in the event that any Transaction Document or Collaboration Document is terminated according to the terms thereof (other than due to a breach by the Investor and/or its Affiliates and other than due to the expiration of the duration of any Transaction Document or Collaboration Document according to its terms);

(f) Transfer in the event that there has been a material breach by the Company and/or its Affiliate under the Transaction Documents or the Collaboration Documents and such breach has not been cured within thirty (30) days (with respect to the Transaction Documents) or sixty (60) days (with respect to the Collaboration Documents) after the written notice from the Investor and/or its Affiliates;

(g) Transfer if a Sanctions Event has occurred provided that:

(i) the Investor shall have first sent a Sanctions Event Notice to the Company stating the basis on which it believes a Sanctions Event has occurred and its bona fide intention to Transfer;

(ii) the applicable Group Company or Affiliate shall have the right to remedy the Sanctions Event, if it is capable of remedy, for a period of 60 Business Days following the date of the Sanctions Event Notice; and

(iii) the Sanctions Event (if capable of remedy) is not remedied to the satisfaction of the Investor (not to be unreasonably withheld) during such 60 Business Days, or is incapable of being remedied; or

(h) Transfer pursuant to a bona fide tender offer, merger, consolidation or other similar transaction (i) that is approved by the Board and made available to all holders of the Company's share capital and (ii) the completion of which, will result in the Founder not Beneficially Owning a number of shares representing at least 50.01% of the aggregate voting power of the total issued and outstanding share capital of, or otherwise Controlling, the relevant acquiring or surviving entity pursuant to such transaction.

For the avoidance of doubt, in the case of Transfer under the sub-clauses of this Section 4.2 (except Section 4.2(a)), the subsequent Transfers of the relevant Subject Shares that had been Transferred in compliance with such sub-clauses shall not be subject to any consent of the Company as provided in this Section 4.2.

Section 4.3. Restrictive Legend. In addition to any other legend that may be required, each certificate (if any) representing the Subject Shares shall be stamped or otherwise imprinted with legends substantially in the following form (in addition to any legend required under applicable Laws):

“THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (AS AMENDED, THE “SECURITIES ACT”) OR UNDER THE SECURITIES LAWS OF ANY OTHER JURISDICTIONS. THESE SECURITIES MAY NOT BE TRANSFERRED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR (B) AN EXEMPTION OR QUALIFICATION UNDER APPLICABLE SECURITIES LAWS. ANY ATTEMPT TO TRANSFER, SELL, PLEDGE OR HYPOTHECATE THIS SECURITY IN VIOLATION OF THESE RESTRICTIONS SHALL BE VOID.

THE SALE, PLEDGE, HYPOTHECATION, ASSIGNMENT OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS OF THE INVESTOR RIGHTS AGREEMENT, DATED [•], 2023, BY AND BETWEEN THE COMPANY AND THE HOLDER OF THE SECURITIES. BY ACCEPTING ANY INTEREST IN SUCH SHARES THE PERSON ACCEPTING SUCH INTEREST SHALL BE DEEMED TO AGREE TO AND SHALL BECOME BOUND BY ALL PROVISIONS OF THE SAID AGREEMENT AS APPLICABLE.”

The Investor agrees and consents to the entry of stop transfer instructions with the Company’s transfer agent and registrar against the Transfer of Subject Shares except in compliance with the restrictions set forth in this Section 4.3.

## ARTICLE V CERTAIN COVENANTS

Section 5.1. [Intentionally left blank]

Section 5.2. Share Deposit and Conversion between ADSs and Ordinary Shares. From the date that relevant Subject Shares can be Transferred under Section 4.2 or otherwise on or after the Lock-Up Termination Date:

(a) Upon the written request of any Holder, the Company shall promptly facilitate and consent to:

(i) the transfer of the relevant Subject Shares held by such Holder to the Hong Kong branch register of members of the Company;

(ii) the deposit of the relevant Subject Shares held by such Holder with (x) the U.S. depository for the issuance of ADSs in accordance with the applicable deposit agreement in connection with the Company’s ADS program; or (y) CCASS; and

(iii) the conversion between ADSs and Class A Ordinary Shares with respect to the Subject Shares held by such Holder for the purposes of changing the trading venue between the New York Stock Exchange and the Hong Kong Stock Exchange.

(b) The Company agrees to execute, deliver and provide such instruments and documents, and carry out all other actions, as may be reasonably requested or required by the depository, HKSCC, the requesting Holder or its securities broker, in order to complete the transactions contemplated under Section 5.2(a).

(c) The requesting Holder shall bear, and shall promptly reimburse the Company for, all fees, costs and expenses (to the extent that such types of fees, costs and expenses are also applicable to other shareholders of the Company who are not directors, officers or employees of the Group Companies) incurred by the Company in connection with the transactions contemplated under Section 5.2(a) and Section 5.2(b).

Before the relevant Subject Shares can be Transferred under Section 4.2, in the event that the Transfer under Section 4.2 can be reasonably expected to be made soon, the Company and the Holder will discuss in good faith to complete the share deposit and conversion between ADSs and Class A Ordinary Shares by the time the relevant Subject Shares can be Transferred.

Section 5.3. Share Capital Notification by the Company. The Company shall give the Investor written notice reasonably in advance of (a) any proposed issuance of Ordinary Shares that would reasonably be expected to, assuming the Qualified Investor Group Members continue to hold the same aggregate number of Class A Ordinary Shares (including Class A Ordinary Shares represented by ADSs) as was last known to the Company, result in the 3% Threshold or the 5% Threshold not being met, and (b) any proposed repurchase, redemption or cancellation of Ordinary Shares that would, assuming the Investor and its Affiliates continue to hold the same aggregate number of Class A Ordinary Shares (including Class A Ordinary Shares represented by ADSs) as was last known to the Company, reasonably be expected to result in the Investor and its Affiliates' holdings in the Company becoming 10% or more of the Company Total Share Number, in each case of (a) and (b), to the extent the plan for such issuance, repurchase, redemption or cancellation has not already been publicly disclosed in the Company's filings with the SEC or HKEX.

Section 5.4. Prompt Disclosure. The Company shall disclose (i) any material non-public information related to the Group (including but not limited to the termination of any Transaction Document or Collaboration Document other than due to the expiry of the term of any Transaction Document or Collaboration Document) and (ii) any other information (including but not limited to the number of the share capital of the Company), in each case of (i) and (ii), if and when required to be disclosed by the Company under applicable Laws including the rules and regulations of NYSE and HKEX.

Section 5.5. Founder's Undertakings. The Company irrevocably and unconditionally undertakes to the Investor that:

(a) it shall promptly notify the Investor in writing with all reasonable details, provide the Investor with all relevant information it is aware of and documents in its possession, and deliver to the Investor all written notices or communications it receives, in respect of any fact, matter or circumstance which is reasonably likely to give rise or has given rise to any breach of any obligation by the Founder under the Founder-Company Undertaking, and any claims, demands, disputes and/or proceedings relating thereto provided that the Company shall not be obligated to provide any information to the Investor, which, if provided, could result in the loss of the attorney-client privilege between the Company or any of its Subsidiaries and their respective counsel, in the good faith determination of the Board based on the opinion of counsel;

(b) it shall, at all times, diligently enforce its rights and the Founder's obligations under the Founder-Company Undertaking;

(c) it shall not terminate, amend, modify or vary in any way the terms of the Founder-Company Undertaking or grant any consent to, waive or defer or give any consent under or pursuant to, (or purport to grant any consent to, waive or defer or give any consent under or pursuant to) any provisions or rights or obligations thereunder; and

(d) it shall not transfer, novate, assign or otherwise alienate any of its rights under the Founder-Company Undertaking (or do anything which has a similar effect).

## ARTICLE VI MISCELLANEOUS

Section 6.1. Share Subdivision, Share Dividend and Similar Events; ADSs. Upon any share subdivision, share dividend, share consolidations, recapitalization or other similar event of the share capital of the Company, all references to the per share price and number of shares in this Agreement, for purposes of determining the availability of any rights of the Investor under this Agreement, shall be deemed to have been proportionally adjusted based on such event. Any reference to number of shares shall be deemed to include any such shares that are represented by ADSs.

Section 6.2. Effectiveness; Termination.

(a) This Agreement shall become effective only upon the Closing with respect to all of the Parties other than the Investor Nominee, and the Investor Nominee shall be deemed to have been removed as a party to this Agreement prior to the effectiveness of this Agreement; provided that in the event the Investor Nominee Assumption has occurred pursuant to Section 4.4 of the Share Purchase Agreement, this Agreement shall become effective only upon the Closing with respect to all of the Parties other than the Investor, and the Investor shall be deemed to have been removed as a party to this Agreement prior to the effectiveness of this Agreement and all references in this Agreement to the Investor must be read and construed as referring to the Investor Nominee. Notwithstanding anything herein to the contrary, this Agreement shall not have any force or effect prior to the Closing, and shall automatically terminate in its entirety and be *void ab initio* upon the termination of the Share Purchase Agreement without the Closing having occurred. A Party who is removed as a party hereto pursuant to this Section 6.2(a) shall have no rights or obligations hereunder, unless subsequently again made a party hereto in accordance with the terms herein.

(b) This Agreement shall terminate and have no further force and effect upon the earlier of (i) the mutual written consent of the Parties and (ii) the date on which the Qualified Investor Group Members collectively no longer Beneficially Own any Ordinary Shares; provided that (a) nothing herein shall release any such Party from liability for any breach of this Agreement occurring prior to such termination, (b) the provisions of Article VI shall survive any termination of this Agreement, (c) a termination of this Agreement pursuant to this Section 6.2(b) shall not affect the continued effectiveness, if applicable, of Article III, which shall terminate only in accordance with Section 3.9.

Section 6.3. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

Section 6.4. Dispute Resolution. Any dispute arising out of or in any way relating to this Agreement shall be submitted to the Hong Kong International Arbitration Centre (“HKIAC”) and resolved in accordance with the Arbitration Rules of HKIAC in force at the relevant time (the “HKIAC Rules”). The arbitral tribunal shall be constituted of three (3) arbitrators. The Company shall have the right to appoint one arbitrator, the Investor, shall have the right to appoint the second arbitrator and the third arbitrator shall be appointed by the HKIAC. The seat of arbitration shall be in Hong Kong. The language of arbitration shall be English. The award of the arbitration tribunal shall be final and binding upon the parties thereto. Any party to an award may apply to any court of competent jurisdiction for enforcement of such award and, for purposes of the enforcement of such award, the Parties irrevocably and unconditionally submit to the jurisdiction of any court of competent jurisdiction and waive any defenses to such enforcement based on lack of personal jurisdiction or inconvenient forum. During the course of the arbitral tribunal’s adjudication of the dispute, this Agreement shall continue to be performed except with respect to the part in dispute and under adjudication. Nothing in this Section 6.4 shall be construed as preventing any Party from seeking conservatory or interim relief (including injunction, specific performance or other similar or comparable forms of equitable relief) from any court of competent jurisdiction pending final determination of the dispute by the arbitral tribunal.

Section 6.5. Specific Performance. Each Party acknowledges that money damages may not be an adequate remedy in the event that any of the covenants or agreements in this Agreement are not performed in accordance with its terms, and it is therefore agreed that in addition to and without limitation to any other remedy or right it may have, the non-breaching Party will have the right to seek an injunction, temporary restraining order or other equitable or non-monetary relief in any court of competent jurisdiction enjoining any such breach and enforcing specifically the terms and provisions hereof.

Section 6.6. Entire Agreement. This Agreement (including the schedules and exhibits hereto) and other Transaction Documents and Collaboration Documents contain the entire agreement between the Parties with respect to the subject matter hereof and thereof and supersede all prior agreements, understandings, representations and warranties, whether written or oral, between the Parties with respect to the subject matter hereof and thereof.

Section 6.7. Successors and Assigns. This Agreement will be binding upon and inure solely to the benefit of the Parties and their respective successors and permitted assigns. No Party may assign this Agreement or any of its rights, interests or obligations hereunder without the prior written consent of the other Parties, except that the Investor may assign its rights, interests or obligations hereunder in connection with a Transfer permitted hereunder; provided that (i) the Investor Director Nomination Right and the Investor Observer Appointment Right may only be assigned in accordance with Section 2.6 and (ii) the Registration Rights may only be assigned in accordance with Section 3.8; provided further that any such assignment does not relieve the assigning Party of its obligations hereunder.

Section 6.8. No Third Party Beneficiary; No Partnership. A Person who is not a party to this Agreement shall not have any right under this Agreement, nor shall any such Person be entitled to enforce any provision of this Agreement. Nothing in this Agreement shall be deemed to constitute a partnership between the Parties.

Section 6.9. Expenses. Except as otherwise provided herein, each Party will bear its own legal, accounting and other costs and expenses incurred by such Party in connection with the negotiation, execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby.

Section 6.10. Notices. All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing in the English language and shall be deemed duly given (a) on the date of delivery if delivered personally, (b) on the second Business Day following the date of dispatch if delivered by a nationally recognized next-day courier service, or (c) if given by electronic mail, when such electronic mail is sent. All notices hereunder to a Party shall be sent to the applicable address of such Party set forth below (or such other address as such Party may have notified the other Parties in writing not less than five (5) Business Days in advance):

If to the Company, to:

No. 8 Songgang Road, Changxing Street  
Cencun, Tianhe District, Guangzhou  
Guangdong 510640, China  
Attention: Yeqing Zheng  
Email: [REDACTED]

with a required copy (which shall not constitute notice) to:

Simpson Thacher & Bartlett LLP  
3919 China World Center  
1 Jianguomenwai Avenue  
Beijing, 100004, China  
Attention: Yang Wang  
Facsimile: [REDACTED]  
Email: [REDACTED]

If to the Investor, to:

Building 1, No. 12 Qisheng Mid Street  
Chaoyang District, Beijing 100028, P. R. China  
Attention: Mr. Stefan Mecha  
Email: [REDACTED]

with a required copy (which shall not constitute notice) to:

Clifford Chance LLP  
25/F, HKRI Centre Tower 2, HKRI Taikoo Hui  
288 Shi Men Yi Road  
Shanghai 200041  
The People's Republic of China  
Attention: Kelly Gregory / Virginia Lee  
Email: [REDACTED]



If to the Investor Nominee, to:

19/21 route d'Arlon, Block B  
L-8009 Strassen  
Luxemburg  
Attention: Mr. Frank Mitschke  
Email: [REDACTED]

with a required copy (which shall not constitute notice) to:

Clifford Chance LLP  
25/F, HKRI Centre Tower 2, HKRI Taikoo Hui  
288 Shi Men Yi Road  
Shanghai 200041  
The People's Republic of China  
Attention: Kelly Gregory / Virginia Lee  
Email: [REDACTED]

Section 6.11. Amendment and Waivers. This Agreement may be amended only with the written consent of each of the Investor and the Company. Any waiver of any provision of this Agreement must be in a written form duly executed by the Party against whom such waiver is to be enforced. Any amendment or waiver effected in accordance with this Section 6.11 shall be binding upon the respective successors and permitted assigns of the Parties.

Section 6.12. Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any Party, upon any breach or default of any other Party under this Agreement, shall impair any such right, power or remedy of such Party, nor shall it be construed to be a waiver of any such breach or default, or of an acquiescence therein, or of any similar breach or default thereafter occurring; nor shall it be construed to be any waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any Party of any breach or default under this Agreement or any waiver on the part of any Party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any Party, shall be cumulative and not alternative.

Section 6.13. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. Facsimile and e-mailed copies of signatures in portable document format (PDF) shall be deemed to be originals for purposes of the effectiveness of this Agreement.

Section 6.14. Severability. If any provision of this Agreement is found to be illegal, invalid or unenforceable, then such provision shall be construed, to the extent feasible, so as to render the provision enforceable and to provide for the consummation of the transactions contemplated hereby on substantially the same terms as originally set forth herein, and if no feasible interpretation would save such provision, it shall be severed from the remainder of this Agreement, which shall remain in full force and effect unless the severed provision is essential to the rights or benefits intended by the Parties. In such event, the Parties shall use their reasonable best efforts to negotiate, in good faith, a substitute, valid and enforceable provision or agreement which most nearly reflects the Parties' intent in entering into this Agreement.

Section 6.15. Confidentiality.

(a) The existence of the Transaction Documents and the Collaboration Documents and the terms and conditions of the transactions contemplated thereunder and any information furnished to the Investor or its Representatives by or on behalf of the Company or its Representatives pursuant to this Agreement (including information provided to the Investor Observer pursuant to Section 2.3(b)) are confidential information (the “Confidential Information”) and shall not be disclosed by any Party to any third party except in accordance with the provisions set forth in this Section 6.15; provided that the following shall not be considered Confidential Information for purposes hereof: (i) any information that comes into the public domain other than by reason of a breach of the confidentiality obligations hereunder by such Party, (ii) any information that is already in the possession of such Party or its Representatives at the time the information was disclosed to such Party by or on behalf of the other Party, (iii) any information acquired by such Party from a source other than the other Party or its Representatives, which source, to the knowledge of the receiving Party, is not in breach of any obligation owed to any Person in respect of such disclosure, (iv) any information independently developed by such Party or its Representatives without using or making reference to any confidential information, and (v) any information agreed in writing by the other Party not to be confidential.

(b) Notwithstanding Section 6.15(a), (i) in the event that any Party is requested by any Governmental Authority or becomes legally compelled (including, without limitation, pursuant to securities laws and regulations or in connection with any legal, judicial, arbitration or administrative proceedings) to disclose any Confidential Information, such Party (the “Disclosing Party”) shall, to the extent practicable and permitted by applicable Laws, provide the other Party (the “Non-Disclosing Party”) with prompt written notice of that fact and use reasonable efforts to seek (with the cooperation and reasonable efforts of the other Party), at the Disclosing Party’s costs, a protective order (in any event without initiating any litigation or similar proceedings), confidential treatment or other appropriate remedy with respect to the information which is requested or legally required to be disclosed. In such event, the Disclosing Party shall furnish only that portion of the information which is requested or legally required to be disclosed and shall exercise reasonable efforts to keep confidential such information to the extent reasonably requested by any Non-Disclosing Party, and (ii) each of the Company and the Investor may disclose the Confidential Information to its Representatives on a need-to-know basis, provided that each such recipient shall either be subject to professional obligations to keep such information confidential or confidentiality obligations that are as restrictive as this Section 6.15 and that the Company or the Investor, as applicable, shall be liable for any breach of confidentiality obligations by its recipients.

Section 6.16. Headings and Schedules. The Section, Article and other headings contained in this Agreement are inserted for convenience of reference only and will not affect the meaning or interpretation of this Agreement. The schedules referred to herein are attached hereto and incorporated herein by this reference.

Section 6.17. Interpretation; Absence of Presumption.

(a) For the purposes hereof: (i) words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other gender as the context requires; (ii) the terms “hereof,” “herein,” and “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole (including all of the Schedules) and not to any particular provision of this Agreement, and Article, Section, paragraph, and Schedule references are to the Articles, Sections, paragraphs, and Schedules to this Agreement unless otherwise specified; (iii) the word “including” and words of similar import when used in this Agreement shall mean “including, without limitation,” unless the context otherwise requires or unless otherwise specified; and (iv) the word “or,” “any” or “either” shall not be exclusive. References to a Person are also to its permitted assigns and successors. When calculating the period of time between which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded (and unless, otherwise required by Law, if the last day of such period is not a Business Day, the period in question shall end on the next succeeding Business Day). Unless otherwise expressly provided herein, any statute or law defined or referred to herein means such statute or law as from time to time amended, modified or supplemented, including by succession of comparable successor statutes.

(b) With regard to each and every term and condition of this Agreement and any and all agreements and instruments subject to the terms hereof, the Parties understand and agree that the same have or has been mutually negotiated, prepared and drafted, and if at any time the Parties desire or are required to interpret or construe any such term or condition or any agreement or instrument subject hereto, no consideration will be given to the issue of which Party actually prepared, drafted or requested any term or condition of this Agreement or any agreement or instrument subject hereto. Each Party agrees that this Agreement has been purposefully drawn and correctly reflects its understanding of the transactions contemplated by this Agreement and, therefore, waives the application of any law, regulation, holding or rule of construction providing that ambiguities in an agreement or other document will be construed against the Party drafting such agreement or document.

Section 6.18. Conflict with Articles. In the event of any conflict or inconsistency between the provisions of this Agreement and the Articles, the Parties shall, notwithstanding such conflict or inconsistency, act so as to effect the intent of this Agreement to the greatest extent possible under the circumstances, without giving rise to any breach or violation of the provisions of the Articles or applicable Law. For so long as the 3% Threshold is met, the Company shall not amend the existing Articles in any manner (or take any similar action) that would adversely affect in any material respect the Investor’s rights hereunder or the Company’s ability to comply with its obligations hereunder.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, The Parties have caused their respective duly authorized representatives to execute this Agreement as of the date first written above.

**COMPANY**

XPENG INC.

By: /s/ Xiaopeng He

Name: Xiaopeng He

Title: Director

IN WITNESS WHEREOF, The Parties have caused their respective duly authorized representatives to execute this Agreement as of the date first written above.

**INVESTOR**

Volkswagen (China) Investment Co., Ltd. (大众  
汽车 (中国) 投资有限公司)

By: /s/ Ralf Brandstätter

Name: Ralf Brandstätter

Title: Chairman and CEO of  
Volkswagen Group China

By: /s/ Stefan Mecha

Name: Stefan Mecha

Title: CEO of Volkswagen China  
Passenger Cars Brand  
Head of Group Sales of Volkswagen  
Group China

IN WITNESS WHEREOF, The Parties have caused their respective duly authorized representatives to execute this Agreement as of the date first written above.

**INVESTOR NOMINEE**

Volkswagen Finance Luxemburg S.A.

By: /s/ Frank Mitschke  
Name: Frank Mitschke  
Title: Managing Director

By: /s/ Julie Roeser  
Name: Julie Roeser  
Title: Daily Business Manager

**SHARE PURCHASE AGREEMENT**

**dated as of August 27, 2023**

**by and among**

**XPeng Inc.**

**DiDi Global Inc.**

**and**

**Da Vinci Auto Co. Limited**

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## SHARE PURCHASE AGREEMENT

THIS SHARE PURCHASE AGREEMENT (this “**Agreement**”), dated as of August 27, 2023, is made by and among XPeng Inc., an exempted company with limited liability incorporated under the Laws of the Cayman Islands (the “**Purchaser**”), DiDi Global Inc., an exempted company with limited liability incorporated under the Laws of the Cayman Islands (the “**Seller**”) and Da Vinci Auto Co. Limited, an exempted company with limited liability incorporated under the Laws of the Cayman Islands and a wholly owned subsidiary of the Seller (the “**Target HoldCo**” and, collectively with the Purchaser and the Seller, the “**Parties**” and each a “**Party**”).

### RECITALS

**WHEREAS**, the Seller owns certain smart auto business that develops, designs and engineers A-class automobile vehicles named “Mona” (“**Mona**”) (such business, as currently conducted directly or indirectly by the Seller Group, the “**Business**”), and the members of the Seller Group own and/or operate the Business as of the date hereof;

**WHEREAS**, as of the date hereof and immediately prior to the Initial Closing, the Target HoldCo owns the total issued and outstanding shares in Xiaoju Smart Auto Co. Limited (the “**Target**”), and the Seller intends to undertake a series of restructuring and reorganization steps, prior to the Initial Closing and as described in the Reorganization Plan on Exhibit A hereto, as updated from time to time pursuant to Section 7.01(c) (the “**Reorganization Plan**”), and such other steps may be mutually agreed in writing between the Parties in connection with the transactions contemplated by this Agreement, (collectively, the “**Reorganization**”), such that, immediately prior to the Initial Closing, the Target and its Subsidiaries (together with the Target, the “**Target Group**”) would, except for being reorganized into the Target Group, own all Business Assets and operate the Business as conducted as of the date hereof and independently on a standalone basis (except for any transition services or similar services contemplated by the Transaction Documents);

**WHEREAS**, Target HoldCo desires to, and the Seller desires to cause the Target HoldCo to, sell and deliver to the Purchaser, and the Purchaser desires to purchase and acquire from the Target HoldCo, upon and subject to the terms and conditions set forth in this Agreement, the total issued and outstanding shares in the Target (the “**Target Shares**”) owned by the Target HoldCo as the sole legal owner and representing indirect ownership of the Business upon the completion of the Reorganization and as of the Initial Closing (such purchase and acquisition, the “**Acquisition of Business**”);

**WHEREAS**, in consideration of the Acquisition of Business, the Purchaser desires to issue, allot, sell and deliver to the Seller or a Seller Designee, and the Seller desires to purchase and acquire from the Purchaser, or cause a Seller Designee to purchase and acquire from the Purchaser, upon and subject to the terms and subject to the conditions set forth in this Agreement, certain Class A Ordinary Shares; and

**WHEREAS**, concurrently with the Parties’ execution and delivery of this Agreement, the Purchaser and the Seller (i) have entered into a Strategic Cooperation Agreement with the Purchaser (the “**Strategic Cooperation Agreement**”), in the form as attached hereto as Annex A, which contemplates certain business cooperation between the Parties and/or their Affiliates, as applicable, including the development by the Purchaser of Mona with the Business Assets and technology support from the Seller Group; (ii) contemplate to enter into, before the Initial Closing, an Patent Licensing Agreement (the “**Patent Licensing Agreement**”), in the form as attached hereto as Annex B, which contemplates licensing of intellectual properties by the Seller and/or its Affiliates to the Purchaser and/or its Affiliates after the Initial Closing; and (iii) contemplate to enter into, before the Initial Closing, a Technology Service Agreement (the “**Technology Service Agreement**”), which contemplates provision of technology services by the Seller and/or its Affiliates to the Purchaser and/or its Affiliates after the Initial Closing.

**NOW, THEREFORE**, in consideration of the premises set forth above, the mutual promises and covenants set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Purchaser, the Seller and the Target HoldCo hereby agree as follows:

## **ARTICLE I DEFINITIONS AND INTERPRETATION**

Section 1.01 Definitions. In this Agreement, except to the extent otherwise provided or that the context otherwise requires:

“**2019 Equity Incentive Plan**” means the equity incentive plan of the Purchaser approved and adopted in June 2020, as amended and restated in August 2020;

“**Acquisition of Business**” has the meaning set forth in the Recitals;

“**Active Driver**” means the individual ridesharing driver who (i) purchased a Mona Operation Model; and (ii) has completed at least one DiDi Transaction during the past twelve-month period as of the date of delivery of Mona Operation Model to such driver;

“**Active Operation Mona**” means the Mona Operation Model that is registered with any DiDi Platform for ridesharing and has been used to perform at least one DiDi Transaction within the six-month period after the date of delivery of such vehicle;

“**ADS**” means the American Depositary Shares of the Purchaser, each of which represents as of the date hereof two (2) Class A Ordinary Shares;

“**Affiliate**” means, with respect to any specified Person, any other Person that directly, or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such specified Person. For the avoidance of doubt, Target Entities are Affiliates of the Seller and Target HoldCo prior to the Initial Closing, and are Affiliates of the Purchaser at and after the Initial Closing;

“**Agreement**” has the meaning set forth in the Preamble;

“**Ancillary Agreements**” means the Strategic Cooperation Agreement, the Patent Licensing Agreement and the Technology Service Agreement, as amended from time to time;

“**Assumed Liabilities**” has the meaning set forth in Section 2.04;

“**Back-to-Back Agreement(s)**” has the meaning set forth in Section 2.07(b);

“**Bankruptcy and Equity Exception**” means bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general applicability relating to or affecting creditors’ rights and to general equity principles;

“**Benchmark Cash Amount**” means RMB675,000,000;

“**Benchmark Number of Shares**” means the 1,731,504,008 shares of the share capital of the Purchaser, being the number of issued and outstanding Class A Ordinary Shares and Class B Ordinary Shares of the Purchaser as of the Measurement Date;

“**BOM**” means two documents, the file names of which contain “Mona 零件级别 CBOM-最新成本及合同金额-外发20230823” and “产品配置清单-0721” respectively, attached to the electronic mail entitled “Re: 项目 Cost BOM 密码” sent by Gabrielle Li (李佳惠) to Xu Hui (许慧) on August 23, 2023;

“**Books and Records**” means originals or, to the extent originals are not available, true and complete copies of all of the books, records, files, work papers, data and information (including supplier lists, summaries of financial and accounting records, purchaser or sale orders and invoices, credit and collection records, product specifications, cost and pricing information, quality control records and manuals, product development files, correspondence and miscellaneous records with respect to suppliers, counterparties and all other general correspondence) in each case to the extent readily available to the Seller Group and in each case to the extent they are primarily used to conduct, are primarily held for use to conduct, or primarily relate to the Business, or primarily relate to the Business Assets, the Assumed Liabilities or the employment of the Recruited Employees;

“**Bulletin 7**” means the Tax notice issued by the PRC State Administration of Taxation titled the “State Administration of Taxation’s Bulletin on Several Issues of Enterprise Income Tax on Income Arising from Indirect Transfers of Property by Non-resident Enterprises” (State Administration of Taxation Bulletin [2015] No. 7), as may be amended or supplemented from time to time, including any similar or replacement PRC Law on the Tax treatment of the off shore indirect transfer of “China Taxable Property” and including any similar applicable Laws in Mainland China against the avoidance of PRC Tax;

“**Bulletin 7 Taxes**” has the meaning set forth in Section 7.10(a);

“**Business**” has the meaning set forth in the Recitals;

“**Business Assets**” means all of the Seller Group’s rights, title and interests in, to and under all of the property and assets, real, personal, and mixed, tangible and intangible, of every kind and description, wherever located, owned by, leased to or licensed to the Seller Group or as to which any member of the Seller Group has any right, title, benefit or interest that in each case are, in accordance with this Agreement (including the Reorganization Plan), owned by the Target Group upon the full performance of the Reorganization Plan;

“**Business Contracts**” means all Contracts entered into by members of the Seller Group that are primarily used to conduct, are primarily held for use to conduct, or primarily relate to the Business (excluding any Contract relating to Business Employees or Employee Benefit Plans), which are qualified by the specified list(s) and description set forth in the Reorganization Plan;

“**Business Day**” means any day that is not a Saturday, a Sunday or another day on which commercial banks are required or authorized by Law to be closed in Mainland China, Hong Kong or New York;

“**Business Employee Benefit Plan**” means any Employee Benefit Plan in which current or former Business Employees participate or that is maintained by the Target Group;

“**Business Employees**” means the individuals employed on a full-time basis by the members of the Seller Group who regularly and consistently provide services to the Business;

“**Business IP Rights**” means Intellectual Property Rights that are primarily used to conduct, are primarily held for use to conduct, or primarily relate to the Business, in accordance with the specified lists and description set forth in the Reorganization Plan;

“**Business Permits**” has the meaning set forth in [Section 5.17\(a\)](#);

“**Certain CSRC Filing Materials**” has the meaning set forth in [Section 7.11](#);

“**Change of Control Consent Clause**” means a provision in a Contract entitling a party other than a member of the Seller Group to consent, block, veto, termination or objection right with respect to the Transactions, regardless of whether such provision is phrased “change of control”, “change in control”, “anti-assignment” or otherwise;

“**Change of Control Notice Clause**” means a provision in a Contract entitling a party other than a member of the Seller Group to any right to be notified with respect to the Transactions prior to the Initial Closing, regardless of whether such provision is phrased “change of control”, “change in control”, “information rights” or otherwise;

“**Class A Ordinary Shares**” means the class A ordinary shares of the share capital of the Purchaser with a nominal value of US\$0.00001 each;

“**Class B Ordinary Shares**” means the class B ordinary shares of the share capital of the Purchaser with a nominal value of US\$0.00001 each;

“**Closed Excluded Contracts**” has the meaning ascribed to it in the Reorganization Plan.

“**Closing**” means, as applicable, the Initial Closing, SOP Closing, Tranche 1 Earn-Out Closings and Tranche 2 Earn-Out Closings;

“**Closing Date**” means, as applicable, the Initial Closing Date, SOP Closing Date, Tranche 1 Earn-Out Closing Dates and Tranche 2 Earn-Out Closing Dates;

“**Closing Statement**” has the meaning set forth in [Section 2.08\(a\)](#);

“**Closing Statement Objection Notice**” has the meaning set forth in [Section 2.08\(c\)](#);

“**Closing Target Company Cash**” means the amount of cash and cash equivalent that equals the aggregate amount to pay off and settle all actual Liabilities, which shall include payment obligations under or for any and all (i) Contracts that are binding upon any Target Entity as of the Initial Closing, (ii) Pre-Closing Breach Liabilities, (iii) severance obligations that are due or will be due to any Non-Business Employee who, prior to the Initial Closing, was employed by the Target Group, (iv) Taxes as a result of the Reorganization, and (v) other payables, notes payables, withholding expenses, advances and prepayments, account payables and Indebtedness, of the Target Group on a consolidated basis as of the Initial Closing Date, regardless of whether such payment obligations are mature or premature, due or non-due, or contingent or not as of the Initial Closing Date, but shall exclude (x) any payment obligation for parts and materials to be used after the SOP Milestone that has not become unconditional as of the Initial Closing Date; and (y) any payment obligation under any and all Business Contracts entered into by the Target Group after the Initial Closing Date;

“**Confidential Information**” has the meaning set forth in [Section 7.12\(c\)](#);

“**Consideration Shares**” means, as applicable, the Initial Consideration Shares, SOP Consideration Shares and Earn-Out Shares;

“**Contract**” means any agreement, contract (including contract by performance), binding purchase order, lease, indenture, instrument, note, debenture, bond, mortgage or deed of trust or other legally binding commitment, arrangement or understanding, whether written or oral;

“**Control**” (including the terms “**Controlled by**” and “**under common Control with**”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, as trustee or executor, by contract or otherwise, including the ownership, directly or indirectly, of securities having the power to elect a majority of the board of directors or similar body governing the affairs of such Person or securities that represent a majority of the outstanding voting securities of such Person;

“**CSRC**” means the China Securities Regulatory Commission;

“**CSRC Filing**” means the filing (including any amendments, supplements and/or modifications thereof) in relation to the issuance, allotment and delivery of the Consideration Shares and any Transactions and any relevant supporting materials (including Mainland China legal opinion to be issued by the counsel for the Purchaser on the Mainland China laws, where applicable) with the CSRC pursuant to the applicable requirements under the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境内企业境外发行证券和上市管理试行办法) and supporting guidelines issued by the CSRC on 17 February 2023 (as amended, supplemented or otherwise modified from time to time);

“**Data Protection Laws**” means all Laws, national and industrial standards in any jurisdiction, as may be amended or updated from time to time, in relation to (i) Processing of Personal Data, and (ii) data security and cybersecurity (including all Laws in relation to data breach notification);

“**Default**” has the meaning set forth in [Section 5.09\(f\)](#);

“**Depository**” has the meaning set forth in [Section 7.13](#);

“**DiDi Platform**” means the platform and/or Internet application page (including Web, App and H5 page) possessed, owned or operated by the Seller Group;

“**DiDi Transaction**” means the ridesharing transaction connected by the DiDi Platform between driver and rider;

“**Disclosure Letter**” has the meaning set forth in [Article V](#);

“**Discontinued Business**” has the meaning set forth in [Section 5.06\(f\)](#);

“**Earn-Out Closing(s)**” means, as applicable, the Tranche 1 Earn-Out Closings and Tranche 2 Earn-Out Closings;



“**Earn-Out Closing Date(s)**” means, as applicable, the Tranche 1 Earn-Out Closing Dates and Tranche 2 Earn-Out Closing Dates;

“**Earn-Out Milestone**” means, as applicable, the Tranche 1 Earn-Out Milestone and Tranche 2 Earn-Out Milestone;

“**Earn-Out Period(s)**” means, as applicable, the First Earn-Out Period and the Second Earn-Out Period;

“**Earn-Out Shares**” has the meaning set forth in [Section 3.01\(c\)](#);

“**Employee Benefit Plan**” means each “employee benefit plan”, including profit-sharing, bonus, stock option, stock purchase, restricted stock units/shares, stock ownership, pension, retirement, change in control, retention, collective bargaining agreement, employee loan, severance, deferred compensation, excess benefit, supplemental unemployment, post-retirement medical or life insurance, redundancy, welfare, incentive, sick leave or other leave of absence, short- or long-term disability, salary continuation, medical, hospitalization, life insurance, other insurance plan, vacation, holiday, paid time off, fringe benefit or other employee benefit plan, agreement, custom, program, practice, policy, contract, commitment, arrangement or understanding, whether written or unwritten, tax qualified or non-qualified, subject to applicable Law or not, funded or unfunded, foreign or domestic, established, maintained, administered, sponsored, funded or contributed to (a) by the Seller Group or (b) for the benefit of any Business Employee;

“**Environmental Permits**” has the meaning set forth in [Section 5.12\(b\)](#);

“**Excepted Transaction**” has the meaning set forth in [Section 7.16\(b\)](#);

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder;

“**Excluded Assets**” has the meaning set forth in [Section 2.03](#);

“**Excluded Business Employees**” means the Business Employees other than the Recruited Employees;

“**Excluded Employee Liabilities**” means (a) any payments, compensation, social security contributions, benefits or entitlements (including based on contractual provisions which provide new benefits or entitlements) that the Seller or any of its Affiliates owes or is obligated to provide, whether currently, prospectively or on a contingent basis, with respect to any current or former employee, temporary, loaned or agency employee or independent contractor or service provider, that in each case is in respect of periods prior to the Initial Closing Date, (b) any Liabilities, payments, obligations, costs, expenses or disbursements related to current or former employees, temporary, loaned or agency employee or independent contractor or service provider, under applicable Law or applicable labor agreements, that in each case is incurred, accrued or arising on or prior to the Initial Closing Date, (c) any Loss of the Seller or any of its Affiliates which arises under or relates to any Employee Benefit Plan, (d) any Liabilities or payments that would be due, to an employee, due to the implementation of the Reorganization and other Transactions, including severance obligations that arise or result from or relate to transfer of the Recruited Employees to the Target Group or termination of any Excluded Business Employee or Non-Business Employee, (e) any obligation of the members of the Seller Group to indemnify an employee for non-competition indemnity, notice period indemnity or any other indemnity of any nature whatsoever in each case resulting from any action or omission by any member of the Seller Group that occurred on or prior to the Initial Closing Date and (f) all Liabilities that are due or will be due to Non-Business Employees and Excluded Business Employees whether arising prior to, at or after the Initial Closing;

“**Excluded Liabilities**” has the meaning set forth in [Section 2.05](#);

“**Excluded Liabilities Assertion**” has the meaning set forth in [Section 13.02\(a\)](#);

“**Final Determination**” means, with respect to a dispute, an occurrence where (a) the parties to the dispute have reached an agreement in writing, (b) a court of competent jurisdiction shall have entered a final order or judgment that is or has become non-appealable or (c) an arbitrator or arbitration panel shall have rendered a final determination with respect to disputes the parties have agreed to submit thereto that is or has become non-appealable;

“**Financial Statements**” means the financial statements relating to the Business attached to Schedule 5.05 of the Disclosure Letter, including any related notes and schedules thereto;

“**Financial Statements Date**” has the meaning set forth in [Section 5.05\(a\)](#);

“**First Earn-Out Period**” means the 13-month period immediately following the SOD Milestone;

“**First Earn-Out Period Milestone**” means the aggregate Mona Delivery Volume within the First Earn-Out Period reaching 100,000 at any time during the First Earn-Out Period, as determined in accordance with the mechanism as set forth in the [Appendix B](#);

“**First Tranche 1 Earn-Out Closing**” has the meaning set forth in [Section 4.01\(c\)](#);

“**First Tranche 1 Earn-Out Closing Date**” means the date of the First Tranche 1 Earn-Out Closing;

“**First Tranche 2 Earn-Out Closing**” has the meaning set forth in [Section 4.01\(d\)](#);

“**First Tranche 2 Earn-Out Closing Date**” means the date of the First Tranche 2 Earn-Out Closing;

“**Fixed Business Assets**” has the meaning set forth in [Section 5.06\(c\)](#);

“**GAAP**” means the generally accepted accounting principles in the United States;

“**Governing Documents**” means the legal document(s) by which any Person (other than an individual) establishes its legal existence or which govern(s) its internal affairs. The “Governing Documents” of a corporation or a company are its certificate of incorporation, memorandum and articles of association, articles of incorporation, bylaws and documents equivalent thereto pursuant to applicable Law;

“**Governmental Authority**” means any federal, national, foreign, supranational, state, provincial, local, municipal or other political subdivision or other government, governmental, regulatory or administrative authority, agency, board, bureau, department, instrumentality or commission or any court, tribunal, judicial or arbitral body of competent jurisdiction or any governing body of a stock exchange;

“**HKIAC**” means the Hong Kong International Arbitration Centre;

“**HKSE**” means The Stock Exchange of Hong Kong Limited;

“**HKSE Documents**” means, collectively, all announcements, circulars, reports, and other documents required to be published on the website of the HKSE pursuant to the Listing Rules from time to time;

“**HKSE Listing Approval**” means the approval of the HKSE for listing of and permission to deal in the respective Consideration Shares to be issued and delivered pursuant to this Agreement;

“**HK\$**” means Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC;

“**Indebtedness**” means all indebtedness for borrowed money, including all obligations evidenced by a note, bond, debenture, letter of credit, draft or similar instrument;

“**Indemnified Liabilities**” has the meaning set forth in [Section 13.02\(a\)](#);

“**Independent Closing Statement Referee**” has the meaning set forth in [Section 2.08\(d\)](#);

“**Initial Closing**” has the meaning set forth in [Section 4.01\(a\)](#);

“**Initial Closing Date**” has the meaning set forth in [Section 4.01\(a\)](#);

“**Initial Consideration Shares**” has the meaning set forth in [Section 3.01\(a\)](#);

“**Insurance Policies**” has the meaning set forth in [Section 5.22](#);

“**Insurance Proceeds**” has the meaning set forth in [Section 7.06](#);

“**Intellectual Property Rights**” means any and all intellectual property rights and proprietary rights arising under the laws of the Mainland China or any other jurisdiction in the world, including with respect to any of the following: (i) patents, patent applications and statutory invention registrations, including reissues, divisions, continuations, continuations in part, utility model, certificates of invention, design patents, extensions and reexaminations thereof, all rights therein provided by international treaties or conventions, and all improvements thereto, (ii) copyrightable works, copyrights (whether or not registered) and registrations and applications for registration thereof, and all rights therein provided by international treaties or conventions, and all extensions and renewals of any of the foregoing, (iii) trade secrets and other confidential and proprietary information, including know-how (whether patentable or unpatentable and whether or not reduced to practice), inventions, methods, processes, techniques, formulas, technology, technical data, designs, drawings and specifications, supplier or customer lists, pricing and cost information, business and marketing plans and proposals, and all licenses or other rights to use any technical information, in each case, that derives economic value (actual or potential) from not being generally known to other persons who can obtain economic value from its disclosure or use, (iv) computer software, data and documentation (including data collected from, through or otherwise by means of the Internet), in each case whether or not copyrightable, databases, and any and all software implementations of algorithms, specifications, models and methodologies, whether in source code or object code, design documents, operating systems, flow-charts, user manuals and training materials relating thereto, and (v) trademarks, service marks, brand names, certification marks, collective marks, d/b/a's, Internet domain names, logos, symbols, trade dress, assumed names, fictitious names, trade names, and other indicia of origin, all applications and registrations for all of the foregoing, and all goodwill associated therewith and symbolized thereby, including all extensions and renewals of same;

“**Inventory**” means, to the extent they are primarily used to conduct, are primarily held for use to conduct, or primarily relate to, the Business, all inventory including all raw materials, work-in-process and finished goods, in-process customer-owned tooling, wrapping, supply and packaging items, supplies and spare parts to be used or consumed in the production of finished goods;

“**IT Systems**” means electronic data processing, information, recordkeeping, communications, telecommunications, account management, inventory management and other computer systems (including all computer programs, software, databases, firmware, hardware and related documentation) and Internet websites and related content;

“**Jingju**” has the meaning ascribed to it in the Reorganization Plan;

“**Jingju Share**” has the meaning ascribed to it in the Reorganization Plan;

“**Jingju Transferee**” has the meaning ascribed to it in the Reorganization Plan;

“**Judgment**” means judgment, order, injunction or decree;

“**Judian**” has the meaning ascribed to it in the Reorganization Plan;

“**knowledge**” means, with respect to any party, the actual knowledge of such party’s executive officers (as defined in Rule 405 under the Securities Act);

“**Law**” means any federal, national, foreign, supranational, state, provincial or local statute, law, ordinance, regulation, rule, code, order, requirement or rule of law (including common law), official policy, rule or interpretation of any Governmental Authority with jurisdiction over any member of the Seller Group or the Purchaser, as the case may be;

“**Leased Real Property**” has the meaning set forth in [Section 5.07\(b\)](#);

“**Liability**” shall mean any indebtedness, liability, claim, loss, damage, penalty or obligation, fixed or unfixed, choate or inchoate, liquidated or unliquidated, secured or unsecured, absolute, contingent or otherwise, whether or not accrued, whether known or unknown, disputed or undisputed, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person;

“**Lien**” means any lien (statutory or other), mortgage, hypothecation, charge, pledge, security interest, restriction (including any restriction on use), reservation or condition on transferability, lease, title retention agreement, conditional sale agreement, equitable interest, license, option, encumbrance, right of way, easement, encroachment, servitude, defect of title or other claim, encroachment or other encumbrance of any nature, right of first option, right of first refusal, restriction on voting (in the case of any security or equity interest), transfer, receipt of income or exercise of any other attribute of ownership or any other claim or charge similar in purpose or effect to any of the foregoing;

“**Listing Rules**” means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

“**Lock-Up Periods**” has the meaning set forth in [Section 7.16\(a\)](#);

“**Long Stop Date**” means March 31, 2024;

“**Loss**” means any loss, Liability, expense, payments, disbursements (including reasonable fees and expenses of outside counsel), interest, penalty, imposition, assessment, fine, cost or damages (including any settlement costs or lost profits);

“**Mainland China**” means the PRC, excluding, for purposes of this Agreement, Hong Kong, Macau and Taiwan;

“**Mainland China Tax Authority**” means the State Taxation Administration of the People’s Republic of China and any other Governmental Authority of the Mainland China responsible for the administration of any Taxes;

“**Market Value**” has the meaning set forth in [Section 13.03\(c\)](#);

“**Material Contracts**” has the meaning set forth in [Section 5.09\(b\)](#);

“**Material Subsidiary**” means a Subsidiary of the Purchaser that is listed in Exhibit 8.1 to the Purchaser’s Annual Report on Form 20-F for the fiscal year ended December 31, 2022, filed with the SEC on April 12, 2023;

“**Measurement Date**” means July 31, 2023;

“**Memorandum and Articles**” means the Amended and Restated Memorandum and Articles of Association of the Purchaser in effect from time to time;

“**Mona**” has the meaning set forth in the Recitals, and shall include the Mona Operation Model and other car models of Mona;

“**Mona Delivery Volume**” means the aggregate of (i) delivery volume of the Mona Operation Model to the Active Drivers, (ii) delivery volume of Active Operation Mona (to the extent not covered in (i)); (iii) delivery volume to the Recent Drivers (to the extent not covered in (i) or (ii)); and (iv) twenty-five percent (25%) of the delivery volume to the Test-Drive Customers (to the extent not covered in (i), (ii) or (iii));

“**Mona Operation Model**” means the vehicle model of Mona as it will be registered with Ministry of Industry and Information Technology of the People’s Republic of China, which (i) is designed to be used in the course of commercial operations and equipped with a lower-level configuration of an autonomous driving system; and (ii) carries a lower sales price than the other models of Mona;

“**Money Laundering Laws**” has the meaning set forth in [Section 5.29](#);

“**New Employees**” has the meaning set forth in [Section 8.01\(b\)](#);

“**Non-Assignable Contract**” has the meaning set forth in [Section 2.07\(a\)](#);

“**Non-Business Employee(s)**” means the Person(s) employed by the members of the Seller Group who are not Business Employees;

“**Notifiable Contract**” has the meaning set forth in [Section 2.06](#);

“**Notification Letter**” has the meaning set forth in [Section 2.06](#);

“**NYSE**” means the New York Stock Exchange;

“**NYSE Listing Authorization**” means the authorization by the NYSE of a supplemental listing application filed by the Purchaser with respect to the respective Consideration Shares;

“**Owned Real Property**” has the meaning set forth in [Section 5.07\(a\)](#);

“**Party**” or “**Parties**” has the meaning set forth in the Preamble;

“**Patent Licensing Agreement**” has the meaning set forth in the Recitals, and in the form set forth in [Annex B](#) to this Agreement;

“**Permits**” means the permits, licenses, franchises, approvals, certificates, consents, waivers, concessions, exemptions, orders, registrations, notices or other authorizations of any Governmental Authority or other Person;

“**Person**” means any individual, partnership, corporation, association, joint stock company, trust, joint venture, limited liability company, organization, entity or Governmental Authority;

“**Personal Data**” means information that identifies, relates to, describes, is reasonably capable of being associated with or could reasonably be linked, directly or indirectly, with, an individual, browser, device or household, including information that is defined as “personal data,” “personally identifiable information,” or “personal information” (or similar terms) under any applicable Law;

“**Personal Property**” means, to the extent they are primarily used to conduct, are primarily held for use to conduct, or primarily relate to, the Business, all personal property of any kind (other than Inventory), including all machinery, equipment, computer hardware, vehicles, tools, dies, repair and replacement parts, and office furniture, fixtures, supplies, and materials;

“**Post-Closing Adjustment**” has the meaning set forth in [Section 2.08\(b\)](#);

“**PRC**” means the People’s Republic of China;

“**PRC Regulatory Filings**” means all filings necessary under the applicable Mainland China Laws (including, for the avoidance of doubt, the enumerated PRC Regulatory Filings) in respect of the Transactions;

“**PRC Tax Returns**” has the meaning set forth in [Section 7.10\(c\)](#);

“**Pre-Closing Breach Liabilities**” means all Liabilities in respect of the Business Contracts and other Business Assets to the extent arising out of or based on any breach that occurred prior to the Initial Closing;

“**Proceeding(s)**” means legal, administrative, governmental, arbitral or other claims, suits, demands, actions, or proceedings or governmental or regulatory investigations;

“**Processing**” collectively, the receipt, collection, use, storage, processing, sharing, transmission, protection, disclosure, transfer (including cross-border transfers) and disposal;

“**Proposed Employee(s)**” has the meaning set forth in [Section 8.01\(a\)](#);

“**Public Documents**” means, collectively, the HKSE Documents and SEC Documents;

“**Purchaser**” has the meaning set forth in the Preamble;

“**Purchaser Contract Party**” has the meaning set forth in [Section 2.07\(b\)\(i\)](#);

“**Purchaser Indemnified Persons**” has the meaning set forth in [Section 13.02\(a\)](#);

“**Purchaser Material Adverse Effect**” means any material adverse effect on the business, properties, financial condition, assets or results of operations of the Purchaser and its Subsidiaries, taken as a whole, *provided*, however, that in no event shall any of the following exceptions be deemed to constitute, nor shall be taken into account in determining whether a Purchaser Material Adverse Effect has occurred: (i) any effect resulting from the announcement, pendency or consummation of the transactions contemplated by, or from compliance with the terms and conditions of, the Transaction Documents, (ii) any effect that results from changes generally affecting any of the principal industries in which the Purchaser or its Subsidiaries operate, (iii) any effect that results from changes affecting general economic, financial, credit or securities market conditions in the Mainland China, Hong Kong, the United States or globally, including changes in interest rates or foreign exchange rates, (iv) any pandemic, earthquake, typhoon, tornado or other natural disaster, declaration of war, act of terrorism, armed hostilities or other similar force majeure event, (v) changes in generally accepted accounting principles or any interpretation thereof that are applicable to the Purchaser or any of its Subsidiaries, or changes in applicable Laws or any interpretation or enforcement thereof, (vi) actions taken (or omitted to be taken) at the request of or with the prior consent of any member of the Seller Group; (vii) any failure to meet any public projections, forecasts, or guidance by any the Purchaser and/or its Subsidiaries, *provided* that the underlying causes that lead to any failure to meet any public projections, forecasts, or guidance as set forth in this clause (vii) may be taken into account in determining whether a Purchaser Material Adverse Effect has occurred, or (viii) any change in the Purchaser’s stock price or trading volume, *provided* that the underlying causes that lead to such change as set forth in this clause (viii) may be taken into account in determining whether a Purchaser Material Adverse Effect has occurred; *provided further* that with respect to clauses (ii), (iii) and (v), such change does not have a materially disproportionate adverse effect on the Purchaser and its Subsidiaries, taken as a whole, compared to major competitors of the Purchaser and its Subsidiaries or other companies of similar size operating in the principal industries in which the Purchaser or its Subsidiaries operate;

“**Purchaser Permits**” has the meaning set forth in [Section 6.07](#);

“**Real Property**” has the meaning set forth in [Section 5.07\(b\)](#);

“**Recent Driver**” means the individual ridesharing driver who (i) purchased a Mona (other than the Mona Operation Model); and (ii) has completed at least one DiDi Transaction within the six-month period before or after the date of delivery of Mona to such driver;

“**Recruited Employees**” has the meaning set forth in [Section 8.01\(b\)](#);

“**Reorganization**” has the meaning set forth in the Recitals;

“**Reorganization Account**” has the meaning set forth in [Section 7.05](#);

“**Reorganization Liabilities**” has the meaning set forth in [Section 13.02\(a\)](#);

“**Reorganization Plan**” has the meaning set forth in the Recitals;

“**Representative**” means, with respect to any Person, any and all directors, officers, employees, consultants, financial advisors, counsel, accountants and other agents or advisors of such Person;

“**Retained Entities**” means, collectively, members of the Seller Group excluding any Target Entity;

“**RMB**” means Renminbi, the lawful currency of Mainland China;

“**Sarbanes-Oxley Act**” means the U.S. Sarbanes-Oxley Act of 2002, as amended, and any rules and regulations promulgated thereunder;

“**SEC**” means the U.S. Securities and Exchange Commission;

“**SEC Documents**” means, collectively, all statements, reports, schedules, forms and other documents required to be filed or furnished by the Purchaser to or with the SEC pursuant to the Securities Act, Exchange Act and Sarbanes-Oxley Act from time to time, together with all exhibits included therein and financial statements, notes and schedules thereto and documents incorporated by reference therein;

“**Second Earn-Out Period**” means the 12-month period immediately following the expiry of the First Earn-Out Period;

“**Second Earn-Out Period Milestone**” means the aggregate Mona Delivery Volume within the Second Earn-Out Period reaching 100,000 at any time during the Second Earn-Out Period, as determined in accordance with the mechanism as set forth in the [Appendix B](#);

“**Second Tranche 1 Earn-Out Closing**” has the meaning set forth in [Section 4.01\(c\)](#);

“**Second Tranche 1 Earn-Out Closing Date**” means the date of the Second Tranche 1 Earn-Out Closing;

“**Second Tranche 2 Earn-Out Closing**” has the meaning set forth in [Section 4.01\(d\)](#);

“**Second Tranche 2 Earn-Out Closing Date**” means the date of the Second Tranche 2 Earn-Out Closing;

“**Securities Act**” means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder;

“**Seller**” has the meaning set forth in the Preamble;

“**Seller Designee**” has the meaning set forth in [Section 14.10](#);

“**Seller Group**” means the Seller and any of its Subsidiaries, which shall include the members of the Target Group prior to the Initial Closing and exclude such members after the Initial Closing;



“**Seller Indemnified Persons**” has the meaning set forth in [Section 13.02\(b\)](#);

“**Seller Indemnity Cap**” has the meaning set forth in [Section 13.03\(c\)](#);

“**Seller Material Adverse Effect**” means any material adverse effect on the business, properties, financial condition, assets or results of operations of the Business, Business Assets or the Target Group, taken as a whole, *provided*, however, that in no event shall any of the following exceptions be deemed to constitute, nor shall be taken into account in determining whether a Seller Material Adverse Effect has occurred: (i) any effect resulting from the announcement, pendency or consummation of the Transactions, or from compliance with the terms and conditions of the Transaction Documents, (ii) any effect that results from changes generally affecting any of the principal industries of the Business, (iii) any effect that results from changes affecting general economic, financial, credit or securities market conditions in Mainland China, Hong Kong, the United States or globally, including changes in interest rates or foreign exchange rates, (iv) any pandemic, earthquake, typhoon, tornado or other natural disaster, declaration of war, act of terrorism, armed hostilities or other similar force majeure event, and (v) actions taken (or omitted to be taken) at the request of or with the prior consent of the Purchaser; *provided further* that with respect to clauses (ii) and (iii), such change does not have a materially disproportionate adverse effect on the Target Shares and Assets, Target Group, and the Business as compared to other Persons in the same industry as the Business;

“**Seller Parties**” means, collectively, the Seller and the Target HoldCo; “**Seller Tax Return(s)**” has the meaning set forth in [Section 9.02\(a\)](#);

“**SFC**” means the Securities Futures Commission of Hong Kong Special Administrative Region of the PRC;

“**Shared Contract**” has the meaning set forth in [Section 2.07\(d\)](#);

“**SOD Milestone**” means start of delivery of Mona to customers (including the DiDi Active Drivers);

“**SOP Closing**” has the meaning set forth in [Section 4.01\(b\)](#);

“**SOP Closing Date**” has the meaning set forth in [Section 4.01\(b\)](#);

“**SOP Consideration Shares**” has the meaning set forth in [Section 3.01\(b\)](#);

“**SOP Milestone**” means start of production of vehicles which are mass-produced in identical models of Mona for sales and delivery to ordinary customers;

“**Straddle Period**” means any taxable period that begins on or before and ends after the Initial Closing Date;

“**Strategic Cooperation Agreement**” has the meaning set forth in the Recitals, and a copy of which is set forth in [Annex A](#) to this Agreement;

“**Subsequent Closing Date(s)**” has the meaning set forth in [Section 4.01\(d\)](#);

“**Subsidiary**” of any Person (other than a natural person) means any corporation, partnership, limited liability company, joint stock company, joint venture or other organization or entity, whether incorporated or unincorporated, which is Controlled by such Person;

“**Supplier(s)**” has the meaning set forth in [Section 5.25\(b\)](#);

“**Target**” has the meaning set forth in the Recitals;

“**Target Business Entity**” means any member of the Target Group and any member of the Seller Group, in each case to the extent it owns or operates the Business or any Business Assets;

“**Target Data**” means, collectively, any Personal Data and any other data in connection with the Target Shares and Assets and the Business received, collected, used, stored, processed, shared, transmitted, secured, disclosed, transferred or disposed by each member of the Seller Group;

“**Target Employees**” has the meaning set forth in [Section 8.01\(a\)](#);

“**Target Entity**” means any member of the Target Group;

“**Target Group**” has the meaning set forth in the Recitals;

“**Target HoldCo**” has the meaning set forth in the Preamble;

“**Target Shares**” has the meaning set forth in the Recitals;

“**Target Shares and Assets**” means the Target Shares and the Business Assets;

“**Tax**” means all taxes, charges, levies, penalties or other assessments imposed by any government, federal, national, state, municipal, provincial, local or foreign taxing authority, including income, profits, excise, property, real estate, sales, gross receipts, transfer, franchise, payroll, withholding, employment, pensions, social security, insurance contributions or other similar taxes, including any interest or penalties attributable thereto;

“**Tax Contest**” means an audit, claim, dispute, controversy or other Proceeding relating to Taxes;

“**Tax Return**” means any report, return, declaration, claim for refund, or information return or statement related to Taxes, including any schedule or attachment thereto, and including any amendment thereof;

“**Tenant Leases**” has the meaning set forth in [Section 5.07\(b\)](#);

“**Test-Drive Customers**” means the individual customers who (i) purchased a Mona; (ii) attended the test-drive of Mona reserved via the Seller Group;

“**Third Party**” means any Person not a signatory to this Agreement or an Affiliate of a signatory to this Agreement;

“**Third-Party Consent**” means the consent by a Third Party to the assignment of any Business Contracts without requiring any amendments to such Business Contract;

“**Tranche 1 Earn-Out Closing(s)**” has the meaning set forth in Section 4.01(c);

“**Tranche 1 Earn-Out Closing Date(s)**” means, as applicable, the First Tranche 1 Earn-Out Closing Date and the Second Tranche 1 Earn-Out Closing Date;

“**Tranche 1 Earn-Out Shares**” has the meaning set forth in Section 3.02(a);

“**Tranche 2 Earn-Out Closing(s)**” has the meaning set forth in Section 4.01(d);

“**Tranche 2 Earn-Out Closing Date(s)**” means, as applicable, the First Tranche 2 Earn-Out Closing Date and the Second Tranche 2 Earn-Out Closing Date;

“**Tranche 2 Earn-Out Shares**” has the meaning set forth in Section 3.02(b)(i);

“**Transaction Documents**” mean this Agreement, the Ancillary Agreements and each of the other agreements and documents entered into or delivered by the parties hereto or their respective Affiliates in connection with the transactions contemplated by this Agreement;

“**Transactions**” means the transactions contemplated by the Transaction Documents, including the Reorganization, the sale of the Business, the sale of the Target Shares and Assets, the Acquisition of Business, and the issuance, allotment and delivery of the Consideration Shares;

“**Transfer Tax**” means all sales (including bulk sales), use, transfer, recording, privilege, documentary, registration, conveyance, excise, license, stamp duties or similar Taxes or fees incurred in connection with the Transactions. For the avoidance of doubt, Transfer Tax does not include any Tax payable pursuant to Bulletin 7;

“**Transferred Excluded Contracts**” has the meaning ascribed to it in the Reorganization Plan;

“**U.S.**” or “**United States**” means the United States of America;

“**US\$**” means United States dollars, the lawful currency of the United States;

“**Withholding Tax Liabilities**” has the meaning set forth in Section 13.02(a); and

“**Xiaoju Zhineng**” has the meaning ascribed to it in the Reorganization Plan.

Section 1.02 Interpretation and Rules of Construction. In this Agreement, except to the extent otherwise provided:

(a) when a reference is made in this Agreement to an Article, Section, Exhibit, Annex or Schedule, such reference is to an Article, Section, Exhibit, Annex or Schedule of this Agreement;

(b) the headings for this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement;

(c) the words “hereof,” “herein” and “hereunder” and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement;

(d) all terms defined in this Agreement have the defined meanings when used in any certificate or other document made or delivered pursuant hereto, unless otherwise defined therein;

(e) the definitions contained in this Agreement are applicable to the singular as well as the plural forms of such defined terms;

(f) references to a Person are also to its successors and permitted assigns;

(g) the terms “include,” “includes” and “including” mean “include, without limitation,” “includes, without limitation” and “including, without limitation,” respectively;

(h) the use of the term “or” is not intended to be exclusive; and

(i) as used in “primarily used to conduct”, “primarily held for use to conduct” and “primarily relate to”, the word “primarily” means, solely with respect to any Business Assets not specifically listed in the appendices to the Reorganization Plan, at least 80% in terms of the individual Business Asset’s relevance to the Business, as determined based on the Parties’ good faith discussion.

## ARTICLE II ACQUISITION OF BUSINESS

Section 2.01 Purchase and Sale of the Target Shares. Subject to the conditions and on the terms of this Agreement, on the Initial Closing Date, the Target HoldCo agrees to, and the Seller agrees to cause the Target HoldCo to, sell, assign and transfer, free and clear of any and all Liens, to the Purchaser, and the Purchaser agrees to purchase and acquire from the Target HoldCo, the Target Shares, which represent all of the issued and outstanding shares in the share capital and equity interests of the Target.

Section 2.02 Reorganization and Business Assets. The Parties understand and agree that as a result of the Reorganization and immediately prior to the Initial Closing, all the Business Assets will have been transferred to or held by the Target Group in accordance with this Agreement, including the Reorganization Plan.

Section 2.03 Excluded Assets. The following assets (“**Excluded Assets**”) shall be retained by the Retained Entities and shall neither constitute nor be included in the Business Assets:

(a) all rights, title and interests in, to and under all of the property and assets, real, personal, and mixed, tangible and intangible, of every kind and description, wherever located, owned by, leased to or licensed to the Seller Group or as to which any member of the Seller Group has any right, title, benefit or interest that in each case are not primarily related to the Business, other than all rights, title and interests in, to and under all of the property and assets, real, personal, and mixed, tangible and intangible, of every kind and description, wherever located, that are (i) stated in the Reorganization Plan to be Business Assets; or (ii) owned by, leased to or licensed to the Target Group or as to which any Target Entity has any right, title, benefit or interest (except, in the case of this item (ii), for any and all assets referred to in Section 2.03(b));

(b) all assets identified in the Reorganization Plan as Excluded Assets; and

(c) originals or, to the extent originals are not available, true and complete copies of all of the books, records, files, work papers, data and information (including supplier lists, summaries of financial and accounting records, purchaser or sale orders and invoices, credit and collection records, product specifications, cost and pricing information, quality control records and manuals, product development files, correspondence and miscellaneous records with respect to suppliers, counterparties and all other general correspondence) that in each case are primarily related to any asset identified in Appendices VII-1, VII-2 and VIII to the Reorganization Plan, and assets that may be stated in the Technology Service Agreement to be Excluded Assets.

Section 2.04 Assumed Liabilities. The following items shall be included in, deemed to be and fall into the definition of “**Assumed Liabilities**”, and the Purchaser shall be responsible for all of the Assumed Liabilities, and neither the Seller nor any member of the Seller Group (other than the Target Group) shall assume, or in any way be liable or responsible for, any Assumed Liabilities:

- (a) all Liabilities in respect of any Business Contracts to the extent arising after the Initial Closing, but excluding any Pre-Closing Breach Liabilities and except as otherwise agreed in Appendix C hereto;
- (b) all Liabilities and obligations arising out of or relating to the Purchaser’s ownership, operation or disposal of the Business or the Business Assets at or after the Initial Closing;
- (c) all Liabilities to be settled by the Closing Target Company Cash in accordance with Section 2.08; and
- (d) any other Liabilities expressly assumed by the Purchaser under this Agreement.

Section 2.05 Excluded Liabilities. The following items shall not be included in, deemed to be or fall into the definition of Assumed Liabilities, and the Seller shall be, and shall cause the Retained Entities to be, responsible for all of the Liabilities not hereby expressly assumed by the Purchaser (collectively, the “**Excluded Liabilities**”), and neither the Purchaser nor any Target Entity shall assume, or in any way be liable or responsible for, any Liabilities of any member of the Seller Group or any other Person except for those Assumed Liabilities:

- (a) all Liabilities arising out of or relating to the Excluded Assets, including all Liabilities arising out of or relating to the Transferred Excluded Contracts;
- (b) all Liabilities in respect of any Business Contracts to the extent arising prior to the Initial Closing and all Pre-Closing Breach Liabilities, except as otherwise agreed in Appendix C hereto;
- (c) any Liabilities of any member of the Seller Group arising out of or relating to the negotiation, preparation, investigation and performance of this Agreement or the agreements delivered or to be delivered by the Seller or its Affiliates as part of the Transactions;
- (d) any Liabilities of any member of the Seller Group in respect of Proceedings pending or known to be threatened prior to the Initial Closing Date, except as otherwise agreed in Appendix C hereto;
- (e) any Liabilities arising out of or resulting from the Reorganization, including any Liabilities related to the bankruptcy proceedings of Judian and unpaid capital contribution obligations with respect to Jingju;

(f) all Tax Liabilities with respect to the Business, the Target Shares and Assets, any Target Entity or the Assumed Liabilities for any period (or portion thereof) ending on or prior to and including the Initial Closing Date;

(g) all Excluded Employee Liabilities;

(h) all non-current liabilities as recorded in the Financial Statements; and

(i) any Indebtedness or Liabilities of the Seller Group that are not Assumed Liabilities.

Section 2.06 Third-Party Notification. Without prejudice to the generality of Section 7.01, with respect to each Business Contract that is a Business Contract with one of the top twenty (20) suppliers in terms of contract value for development or contains a Change of Control Notice Clause (any such Business Contract, a “**Notifiable Contract**”), the Seller and the Purchaser shall jointly, as soon as practicable after the date hereof, deliver a written notification letter (the “**Notification Letter**”) to the counterparties to the Notifiable Contract, notifying each such counterparty of the Transactions, and with a view to obtaining the counterparty’s no objection to or acquiescence in the Transactions as outlined in the Notification Letter. The Reorganization Plan sets forth a list of all the Notifiable Contracts as of the date hereof. For purposes of this Section 2.06 and Section 4.02(a)(vii), a counterparty’s no objection to or acquiescence in the Transactions shall be conclusively treated as having been obtained if the counterparty has failed to communicate (or has communicated and subsequently withdrawn) its objection to the Transactions to the Seller by the tenth (10) day after receiving the Notification Letter.

Section 2.07 Third-Party Consents.

(a) Without prejudice to the generality of Section 7.01, if any Business Contract cannot be assigned to the Target Entities without a Third-Party Consent or contains a Change of Control Consent Clause (any such Business Contract, a “**Non-Assignable Contract**”), and such Third-Party Consent is not obtained prior to the Initial Closing, such Non-Assignable Contract shall be treated in accordance with the following:

(i) Both before and after the Initial Closing Date, the Seller shall, and shall cause the applicable Retained Entities, to use their respective reasonably best efforts to obtain the Third-Party Consent and to reach a reasonable arrangement on the continuance or transfer of the relevant Non-Assignable Contract; *provided*, for the avoidance of doubt, that no Retained Entity shall reach an agreement with the relevant Third Party in relation to the continuance or transfer of any Non-Assignable Contract and obtaining of the relevant Third-Party Consent if, as a condition to or result of such agreement, the terms and conditions of the relevant Contract are altered or modified, whether or not such Contract contemplates or provides for such alteration or modification or the relevant Third Party may demand such alteration or modification, unless specifically approved by the Purchaser (such approval not to be unreasonably withheld if the proposed alteration or modification is not substantive in nature); and

(ii) If the relevant Third-Party Consent with respect to a Non-Assignable Contract fails to be obtained or if the relevant Non-Assignable Contract has not actually been continued with or transferred to the Target Group at or prior to the Initial Closing, such Non-Assignable Contract shall be treated in accordance with the terms of Section 2.07(b).

(b) Subject to Section 2.07(c) and applicable Law, until the Third-Party Consent to an continuance or assignment has been obtained or until the relevant Non-Assignable Contract has actually been continued or transferred, or if the Purchaser determines that the Parties shall not or no longer ask for the Third-Party Consent, the Seller and the Retained Entities, on the one hand, and the Purchaser and its Affiliated designees, on the other hand, shall cooperate in any reasonable back-to-back agreement(s) in form and substance reasonably acceptable to the Parties in accordance with the principles set forth in this Agreement (the “**Back-to-Back Agreement(s)**”) in order to put each other economically in the same position as if the relevant Non-Assignable Contract had actually been continued or transferred with effect as of the Initial Closing Date. Without limiting the generality of the foregoing, the following shall apply:

(i) the Purchaser or such Target Entity as the Purchaser determines (such Person, a “**Purchaser Contract Party**”) shall carry out, perform and complete all the obligations of the relevant Retained Entity under or in relation to the Non-Assignable Contract as the relevant Retained Entity’s subcontractor or as agent as appropriate;

(ii) the Seller shall indemnify the Purchaser against all Losses, Liabilities and Proceedings arising out of a claim by such Third Party that the Back-to-Back Agreement(s) constitutes a breach of the Non-Assignable Contract;

(iii) the relevant Retained Entity shall comply with such Purchaser Contract Party’s reasonable instructions regarding the exercise of any rights and/or claims under the Non-Assignable Contract and act under such Non-Assignable Contract applying the standard of care of a prudent businessman;

(iv) the relevant Retained Entity shall provide such Purchaser Contract Party with access to all records available to and possessed by the Retained Entity in relation to the Non-Assignable Contract as such Purchaser Contract Party may request;

(v) the relevant Retained Entity shall deliver as soon as reasonably practicable to such Purchaser Contract Party a copy of any correspondence, notice or other document or item received by it in relation to the Non-Assignable Contract; and

(vi) the Back-to-Back Agreement(s) terminates with effect of the natural expiration (but not active termination without cause by a Retained Entity) of the relevant Non-Assignable Contract in accordance with its terms or the termination thereof by the contractual counterparty in accordance with its terms.

For the avoidance of doubt, a Retained Entity shall not agree to any amendment of the terms and conditions of any Non-Assignable Contracts without the consent of such Purchaser Contract Party, and, upon the occurrence of such demand of the relevant Third Party for any such amendment, shall consult with such Purchaser Contract Party with respect to such demand.

Without limiting the generality of this Section 2.07(b), if the Third-Party Consent to the transfer of any Leased Real Property cannot be obtained, the Retained Entity and such Purchaser Contract Party shall use reasonable best efforts to enter into a sub-lease agreement in relation to the relevant leased property. Unless otherwise agreed between the Parties, the sub-lease agreement shall provide for the same terms and conditions as set forth in the applicable lease agreement. In case the lease agreement contains a renewal option for the tenant, the Parties shall reasonably cooperate to enable the Purchaser to exercise this option in its own name; otherwise such option shall be exercised by the Retained Entity to the extent possible under its own arrangements with the respective landlords or other counter party and the relevant site shall be subleased to the Purchaser as instructed by, and only upon the instruction of, the Purchaser. If Third-Party Consent with respect to any sublease arrangement is required but cannot be obtained, the Seller and the Retained Entities shall use best efforts to find an alternative site with comparable lease terms for the Purchaser Contract Party and reimburse any reasonable relocation expenses incurred by the Purchaser Contract Party.

(c) If compliance with the provisions as set forth in Section 2.07(b), would result in a breach of the Non-Assignable Contract, the Parties shall negotiate in good faith and agree on a solution that best reflects the economic intentions of the Parties avoiding any breach of contract and shall execute all agreements and documents required in this connection.

(d) If a Retained Entity is party to a Contract with a Third Party which relates partially to the Business and partially to other divisions or businesses of the Seller Group (the “**Shared Contracts**”), the Seller shall use its reasonable best efforts to split such Shared Contracts into (i) a separate Contract relating exclusively to the Business, as proposed by the relevant Retained Entity and acceptable to the relevant contractual counterparty, which shall be transferred to the Purchaser Contract Party as a Business Contract with effect as of the Initial Closing Date, and (ii) a separate Contract exclusively relating to the other businesses of the Seller Group which shall be retained by the relevant Retained Entity. As soon as practicable after the date hereof, the relevant Retained Entity and the Purchaser Contract Party shall jointly approach the respective contractual counterparty to seek its consent to such split and transfer of the part exclusively relating to the Business to such Purchaser Contract Party. Section 2.07(a) shall apply *mutatis mutandis* with regard to such Retained Entity and the Purchaser Contract Party.

(e) If, and as long as, the split of any Shared Contract contemplated by Section 2.07(d) cannot be realized, the relevant Retained Entity and the Purchaser Contract Party shall cooperate in any Back-to-Back Agreement(s) in order to put such Retained Entity and the Purchaser Contract Party economically in the position as if the portion of the relevant Shared Contract exclusively relating to the Business had actually been transferred to such Purchaser Contract Party as of the Initial Closing Date. With respect to each such Shared Contract, the Parties shall use their reasonable best efforts to come to a mutually agreeable decision, prior to the Initial Closing or as soon as possible thereafter, of the split of revenue to be allocated to such Purchaser Contract Party and the relevant member of the Seller Group under a Shared Contract. The provisions set forth in Section 2.07(a) to (and including) Section 2.07(d), shall apply *mutatis mutandis* in relation to that part of the Shared Contract that exclusively relates to the Business.

#### Section 2.08 Target Company Cash Adjustment

(a) Prior to the Initial Closing, the Seller shall provide the Purchaser, on a monthly basis, information available to the Seller that is necessary for the computation of the Closing Target Company Cash, taking into account the ongoing progress of the Reorganization. Within forty (40) Business Days after the Initial Closing Date, the Purchaser shall prepare and deliver to the Seller a statement setting forth its good faith calculation of the Closing Target Company Cash, which statement shall include all reasonable details and be substantially in the form of Schedule 2.08(a) of the Disclosure Letter (the “**Closing Statement**”) prepared in the form set forth on Schedule 2.08(a) of the Disclosure Letter. The Purchaser and the Seller shall maintain complete and accurate records as required to verify the Closing Statement.

(b) The “**Post-Closing Adjustment**” shall be an amount equal to the Closing Target Company Cash minus the Benchmark Cash Amount, subject to the adjustments that the Parties may otherwise agree in writing. If the Post-Closing Adjustment is a positive number, the Seller shall pay to the Purchaser an amount equal to the Post-Closing Adjustment. If the Post-Closing Adjustment is a negative number, the Purchaser shall pay to the Seller an amount equal to the absolute value of the Post-Closing Adjustment.



(c) If the Seller has any objection to the Closing Statement, then the Seller may, within thirty (30) Business Days after receipt of the Closing Statement, deliver a written notice (a “**Closing Statement Objection Notice**”) to the Purchaser disagreeing with such information, specifying in reasonable detail the nature of and basis for such dispute and setting forth the Seller’s proposed alternative calculation of each disputed item or amount thereof. Any items or amounts in the Closing Statement to which the Seller does not object in the Closing Statement Objection Notice within thirty (30) Business Days after receipt of the Closing Statement shall be deemed accepted by the Seller and final and binding upon the Parties. If the Seller does not provide a Closing Statement Objection Notice within such period prescribed above, then all of the Purchaser’s calculations of the items and amounts set forth in the Closing Statement shall be deemed accepted by the Seller and final and binding upon the Parties. If the Seller timely delivers a Closing Statement Objection Notice to the Purchaser within thirty (30) Business Days after receipt of the Closing Statement pursuant to this Section 2.08(c), the Parties shall during the fifteen (15) Business Days following such delivery, use their reasonable best efforts to reach agreement on the disputed items or amounts.

(d) If as of the end of such fifteen- (15-) Business Day period, the Parties are unable to reach such agreement on the Post-Closing Adjustment, they shall promptly thereafter cause PricewaterhouseCoopers Zhong Tian LLP (the “**Independent Closing Statement Referee**”) to review this Agreement and the disputed items and amounts for the purpose of resolving such disputes. The Parties shall furnish to the Independent Closing Statement Referee such information and documents relating to the disputed items as the Independent Closing Statement Referee may reasonably request. In making such determination, such Independent Closing Statement Referee shall (i) adhere strictly to the definitions and other applicable provisions of this Agreement, (ii) review and determine only those items or amounts in the Closing Statement as to which the Seller has disagreed, and (iii) shall not assign a value to any such item or amount greater than the greatest value thereof claimed by any Party or less than the smallest value thereof claimed by any Party, in each case as set forth in the Closing Statement or the Closing Statement Objection Notice, as applicable. The Independent Closing Statement Referee shall deliver to the Purchaser and the Seller, as promptly as practicable within thirty (30) Business Days a report setting forth the determination and adjustments of the disputed items and amounts in the Closing Statement. Such report shall be final and binding upon the Purchaser and the Seller absent manifest error. The cost of such review and report shall be borne by the Purchaser and the Seller in proportion to the amounts by which their respective calculations of the disputed items differ from the Closing Target Company Cash as finally determined by the Independent Closing Statement Referee.

(e) Except as otherwise provided herein, any payment of the Post-Closing Adjustment, together with interest calculated as set forth below, shall (i) be due (x) within ten (10) Business Days of acceptance of the applicable Closing Statement or (y) if the amount of the Post-Closing Adjustment is in dispute, then within ten (10) Business Days of the resolution described in clause (c) or (d) above as applicable; and (ii) be paid by wire transfer of immediately available funds to such account as is directed by the Purchaser or the Seller, as the case may be.

Section 2.09 Wrong Pocket Assets. If a Party hereto becomes aware and notifies the other Party hereto after the Initial Closing Date of any Business Assets that were not transferred as part of the Target Shares and Assets, the Retained Entities, on the one hand, and the Purchaser or one or more Affiliated designees of the Purchaser, on the other hand, shall execute and deliver all such other documents and instruments required in order to effect such transfer, and such transfer shall be considered a part of the Transactions (including the Acquisition of Business in exchange for the Consideration Shares) and by the Reorganization. If a Party hereto becomes aware and notifies the other Party hereto after the Initial Closing Date that any Intellectual Property Rights within the Excluded Assets shall be licensed to the Purchaser or its Affiliates pursuant to the Patent Licensing Agreement, the Retained Entities, on the one hand, and the Purchaser or one or more Affiliated designees of the Purchaser, on the other hand, shall execute and deliver all such other documents and instruments required in order to effect such license, and such license shall be considered a part of the Transactions (including the Acquisition of Business in exchange for the Consideration Shares). If a Party hereto becomes aware and notifies the other Party hereto after the Initial Closing Date of any Excluded Assets that were transferred as part of the Target Shares and Assets, the Retained Entities, on the one hand, and the Purchaser or one or more Affiliated designees of the Purchaser, on the other hand, shall execute and deliver all such other documents and instruments required in order to effect such transfer back to the Seller Group. The Parties agree that no additional consideration shall be due upon the transfer or license of the foregoing “wrong pocket assets”.

**ARTICLE III**  
**PURCHASE CONSIDERATION; EARN-OUT**

Section 3.01 Purchase Consideration. In consideration of the Acquisition of Business, the Purchaser agrees to issue, allot and deliver, and the Seller agrees to acquire, without any cash consideration to be paid:

- (a) 58,164,217 Class A Ordinary Shares (the “**Initial Consideration Shares**”) at the Initial Closing;
- (b) 4,636,447 Class A Ordinary Shares (the “**SOP Consideration Shares**”) at the SOP Closing if the SOP Milestone is reached; and
- (c) additional Class A Ordinary Shares (the “**Earn-Out Shares**”) to be issued and delivered pursuant to Section 3.02 below.

Section 3.02 Earn-Out. The following earn-out mechanism shall apply.

(a) Tranche 1 Earn-Out Shares. If the First Earn-Out Period Milestone is reached, the Purchaser shall issue, allot and deliver to the Seller additional Class A Ordinary Shares (the “**Tranche 1 Earn-Out Shares**”), the amount of which shall be calculated as below and rounded to nearest whole number:

$$\text{Tranche 1 Earn-Out Shares} = A / (1 - B1) - A - C - D$$

$$B1 = 3.50\% + 0.25\% + (E1 - F1) * (0.75\% - 0.25\%) / (G1 - F1)$$

Where:

A means the Benchmark Number of Shares;

C means the Initial Consideration Shares;

D means the SOP Consideration Shares;

E1 means the lower of (i) Mona Delivery Volume within the First Earn-Out Period, and (ii) 180,000;

F1 means the minimum amount of Mona Delivery Volume within the First Earn-Out Period required for the First Earn-Out Period Milestone to be reached, being 100,000;

G1 means the maximum amount of Mona Delivery Volume within the First Earn-Out Period that is taken into account for the purpose of calculating the Tranche 1 Earn-Out Shares in this Section 3.02(a), being 180,000;

For the avoidance of doubt, if the First Earn-Out Period Milestone is not reached, the number of Tranche 1 Earn-Out Shares to be issued, allotted and delivered by the Purchaser shall be zero; and

(b) Tranche 2 Earn-Out Shares. If the Second Earn-Out Period Milestone is reached and:

(i) If the First Earn-Out Period Milestone is not reached, the Purchaser shall issue, allot and deliver to the Seller additional Class A Ordinary Shares (the “**Tranche 2 Earn-Out Shares**”), the amount of which shall be the calculated as the Tranche 1 Earn-Out Shares (except that E1 as defined in Section 3.02(a) above shall be substituted by E2 as defined in Section 3.02(b)(ii) below) and rounded to nearest whole number;

(ii) If the First Earn-Out Period Milestone is reached, the Purchaser shall issue, allot and deliver to the Tranche 2 Earn-Out Shares, the amount of which shall be the calculated as below and rounded to nearest whole number:

Tranche 2 Earn-Out Shares =  $A / (1 - B2) - A - C - D - \text{Tranche 1 Earn-Out Shares}$

$B2 = B1 + 0.25\% + (E2 - F2) * (0.75\% - 0.25\%) / (G2 - F2)$

Where:

A means the Benchmark Number of Shares;

B1 has the meaning set forth in Section 3.02(a);

C means the Initial Consideration Shares;

D means the SOP Consideration Shares;

E2 means the lower of (i) Mona Delivery Volume within the Second Earn-Out Period, and (ii) 180,000;

F2 means the minimum amount of Mona Delivery Volume within the Second Earn-Out Period required for the Second Earn-Out Period Milestone to be reached, being 100,000;

G2 means the maximum amount of Mona Delivery Volume within the Second Earn-Out Period that is taken into account for the purpose of calculating the Tranche 2 Earn-Out Shares in this Section 3.02(b), being 180,000;

For the avoidance of doubt, if the Second Earn-Out Period Milestone is not reached, the number of Tranche 2 Earn-Out Shares to be issued, allotted and delivered by the Purchaser shall be zero.

Section 3.03 Determination of Mona Delivery Volume and Delivery of Earn-Out Shares. The Mona Delivery Volume within the respective Earn-Out Periods shall be determined, and the Earn-Out Shares shall be delivered, in accordance with the mechanism as set forth in Appendix B.

#### ARTICLE IV CLOSING; DELIVERY

##### Section 4.01 Closing.

(a) *Initial Closing Date and Time*. The closing of the Initial Consideration Shares (the “**Initial Closing**”) shall take place remotely via the electronic exchange of documents and signatures on the tenth (10th) Business Day following the last of the conditions to the Initial Closing set forth in Section 10.01 and Section 10.02 and Article XI are satisfied or waived other than conditions that by their nature are to be satisfied as of the Initial Closing, or on such other date and time as may be mutually agreed in writing by the Parties. The date on which the Initial Closing occurs is referred to herein as the “**Initial Closing Date**.”

(b) *SOP Closing Date and Time*. The closing of the SOP Consideration Shares (the “**SOP Closing**”) shall take place remotely via the electronic exchange of documents and signatures on the tenth (10th) Business Day following the last of the conditions to the SOP Closing set forth in Section 10.01, Section 10.03 and Section 11.01 are satisfied or waived other than conditions that by their nature are to be satisfied as of the SOP Closing, or on such other date and time as may be mutually agreed in writing by the Parties. The date on which the SOP Closing occurs is referred to herein as the “**SOP Closing Date**.”

(c) *Tranche 1 Earn-Out Closing Dates and Time*. The closings of the Tranche 1 Earn-Out Shares (the “**Tranche 1 Earn-Out Closings**”), which may comprise a first Tranche 1 Earn-Out Closing (the “**First Tranche 1 Earn-Out Closing**”) at which the Purchaser shall deliver the Tranche 1 Earn-Out Shares based on the initial earn-out statement for the First Earn-Out Period according to the mechanism set forth in Appendix B and a second Tranche 1 Earn-Out Closing (the “**Second Tranche 1 Earn-Out Closing**”) at which the Purchaser delivers additional Tranche 1 Earn-Out Shares based on the difference of Mona Delivery Volume between the initial earn-out statement and the final earn-out statement for the First Earn-Out Period according to the mechanism set forth in Appendix B, shall take place remotely via the electronic exchange of documents and signatures on the tenth (10th) Business Day following the last of the conditions to the Tranche 1 Earn-Out Closing set forth in Section 10.01, Section 10.04 and Section 11.01 are satisfied or waived other than conditions that by their nature are to be satisfied as of the Tranche 1 Earn-Out Closing, or on such other date and time as may be mutually agreed in writing by the Parties.

(d) *Tranche 2 Earn-Out Closing Date and Time*. The closing of the Tranche 2 Earn-Out Shares (the “**Tranche 2 Earn-Out Closings**”), which may comprise a first Tranche 2 Earn-Out Closing (the “**First Tranche 2 Earn-Out Closing**”) at which the Purchaser shall deliver the Tranche 2 Earn-Out Shares based on the initial earn-out statement for the Second Earn-Out Period according to the mechanism set forth in Appendix B and a second Tranche 2 Earn-Out Closing (the “**Second Tranche 2 Earn-Out Closing**”) at which the Purchaser shall deliver additional Tranche 2 Earn-Out Shares based on the difference of Mona Delivery Volume between the initial earn-out statement and the final earn-out statement for the Second Earn-Out Period according to the mechanism set forth in Appendix B shall take place remotely via the electronic exchange of documents and signatures on the tenth (10th) Business Day following the last of the conditions to the Tranche 2 Earn-Out Closings set forth Section 10.01, Section 10.04 and Section 11.01 are satisfied or waived other than conditions that by their nature are to be satisfied as of the Tranche 2 Earn-Out Closing. The SOP Closing Date, Tranche 1 Earn-Out Closing Dates and Tranche 2 Earn-Out Closing Dates are collectively referred to herein as the “**Subsequent Closing Dates**”, and each a “**Subsequent Closing Date**.”

Section 4.02 Delivery.

(a) *Initial Closing Seller Delivery*. At the Initial Closing, the Seller shall, and shall cause a member of the Seller Group, as applicable, to deliver to the Purchaser:

(i) a share certificate representing the Target Shares, duly executed on behalf of the Target and registered in the name of the Purchaser;

(ii) a certified copy of the register of members of the Target, reflecting the Purchaser's ownership of the Target Shares.

(iii) a certificate executed by a duly authorized officer of the Seller, certifying to the fulfillment of the conditions specified in Section 10.01(a), Section 10.02(a), Section 10.02(c)(ii) and Section 10.02(d).

(iv) a copy of the Patent Licensing Agreement to which a member of the Seller Group (other than the Target Group) is a party, executed by such party thereto;

(v) all Books and Records;

(vi) copies of documents evidencing all Third-Party Consents received as of the date of the Initial Closing with respect to the Non-Assignable Contracts as contemplated in Section 2.07(a)(i), and a list of the Non-Assignable Contracts in respect of which the Third-Party Consents have not been received;

(vii) copies of Notification Letters that have been duly sent to counterparties to all the Notifiable Contracts pursuant to Section 2.06, and a certificate executed by a duly authorized officer of the Seller, certifying that the counterparties' no objection or acquiescence has been obtained by the relevant Seller Group member with respect to each Notifiable Contract in accordance with Section 2.06;

(viii) a certificate executed by a duly authorized officer of the Seller, certifying that all steps set forth in the Reorganization Plan (except for any steps that are specified not to be completed at or prior to the Initial Closing) have been completed in accordance with the Reorganization Plan and the applicable Law, without giving rise, directly or indirectly, to any Liability on the part of the Purchaser or any of its Affiliates or any Target Entity other than Liabilities that the Purchaser has expressly agreed to have the Target Group assume;

(ix) documents reasonably evidencing the completion of the Reorganization as listed in Appendix XIX to the Reorganization Plan;  
and

(x) all other documents expressly required to be delivered by any member of the Seller Group at the Initial Closing under this Agreement or any Ancillary Agreement (excluding any document that may, as contemplated under this Agreement or any Ancillary Agreement, be delivered after the Initial Closing).

(b) *Initial Closing Purchaser Delivery.* At the Initial Closing, the Purchaser shall deliver to the Seller:

(i) a share certificate representing the Initial Consideration Shares, duly executed on behalf of the Purchaser and registered in the name of the Seller or, where applicable, the Seller Designee;

(ii) a certified copy of an excerpt of the register of members of the Purchaser, reflecting the Seller's or the Seller Designee's ownership of the Initial Consideration Shares; and

(iii) a certificate executed by a duly authorized officer of the Purchaser, certifying to the fulfillment of the conditions specified in Section 11.01(a), Section 11.01(c), Section 11.01(d), Section 11.01(e) and Section 11.02(a);

(c) *SOP Closing Seller Delivery.* At the SOP Closing, the Seller shall deliver to the Purchaser a certificate executed by a duly authorized officer of the Seller, certifying to the fulfillment of the conditions specified in Section 10.01(a) and Section 10.03(a);

(d) *SOP Closing Purchaser Delivery.* At the SOP Closing, the Purchaser shall deliver to the Seller:

(i) a share certificate representing the SOP Consideration Shares, duly executed on behalf of the Purchaser and registered in the name of the Seller or, where applicable, the Seller Designee;

(ii) a certified copy of an excerpt of the register of members of the Purchaser, reflecting the Seller's or the Seller Designee's ownership of the SOP Consideration Shares; and

(iii) a certificate executed by a duly authorized officer of the Purchaser, certifying to the fulfillment of the conditions specified in Section 11.01(a), Section 11.01(c), Section 11.01(d) and Section 11.01(e).

(e) *Tranche 1 Earn-Out Closings Seller Delivery.* At each Tranche 1 Earn-Out Closing, the Seller shall deliver to the Purchaser a certificate executed by a duly authorized officer of the Seller, certifying to the fulfillment of the conditions specified in Section 10.01(a) and Section 10.04(a);

(f) *Tranche 1 Earn-Out Closings Purchaser Delivery.* At each Tranche 1 Earn-Out Closing, the Purchaser shall deliver to the Seller:

(i) a share certificate representing the Tranche 1 Earn-Out Shares to be issued, allotted and delivered for the respective Tranche 1 Earn-Out Closing, duly executed on behalf of the Purchaser and registered in the name of the Seller or, where applicable, the Seller Designee;

(ii) a certified copy of an excerpt of the register of members of the Purchaser, reflecting the Seller's or the Seller Designee's ownership of the Tranche 1 Earn-Out Shares to be issued, allotted and delivered for the respective Tranche 1 Earn-Out Closing; and

(iii) a certificate executed by a duly authorized officer of the Purchaser, certifying to the fulfillment of the conditions specified in Section 11.01(a), Section 11.01(c) and Section 11.01(e).

(g) *Tranche 2 Earn-Out Closings Seller Delivery*. At each Tranche 2 Earn-Out Closing, the Seller shall deliver to the Purchaser a certificate executed by a duly authorized officer of the Seller, certifying to the fulfillment of the conditions specified in Section 10.01(a) and Section 10.04(a);

(h) *Tranche 2 Earn-Out Closings Purchaser Delivery*. At each Tranche 2 Earn-Out Closing, the Purchaser shall deliver to the Seller

(i) a share certificate representing the Tranche 2 Earn-Out Shares to be issued, allotted and delivered for the respective Tranche 2 Earn-Out Closing, duly executed on behalf of the Purchaser and registered in the name of the Seller or, where applicable, the Seller Designee;

(ii) a certified copy of an excerpt of the register of members of the Purchaser, reflecting the Seller's or the Seller Designee's ownership of the Tranche 2 Earn-Out Shares to be issued, allotted and delivered for the respective Tranche 2 Earn-Out Closing; and

(iii) a certificate executed by a duly authorized officer of the Purchaser, certifying to the fulfillment of the conditions specified in Section 11.01(a), Section 11.01(c) and Section 11.01(e).

## **ARTICLE V REPRESENTATIONS AND WARRANTIES OF THE SELLER**

Except as expressly set forth in the applicable referenced section or subsection of the disclosure letter (the "**Disclosure Letter**") as set forth in the Appendix A, the Seller represents and warrants to the Purchaser, as to itself and each Target Business Entity, that, as of the date of this Agreement, the Initial Closing Date and, solely with respect to Section 5.01, Section 5.02, Section 5.03, Section 5.04, Section 5.13, Section 5.30, Section 5.32 and Section 5.33, each Subsequent Closing Date (except for such representations and warranties that speak as of a specified date, in which case such representations and warranties shall be made only as of such specified date):

Section 5.01 Organization and Existence. Each of the Seller Parties is, and each Target Business Entity is as of the date hereof and as of the Initial Closing, a corporation or other legal entity duly incorporated or formed and validly existing under the Laws of the jurisdiction of its incorporation or formation and has full corporate or organizational power and authority to (a) own or lease the Target Shares and Assets owned or leased by it and (b) carry on the Business as now conducted by it. The Seller has made available to the Purchaser true and complete copies of (i) the certificates of incorporation or equivalent organizational or governing document of each Target Entity and (ii) the by-laws or equivalent organizational or governing document of each Target Entity, each as in effect as of the date hereof. Each of the foregoing certificates of incorporation and by-laws or equivalent organizational or governing documents of each Target Entity is in full force and effect, and no Target Entity is in material violation of any of the provisions of such documents.

Section 5.02 Qualification and Standing. As of the date hereof and as of the Initial Closing, each Target Business Entity is duly qualified or licensed to do business and is in good standing (in each case, as applicable under relevant Law) in all jurisdictions where the nature of the Target Shares and Assets owned or leased by it, or the conduct of the Business conducted by it, requires it to be qualified or licensed.

Section 5.03 Capitalization; No Other Subsidiaries.

(a) As of the date hereof and as of the Initial Closing, all of the issued and outstanding shares of capital stock of, or other equity interests in, each Target Entity have been validly issued and are fully paid and nonassessable and are wholly owned, directly or indirectly, by the Seller free and clear of all Liens.

(b) At the Initial Closing, there are no direct or indirect Subsidiaries of the Target other than the entities listed in Schedule 5.03(b) of the Disclosure Letter. No Target Entity owns, directly or indirectly, any capital stock or any other equity interest in any Person except for such entities.

(c) As of the date hereof and as of the Initial Closing, there are no (i) outstanding securities (whether debt or equity) convertible into or exercisable or exchangeable for any capital stock or equity interests in any Target Entity, (ii) outstanding options, warrants, preemptive rights or other rights permitting or requiring any Person to subscribe for, or acquire or purchase, or permitting any Target Entity to issue, any other equity securities, (iii) obligations of any Target Entity to repurchase, redeem or otherwise acquire any capital stock or equity interests of the Target Group, (iv) voting trusts or similar arrangements to which any Target Entity is a party with respect to the voting of the capital stock of any Target Entity, or (v) outstanding bonds, debentures, notes or other Indebtedness of any Target Entity having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matter on which stockholders may vote.

Section 5.04 Corporate Authority. Each of the Seller Parties that is, and each Target Business Entity as of the date hereof and as of the Initial Closing that is, a party to a Transaction Document has all requisite power and authority to enter into each Transaction Document to which it is a party, and to carry out its obligations hereunder (including the Reorganization) and thereunder. Each of the Seller Parties that is, and each Target Business Entity as of the date hereof and as of the Initial Closing that is, a party to a Transaction Document has taken all actions needed to execute, deliver and consummate the Transaction Documents to which it is a party, and to perform its obligations hereunder and thereunder, and no other proceedings or actions on the part of it is necessary to authorize such execution, delivery and performance. As of the date hereof and the Initial Closing, this Agreement and the Strategic Cooperation Agreement have been, and the other Transaction Documents to which the Purchaser or its designated Affiliate is a party will be, duly executed by each Seller Party and each Target Business Entity that is a party thereto and, assuming due execution by the Purchaser or its designated Affiliate, constitute, or will constitute, the legal, valid and binding obligations of each Seller Party and each Target Business Entity that is a party thereto, enforceable against them in accordance with the terms of the applicable Transaction Document, subject to the Bankruptcy and Equity Exception.

Section 5.05 Financial Statements.

(a) Attached to Schedule 5.05(a) of the Disclosure Letter is a true and complete copy of the Financial Statements, which set out pro forma financial information that has been prepared based on the historical financial statements of the Target Group, as adjusted to give effect to the Reorganization Plan of the Target Group as if it had occurred on January 1, 2021, and include a copy of an unaudited combined balance sheet of the Business as at June 30, 2023 (the “**Financial Statements Date**”) and a copy of the unaudited combined income statements of the Business for the years ended December 31, 2021 and 2022 and for the six months ended June 30, 2023.



(b) The historical financial statements of the Target Group, based upon which the pro forma financial information set out in the Financial Statements were prepared, fairly present in all material respects the financial positions and results of operations of the Business as of the respective dates thereof and for the periods indicated therein in conformity with GAAP, and were derived from the books and records of the Target Business Entities.

Section 5.06 Condition and Sufficiency of Target Shares and Assets; Business Assets.

(a) The Seller Parties legally or beneficially own, or otherwise have valid and legal right or title over, the Target Shares and Assets.

(b) The Business Assets, to the extent applicable, are in good operating condition, have been properly maintained in accordance with best practice in all material respects, and are safe to operate when operated in accordance with best practice.

(c) Schedule 5.06(c) of the Disclosure Letter sets forth a complete and correct list of all fixed Business Assets material to the Target Group and the Business, including Real Property, construction-in-progress, plant, and equipment (the “**Fixed Business Assets**”). The Fixed Business Assets are in a good state of preservation and efficiency except for reasonable wear and tear.

(d) As of the date hereof, all of the Business Assets are owned free of any Liens by the Target Business Entities. Following the completion of the Reorganization, and immediately prior to the Initial Closing, all of the Business Assets are owned free of any Liens by Target Entities.

(e) The Target Shares and Assets constitute all the material assets necessary and sufficient for the Target Group to, at and prior to the Initial Closing, operate the Business (i) in compliance with applicable Law, (ii) as conducted as of the date hereof (except for (x) any personnel changes in connection with Article VIII of this Agreement, (y) any steps effected pursuant to the Reorganization Plan, and (z) as otherwise contemplated by the Transaction Documents, and taking into account the restrictions on the conduct of the Business in the ordinary course of business pursuant to Section 7.02), and (iii) independently on a standalone basis (except for any transition services or similar services contemplated by the Transaction Documents).

(f) The Target Group has terminated the development and engineering of that certain sport utility vehicle (SUV) named “Alita” (the “**Discontinued Business**”) and initiated the termination of contracts with suppliers of such Discontinued Business. The Seller Group is using its reasonable best efforts to terminate all the contracts related to the Discontinued Business prior to the Initial Closing. The Discontinued Business did not generate any meaningful products other than parts of a *de minimis* value, or any meaningful Intellectual Property Rights other than those set out in Appendix VII-2 (Excluded IPs) of the Reorganization Plan, which will be transferred from the Target Group to the Seller Group in accordance with the Reorganization Plan.

Section 5.07 Real Property.

(a) The address of each parcel of real property that is used in the Business and owned by any Target Business Entity is set forth in Schedule 5.07(a) of the Disclosure Letter (collectively, the “**Owned Real Property**”). Except as set forth in Schedule 5.07(a) of the Disclosure Letter, each Target Business Entity has good, valid and marketable title to each parcel of Owned Real Property and to all of the buildings, structures and other improvements thereon, free and clear of all Liens. The Seller has delivered to the Purchaser copies of any title insurance policies currently insuring each parcel of Owned Real Property and copies of the most recent surveys of the same, in each case to the extent that such documents are in the possession of the Seller Group.

(b) Schedule 5.07(b) of the Disclosure Letter sets forth the address of each parcel of leasehold or sub-leasehold estate and any and all other rights to use or occupy any land, buildings, structures, improvements or other interest in real property held by or for a member of the Target Business Entities that is used in the Business (the “**Leased Real Property**”, and together with the Owned Real Property, the “**Real Property**”), as well as a true and complete list of all leases, licenses, subleases and other occupancy agreements, together with any amendments or modifications thereto and any documents or instruments affecting in any material respect the rights or obligations thereunder of any of the parties thereto, pursuant to which each Target Business Entity as party thereto has the right to use or occupy the Leased Real Property in furtherance of operating the Business (the “**Tenant Leases**”). With respect to each parcel of Leased Real Property, (i) to the knowledge of the Seller, each Tenant Lease is legal, valid, binding and enforceable against the lessor thereunder and is in full force and effect and has not been modified; (ii) neither the Target Business Entity that is a party thereto nor, to the knowledge of the Seller, any other party to such Tenant Lease, is in breach or default under such lease; (iii) the possession and quiet enjoyment of the Leased Real Property under any Tenant Lease by the Target Business Entity that is a party thereto has not been disturbed in any material respect; (iv) the Target Business Entity that is a party thereto has not subleased, licensed, or otherwise granted any Person the right to use or occupy such parcel of Real Property or any portion thereof, or collaterally assigned or granted any other Lien in any such lease or any interest therein; (v) the Target Business Entity that is a party thereto has a valid leasehold interest in such Tenant Lease and the improvements thereon, free and clear of all Liens; (vi) all required deposits and rents due to date pursuant to each Tenant Lease have been paid in full; and (vii) the Target Business Entity that is a party thereto has not prepaid rent or any other amounts due under a Tenant Lease more than thirty (30) days in advance.

(c) The Real Property constitutes all of the real property used by the Target Business Entities in connection with the operation of the Business as conducted as of the date hereof. All improvements, systems, equipment, machinery and fixtures on the Owned Real Property generally are adequate and suitable in all material respects for the present and continued use, operation and maintenance thereof as now used, operated or maintained. With respect to the Real Property, (i) there are no rights of first refusal, reversionary rights, purchase options, rights of first offer and the like, recorded or, to the knowledge of the Seller, unrecorded, affecting any portion of the Real Property; and (ii) the Real Property and its continued use, occupancy and operation as currently used, occupied and operated, does not in any material respect constitute a nonconforming use under any applicable building, zoning, subdivision and other land use and similar Laws.

(d) No Target Business Entity has received any written notice of any condemnation, requisition or taking by a Governmental Authority with respect to the Real Property, and, to the knowledge of the Seller, there are no pending or threatened condemnation or eminent domain proceedings involving the Real Property.

Section 5.08 Personal Property; Inventories.

(a) The Target Business Entities have good, valid and marketable title to all of the material Personal Property included in the Business Assets free and clear of all Liens.

(b) (i) All Inventories are of a quantity materially consistent with the quantity levels maintained in the ordinary course of business consistent with past practice, (ii) all Inventories, to the extent sold, were reasonably priced at the time of sale, (iii) no customer or distributor of any Target Business Entity (with respect to Target Business Entities that are not Target Entities, solely in relation to their ownership and operation of the Business and the Business Assets) has the right to return for credit or refund items of material value that, if returned, would be included in any Target Business Entity's Inventories pursuant to any agreement, understanding or practice of such Target Business Entity with respect to taking back any product, (iv) to the knowledge of the Seller, no Target Business Entity (with respect to Target Business Entities that are not Target Entities, solely in relation to their ownership and operation of the Business and the Business Assets) is in possession of any Inventories not owned by the one or more Target Business Entities, including goods already sold and (v) to the knowledge of the Seller, other than Inventories held at warehouses or third-party processors in the ordinary course of business, there is no product of any member Target Business Entity (with respect to Target Business Entities that are not Target Entities, solely in relation to their ownership and operation of the Business and the Business Assets) in the possession of customers or distributions of any member of the Target Business Entity (with respect to Target Business Entities that are not Target Entities, solely in relation to their ownership and operation of the Business and the Business Assets) on consignment or on a similar basis.

Section 5.09 Contracts.

(a) Schedule 5.09(a) of the Disclosure Letter sets forth a true, accurate and complete list of the Business Contracts and the following information with respect to each Business Contract: (i) parties; (ii) subject matter; (iii) maximum payment amounts ; (iv) paid amount as of June 30, 2023 ; and (v) unpaid amount as of June 30, 2023 (whether due or undue).

(b) Schedule 5.09(b) of the Disclosure Letter sets forth a complete and correct list of the following types of Contracts to which a Target Business Entity (with respect to Target Business Entities that are not Target Entities, solely in relation to their ownership and operation of the Business and the Business Assets) is a party, or by which it or any of its assets is bound, in effect as of the date of this Agreement used to conduct the Business (collectively, "**Material Contracts**"):

(i) the Business Contracts with the top twenty (20) suppliers of the Business in terms of development expenses incurred thereunder;

(ii) any Contract under which payments in excess of RMB5,000,000 to or by any member of the Seller Group shall be made;

(iii) any Contract relating to any direct or indirect Indebtedness (including any Contract by which a Target Business Entity guarantees, endorses or otherwise becomes or is contingently liable for the Indebtedness or other Liabilities of any other Person) having an outstanding principal amount in excess of RMB5,000,000;

(iv) any lease agreements with respect to Personal Property involving payments in excess of RMB5,000,000;

(v) any mortgage, pledge, security agreement, factoring agreement or other agreement under which any Liens are created on any of the Target Shares and Assets;

(vi) any consulting or management services contract in excess of RMB1,000,000 or any confidentiality or proprietary rights agreements the subject matter of which exceeds RMB1,000,000;

(vii) any Contract including payments of royalties or similar payments;

(viii) any Contract any Target Business Entity involving any resolution or settlement of any actual or threatened litigation, arbitration, claim or other dispute which has not been fully performed, the value of which exceeds RMB5,000,000;

(ix) any Contract with any Governmental Authority;

(x) any Contract between any Target Entity, on the one hand, and any other member of the Seller Group, on the other hand, except for any such Contract that is terminated as of the Initial Closing and does not have any outstanding obligations or contingent liabilities of any kind as of the Initial Closing;

(xi) any Contract for the sale of any material assets, material property or material rights;

(xii) any Contract that materially limits the freedom of any Target Entity to compete in any line of business or with any Person or in any area, or to enter into new lines of business;

(xiii) any Contracts relating to capital expenditures, including for purchases of equity, assets or properties of another Person (other than purchase orders for such items in the ordinary course of business) in excess of RMB5,000,000;

(xiv) any joint venture, partnership, strategic alliance, limited liability company, teaming, cooperation and any other similar Contract involving a sharing of profits or losses, costs or liabilities or any other Contract that relates to the formation, creation, operation, disposition, management or control of any Person that is a legal entity;

(xv) any Contract pertaining to the use or licensing of Business IP Rights (other than a Contract for the use of off-the-shelf commercially available software);

(xvi) any Contract listed in Schedule 5.09(b)(xvi) of the Disclosure Letter; and

(xvii) any Contract other than as set forth above to which any Target Business Entity is a party or by which it or any of its assets is bound or subject that is material to the Business.

(c) Each Material Contract is in full force and effect and is valid, binding and enforceable in accordance with its terms against the applicable Target Business Entity that is a party to that Material Contract, and, to the knowledge of the Seller, the other parties to the Material Contract.

(d) Each Target Business Entity has performed and is performing, in all material respects, all its obligations under the Material Contracts to which it is a party.

(e) No Target Business Entity, nor, to the knowledge of the Seller, any other party, is in default of any material obligation under any of the Material Contracts to which such Target Business Entity is a party.

(f) No Target Business Entity has received any written or oral notice of default under any of the Material Contracts, nor, to the knowledge of Seller, has any event occurred that would cause any Target Business Entity to breach, violate, conflict with or constitute a default (with or without due notice or lapse of time or both) under, or give rise to any Lien or right of termination, consent, acceleration or cancellation by any applicable counterparty under any Material Contract to which any Target Business Entity is a party (each of the foregoing, a “**Default**”).

(g) Schedule 5.09(g) of the Disclosure Letter sets forth a true, accurate and complete list of the Non-Assignable Contracts that are Material Contracts. Unless otherwise disclosed in Schedule 5.09(g) of the Disclosure Letter, no Material Contract is a Non-Assignable Contract or contains any Change of Control Notice Clauses or Change of Control Consent Clauses, and no Target Business Entity has received any written or oral notice (i) of the intention of any party to terminate any Material Contract, or (ii) of any Proceeding under any Material Contract that has not been resolved in all material respects.

(h) As of the Initial Closing, the Seller and/or its Affiliates have met their payment obligations as set forth in the Parts Development Settlement Agreement (零部件开发结算协议) between Xiaoju Zhineng and Huizhou Desay SV Automotive Co., Ltd. (惠州市德赛西威汽车电子股份有限公司) dated August 25, 2023.

Section 5.10 Business IP Rights; IT Systems. Except as otherwise provided in Schedule 5.10 of the Disclosure Letter:

(a) Schedule 5.10(a) of the Disclosure Letter sets forth a true and complete list of all Business IP Rights issued by, registered with, renewed by, or the subject of a pending application before any Governmental Authority or Internet domain name registrar, indicating for each such item, the record owner, registration or application number, registration or application date and the applicable filing jurisdiction, in each case, that are used or held for use in connection with and material to the Business, and owned by a Target Business Entity.

(b) The Target Business Entities own, license or otherwise possess legally enforceable rights to use all the Business IP Rights as currently conducted and as currently contemplated to be conducted, and such ownership, licenses, or other rights in the Business IP Rights are valid and in full force and effective.

(c) No Target Business Entity, nor, to the knowledge of the Seller, any other party, is in default of any material obligation under any license, sublicense or other agreement relating to the Business IP Rights.

(d) The Business IP Rights are free of Liens and fully assignable to any Person without payment, consent of any Person or other condition or restriction.

(e) No Target Business Entity has granted any right or interest to any Person in connection with any of the Business IP Rights held by such Target Business Entity.

(f) No Target Business Entity is obligated to pay any material amount to any Person in order to use any of the Business IP Rights.

(g) Except as disclosed in Schedule 5.10(g) of the Disclosure Letter, during the three (3) years prior to the date hereof, no material challenge, claim or dispute regarding the ownership, use, validity or enforceability of the Business IP Rights has been pending or, to the knowledge of the Seller, threatened in writing.

(h) All of the Business IP Rights are subsisting, and, to the knowledge of the Seller, none of the Business IP Rights are subject to any outstanding order, decree, judgment or stipulation, or has been adjudged invalid or unenforceable.

(i) To the knowledge of the Seller, (i) the operation of the Business as currently conducted does not infringe upon, misappropriate or otherwise violate any Third Party's Intellectual Property Rights and (ii) none of the Business IP Rights are being infringed by any Third Party.

(j) No Third Party has notified a Target Business Entity in writing during the prior three (3) years that such Third Party believes the operation of the Business by such Target Business Entity infringe, misappropriate or otherwise violate any Intellectual Property Right of such Third Party.

(k) The Target Business Entities have collectively taken all commercially reasonable steps to maintain the confidentiality of all Business IP Rights that are proprietary processes, material trade secrets or other non-public proprietary information, and to the knowledge of the Seller no unauthorized disclosure of any such information has occurred during the three (3) years prior to the date hereof.

(l) Schedule 5.10(l) of the Disclosure Letter sets forth all Business Assets that are (a) rights to software used under an existing license that permits the applicable Retained Entity to assign such rights (or portions thereof) to the Target Group, the Purchaser or its Affiliates, (b) rights to software used under an existing license permitting the applicable Retained Entity to provide software related services to the Target Group, the Purchaser and its Affiliated designee for a limited period and (c) rights to software used under an existing license that does not permit the applicable Retained Entity to assign such rights (or portions thereof) to the Target Group, the Purchaser and its Affiliated designee.

(m) The Target Business Entities own or have rights to access and use all IT Systems used to process, store, maintain and operate data, information and functions used in connection with the Business or otherwise reasonably necessary for the conduct of the Business as currently conducted.

(n) The Target Business Entities (with respect to Target Business Entities that are not Target Entities, solely in relation to their ownership and operation of the Business and the Business Assets) have, as a whole, taken all commercially reasonable steps to secure the IT Systems from unauthorized access or use by any Person, and to ensure the continued, uninterrupted and error-free operation of the IT Systems.

(o) The IT Systems used in the operation of the Business are adequate in all material respects for their intended use and for the operation of the Business as currently operated by the Target Business Entities, and are in good working condition, and to the knowledge of the Seller, there have not been any material failures, breakdowns, performance disruptions, interruptions or other malfunctions with respect to any such IT Systems since January 1, 2020 that in each case has not been remedied or replaced in all material respects.

(p) During the three (3) years prior to the date hereof, (i) no Target Business Entity (with respect to Target Business Entities that are not Target Entities, solely in relation to their ownership and operation of the Business and the Business Assets) has collected or used any customer information in material violation of a contractual obligation with such customer, and (ii) to the knowledge of the Seller, no person has gained unauthorized access to or made any unauthorized use of any customer information that is protected by a contractual obligation with such customer.

#### Section 5.11 Reorganization.

(a) The Reorganization Plan provides for all of the material steps and measures that are required to be implemented (i) in order to sell, assign, transfer, convey and deliver to the applicable Target Entity, free and clear of any Liens, all Business Assets; and (ii) for the Target Group to, immediately prior to the Initial Closing, be able to operate the Business (A) in compliance with applicable Law, (B) as conducted as of the date hereof (except for (x) any personnel changes in connection with Article VIII of this Agreement, (y) any steps effected pursuant to the Reorganization Plan, and (z) as otherwise contemplated by the Transaction Documents, and taking into account the restrictions on the conduct of the Business in the ordinary course of business pursuant to Section 7.02), and (C) independently on a standalone basis (except for any transition services or similar services contemplated by the Transaction Documents).

(b) There are no claims pending or, to the knowledge of the Seller, threatened against Xiaoju Zhineng with respect to Judian that may result in Losses to any Target Entities, the Purchaser or its Affiliates, including claims by Judian, Beijing Chj Automotive Co., Ltd. (北京车和家信息技术有限公司), the bankruptcy administrator, court, debtors or other relevant parties.

(c) The Seller shall indemnify and hold harmless the Purchaser from and against all Liabilities arising out of the Closed Excluded Contracts.

#### Section 5.12 Environmental Matters.

(a) Since January 1, 2020, no incidents such as spills, explosions or fires have occurred on any real estate owned, leased, used or occupied by a Target Business Entity primarily for the Business which have resulted in any material pollution of the soil, groundwater or buildings with any hazardous material.

(b) (i) The Target Business Entities have obtained and currently maintain all Permits necessary under environmental laws for operation of the Business (the “**Environmental Permits**”); (ii) Schedule 5.12 of the Disclosure Letter sets forth a complete and correct list of Environmental Permits held by the Target Business Entities, and no Target Business Entity is in material violation of any Environmental Permit; (iii) there is no investigation nor any action pending or, to the knowledge of the Seller, threatened against any Target Business Entity to revoke such Environmental Permits; and (iv) there are no pending, unresolved or threatened environmental claims or liabilities with respect to such Environmental Permits.

(c) Each Target Business Entity (with respect to Target Business Entities that are not Target Entities, solely in relation to their ownership and operation of the Business and the Business Assets) is in material compliance with all applicable environmental laws, and there are no environmental claims pending or, to the knowledge of the Seller, threatened with respect to the Business.

Section 5.13 No Breach of Contract; No Violations of Law; No Prior Approval. The execution, delivery and performance of any Transaction Document and the consummation by the applicable members of the Seller Group of the Transactions, including the Reorganization, shall not:

(a) Constitute a Default of or under:

(i) the applicable Governing Documents of any Seller Party or any Target Business Entity;

(ii) any Contract to which any Seller Party or any Target Business Entity (with respect to Target Business Entities that are not Target Entities, solely in relation to their ownership and operation of the Business and the Business Assets) is a party (including any of the Material Contracts, or the Tenant Leases ), other than Defaults that would not reasonably be expected to be a Seller Material Adverse Effect; or

(iii) any Law applicable to any Seller Party, any Target Business Entity (with respect to Target Business Entities that are not Target Entities, solely in relation to their ownership and operation of the Business and the Business Assets) or the Target Shares and Assets, other than Defaults that would not reasonably be expected to be a Seller Material Adverse Effect;

(b) violate any order, judgment or decree of any court or any Governmental Authority applicable to any Seller Party, any Target Business Entity (with respect to Target Business Entities that are not Target Entities, solely in relation to their ownership and operation of the Business and the Business Assets) or any of the Target Shares and Assets;

(c) create a Lien upon any of the Target Shares and Assets, other than any restrictions under this Agreement or the other Transaction Documents; or

(d) require a filing with or Permit from any Governmental Authority by the Seller Group, except any filing or Permit whose failure to be made with or obtained from would not reasonably be expected to be material or has been obtained prior to the Initial Closing.

#### Section 5.14 Litigation.

(a) There is no pending or, to the knowledge of the Seller, threatened Proceeding relating to the Business or any of the Target Shares and Assets as of the date hereof that would individually or in the aggregate, have a Seller Material Adverse Effect.

(b) There is no existing Judgment that applies to the Business or the Target Shares and Assets that would individually or in the aggregate, have in a Seller Material Adverse Effect.

#### Section 5.15 Tax Matters.

(a) (i) All material Tax Returns required to be filed by the Target Business Entities in relation to the Business have been timely filed (taking into account extensions of time to file such Tax Returns) and all such Tax Returns are complete and correct in all material respects; (ii) all material Taxes required to be paid by any Target Business Entity that are shown on such Tax Returns have been timely paid; (iii) all material Taxes (whether in Mainland China, Hong Kong or other jurisdictions) in connection with the Reorganization have been reported and timely paid; (iv) all deductions and withholdings in respect, or on account of any Tax from any payments made by a Target Business Entity which it is obliged or entitled to make has been deducted or withheld and such Target Business Entity has duly accounted in full to the appropriate authority for all amounts so deducted or withheld; and (v) the Financial Statements have made full provision for all Taxes which the Target Business Entities are or may become liable to pay for the six (6) financial years up to and including the date of the Initial Closing.



(b) No deficiencies for any material Taxes have been proposed or assessed in writing against or with respect to any Taxes due by or Tax Returns of the Target Business Entities. No Tax liability with respect to the Target Business Entities has been incurred outside the ordinary course of business or otherwise materially inconsistent with past custom and practice.

(c) To the knowledge of the Seller, no material Tax Return of a Target Business Entity is currently under examination by a Governmental Authority.

(d) To the knowledge of the Seller, no claim has ever been made by a Governmental Authority in a jurisdiction where any Target Business Entity does not file Tax Returns that any Target Business Entity is subject to taxation by that jurisdiction.

(e) There are no material Liens on any of the assets or properties of any Target Business Entity that arose in connection with any failure (or alleged failure) to pay any Tax.

(f) As of the Initial Closing, no Target Business Entity is bound or obligated under any tax sharing, tax indemnification or similar Contract, other than customary commercial Contracts (i) entered into in the ordinary course, and (ii) the primary subject matter of which is not Taxes.

(g) No Target Business Entity is involved in any material administrative or judicial dispute or investigation in relation to Tax or involving any Tax authority, nor are any, to the knowledge of the Seller, contemplated.

(h) To the knowledge of the Seller, no notice, enquiry or adjustment has been made by any Governmental Authority in connection with any transfer pricing arrangements.

(i) No waivers of statutes of limitation have been given by or requested with respect to any Taxes of any Target Business Entity.

Section 5.16 Absence of Changes. Since the Financial Statement Date: (a) except as expressly permitted by this Agreement or the other Transaction Documents (including the personnel changes effected in connection with Article VIII of this Agreement, any steps effected pursuant to the Reorganization Plan, or any other actions otherwise expressly contemplated by the Transaction Documents, including Article VII), the Business has been operated in the ordinary course and in a manner materially consistent with past practice, (b) there have not been any changes, events, circumstances, developments or occurrences that, individually or in the aggregate, has had or would reasonably be expected to have, a Seller Material Adverse Effect, (c) the Business has not sold or transferred any Target Shares and Assets, and (d) no member of the Seller Group has taken or authorized any action which, if taken or authorized on or after the date hereof, would require the consent of the Purchaser pursuant to Section 7.02(b).

Section 5.17 Business Permits. Schedule 5.17 of the Disclosure Letter sets forth a complete and correct list of all Business Permits held by the Target Business Entities. Except for those matters addressed by Section 5.12 and except as set forth in Schedule 5.17 of the Disclosure Letter:

(a) The Target Business Entities, are in possession of all Permits necessary for them to own, lease and operate the Business Assets and to carry on the Business as conducted as of the date hereof, except where the failure to possess any Permit would not constitute a Seller Material Adverse Effect (the “**Business Permits**”).

(b) The Target Business Entities have been, and are in compliance in all material respects with, all Business Permits.

(c) No material Business Permit is subject to any pending or, to the knowledge of the Seller, threatened Proceeding to suspend, restrict, withdraw, terminate, revoke, cancel or declare such Business Permit invalid in any respect.

Section 5.18 Compliance with Laws. Except for those matters that are addressed by Section 5.12:

(a) Each of the Target Business Entities has operated and conducted the Business in all material respects in accordance with their respective Governing Documents and all applicable Laws, orders and other requirements of all Governmental Authorities having jurisdiction over or otherwise applicable to each of the Seller Parties and the Target business Entities or the Business at any time during the three years prior to the date hereof, except as would not, individually or in the aggregate, result in a Seller Material Adverse Effect.

(b) Neither the ownership of the Target Shares and Assets nor the operation of the Business as it is presently conducted violates any material Law applicable to the Target Business Entities,.

(c) No member of the Seller Group has received any written notice or oral notice from any Governmental Authority or court that claims or alleges any violation of any applicable Law in relation to the Business.

Section 5.19 No Undisclosed Liabilities; Target Group Liabilities and Indebtedness.

(a) The Target Entities have no Liabilities, and there are no Liabilities which, individually or in the aggregate, would reasonably be expected to be material except (i) as and to the extent set forth in the Financial Statements, or (ii) for Liabilities incurred since the Financial Statements Date in the ordinary course of business consistent with past practice.

(b) Schedule 5.19(b)-1 of the Disclosure Letter sets forth a true and accurate list of all Liabilities and Indebtedness, as of the date hereof, of the Target Entities, and the manner in which such Liabilities and Indebtedness is expected to be eliminated prior to the Initial Closing. Schedule 5.19(b)-2 of the Disclosure Letter sets forth a true and accurate list of all Liabilities and Indebtedness between a Target Entity, on the one hand, and a member of the Seller Group (other than the Target Entities), on the other hand, and the manner in which such Liabilities and Indebtedness will be eliminated prior to the Initial Closing. As of the Initial Closing, none of the Target Entities has any Indebtedness or known Liabilities other than the Assumed Liabilities.

Section 5.20 Employees; Labor Relations.

(a) Each of the Proposed Employees is a Business Employee who is employed by a Target Business Entity as of the date hereof.

(b) To the knowledge of the Seller, none of the employees who are material to the overall operations of the Business, is, (i) in breach of his or her employment Contract or terms of engagement or statutory duties; or (ii) has given or been given written notice to terminate his or her employment.

(c) Each Target Business Entity has complied with, and is presently operating in compliance with, all Laws, Contracts applicable to the Proposed Employees relating to employment and social security in all material respects. No Target Business Entity has received any written comments, formal demand or reassessment notice from any Governmental Authority responsible for employment and social security Laws relating to any actual or alleged violation of applicable employment and social security Laws in relation to the Proposed Employees.

(d) Each applicable Target Business Entity has paid, in material compliance with applicable Law, the contributions payable to social and healthcare schemes and social security bodies with respect to the Proposed Employees. Such contributions have been paid in the prescribed form and on time in all material respects.

(e) Each applicable Target Business Entity has complied in all material respects with its obligations to inform and consult with their employee representative bodies on the Transactions to the extent such obligations exist under applicable Law or Contract.

(f) Except as set forth in Schedule 5.20(f) of the Disclosure Letter, (i) no Target Entity has entered into any employment Contract or service agreement with any of their current or former employees or officers; and (ii) no Target Entity has lent any money to any of their employees or officers.

(g) No Target Entity has undertaken or agreed to employ any person.

(h) Each Target Business Entity has complied with the employment Contracts, applicable collective bargaining agreements and company agreements, in each case with or relating to the Proposed Employees, in all material respects and does not employ any Recruited Employee on terms or has agreed to grant terms that are more favorable than those provided by Law, applicable collective bargaining agreements or applicable company agreements.

(i) Any salary, commission, benefit, and other remuneration (including any severance compensation) owed to any Proposed Employee (including under applicable Law) has been paid in full in accordance with applicable Law by each Target Business Entity.

(j) No senior executive of any Target Entity has resigned or been dismissed from his positions or has announced his intention to resign, except for personnel changes in connection with Article VIII of this Agreement.

(k) No Target Business Entity has entered into any agreement with a Third Party which could be reclassified as an employment Contract for any person constituting a Proposed Employee or considered as illegal lending or bargaining of any Proposed Employees.

(l) Schedule 5.20(l) of the Disclosure Letter sets forth a true and accurate list of each collective bargaining agreement, workers council agreement or other agreement with a trade union, workers council or other equivalent applicable to the Business Employees, including any current or future redundancy plan to which a Target Entity may be committed.

(m) There is no pending or, to the knowledge of the Seller, threatened litigation between a Proposed Employee, a trade union or any other body that represents the employees and any Target Business Entity.

(n) There is no current material social unrest, strike or other circumstances affecting the social climate of any Target Business Entity with respect to the Business.

(o) Schedule 5.20(o) of the Disclosure Letter contains a list of the Proposed Employees whose employment contracts have been terminated or are currently being made redundant under any outstanding redundancy plan, including the date of their termination and list of any outstanding amounts to be paid in this context at the date hereof. All payments in connection with the obligations set forth in this provision have been made in accordance with applicable Law. No Target Business Entity has any outstanding obligations as a result of any redundancy plan with respect to the Business.

#### Section 5.21 Employee Benefits.

(a) Schedule 5.21 of the Disclosure Letter sets forth the material details of each of the existing Employee Benefit Plans that are currently in place under which the Seller Group is liable to provide benefits in respect of Business Employees.

(b) Except as mandatorily required under applicable Law, no Target Business Entity is under any legal liability or obligation, and no Target Business Entity is a party to any ex-gratia arrangement or promise, to pay any retirement benefit, pension, gratuity, annuity, superannuation allowance or the like, or life assurance, medical insurance or permanent health payments or the like, to or for any director or officer or employee or former director or officer or employee who are Business Employees of each Target Business Entity or their dependents; and there are no retirement benefits, or pension or death benefits, provident funds or schemes, life assurance or health insurance or health protection, or similar schemes or arrangements in relation to, or binding on, any Target Business Entity or to which any Target Business Entity contributes or has contributed or proposes to contribute.

(c) All provisions, payments and contributions to, or relating to, retirement benefits scheme which are mandatorily required to be made by any Target Business Entity under applicable Law in respect of its director or officer or employee or former director or officer or employee or other persons have been duly made in all material respects.

(d) Save as disclosed in the Financial Statements, no Target Business Entity has any material obligation to provide housing, provident fund, social insurance, severance, pension, retirement, death or disability benefits or other actual or contingent employee benefits to any of its director or officer or employee or former director or officer or employee.

Section 5.22 Insurance. Schedule 5.22 of the Disclosure Letter sets forth a complete and correct list of all policies of insurance that are owned or held by any Target Business Entity to the extent it is insuring the Business, the Target Shares and Assets or the Assumed Liabilities (the “**Insurance Policies**”). As of the date of this Agreement, the Insurance Policies are in full force and effect, and all premiums due and payable thereon have been paid in full, and no written notice of cancellation or termination has been received with respect to any such Insurance Policy (which has not been replaced on substantially similar terms prior to the date of such cancellation). The Insurance Policies are: (a) reasonably sufficient for compliance with applicable Law and all Material Contracts, (b) shall not in any way be affected by, or terminate or lapse by reason of, the Transactions except as otherwise disclosed in Schedule 5.22 of the Disclosure Letter, and (c) are valid and in full force and effect. There has been no material erosion of policy limits to any of the Insurance Policies and there are no gaps in historical limits and the limits of the Insurance Policies have not been materially eroded. The Target Business Entities are in material compliance with the terms and provisions of the Insurance Policies and are not otherwise in default with respect to any of their respective obligations under any of the Insurance Policies. No Target Business Entity has received any notification of cancellation of any of the Insurance Policies. There are no pending claims under the Insurance Policies, with respect to the Business, by any member of the Seller Group as to which the insurers have denied or disputed liability.

Section 5.23 Inappropriate Payments. No Target Business Entity or any of their respective officers or directors, or to the knowledge of the Seller, the Target Business Entities' respective employees, agents, Affiliates or representatives, with respect to the Business or the Target Shares and Assets, has (a) used any funds for unlawful contributions, unlawful gifts, unlawful entertainment or other unlawful expenses related to political activity, (b) made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns, (c) taken any action that violated the Criminal Law (Articles 164, 389, 390, 391 and 393) of Mainland China, the Anti-unfair Competition Law of Mainland China, and the Interim Provisions for the Prohibition Against Commercial Bribery Activities of Mainland China, or (d) made any other unlawful payment, gift or contribution.

Section 5.24 Governmental Approvals. Except for those Permits that have been obtained, or will be obtained by the Seller Group prior to the Initial Closing to the extent the Purchaser is aware of such Permit as of the date hereof, no other material consents or approvals of, or filings, declarations or registrations with, any Governmental Authority is necessary for the execution, delivery and performance of this Agreement by the Seller and the Target HoldCo or the consummation by the Seller Group of the Transactions.

Section 5.25 No Customer; Suppliers; Bill of Materials.

(a) The Business did not and does not have any customers, distributors or sub-distributors, and the Target Group has no customers, distributors or sub-distributors as of the Initial Closing.

(b) Schedule 5.25(b) of the Disclosure Letter lists a true and complete list of the material suppliers of the Business (the "**Suppliers**"). No Contract or relationship with any such Supplier is being terminated or considered for termination or non-renewal. No Target Business Entity has received notice that any such Supplier has terminated or is terminating its commercial relationship with the Business and the Target Business Entities. No Target Business Entity has received notice that any such Supplier intends to materially change its commercial relationship with the Business in a manner materially inconsistent with such Supplier's past practices. No Supplier has since January 1, 2020 decreased materially its services, supplies or materials to any Target Business Entity.

(c) The BOM provided by the Seller to the Purchaser sets out all the components, together with the costs thereof, required to manufacture a Mona vehicle in the manner contemplated by the Mona vehicle designs and plans that had been developed as of August 15, 2023. The BOM accurately reflects the costs of producing one Mona vehicle within a margin of error of less than one percent (1%) as of August 15, 2023, which costs (x) have been computed based on the costs provided by the Suppliers as of the same date and (y) reflect the development status of Mona as of the same date.

Section 5.26 Affiliate Transactions. Except as set forth in Schedule 5.26 of the Disclosure Letter, none of the members of the Seller Group (other than Target Entities), nor, to the knowledge of the Seller, any of such Persons' general partners, managers, officers or directors or substantial shareholders is a party to any Contract or arrangement with a Target Entity, other than compensation and benefits as an employee or officer payable in the ordinary course. As of the Initial Closing, all of the affiliate transactions disclosed in Schedule 5.26 of the Disclosure Letter are terminated, and there is no affiliate transaction between the Seller Group (other than the Target Group) and the Target Group other than the Ancillary Agreements to be entered into between the date hereof and the Initial Closing Date.

Section 5.27 Solvency and Positive Equity Balances. Each Target Entity (x) has a positive equity balance and (y) meets the applicable solvency requirements in each jurisdiction in which the Business operates or to which it is subject or, in the case of this clause (y), if no such jurisdictional solvency requirements exist, then such Target Entity shall (a) not have been declared in a legal state of insolvency, bankruptcy or receivership, nor have pending an application for a declaration of insolvency, and (b) have the capacity to pay its debts as they become due. None of the members of the Seller Group is entering into the Transactions with the intent to hinder, delay or defraud either present or future creditors. Each Target Business Entity has complied with applicable insolvency Laws.

Section 5.28 Data Protection and System Security.

(a) In connection with Processing of any Target Data and IT Systems used in the operation of the Business as currently conducted, the Target Business Entities taken as a whole, have since January 1, 2020 been in compliance with (i) all applicable Data Protection Laws, (ii) all applicable published or publicly-facing policies and procedures relating to Personal Data, privacy, data protection and cybersecurity, and (iii) the requirements of any contract, binding standards or codes of conduct to which any of member of the Seller Group is a party or by which it is bound, except in each case for any noncompliance that would not result in a Seller Material Adverse Effect. With respect to the Target Data, each Target Business Entity has since January 1, 2020 adopted technical, administrative and physical means reasonably designed to ensure the security, confidentiality and integrity of such data. There has not been any instances of unauthorized access, use, modification or disclosure, loss, theft or other misuse of the Target Data that would result in a Seller Material Adverse Effect.

(b) None of the Target Entities has been designated as a Critical Information Infrastructure Operators (关键信息基础设施运营者).

(c) With respect to the Business, the Target Data or the IT Systems used in the operation of the Business, none of the Target Business Entities: (i) is under investigation by any Governmental Authority for alleged violation of any Data Protection Law; (ii) has received any notice of claim, lawsuit, investigation or audit request or report from any Person alleging any violation of any Data Protection Law; or (iii) has been subject to any enforcement actions (including any fines or other sanctions). Since January 1, 2020, there have not, to the knowledge of the Seller, been any changes, events, circumstances, developments or occurrences that, individually or in the aggregate, have given rise to or would reasonably be expected to give rise to, any of the foregoing matters.

Section 5.29 Money Laundering Laws. The operations of the Target Business Entities, as a whole, are and have been conducted at all times in material compliance with applicable financial recordkeeping and reporting requirements of the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issues, administered or enforced by any Governmental Authority (collectively, the “**Money Laundering Laws**”) and to the extent related to the Business, no action by or before any Governmental Authority involving the Target Business Entities with respect to a violation of the Money Laundering Laws is pending or, to the knowledge of the Seller, threatened.

Section 5.30 Status and Investment Intent of the Seller.

(a) *Not a U.S. Person.* The Seller is not a “U.S. person” within the meaning of Regulation S under the Securities Act.

(b) *Experience.* The Seller (i) has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks involved in the acquisition of the Consideration Shares and (ii) is capable of bearing the economic risk of the acquisition of the Consideration Shares.

(c) *No Public Sale or Distribution.* The Seller is acquiring the Consideration Shares for its own account and not with a view towards, or for resale in connection with, the public sale or distribution thereof, except pursuant to sales registered or exempted under the Securities Act. The Seller does not have any agreement or understanding, directly or indirectly, with any Person to distribute any of the Consideration Shares. The Seller is not a broker-dealer registered with the SEC under the Exchange Act or an entity engaged in a business that would require it to be so registered as a broker-dealer.

(d) *Restricted Securities.* The Seller acknowledges that the Consideration Shares to be issued to the Seller hereunder from time to time are “restricted securities” (within the meaning of Rule 144 of the Securities Act) that have not been registered under the Securities Act or any applicable state securities law and may not be offered or sold except pursuant to registration or to an exemption from the registration statements of the Securities Act.

(e) *Share Ownership.* Other than the holding of the Class A Ordinary Shares acquired and to be acquired under this Agreement, the Seller does not beneficially own any shares or any other securities of the Purchaser.

Section 5.31 Information. All information in the Disclosure Letter has been disclosed to the Purchaser in good faith by or on behalf of the Seller for the purpose of informing the Purchaser about the Target Shares and Assets and the Business. The Seller has not intentionally omitted any material fact that should have been included in the Disclosure Letter and is not aware that any information in the Disclosure Letter is misleading in any material respect.

Section 5.32 Independent Investigation. The Seller has conducted its own independent investigation, review and analysis of the business, operations, assets, liabilities, results of operations, financial condition and prospects of the Purchaser and its Subsidiaries, which investigation, review and analysis was done by the Seller and its Affiliates and representatives. In entering into this Agreement, the Seller acknowledges that the Purchaser and its representatives have not made any representations, warranties, estimates or projections, and it has not relied on any representations, warranties, estimates or projections of the Purchaser or its representatives, other than the representations and warranties of the Purchaser set forth in Article VI.

Section 5.33 Brokers and Finders. Neither the Seller nor any of its Affiliates is a party to any agreement, arrangement or understanding with any Person that would give rise to any valid right, interest or claim against or upon the Seller or the Purchaser for any brokerage commission, finder’s fee or other similar compensation, as a result of the Transactions.

## ARTICLE VI REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Seller that except as disclosed in the Public Documents filed, furnished or disclosed respectively prior to the date of this Agreement (excluding (a) any disclosures contained under the heading “Risk Factors,” “Forward-Looking Statements” and any other disclosures contained therein of information or risks to the extent they are cautionary, predictive, or forward-looking in nature and (b) any exhibits or other documents appended thereto), it being understood that any matter disclosed in the Public Documents shall not be deemed disclosed for purposes of Section 6.01, Section 6.02, Section 6.04, Section 6.05 and Section 6.06, as of the date of this Agreement, the Initial Closing Date, and solely with respect to Section 6.01, Section 6.02, Section 6.04, Section 6.05, Section 6.06, Section 6.12 and Section 6.14, each Subsequent Closing Date:

Section 6.01 Organization and Qualification. The Purchaser is an exempted company duly incorporated, validly existing and in good standing under the Laws of the Cayman Islands, and has the requisite corporate power and authorization to own, lease and operate its properties and to carry on its business as now being conducted and as described in the Public Documents. The Purchaser is duly qualified or licensed to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so qualified or licensed would not, individually or in the aggregate, have a Purchaser Material Adverse Effect. The Memorandum and Articles as most recently filed with the Public Documents is a true and correct copy as in effect as of the date of this Agreement, and the Purchaser is not in material violation of any of the provisions of the Memorandum and Articles.

### Section 6.02 Capitalization

(a) As of the date of this Agreement, the authorized share capital of the Purchaser is US\$100,000 consisting of 10,000,000,000 shares comprising (i) 9,250,000,000 Class A Ordinary Shares of a par value of US\$0.00001 each and (ii) 750,000,000 Class B Ordinary Shares of a par value of US\$0.00001 each. As of the Measurement Date, 1,382,801,563 Class A Ordinary Shares (including 5,812 Class A Ordinary Shares issued to the depositary bank for bulk issuance of ADSs and reserved for future issuance upon the exercise or vesting of awards granted under the 2019 Equity Incentive Plan) and 348,708,257 Class B Ordinary Shares were issued and outstanding, and from the Measurement Date to the date of this Agreement, other than (i) the Class A Ordinary Shares which may further be issued upon the exercise or vesting of awards granted under the 2019 Equity Incentive Plan; and (ii) up to 94,666,666 Class A Ordinary Shares that may be issued pursuant to the share purchase agreement dated July 26, 2023 entered into between the Purchaser and Volkswagen (China) Investment Co., Ltd, no other Class A Ordinary Shares have been issued by the Purchaser.

(b) Except as set forth in this Section 6.02, as of the Measurement Date, there are no (i) outstanding securities (whether debt or equity) convertible into or exchangeable or exercisable for any Class A Ordinary Shares; (ii) preemptive rights or other rights permitting or requiring any Third Party to subscribe for, or acquire or purchase from the Purchaser any Class A Ordinary Shares; or (iii) obligations of the Purchaser to repurchase, redeem or otherwise acquire any capital stock or equity interests of the Purchaser.

(c) The Purchaser has sufficient authorized share capital to issue the Consideration Shares in accordance with this Agreement and except as set forth in this Section 6.02, all of the issued and outstanding Class A Ordinary Shares have been duly authorized, validly issued, fully paid and non-assessable and have been issued in compliance with all applicable Laws and Memorandum and Articles.



Section 6.03 Subsidiaries. Each Material Subsidiary has been duly organized, is validly existing and in good standing (with respect to jurisdictions that recognize the concept of good standing) under the Laws of its jurisdiction of organization, and has the requisite corporate power and authorization to own, lease and operate its properties and to carry on its business as now being conducted. Each Material Subsidiary is duly qualified or licensed to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so qualified or licensed would not, individually or in the aggregate, reasonably be expected to have a Purchaser Material Adverse Effect.

Section 6.04 Authorization; Enforcement; Validity. The Purchaser has the requisite corporate power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is a party and perform its obligations under this Agreement and such other Transaction Documents in accordance with the terms hereof and thereof. The execution, delivery and performance of this Agreement and the other Transaction Documents to which the Purchaser is a party and the consummation of the Transactions have been duly and validly authorized by all requisite corporate action by the Purchaser. This Agreement and the Strategic Cooperation Agreement have been, and the other Transaction Documents to which the Purchaser is a party will be, duly executed and delivered by the Purchaser, and, assuming the due authorization, execution and delivery by the Seller, this Agreement constitutes, and the other Transaction Documents to which the Purchaser is a party will constitute, a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, subject to the Bankruptcy and Equity Exception.

Section 6.05 No Conflicts. The execution, delivery and performance by the Purchaser of this Agreement and the other Transaction Documents to which it is a party and the consummation by the Purchaser of the Transactions will not (a) result in a violation of the Memorandum and Articles, (b) conflict with, or constitute a Default of, any Contract to which the Purchaser or any of its Subsidiaries is a party, or (c) result in a violation of or conflict with any Law applicable to the Purchaser or by which any property or asset of the Purchaser or any of its Subsidiaries is bound or affected, (d) violate any order, judgment or decree of any court or any Governmental Authority to which the Purchaser or any of its Subsidiaries are subject, or (e) require a filing with or Permit from any Governmental Authority by the Purchaser, except in the case of clauses (b) and (c) above, for such conflicts, defaults, rights or violations which, individually or in the aggregate, would not reasonably be expected to result in a Purchaser Material Adverse Effect, or in the case of clause (e), for such filing that would not reasonably be expected to be material or is as otherwise contemplated by any of the Transaction Documents.

Section 6.06 Issuance of the Consideration Shares. The Consideration Shares are duly authorized, and, when issued and paid for in accordance with the terms hereof and entered in the register of members of the Purchaser, will be validly issued, non-assessable and fully-paid, and free from all Liens (except for Liens created or imposed by the Transaction Documents or under applicable securities Laws). Assuming the accuracy of the representations and warranties set forth in Section 5.30, the issuance by the Purchaser of the Consideration Shares to the Seller is exempt from registration under the Securities Act.

Section 6.07 Compliance with Laws. The business of the Purchaser and its Subsidiaries is being conducted, and has been conducted at any time during the three years prior to the date hereof, in all material respects in accordance with their respective applicable Laws, orders and other requirements of all Governmental Authorities having jurisdiction over or otherwise applicable to each of the Purchaser and its Subsidiaries except as would not, individually or in the aggregate, result in a Purchaser Material Adverse Effect. The Purchaser or its relevant Subsidiaries have all permits, licenses, authorizations, consents, orders and approvals required under applicable Laws to carry on their business as conducted as of the date hereof (collectively, the "**Purchaser Permits**"), except where the failure to have any Purchaser Permit would not constitute a Purchaser Material Adverse Effect. All such Purchaser Permits are in full force and effect, and no Purchaser Permit is subject to any pending or, to the knowledge of the Purchaser, threatened administrative or judicial proceedings to suspend, restrict, withdraw, terminate, revoke, cancel or declare such Purchaser Permit invalid in any respect, except where such failure to be in full force and effect, or such suspension or cancellation, would not result in a Purchaser Material Adverse Effect. The Purchaser is in compliance in all material respects with the applicable listing and corporate governance rules and regulations of the NYSE and the HKSE. The Purchaser and its Subsidiaries have taken no steps to delist the ADSs from the NYSE or to delist the Class A Ordinary Shares from the HKSE. As of the date of this Agreement, the Purchaser has not received any notification from the SEC, NYSE, SFC, HKSE or CSRC indicating that the SEC, SFC, NYSE, HKSE or CSRC, as applicable, has determined or is contemplating suspending or terminating the listing of the ADSs (or the applicable registration under the Exchange Act related thereto) or the Class A Ordinary Shares.

Section 6.08 Undisclosed Liabilities. Since June 30, 2023, the Purchaser and its Subsidiaries do not have any Liabilities, other than (a) liabilities or obligations reflected on, reserved against, or disclosed in the Purchaser's balance sheet as of June 30, 2023 included in the Public Documents (excluding those liabilities or obligations discharged or paid in full prior to the date of this Agreement), (b) liabilities or obligations that would not, individually or in the aggregate, have a Purchaser Material Adverse Effect, and (c) liabilities incurred since June 30, 2023 in the ordinary course of business consistent with past practices and any liabilities incurred pursuant to this Agreement.

Section 6.09 Absence of Changes. Except for the execution and performance of this Agreement, the other Transaction Documents, and the discussions, negotiations and transactions related hereto and thereto, since June 30, 2023, the Purchaser and its Subsidiaries have conducted their respective businesses in the ordinary course of business and in a manner materially consistent with past practice and there has not been:

(a) any changes, events, circumstances, developments or occurrences that, individually or in the aggregate, has had or would reasonably be expected to have, a Purchaser Material Adverse Effect;

(b) any amendment to the Memorandum and Articles;

(c) any sale of all or substantially all of the assets of the Purchaser and its Subsidiaries, taken as a whole;

(d) any merger or consolidation of the Purchaser or any Material Subsidiary with or into another Person;

(e) (i) any declaration, setting aside or payment of any dividend or other distribution with respect to any share capital of the Purchaser or any Material Subsidiary (except for dividends or other distributions by any Subsidiary to the Purchaser or to any of the Purchaser's wholly owned Subsidiaries), or (ii) any redemption, repurchase or other acquisition of any share capital of the Purchaser or any Material Subsidiary;

(f) any adoption of resolution to approve or petition or similar proceeding or order in relation to a plan of complete or partial liquidation, dissolution, scheme of arrangement, merger, consolidation, restructuring, recapitalization or other reorganization of the Purchaser or any Material Subsidiary;

(g) any receiver, trustee, administrator or other similar Person appointed in relation to the affairs of the Purchaser or its property or any material part thereof; or

(h) any agreement to carry out any of the foregoing.

Section 6.10 Litigation. As of the date hereof, there is no Proceeding of any nature pending, or, to the Purchaser's knowledge, threatened, in writing against the Purchaser or any of its Subsidiaries, or, to the Purchaser's knowledge, any of their respective directors or officers in their capacities as such, which would, individually or in the aggregate, have a Purchaser Material Adverse Effect. There is no existing Judgment outstanding against the Purchaser or any of its Subsidiaries, or, to the Purchaser's knowledge, any of their respective directors or officers in their capacities as such, except for any Judgment which would not, individually or in the aggregate, have a Purchaser Material Adverse Effect.

Section 6.11 Brokers and Finders. Neither the Purchaser nor any of its Affiliates is a party to any agreement, arrangement or understanding with any Person that would give rise to any valid right, interest or claim against or upon the Seller or the Purchaser for any brokerage commission, finder's fee or other similar compensation, as a result of Transactions.

Section 6.12 Governmental Approvals. No material consents or approvals of, or filings, declarations or registrations with, any Governmental Authority is necessary for the execution, delivery and performance of this Agreement by the Purchaser or the consummation by the Purchaser of the Transactions, except for the NYSE Listing Authorization, the HKSE Listing Approval, the CSRC Filing and approvals by, or filings required to be made with, the SEC, NYSE, HKSE, SFC or CSRC, as applicable, by the Purchaser.

Section 6.13 Accuracy of Disclosure.

(a) The Purchaser has filed or furnished, as applicable, on a timely basis, all the SEC Documents. As of their respective effective dates (in the case of the SEC Documents that are registration statements filed pursuant to the requirements of the Securities Act) and as of their respective SEC filing dates (in the case of all other SEC Documents), or in each case, if amended prior to the date hereof, as of the date of the last such amendment: (i) each of the SEC Documents complied in all material respects with the applicable requirements of the Securities Act, the Exchange Act and the Sarbanes-Oxley Act and any rules and regulations promulgated thereunder applicable to the SEC Documents (as the case may be) and (ii) none of the SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the material statements therein, in the light of the circumstances under which they were made, not misleading.

(b) The Purchaser has filed or furnished, as applicable, on a timely basis, all the HKSE Documents. As of their respective date of submission or publication of the HKSE Documents, or in each case, if amended prior to the date hereof, as of the date of the last such amendment: (i) each of the HKSE Documents complied in all material respects with the applicable requirements of the Listing Rules and (ii) none of the HKSE Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the material statements therein, in the light of the circumstances under which they were made, not misleading.

(c) The “disclosure controls and procedures” (as defined in Rules 13a-15(e) or 15d-15(e), as applicable, under the Exchange Act) of the Purchaser have been designed to ensure that all material information required to be disclosed by the Purchaser in the reports that it files or submits under the Exchange Act is accumulated and communicated to the management of the Purchaser as appropriate to allow timely decisions regarding required disclosure.

(d) The Purchaser has established and maintains a system of internal control over financial reporting (as defined in Rule 13a-15 or 15d-15, as applicable, under the Exchange Act) sufficient to provide reasonable assurance regarding the reliability of financial reporting, including policies and procedures that (i) mandate the maintenance of records that in reasonable detail accurately and fairly reflect the material transactions and dispositions of the assets of the Purchaser, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of material assets of the Purchaser. There are no material weaknesses or significant deficiencies in the Purchaser’s internal controls. Neither the audit committee of the board of directors of the Purchaser nor, to the knowledge of the Purchaser, the Purchaser’s independent registered public accounting firm has identified or been advised of: (i) any significant deficiency or material weakness in the system of internal control over financial reporting utilized by the Purchaser and its Subsidiaries that has not been subsequently remediated; or (ii) any fraud that involves the management or other employees of the Purchaser who have a significant role in the internal control over financial reporting.

(e) The Purchaser is not a party to and has no commitment to become a party to, any joint venture, off-balance sheet partnership or any similar Contract or undertaking, or any “off-balance sheet arrangements” (as defined in Item 303(a) of Regulation S-K promulgated by the SEC), where the result, purpose or intended effect of such Contract or undertaking is to avoid disclosure of any material transaction involving, or material liabilities of, the Purchaser in the Purchaser’s published financial statements or other SEC Documents.

Section 6.14 Independent Investigation. The Purchaser has conducted its own independent investigation, review and analysis of the business, operations, assets, liabilities, results of operations, financial condition and prospects of the Seller and the Target Business Entities, which investigation, review and analysis was done by the Purchaser and its Affiliates and representatives. In entering into this Agreement, the Purchaser acknowledges that the Seller and its representatives have not made any representations, warranties, estimates or projections, and it has not relied on any representations, warranties, estimates or projections of the Seller or its representatives, other than the representations and warranties of the Seller set forth in Article V.

## **ARTICLE VII AGREEMENTS OF THE PARTIES**

### Section 7.01 Reorganization.

(a) As promptly as practicable after the date hereof and in any case prior to the Initial Closing, the Seller shall, and shall cause each member of the Seller Group to, solely at expense of the Seller and the Seller Group, take all such actions as are necessary in order for the Target Group to, prior to the Initial Closing, be able to operate the Business (i) in compliance with applicable Law, (ii) as conducted as of the date hereof (except for (x) any personnel changes in connection with Article VIII of this Agreement, (y) any steps effected pursuant to the Reorganization Plan, and (z) as otherwise contemplated by the Transaction Documents, and taking into account the restrictions on the conduct of the Business in the ordinary course of business pursuant to Section 7.02), and (iii) independently on a standalone basis (except for any transition services or similar services contemplated by the Transaction Documents).

(b) In furtherance of and without limiting the generality of Section 7.01(a), as promptly as practicable after the date hereof and in any case prior to the Initial Closing, the Seller shall, and shall cause all each applicable member of the Seller Group to consummate all steps of the Reorganization (except for any steps that are specified not to be required to be completed at or prior to the Initial Closing) in accordance with the Reorganization Plan, the Transaction Documents and applicable Law.

(c) In furtherance of Section 7.01(a) and Section 7.01(b), if, prior to the Initial Closing, the Seller becomes aware that the Reorganization Plan shall be updated in order to make its representation and warranties in Section 5.11 correct as of the Initial Closing, the Seller shall promptly notify the Purchaser, and upon the Purchaser's written consent, update the Reorganization Plan accordingly.

(d) With respect to certain steps in the Reorganization Plan that are specified not to be completed at or prior to the Initial Closing and are actually not completed prior to the Initial Closing, Seller shall continue to complete such steps as soon as practicable after the Initial Closing in compliance with the Reorganization Plan.

(e) Notwithstanding anything herein, any Transfer Taxes and stamp duty that are, or become, due and payable as a result of the Reorganization shall be borne entirely by the Seller or the Retained Entities.

Section 7.02 Operating the Business. From the date hereof until the Initial Closing,

(a) Except as expressly contemplated by the Reorganization and by any Transaction Documents (including Article VIII hereof), the Seller shall, and shall cause each applicable member of the Seller Group to conduct the Business in the ordinary course of business, including:

(i) using its best efforts to preserve intact its Business organization, maintain its Business Assets, preserve its relationships with Third Parties related to the Business and keep available the services of the Business Employees;

(ii) managing its collection of accounts receivable and payment of accounts payable in the ordinary course of business consistent with past practice in all material respects; and

(iii) maintaining and renewing all Permits held in connection with the Business and the Business Assets in the ordinary course of business.

(b) Except as expressly contemplated by the Reorganization, from the date of this Agreement until the Initial Closing Date, the Seller shall not, and shall cause each member of the Seller Group not to, take any of the following actions relating to the Target Shares and Assets or the Business without the prior written consent of the Purchaser (which consent shall not be unreasonably withheld, conditioned or delayed), except to the extent expressly required or permitted by any Transaction Documents:

(i) amend any Governing Document of a Target Entity;

(ii) enter into, materially amend or terminate any Material Contract, or waive, release or assign any material rights or material claims thereunder, or make payment thereunder (other than payment in the ordinary course of trading that in the aggregate does not exceed RMB100,000); provided, however, no prior written consent of the Purchaser shall be required for entry into of any Contract listed in Schedule 7.02(b)(ii) of the Disclosure Letter; provided, further, that the Seller may seek the Purchaser's consent for the matters contemplated in this Section 7.02(b)(ii) on a monthly basis. To any request for consent in respect of a payment obligation under this Section 7.02(b)(ii), the Purchaser shall respond within five (5) Business Days;

(iii) (A) commit to make any capital expenditures to be paid following the Initial Closing Date in an individual amount greater than RMB100,000 or, in the aggregate, greater than RMB1,000,000, or (B) make, or commit to make, any program capital investment in excess of RMB100,000;

(iv) transfer, sell, lease, sublease or otherwise grant any right to use or occupy, or grant any option to transfer, sell, sublease or lease, or grant any security interest in, or otherwise create or permit any Lien in or on any of the Real Property;

(v) (A) issue, sell, transfer, pledge, grant, dispose of, encumber or deliver any equity securities of any class or any securities convertible into or exercisable or exchangeable for voting or other equity securities of any Target Entity or (B) adjust, split, combine or reclassify, or subject to recapitalization, any equity securities of any Target Entity;

(vi) create, incur, assume or guarantee any Indebtedness for borrowed money, other than borrowings pursuant to the existing credit facilities;

(vii) enter into any transaction that would give rise to an Assumed Liability;

(viii) merge or consolidate any Target Entity with any other Person, or restructure, recapitalize, reorganize or adopt any other corporate or legal entity reorganization, or otherwise alter its legal structure or form;

(ix) completely or partially dissolve or liquidate any Target Entity or permit or allow the filing of a petition for relief under any bankruptcy provisions of applicable Law with respect to any Target Entity;

(x) except as required by applicable Law or the terms of any Material Contract in effect on the date hereof, (A) grant, pay, announce or accelerate (including accelerate the vesting of) any incentive awards, retention or other bonus, equity-based or similar compensation or severance or termination pay or grant or announce any increase in the salaries, bonuses or other compensation and benefits payable to any Business Employee (other than non-material annual, promotion-related or merit-based increases in salary and/or bonus in the ordinary course of business consistent with past practice), (B) increase the benefits under any Business Employee Benefit Plan, (C) amend or terminate any Business Employee Benefit Plan, (D) issue an offer of employment to, or hire, any Person for any position with an annual "all-in" compensation target equal to or greater than RMB100,000 or (E) establish, adopt or enter into any additional employee benefit plan, policy, agreement, or arrangement that would be a Business Employee Benefit Plan if it were in existence on the date hereof;

(xi) transfer, sell, lease, dividend, grant an exclusive license in respect of, surrender, divest, cancel, abandon or allow to lapse or expire or otherwise dispose of or subject to any Lien any Business Asset or disclose any of their material trade secrets, other than dispositions of Inventory in the ordinary course of business consistent with past practice;

(xii) commence, settle or compromise any Proceeding or threatened Proceeding with respect to any Target Entity or the Business if the amount claimed in the Proceeding or the amount of settlement exceeds RMB100,000;

(xiii) except as required by a concurrent change in applicable accounting standards or by applicable Law, make any changes in financial or accounting methods, principles or practices with respect to any Target Entity or the Business;

(xiv) make or change any Tax election, change an annual accounting period, adopt or change any accounting method, file any amended Tax Return, enter into any closing agreement, settle any Tax claim or assessment relating to any Target Entity, surrender any material right to claim a refund of Taxes, consent to any extension or waiver of the limitation period applicable to any material Tax claim or assessment relating to any Target Entity, or take any other similar action, or omit to take any action relating to the filing of any Tax Return or the payment of any Tax, if such election, adoption, change, amendment, agreement, settlement, surrender, consent or other action or omission would have the effect of increasing the present or future Tax liability or decreasing any present or future Tax asset of any Target Entity;

(xv) cause any Target Entity to enter into a new line of business;

(xvi) cancel any existing Insurance Policies except in connection with the renewal or replacement thereof;

(xvii) make any material changes in collection policies, pricing policies, discount policies or payment policies, including with respect to customers and vendors, or engaged in any other activity that would reasonably be expected to accelerate in any material respect the collection of accounts receivables or delay in any material respect the payment of accounts payable;

(xviii) enter into any Contracts or transactions with Affiliates, or amend any existing Contracts with Affiliates; and

(xix) agree in writing or otherwise to do any of the foregoing actions contained in this [Section 7.02\(b\)](#).

(c) Nothing in [Section 7.02\(a\)](#) or [Section 7.02\(b\)](#) shall be construed to restrict in any manner the freedom or ability by any member of the Seller Group to operate its business other than the Business or hold or transact any Excluded Assets.

Section 7.03 [Reserved]

Section 7.04 [Reserved].

**Section 7.05 Reorganization Accounts.** The Seller shall (a) obtain and deliver to the Purchaser within twenty (20) Business Days after the Initial Closing Date, in draft form, unaudited combined income statements of the Business on a standalone basis for the 2021 and 2022 fiscal years and the period ended the Initial Closing Date, and an unaudited combined balance sheet of the Business as at the Initial Closing Date and (b) obtain and deliver to the Purchaser within twenty (20) Business Days after the acceptance of the applicable Closing Statement, or after the resolution described in Section 2.08(c) or Section 2.08(d) above as applicable if the amount of the Post-Closing Adjustment is in dispute, in final form, unaudited combined income statements of the Business on a standalone basis for the 2021 and 2022 fiscal years and the period ended the Initial Closing Date, and an unaudited combined balance sheet of the Business as at the Initial Closing Date, in each case including a reconciliation of each such unaudited combined consolidated balance sheet to the Financial Statements (each, a “**Reorganization Account**”). The Seller agrees to provide the Purchaser with an opportunity to review and comment on the drafts of each Reorganization Account, the form and substance of which shall be reasonably acceptable to the Purchaser. All costs, fees and expenses incurred in connection with each Reorganization Account shall be borne by the Seller.

Section 7.06 Insurance. Notwithstanding anything to the contrary in this Agreement and without limiting the Purchaser's right to indemnification pursuant to Article XIII, the Retained Entities shall assign, to the extent assignable, to the Purchaser or any Target Entity designated by the Purchaser the right to receive any future proceeds, less any deductibles, retention amounts or similar costs (the "**Insurance Proceeds**"), including any Insurance Proceeds in respect of business interruption insurance for any period after the Initial Closing relating to the Business, the Business Assets and the Assumed Liabilities. The Retained Entities shall cooperate with the Purchaser in filing any insurance claims and in the collection of Insurance Proceeds, including, where permitted by Law, transferring to the Purchaser or any Target Entity designated by the Purchaser the right to pursue Insurance Proceeds related to the Business, the Business Assets and the Assumed Liabilities. Either Party receiving a notice with respect to any Assumed Liability, the Business or the Business Assets shall promptly notify the other Party hereto.

Section 7.07 [Reserved]

Section 7.08 Further Assurances. Each Party shall use its reasonable best efforts to fulfill or obtain the fulfillment of the conditions precedent to its obligation to consummate the Transactions on a timely basis, including the execution and delivery of any documents, certificates, instruments or other papers that are reasonably required for the consummation of such transactions, and will cooperate and consult with the other and use its reasonable best efforts to prepare and file all necessary documentation, to effect all necessary applications, notices, petitions, filings and other documents, and to obtain all necessary permits of, or any exemption by, all Governmental Authorities, necessary or advisable to consummate the Transactions.

Section 7.09 Responsibility to Notify. From the date hereof through any Closing Date, the Parties shall promptly notify each other in writing of any event, condition or circumstances occurring from the date hereof through the Closing Date which would, or would reasonably be expected to, (a) result in any conditions set forth in Article X or Article XI not to be satisfied, or (b) result in any material violation of any provision of this Agreement.

Section 7.10 PRC Tax Filing.

(a) The Seller shall bear and pay any Taxes assessed by the applicable Mainland China Tax Authority in accordance with the Bulletin 7 for "indirect transfer of PRC taxable assets (间接转让中国应税财产)" by the Seller (the "**Bulletin 7 Taxes**"), and the Seller acknowledges that the Purchaser shall have no obligation to pay any Bulletin 7 Taxes.



(b) The Seller shall, at its own cost, engage in discussions with the Mainland China Tax Authority within thirty (30) days following the Initial Closing Date, and provide all information that are required by the Mainland China Tax Authority in connection therewith. Upon request by the Purchaser, the Seller shall provide regular updates to the Purchaser as to the status of such discussions.

(c) Notwithstanding anything in Section 7.10(b), unless the Mainland China Tax Authority determines otherwise in writing or reasonable documentary evidence proves otherwise, in each case the relevant documents shall be provided to the Purchaser as soon as reasonably practicable, the Seller shall file, or cause to be filed, with the Mainland China Tax Authority all such information and Tax returns within such period as are required under Bulletin 7 (the “**PRC Tax Returns**”), and such PRC Tax Returns shall be true, accurate and complete in all material respects. Subject to applicable Law, the Seller shall (i) provide drafts of such PRC Tax Returns to the Purchaser for its review no later than five (5) Business Days prior to filing such PRC Tax Returns, and (ii) consider in good faith any comments made by the Purchaser to the PRC Tax Returns, acting reasonably. Within five (5) days of filing the PRC Tax Returns, the Seller shall provide the Purchaser with final, accurate copies of all such PRC Tax Returns that were filed, along with an acknowledgement or receipt in respect of the filing issued by the appropriate Mainland China Tax Authority or the original signature of the Mainland China Tax Authority on the duplicate of the PRC Tax Returns submitted or other documents to the reasonable satisfaction of the Purchaser evidencing that the filing has been made.

(d) After such Tax filing, the Seller shall timely submit, or cause to be submitted, all documents supplementally requested by the Mainland China Tax Authority in connection with such Tax filing. Subject to applicable Law, the Seller shall (i) provide drafts of such documents to the Purchaser for its review no later than three (3) Business Days prior to the filing thereof, and (ii) consider in good faith any comments made by the Purchaser thereto, acting reasonably. The Seller shall further provide the Purchaser with accurate copies of any official assessments of the Mainland China Tax Authority with respect to its PRC Tax Returns, if any, within five (5) days of receipt thereof. Upon request by the Purchaser, the Sellers shall give regular updates to the Purchaser as to the payment status of the Bulletin 7 Taxes.

(e) The Seller shall pay the Bulletin 7 Taxes timely and in full in accordance with the requirement of the Mainland China Tax Authority and shall provide the Purchaser, as soon as reasonably practicable, with evidence that the Bulletin 7 Taxes have been paid in full and in time in the form of a receipt of payment issued by the Relevant Mainland China Tax Authority.

(f) The Purchaser and Seller agree that the consideration for the Acquisition of Business has been determined based on the average closing price of the Purchaser on the HKSE for the five (5) trading days immediately before the date of this Agreement, being HK\$64.03.

Section 7.11 PRC Regulatory Filings. The Purchaser and the Seller shall complete all PRC Regulatory Filings that are required or contemplated to be performed or complied with respectively by the Purchaser and the Seller in accordance with the applicable Mainland China Laws (including the Purchaser submitting the CSRC Filing within three (3) Business Days following each Closing) and be responsible for resolving any investigation or other inquiry of any Governmental Authority in connection therewith. The Seller shall, and shall cause each member of the Seller Group to, cooperate with the Purchaser (including furnishing to the Purchaser all necessary information) in connection with the preparation and making of the PRC Regulatory Filings and resolving any investigation or other inquiry of any Governmental Authority in connection therewith. Specifically, the Purchaser shall (i) provide drafts of relevant materials that contains or relates to any information of the Seller Group and the Target Group (the “**Certain CSRC Filing Materials**”) to the Seller for its review no later than five (5) Business Days prior to the submission of the CSRC Filing; (ii) consider in good faith the reasonable comments made by the Seller to such relevant materials; and (iii) provide the Seller with final version of the Certain CSRC Filing Materials that were filed within five (5) Business Days of the submission of the CSRC Filing.

(a) From the date hereof until the Initial Closing, each applicable member of the Seller Group shall and shall cause its Representatives to, upon reasonable prior notice, free of charge, give the Purchaser or its designated Affiliates, their officers and their authorized Representatives, reasonable access during normal business hours to the Business Assets, Books and Records, analysis, projections, plans, systems, management and other personnel, the Seller's Representatives, offices and other facilities and properties to the extent related to the Business, the Business Assets and the Assumed Liabilities. For the avoidance of doubt, the Seller agrees to provide the Purchaser, upon reasonable prior notice, access to the individuals who prepared the Reorganization Accounts and their related work papers.

(b) The Purchaser and the Seller agree that the confidentiality agreement dated July 19, 2023 between Shanghai Jusheng Technology Co., Ltd. (上海桔晟科技有限公司) and Guangdong Xiaopeng Motor Technology Co., Ltd. (广东小鹏汽车科技有限公司), to the extent that it relates to Confidential Information, shall be terminated and of no further force and effect.

(c) Subject to Section 7.12(d) and Section 7.12(e), each Party shall, and shall cause its Affiliates and its and their respective Representatives to, to the extent such Persons have received any Confidential Information and not in violation of applicable Law, keep confidential and shall not disclose to any Person the existence and substance of any Transaction Document, the negotiations relating to any Transaction Document and any non-public information with respect to the foregoing (collectively, "**Confidential Information**"). "Confidential Information" shall not include any information that is (i) previously known on a non-confidential basis by the receiving Party or any of its Affiliates or its or their respective Representatives, (ii) in the public domain through no fault of such receiving Party or any of its Affiliates or its or their respective Representatives, (iii) received from a Person other than any of the other Parties or any of their Affiliates or their respective Representatives, so long as such Person was not, to the best knowledge of the receiving Party, subject to a duty of confidentiality to any of the other Parties or (iv) developed independently by or on behalf of the receiving Party or any of its Affiliates or its or their respective Representatives without reference to Confidential Information of the disclosing Party.

(d) A Party which receives Confidential Information may disclose the Confidential Information (i) to its Affiliates or its or their respective Representatives whose function requires him/her to have such Confidential Information and who shall be subject to confidentiality obligations at least as protective as the terms set out in this Section 7.12; (ii) to its professional advisors participating in the negotiation and implementation of the Transactions; and (iii) to the extent such disclosure is required or necessary to comply with by Law or any Governmental Authority, in which event the Party making such disclosure or whose Affiliates or Representatives are making such disclosure shall so notify the other Parties, to the extent legally permissible and practicable (and, if possible, prior to making such disclosure) in order to enable the other Parties to seek an appropriate protective order or other remedy, or to waive compliance, in whole or in part, with the terms of this Section 7.12. In the event that such protective order or other remedy is not obtained, or such other Parties waive compliance with this Section 7.12, the disclosing Party shall, or shall cause its relevant Affiliates or its or their relevant Representatives to, furnish only that portion of such Confidential Information that is required by Law to be provided, *provided that* to the extent legally permissible and practicable, the disclosing Party shall have provided a draft of the proposed disclosure to the other Parties reasonably in advance and shall have reasonably considered any comments from the other Parties to the content of such proposed disclosure.

(e) The Parties will, to the extent permitted by applicable Law, consult with each other before issuance, and provide each other with the opportunity to review, comment on, and use all reasonable efforts to agree on, any press release or other public disclosure with respect to this Agreement and the other Transaction Documents and the Transactions, and will not (to the extent practicable) issue any such press release or make any such public disclosure prior to such consultation and agreement, except that disclosure made by a Party without having reached such agreement despite consultation shall be permissible if the substance and timing of the disclosure are necessary to comply with the Law or an applicable securities exchange (including disclosure of the Transactions pursuant to The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited), *provided* that the disclosing Party shall, to the extent permitted by applicable Law or the applicable securities exchange and if reasonably practicable, inform the other Party of the disclosure to be made pursuant to such requirements prior to the disclosure. Subject to applicable Laws, the Parties agree to promptly provide or cause to be promptly provided information and documents as requested by the NYSE, the SEC, the HKSE, the SFC, the CSRC or any other competent Governmental Authority or that are necessary or advisable to comply with applicable Laws or rules and regulations of any applicable securities exchange (including Laws, rules or regulations promulgated or administered by the NYSE, the SEC, the HKSE, the SFC or the CSRC) or permit consummation of the Transactions. The Parties will coordinate and cooperate fully with each other in providing such information and such assistance as the other Party may reasonably request in connection with the disclosure above in this Section 7.12(e).

Section 7.13 [Reserved].

Section 7.14 ADS Deposit Arrangement. To the extent permitted by applicable Laws and upon the expiry of respective Lock-Up Periods, upon written request by the Seller, the Purchaser shall facilitate and consent to the deposit of any or all of the Consideration Shares owned or acquired by the Seller and any Affiliates of the Seller with the depository for the issuance of the Purchaser's ADSs (free of any restrictive legend) in accordance with the Deposit Agreement between the Purchaser, Citibank, N.A. as the Purchaser's depository (or such other depository bank with which the Purchaser may enter into any depository or similar agreement in connection with its ADS program, the "Depository"), and all holders and beneficial owners of ADSs (as may be amended or replaced from time to time). Without limiting the generality of the foregoing, (i) to the extent permitted by Applicable Law, the Purchaser agrees to execute, deliver and provide such instrument or document, and carry out any other necessary or appropriate action, as may be reasonably requested or required by the Seller, the Depository or its securities broker in connection with the deposit of Class A Ordinary Shares and/or the issuance of the ADSs, and (ii) to the extent any legal opinion is required, use its reasonable efforts to procure that the Depository accepts any customary legal opinion issued by such qualified legal counsel as may be reasonably designated by the Seller or its applicable Affiliate in its discretion, in each case of clauses (i) and (ii) above, in connection with the deposit of Class A Ordinary Shares, the issuance of ADSs and/or the removal of any restrictive legend (if applicable). For the avoidance of doubt, the expenses and costs in connection with the deposit of the Consideration Shares with the Depository shall be borne by the Seller.

Section 7.15 Supplemental Listing Applications. The Purchaser shall file with the NYSE the supplemental listing application in respect of the ADSs representing such Consideration Shares and shall file with the HKSE the listing application in respect of the maximum number of Consideration Shares to be issued by the Purchaser pursuant to this Agreement, in each case before the Initial Closing.

Section 7.16 Lock-Up.

(a) Except (i) with the prior written consent of the Purchaser; or (ii) transferring to its wholly-owned Subsidiary, the Seller and the Seller Designee shall not, directly or indirectly, (i) transfer, sell, assign, pledge, mortgage, grant of a security interest or other disposal of, or granting or permitting any Lien on, any of the following or any interest therein (including to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or equity securities or any interest therein); (ii) enter into any swap or other arrangement that transfer to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of the following or any interest therein (including to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or equity securities or any interest therein); (iii) enter into any transaction with the same economic effect as any transaction specified in Section 7.16(a)(i) or (ii) above; or (iv) offer to or agree to do any of the foregoing or publicly announce any intention to do so, in each case, whether any of the foregoing transactions is to be settled by delivery of the share capital or such other equity securities of the Purchaser, in cash or otherwise, during the periods (collectively, the “**Lock-Up Periods**”) below;

(i) with respect to any Initial Consideration Share, at any time on or before the expiry of a 24-month period after the Initial Closing Date;

(ii) with respect to any SOP Consideration Share, at any time on or before the expiry of a 12-month period after the SOP Closing Date;

(iii) with respect to any Tranche 1 Earn-Out Share, at any time on or before the expiry of a 12-month period after the First Tranche 1 Earn-Out Closing Date; and

(iv) with respect to any Tranche 2 Earn-Out Share, at any time on or before the expiry of a 12-month period after the First Tranche 2 Earn-Out Closing Date.

(b) Nothing in Section 7.16(a) shall prevent any member of the Seller Group from entering into any hedging or derivative transactions during the Lock-Up Periods with respect to the Consideration Shares (the “**Excepted Transaction**”) after the expiry of a six-month period immediately after the Initial Closing Date, if and only if (i) the gross proceeds from such Excepted Transaction before the SOP Closing Date are utilized solely and exclusively for the payment of the Taxes relating to the Reorganization or the payment of the Bulletin 7 Taxes, and the gross proceeds from such Excepted Transaction before the SOP Closing Date which are utilized for the payment of the Taxes relating to the Reorganization do not exceed RMB500 million; (ii) the gross proceeds from such Excepted Transaction on and after the SOP Closing Date are utilized solely and exclusively for the payment of the Bulletin 7 Taxes arising from the Transactions; (ii) the Seller or the Seller Designee shall provide a written notice to the Purchaser setting forth the amount of the Taxes payable by the Seller or the Seller Designee arising from the Reorganization or the Bulletin 7 Taxes arising from the Transactions, and the expected date, amount and material terms of the Excepted Transaction, no later than ten (10) Business Days before such Excepted Transaction; and (iii) no public disclosure about such Excepted Transaction will be made by any member of the Seller Group or required by applicable Laws during the respective Lock-Up Period of the Consideration Shares that are subject to the respective Excepted Transaction.

**ARTICLE VIII  
EMPLOYMENT MATTERS**

Section 8.01 Employee Recruitment and Transfer of Employees.

(a) As soon as practicable after the date hereof, the Seller shall provide to the Purchaser a list and resumes of 197 Business Employees as of the date hereof (the “**Proposed Employees**”). The Purchaser may, in its sole discretion, select up to 197 Business Employees from and only from the Proposed Employees to be employed following the Initial Closing by the Purchaser or the Target Group (the “**Target Employees**”). If the Purchaser requests additional information about a Target Employee, such as the Target Employee’s legal name, identification number, base salary and bonus opportunities, date of hire and work location, the Seller shall provide such information to the Purchaser with such Target Employee’s consent. The Seller shall provide the Purchaser with reasonable assistance in interviewing the Business Employees on the Employee List, including holding joint recruitment events with the Purchaser upon prior notice by the Purchaser.

(b) Prior to the Initial Closing, the Seller shall provide the Purchaser with reasonable assistance in seeking the consent of the Target Employees with respect to the transfer of their respective employment relationship to, at the Purchaser’s election, a Target Entity, the Purchaser or its Affiliates, or the maintenance of employment relationship with the Target Group, as applicable. If the number of Target Employees who have been issued offers of employment by the Purchaser or its Affiliates and who consent to the transfer of their employment relationship to the Target Group or the maintenance of employment relationship with the Target Group, as the case may be (such Target Employees, the “**Recruited Employees**”) is less than 104, the Seller shall provide the Purchaser with reasonable assistance in hiring such number of new employees (the “**New Employees**”) equal to the shortfall between 104 and the number of Recruited Employees, and each of Seller and Purchaser shall bear fifty percent (50%) of the recruitment-related fees (including any fees paid or payable to third party hiring platforms or head hunters) incurred in connection with the foregoing.

(c) Prior to the Initial Closing, the Seller shall use reasonable best efforts to facilitate (i) the employment of any Recruited Employee who is employed by the Retained Entities as of the date hereof to be transferred to, at the Purchaser’s election, a Target Entity, the Purchaser or its Affiliates and (ii) the employment of any Non-Business Employee or Excluded Business Employee who is employed by a Target Entity to be transferred to a member of the Seller Group to be designated by the Seller other than a Target Entity.

Section 8.02 No Service Credit; No Breach of Confidentiality; Ownership of Intellectual Property Rights.

(a) The Seller shall, and shall procure relevant the Retained Entities to, pay each Recruited Employee his or her salary or wages earned between the date hereof and the date on which the employment of such Recruited Employee is transferred to the Target Group, the Purchaser or its Affiliates in accordance with Section 8.01(c)(i). For the avoidance of doubt, each Recruited Employee’s service with relevant Retained Entity will not be credited as service with the Purchaser or any of the Purchaser’s Subsidiaries, and Purchaser, its Affiliates and the Target Group shall not be responsible for any severance or termination compensation payments in connection with such non-credited service.

(b) The Seller acknowledges that (i) in the course of the employment of the Recruited Employees with the Target Business Entities, they may have access to certain confidential information and trade secrets related to the Business, and (ii) nothing in the Transaction Documents is intended to prevent the Recruited Employees’ lawful use of any knowledge, skills, and experience related to the Business lawfully gained during their employment with the Target Business Entities in their subsequent employment with the Target Group.

(c) The Seller acknowledges that, (i) the Recruited Employees may, in the course of their employment with Target Group, develop certain Intellectual Property Rights related to the Business, and (ii) such Intellectual Property Rights related to the Business shall be the property of the Target Group regardless of whether the Recruited Employees use any knowledge, skills, and experience related to the Business gained during their employment with the Target Business Entities.

Section 8.03 Employee Communications. Prior to making any written communications to the Business Employees prior to the Initial Closing pertaining to compensation or benefit matters that are affected by the Transactions, the Seller shall provide the Purchaser with a copy of the intended communication, and the Seller shall take into account the comments provided by the Purchaser, if any, prior to making any such written communications.

Section 8.04 No Third Party Beneficiaries. This Article VIII shall be binding upon and inure solely to the benefit of each of the Parties to this Agreement, and nothing in this Article VIII, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Article VIII.

## **ARTICLE IX TAX MATTERS**

### Section 9.01 Liability for Taxes.

(a) The Seller shall be liable for and indemnify the Purchaser for all Taxes for any taxable year or period that ends on or before the Initial Closing Date and, with respect to any Straddle Period, the portion of such taxable year or period ending on and including the Initial Closing Date, including any obligation to contribute to the payment of a Tax determined on a consolidated, combined or unitary basis with respect to a group of companies that includes or included any Target Entity and Taxes resulting from any Target Entity ceasing to be a member of the Seller Group, in each case imposed on any Target Entity or the Business or for which any Target Entity may otherwise be held liable. The Seller shall be entitled to any refund of Taxes of any Target Entity or the Business received for such periods.

(b) The Purchaser shall be liable for and indemnify the Seller for the Taxes of any Target Entity for any taxable year or period that begins after the Initial Closing Date and, with respect to any Straddle Period, the portion of such taxable year or period beginning after the Initial Closing Date. The Purchaser shall be entitled to any refund of Taxes of any Target Entity or the Business received for such periods.

### Section 9.02 Filing of Tax Returns.

(a) The Seller shall prepare and file (or cause to be prepared and filed) when due all Tax Returns that are (i) required to be filed by a Target Entity prior to the Initial Closing Date or (ii) are required to be filed by a Target Entity after the Initial Closing Date on an affiliated, consolidated, combined or unitary basis with the Seller or with at least one Affiliate of the Seller that is not a Target Entity (the "**Seller Tax Returns**"). The Seller shall pay any Taxes shown as due on any Seller Tax Return. The Purchaser shall be entitled to review the relevant portions of any Seller Tax Return that could affect any Tax liability or tax attribute of the Purchaser or any Target Entity for any period prior to the Initial Closing.

(b) The Purchaser will prepare and file (or cause to be prepared and filed) when due all Tax Returns of the Target Group required to be filed after the Initial Closing Date (other than the Seller Tax Returns) and will pay any Taxes shown as due on any such Tax Return.

Section 9.03 Straddle Periods. In the case of any Straddle Period, the amount of Taxes allocable to the portion of the Straddle Period ending on the Initial Closing Date shall be deemed to be:

(a) In the case of Taxes imposed on a periodic basis, the amount of such Taxes for the entire period (or, in the case of such Taxes determined on an arrears basis, the amount of such Taxes for the immediately preceding period) multiplied by a fraction, the numerator of which is the number of calendar days in the Straddle Period ending on and including the Initial Closing Date and the denominator of which is the number of calendar days in the entire relevant Straddle Period; and

(b) In the case of Taxes not described in (a) above, the amount of any such Taxes shall be determined as if such taxable period ended as of the close of business on the Initial Closing Date.

Section 9.04 Cooperation. Each of the Seller and the Purchaser agree that it will, and will cause its respective Affiliates to, furnish or cause to be furnished to each other, upon request, such information and assistance relating to the Target Group (including access to books and records) as is reasonably necessary for the preparation and filing of Tax Returns and the prosecution and defense of any Tax Contest. Specifically, the Seller shall provide the Purchaser all supporting documentation regarding the tax treatment of the Reorganization that would be required by the Purchaser in preparing and filing any Tax Return for any Target Entity. The Seller and the Purchaser shall cooperate with each other in the conduct of any Tax Contest and all other Tax matters relating to the Target Group. The party requesting such cooperation will pay the reasonable out-of-pocket expenses of the other party.

Section 9.05 Transfer Taxes. Any Transfer Taxes that are, or become, due and payable as a result of the Transactions (except for the Reorganization), to the extent imposed by Law on a Party, shall be borne by such Party. Except as set forth in Section 9.04, any Tax Returns that must be filed in connection with any Transfer Taxes will be prepared by the party that is responsible for filing such Tax Returns pursuant to the applicable Law under and according to which the respective Tax Returns are due to be filed. The party legally responsible for remitting Transfer Taxes to a Governmental Authority shall timely remit the amount of any such Transfer Taxes to the proper Governmental Authority. The parties will cooperate with each other in the provision of any information or preparation of any documentation that may be necessary or useful for obtaining any available mitigation, reduction or exemption from any such Transfer Taxes.

Section 9.06 Other Tax Matters.

(a) The Seller or any of its Affiliates shall furnish to the Purchaser or any Target Entity necessary information regarding the Reorganization as required in preparing and filing a Tax Return by the Purchaser or any Target Entity.

(b) Notwithstanding anything herein to the contrary, the Seller shall be liable for and indemnify the Purchaser for all Taxes imposed on any Target Entity, or for which any Target Entity may otherwise be liable, as a consequence of the Reorganization, whether such Taxes are imposed, or the Tax Returns for such Taxes are required to be filed, before on or after the Initial Closing Date.

Section 9.07 Survival of Obligations. The obligations of the Parties set forth in this Article IX shall be unconditional and absolute and shall remain in effect without limitation as to time.

## ARTICLE X CONDITIONS TO THE PURCHASER'S OBLIGATION

Section 10.01 Closing Conditions to Each Closing. The obligation of the Purchaser hereunder to consummate the transactions contemplated by this Agreement at each Closing shall be subject to the satisfaction or waiver by the Purchaser of each of the following conditions:

(a) Bring-Down of Fundamental Representations and Warranties; Covenants.

(i) Each representation and warranty made by the Seller in Section 5.01, Section 5.02, Section 5.03, Section 5.04, Section 5.13, Section 5.24, Section 5.30, Section 5.32 and Section 5.33 shall be true and correct in all respects as of the date of this Agreement and as of each Closing Date as though made at that date (except for those representations and warranties that speak as of a specific date, which shall be so true and correct as of such specified date).

(ii) The Seller shall have performed, satisfied and complied in all material respects with the covenants and agreements required by this Agreement to be performed, satisfied or complied with by the Seller at or prior to each Closing Date, except for such non-compliance which would not, individually or in the aggregate, result in a Seller Material Adverse Effect.

(b) No Action. No Law or Judgment enacted, issued, promulgated, enforced or entered by or with any Governmental Authority with competent jurisdiction, shall have enjoined, prohibited or altered the terms of the Transactions or had the effect of making the Transaction illegal, and no Proceeding challenging any Transaction Document or the Transactions, or seeking to prohibit, alter, prevent or delay the Transaction or any Closing, shall have been instituted or being pending before any Governmental Authority.

(c) [Reserved]

(d) NYSE Listing Authorization. The Purchaser shall have received the NYSE Listing Authorization for the applicable Consideration Shares at or prior to each Closing Date (and that such NYSE Listing Authorization is not withdrawn prior to each Closing Date).

(e) HKSE Listing Approval. The Purchaser shall have received the HKSE Listing Approval for the applicable Consideration Shares at or prior to each Closing Date (and that such HKSE Listing Approval is not withdrawn prior to each Closing Date).

Section 10.02 Additional Closing Conditions to the Initial Closing. The obligation of the Purchaser hereunder to consummate the transactions contemplated by this Agreement at the Initial Closing shall be further subject to the satisfaction or waiver by the Purchaser of the following condition.

(a) Bring-Down of Non-Fundamental Representations and Warranties. Each representation and warranty made by the Seller in Article V (other than those made by the Seller in Section 5.01, Section 5.02, Section 5.03, Section 5.04, Section 5.13, Section 5.24, Section 5.30, Section 5.32 and Section 5.33) shall be true and correct in all respects, as of the date of this Agreement and as of the Initial Closing Date as though made at that date (except for those representations and warranties that speak as of a specific date, which shall be so true and correct as of such specified date), except, in each case, where the failure of any such representations and warranties to be so true and correct, individually or in the aggregate, has not had and would not have a Seller Material Adverse Effect (it being understood that, for purposes of determining the truthfulness and correctness of such representations and warranties, all "Seller Material Adverse Effect" qualifications and other materiality qualifications contained in such representations and warranties shall be disregarded).



(b) Reorganization. The Reorganization (except for any steps that are specified not to be completed on or prior to the Initial Closing) shall have been consummated in accordance with the Reorganization Plan, the Transaction Documents and applicable Law.

(c) Continuance and No Breach of the Ancillary Agreements.

(i) Each of the Ancillary Agreements (other than the Technology Service Agreement) shall (A) have been entered into on or prior to the Initial Closing Date; (B) continue to be valid and in full force and effect as of the Initial Closing Date; and (C) not have been terminated prior to the Initial Closing Date.

(ii) There shall be no (A) material breach of any covenant and agreement under (x) Section 5.1 or Section 5.2.1.1 of the Strategic Cooperation Agreement, or (y) the Patent Licensing Agreement, or (B) breach of any covenant and agreement under Section 8 of the Strategic Cooperation Agreement, in each case, by the Seller as of the Initial Closing Date.

(d) No Seller Material Adverse Effect. There shall not have occurred any Seller Material Adverse Effect, nor shall any event or events have occurred that, individually or in the aggregate, would reasonably be expected to result in any Seller Material Adverse Effect.

(e) Closing Deliverables. The Seller shall have delivered to the Purchaser each document as set forth under Section 4.02(a) (other than the documents specified not to be closing deliverables for the purpose of this Section 10.02 in the Reorganization Plan).

Section 10.03 Additional Closing Conditions to the SOP Closing. The obligation of the Purchaser hereunder to consummate the transactions contemplated by this Agreement on the SOP Closing Date shall be further subject to the satisfaction or waiver by the Purchaser of the following condition:

(a) Continuance and No Breach of the Ancillary Agreements.

(i) Each of the Ancillary Agreements shall (A) have been entered into on or prior to the SOP Closing Date; (B) continue to be valid and in full force and effect as of the SOP Closing Date; and (C) not have been terminated prior to the SOP Closing Date.

(ii) There shall be no (A) material breach of any covenant and agreement under (x) Section 5.1 or Section 5.2.1.1 of the Strategic Cooperation Agreement, or (y) the Patent Licensing Agreement, or (z) the Technology Service Agreement; or (B) breach of any covenant and agreement under Section 8 of the Strategic Cooperation Agreement, in each case, by the Seller as of the SOP Closing Date.

(b) Milestone. The SOP Milestone shall have been reached.

(c) Closing Deliverables. The Seller shall have delivered to the Purchaser each document as set forth under Section 4.02(c).

Section 10.04 Additional Closing Conditions to the Earn-Out Closings. The obligation of the Purchaser hereunder to consummate the transactions contemplated by this Agreement on each Earn-Out Closing Date shall be further subject to the satisfaction or waiver by the Purchaser of each of the following conditions:

(a) Continuance and No Breach of the Ancillary Agreements.

(i) Each of the Ancillary Agreements shall (A) have been entered into on or prior to the respective Earn-Out Closing Date; (B) continue to be valid and in full force and effect as of the respective Earn-Out Closing Date; and (C) not have been terminated prior to the respective Earn-Out Closing Date.

(ii) There shall be no (A) material breach of any covenant and agreement under (x) Section 5.1 or Section 5.2.1.1 of the Strategic Cooperation Agreement, or (y) the Patent Licensing Agreement, or (z) the Technology Service Agreement; or (B) breach of any covenant and agreement under Section 8 of the Strategic Cooperation Agreement, in each case, by the Seller as of each Earn-Out Closing Date.

(b) Milestone. The First Earn-Out Period Milestone or the Second Earn-Out Period Milestone, as the case may be and as determined in accordance with the mechanism set forth in Appendix B, shall have been reached.

(c) Closing Deliverables. The Seller shall have delivered to the Purchaser each document as set forth under Section 4.02(e), in case of a Tranche 1 Earn-Out Closing, or Section 4.02(g), in case of a Tranche 2 Earn-Out Closing.

#### **ARTICLE XI CONDITIONS TO THE SELLER'S OBLIGATION**

Section 11.01 Closing Conditions to Each Closing. The obligation of the Seller hereunder to consummate the transactions contemplated hereby at each Closing shall be subject to the satisfaction or waiver by the Seller, of each of the following conditions:

(a) Bring-Down of Fundamental Representations and Warranties; Covenants

(i) Each representation and warranty made by the Purchaser in Section 6.01, Section 6.02, Section 6.04, Section 6.05, Section 6.11 and Section 6.12 shall be true and correct in all respects as of the date of this Agreement and as of each Closing Date as though made at that date (except for those representations and warranties that speak as of a specific date, which shall be so true and correct as of such specified date).

(ii) The Purchaser shall have performed, satisfied and complied in all material respects with the covenants and agreements required by this Agreement to be performed, satisfied or complied with by the Purchaser at or prior to each Closing Date, except for such non-compliance which would not, individually or in the aggregate, result in a Purchaser Material Adverse Effect (it being understood that, for purposes of determining the truthfulness and correctness of such representations and warranties, all "Purchaser Material Adverse Effect" qualifications and other materiality qualifications contained in such representations and warranties shall be disregarded).

(b) No Action. No Law or Judgment enacted, issued, promulgated, enforced or entered by or with any Governmental Authority with competent jurisdiction, shall have enjoined, prohibited or altered the terms of Transactions or had the effect of making the Transaction illegal, and no Proceeding challenging any Transaction Document or the Transactions, or seeking to prohibit, alter, prevent or delay the Transactions or any Closing, shall have been instituted or being pending before any Governmental Authority.

(c) No Purchaser Material Adverse Effect. After the date hereof, there shall not have occurred any Purchaser Material Adverse Effect, nor shall any event or events have occurred that, individually or in the aggregate, would reasonably be expected to result in any Purchaser Material Adverse Effect.

(d) NYSE Listing Authorization. The Purchaser shall have received the NYSE Listing Authorization for the applicable Consideration Shares at or prior to each Closing Date (and that such NYSE Listing Authorization is not withdrawn prior to each Closing Date).

(e) HKSE Listing Approval. The Purchaser shall have received the HKSE Listing Approval for the applicable Consideration Shares at or prior to each Closing Date (and that such HKSE Listing Approval is not withdrawn prior to each Closing Date).

(f) No Stop Order. No stop order suspending the qualification or exemption from qualification of ADSs from trading on the NYSE or of Class A Ordinary Shares from trading on the HKSE shall have been issued and no Proceeding for that purpose shall have been commenced or shall be pending or threatened.

(g) Closing Deliverables. The Purchaser shall have delivered to the Seller each document as set forth under Section 4.02(b), in case of the Initial Closing, Section 4.02(d), in case of the SOP Closing, Section 4.02(f), in case of any Tranche 1 Earn-Out Closing, and Section 4.02(h), in case of any Tranche 2 Earn-Out Closing.

Section 11.02 Additional Closing Conditions to the Initial Closing. The obligation of the Seller hereunder to consummate the transactions contemplated by this Agreement at the Initial Closing shall be subject to the satisfaction or waiver by the Seller, of the following conditions:

(a) Bring-Down of Non-Fundamental Representations and Warranties. Each representation and warranty made by the Purchaser in Article VI (other than those made in Section 6.01, Section 6.02, Section 6.04, Section 6.05, Section 6.11 and Section 6.12) shall be true and correct in all respects as of the date of this Agreement and as of the Initial Closing Date as though made at that date (except for those representations and warranties that speak as of a specific date, which shall be so true and correct as of such specified date), except, in each case, where the failure of any such representations and warranties to be so true and correct, individually or in the aggregate, has not had and would not have a material adverse effect on the ability of the Purchaser to consummate the transactions contemplated hereunder.

(b) Ancillary Agreements.

(i) Each of the Ancillary Agreements (other than the Technology Service Agreement) shall (A) have been entered into on or prior to the Initial Closing Date; (B) continue to be valid and in full force and effect as of the Initial Closing Date; and (C) not have been terminated prior to the Initial Closing Date.

(ii) There shall be no material breach of any covenant and agreement under the Patent Licensing Agreement by the Purchaser as of the Initial Closing Date.

**ARTICLE XII  
TERMINATION**

Section 12.01 Termination. Subject to Section 12.02, this Agreement may be terminated and the Transactions may be abandoned prior to the Initial Closing Date:

(a) by the mutual written consent of the Purchaser and the Seller;

(b) by the Purchaser or the Seller, upon written notice to the other Party, if any Law, or any final, non-appealable injunction or order shall have been enacted, issued, promulgated, enforced or entered which is in effect and has the effect of prohibiting and making the consummation of the Transactions illegal or otherwise prohibited;

(c) by written notice from the Purchaser to the Seller prior to the Initial Closing Date if there has been a breach of any representation, warranty, covenant or agreement by the Seller under this Agreement that would give rise to the failure of any condition set forth in Section 10.01 and Section 10.02, and such breach is not cured within thirty (30) days of receipt of written notice thereof from the Purchaser; *provided* that the Purchaser shall not have the right to terminate this Agreement pursuant to this Section 12.01(c) if it is then in material breach of any of its representations, warranties, covenants or agreements set forth in this Agreement;

(d) by written notice from the Seller to the Purchaser prior to the Initial Closing Date if there has been a breach of any representation, warranty, covenant or agreement by the Purchaser under this Agreement that would give rise to the failure of any condition set forth in Section 11.01 and Section 11.02, and such breach is not cured within thirty (30) days of receipt of written notice thereof from the Seller; *provided* that the Seller shall not have the right to terminate this Agreement pursuant to this Section 12.01(d) if it is then in material breach of any of its representations, warranties, covenants or agreements set forth in this Agreement; or

(e) by the Purchaser or the Seller, upon written notice to the other Party, if the Initial Closing has not occurred as of the Long Stop Date, *provided*, however, that the right to terminate this Agreement under this Section 12.01(e) shall not be available to any Party whose failure to fulfill any obligation under this Agreement shall have been the principal cause of, or shall have resulted in, the failure of the Initial Closing to occur on or prior to such closing date.

Section 12.02 Effect of Termination. In the event of termination of this Agreement as provided in Section 12.01, written notice thereof shall be given to the other Party specifying the provision hereof pursuant to which such termination is made, and this Agreement shall forthwith become void and there shall be no liability or obligation on the part of the Parties; *provided* that (a) nothing herein affects a party's accrued rights and obligations at termination; (b) nothing herein shall relieve any Party from liability for any breach of this Agreement that occurred before such termination and (c) the provisions of Section 7.12, Section 7.13, this Article XII, Article XIII and Article XIV shall remain in full force and effect and survive any termination of this Agreement pursuant to the terms of this Article XII and Article IX shall remain in full force and effect and survive any termination of this Agreement pursuant to the terms of Article IX.

**ARTICLE XIII  
INDEMNIFICATION**

Section 13.01 Survival.

(a) Other than the representations and warranties set forth in Section 5.01, Section 5.02, Section 5.03, Section 5.04, Section 5.13, Section 5.24, Section 5.30, Section 5.33, Section 6.01, Section 6.02, Section 6.04, Section 6.05, Section 6.11 and Section 6.12 which shall survive until the expiration of the applicable statute of limitations, representations and warranties of the Parties set forth in Article V and Article VI shall survive the Initial Closing until the second (2nd) anniversary of the Initial Closing Date.

(b) All of the covenants or other agreements of the Parties contained in this Agreement shall survive each of the Initial Closing, the SOP Closing, the Tranche 1 Earn-Out Closings and the Tranche 2 Earn-Out Closings until fully performed in accordance with their terms. Notwithstanding Section 13.01(a) and the foregoing, if any claim with respect to Section 13.01(a) or the foregoing matters is made prior to the applicable survival date, then such survival date shall be extended, and such provision shall survive, but only with respect to such claim and only until the Final Determination thereof, whereupon such provision shall terminate.

Section 13.02 General Indemnification.

(a) The Seller, from and after the Initial Closing, the SOP Closing, the Tranche 1 Earn-Out Closings and the Tranche 2 Earn-Out Closings, shall defend, protect, indemnify and hold harmless the Purchaser, its Affiliates and their respective officers, directors, employees and agents (collectively, "**Purchaser Indemnified Persons**") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses (including reasonable attorneys' fees and disbursements) in connection therewith (collectively, the "**Indemnified Liabilities**"), incurred by the Purchaser as a result or consequence of or arising out of: (i) any misrepresentation or breach of any representation or warranty made by the Seller in this Agreement; (ii) any breach of any covenant, agreement or obligation of the Seller contained in this Agreement; (iii) the Excluded Liabilities or the assertion thereof against any of the Purchaser Indemnified Persons (the "**Excluded Liabilities Assertion**"); (iv) the Reorganization (the "**Reorganization Liabilities**"); or (v) any claim or determination by the Mainland China Tax Authority that the Purchaser be responsible for any withholding or deduction in respect of delivery of Consideration Shares under this Agreement (and any related penalties, charges, surcharges, fines and interest relating thereto) (the "**Withholding Tax Liabilities**").

(b) The Purchaser, from and after the Initial Closing, the SOP Closing, the Tranche 1 Earn-Out Closings and the Tranche 2 Earn-Out Closings, shall defend, protect, indemnify and hold harmless the Seller, its Affiliates and their respective officers, directors, employees and agents (collectively, "**Seller Indemnified Persons**") from and against any and all Indemnified Liabilities incurred by the Seller as a result of or arising out of (i) any misrepresentation or breach of any representation or warranty made by the Purchaser in this Agreement, (ii) any breach of any covenant, agreement or obligation of the Purchaser contained in this Agreement, or (iii) the Assumed Liabilities or the assertion thereof against any of the Seller Indemnified Persons.

Section 13.03 Limitation to Liability. Notwithstanding anything to the contrary in this Agreement and except in the case of fraud or deliberate breach by a Party in connection with the Transactions:

(a) no claim for indemnification may be asserted nor may any Proceeding be commenced against either Party for breach of any representation, warranty, covenant or agreement contained herein, unless written notice of such claim or Proceeding is received by such Party describing in reasonable detail the facts and circumstances with respect to the subject matter of such claim or proceeding on or prior to the date on which the representation, warranty, covenant or agreement on which such claim or Proceeding is based ceases to survive as set forth in Section 13.01. In the event that a notice of claim for indemnification under this Article XIII has been given within the applicable survival period, the representations and warranties that are the subject of such indemnification claim (and the right to pursue such claim) shall survive with respect to such claim until such time as such claim is finally resolved in accordance with the provisions hereof;

(b) the Seller shall not be liable to the Purchaser for any Indemnified Liabilities (i) unless and until the aggregate amount of such Indemnified Liabilities in respect of the indemnification hereunder exceeds US\$5,000,000 and once such amount has been exceeded, the Seller shall be liable for the aggregate amount of all Indemnified Liabilities and not merely the excess, and (ii) unless and until the amount of Indemnified Liabilities arising from any particular inaccuracy in or breach of any representation and warranty exceeds US\$500,000, *provided that*, the limitation to the Seller's liabilities under this Section 13.03(b) shall not apply to any breach of any representation or warranty made by the Seller under Section 5.01, Section 5.02, Section 5.03, Section 5.04, Section 5.13, Section 5.15, Section 5.24, Section 5.30, Section 5.32 or Section 5.33, the Excluded Liabilities Assertion, the Reorganization Liabilities or the Withholding Tax Liabilities;

(c) the Seller shall have no liabilities or obligations under this Article XIII from and after the aggregate amount of all Indemnified Liabilities exceeds the then applicable Seller Indemnity Cap. The "**Seller Indemnity Cap**" means (i) with respect to all claims under this Article XIII (other than claims for Indemnified Liabilities arising out of any breach of any representation or warranty made by the Seller under Section 5.01, Section 5.02, Section 5.03, Section 5.04, Section 5.13, Section 5.15, Section 5.24, Section 5.30, Section 5.32 and Section 5.33, the Reorganization Liabilities, the Excluded Liabilities Assertion and the Withholding Tax Liabilities), an amount equal to US\$400,000,000; and (ii) with respect to all claims under this Article XIII arising out of any breach of any representation or warranty made by the Seller under Section 5.01, Section 5.02, Section 5.03, Section 5.04, Section 5.13, Section 5.15, Section 5.24, Section 5.30, Section 5.32 and Section 5.33, an amount equal to the market value of the Consideration Shares issued to and received by the Seller on the date immediately before the date on which the Seller receives written notice of the relevant claim (calculated by multiplying the number of the Consideration Shares issued to and received by the Seller by the per-share twenty-day volume weighted average trading price on the NYSE on the trading day immediately before the date on which the Seller receives written notice of the relevant claim, accounting for the then current ADS-to-share ratio (the "**Market Value**")), *provided that*, if the Market Value is less than US\$400,000,000, the Seller Indemnity Cap with respect to all claims under this Article XIII arising out of any breach of any representation or warranty made by the Seller under Section 5.01, Section 5.02, Section 5.03, Section 5.04, Section 5.13, Section 5.15, Section 5.24, Section 5.30, Section 5.32 and Section 5.33 shall be US\$400,000,000; provided further that if the Market Value exceeds US\$700,000,000, the Seller Indemnity Cap with respect to all claims under this Article XIII arising out of any breach of any representation or warranty made by the Seller under Section 5.01, Section 5.02, Section 5.03, Section 5.04, Section 5.13, Section 5.15, Section 5.24, Section 5.30, Section 5.32 and Section 5.33 shall be US\$700,000,000;

(d) the Purchaser shall not be liable to the Seller for any Indemnified Liabilities (i) unless and until the aggregate amount of such Indemnified Liabilities in respect of the indemnification hereunder exceeds US\$5,000,000 and once such amount has been exceeded, the Purchaser shall be liable for the aggregate amount of all Indemnified Liabilities and not merely the excess, and (ii) unless and until the amount of Indemnified Liabilities arising from any particular inaccuracy in or breach of any representation and warranty exceeds US\$500,000;

(e) the Purchaser shall have no liabilities or obligations under this Article XIII from and after the aggregate amount of all Indemnified Liabilities exceeds (i) with respect to all claims under this Article XIII (other than claims for Indemnified Liabilities arising out of any breach of any representation or warranty made by the Purchaser under Section 6.01, Section 6.02, Section 6.04, Section 6.05, Section 6.11 and Section 6.12), an amount equal to US\$400,000,000, and (ii) with respect to all claims under this Article XIII arising out of any breach of any representation or warranty made by the Seller under Section 6.01, Section 6.02, Section 6.04, Section 6.05, Section 6.11 and Section 6.12, an amount equal to US\$550,000,000;

(f) no Party shall have any liability under any provision of this Agreement for any punitive, incidental, consequential, special or indirect damages, including loss of future revenue or income, or loss of business reputation or opportunity relating to the breach or alleged breach of this Agreement; and

(g) the Party seeking indemnification pursuant to this Article XIII shall use commercially reasonable efforts to pursue all legal rights and remedies available in order to mitigate and minimize any Indemnifiable Liabilities subject to indemnification pursuant to this Article XIII promptly upon becoming aware of any event or circumstance that could reasonably be expected to constitute or give rise to such Indemnifiable Liabilities.

Section 13.04 [Reserved]

Section 13.05 Additional Indemnification Provision. For purposes of this Article XIII, in calculating the amount of Indemnified Liabilities hereunder, any qualifications as to materiality, "Seller Material Adverse Effect", "Purchaser Material Adverse Effect," or other similar materiality qualifications included in any representation or warranty hereunder shall be disregarded.

Section 13.06 Exclusive Monetary Remedy. Except for any claim for fraud, willful breach or intentional misconduct and as otherwise provided for in this Agreement, from and after the Initial Closing, the SOP Closing, the Tranche 1 Earn-Out Closings and the Tranche 2 Earn-Out Closings, a claim for indemnification pursuant to this Article XIII shall be the sole and exclusive monetary remedy of any Party for any claims against the other Party arising out of or resulting from this Agreement.

#### ARTICLE XIV MISCELLANEOUS

Section 14.01 Obligations of the Seller. Whenever this Agreement requires any member of the Seller Group to take any action, that requirement shall be deemed to impose an obligation on the Seller to cause such member of the Seller Group to take such action. Whenever this Agreement requires any Target Entity to take any action after the Initial Closing, that requirement shall be deemed to impose an obligation on the Purchaser to cause such Target Entity to take such action.

Section 14.02 Expenses. Except as otherwise provided in this Agreement and the other Transaction Documents, each Party shall bear and pay its own costs, fees and expenses incurred by it in connection with the Transaction Documents and Transactions.

Section 14.03 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of Hong Kong, without regard to principles of conflict of laws thereunder.

Section 14.04 Dispute Resolution. Any dispute, controversy or claim arising out of or relating to this Agreement, including any question regarding the breach, termination or validity thereof shall be finally resolved by arbitration administered by the HKIAC under the HKIAC Administered Arbitration Rules in force when the notice of arbitration is submitted. The seat of arbitration shall be Hong Kong.

(a) The number of arbitrators shall be three. Each side in dispute shall have the right to appoint one arbitrator, and the third arbitrator shall be appointed by the HKIAC. The arbitrators shall be appointed in accordance with the HKIAC Administered Arbitration Rules in force when the notice of arbitration is submitted.

(b) The language to be used in the arbitration proceedings shall be English.

(c) Any arbitration award shall be (i) in writing and shall contain the reasons for the decision, (ii) final and binding on the Parties and (iii) enforceable in any court of competent jurisdiction, and the Parties agree to be bound thereby and to act accordingly.

(d) In the event a dispute is referred to arbitration hereunder, the Parties shall continue to exercise their remaining respective rights and fulfill their remaining respective obligations under this Agreement.

(e) It shall not be incompatible with this arbitration agreement for any party to seek interim or conservatory relief from courts of competent jurisdiction before the constitution of the arbitral tribunal.

Section 14.05 Counterparts. This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other parties. A facsimile or "PDF" signature shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original.

Section 14.06 Severability. If any provision of this Agreement is found to be invalid or unenforceable, then such provision shall be construed, to the extent feasible, so as to render the provision enforceable and to provide for the consummation of the transactions contemplated hereby on substantially the same terms as originally set forth herein, and if no feasible interpretation would save such provision, it shall be severed from the remainder of this Agreement, which shall remain in full force and effect unless the severed provision is essential to the rights or benefits intended by the parties. In such event, the parties shall use commercially reasonable efforts to negotiate, in good faith, a substitute, valid and enforceable provision or agreement, which most nearly effects the parties' intent in entering into this Agreement.



Section 14.07 Entire Agreement. This Agreement, the Ancillary Agreements, together with all the annexes, appendices, schedules and exhibits hereto and thereto and the certificates and other written instruments delivered in connection therewith from time to time on and following the date hereof, constitute and contain the entire agreement and understanding between the Parties with respect to the subject matter hereof and thereof and supersedes any and all prior negotiations, correspondence, agreements, understandings, duties or obligations between the Parties in respect of the subject matter hereof and thereof.

Section 14.08 Notices. Except as may be otherwise provided herein, any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (a) upon receipt, when delivered personally; (b) one (1) Business Day after deposit with an internationally recognized overnight courier service; in each case properly addressed to the party to receive the same; or (c) upon dispatch, when sent by electronic mail, *provided that* the sender of such email shall not have, within 24 hours after such electronic mail is sent, received any automated response that such electronic mail is undeliverable to the intended recipient or the delivery is being delayed. The addresses for such communications shall be:

If to the  
Purchaser:

XPeng Inc.

Address: No. 8 Songgang Road  
Changxing Street, Cencun  
Tianhe District  
Guangzhou  
PRC

Email: [REDACTED]

Attention: Mr. Yeqing Zheng

with a copy (for informational purposes only) to:

Sullivan & Cromwell (Hong Kong) LLP

Address: 20/F, Alexandra House  
18 Chater Road  
Central, Hong Kong

Email: [REDACTED]

Attention: Mr. Kay Ian Ng and Mr. Ching-Yang Lin

If to the Seller or the Target HoldCo:

Da Vinci Auto Co. Limited

Address: c/o DiDi Global Inc.  
Building 2, Huanpu International Science and Technology Innovation Park  
No. 12, Anxiang Street  
Shunyi District, Beijing  
PRC

E-mail: [REDACTED]

Attention: Mr. Jun Yang

with a copy (for informational purposes only) to:

Skadden, Arps, Slate, Meagher & Flom  
Address: 42/F Edinburgh Tower, The Landmark  
15 Queen's Road Central, Hong Kong  
Email: [REDACTED]  
Attention: Ms. Haiping Li

A party may change or supplement the addresses given above, or designate additional addresses, for purposes of this Section 14.08 by giving the other parties written notice of the new address in the manner set forth above.

Section 14.09 No Third Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of, and be enforceable by, only the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement. A Person that is not a Party has no right under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong) to enforce any term of, or enjoy any benefit under, this Agreement.

Section 14.10 Successors and Assigns. The provisions of this Agreement shall inure to the benefit of, and shall be binding upon, the successors and permitted assigns of the parties hereto. Except as otherwise provided herein, neither this Agreement nor any of the rights, interests, or obligations hereunder shall be assigned by any Party (whether by operation of law or otherwise) without the prior written consent of the other Parties; *provided*, however, that the Seller may designate, by written notice to the Purchaser no later than ten (10) Business Days prior to any Closing, a wholly-owned Subsidiary of the Seller (the "**Seller Designee**"), to be registered as the owner of the Consideration Shares at the respective Closing, *provided further* that the designation of any Seller Designee shall not absolve the Seller from its obligations under this Agreement, and any Seller Designee shall be bound by all provisions of this Agreement applicable to the Seller.

Section 14.11 Construction. Each Party has participated in the drafting and negotiation of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement must be construed as if it is drafted by all the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of authorship of any of the provisions of this Agreement.

Section 14.12 Further Assurances. Each Party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as any other parties may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

Section 14.13 Adjustment of Share Numbers. If there is a subdivision, split, share dividend, combination, reclassification or similar event with respect to any of the Target Shares and the Consideration Shares, then the numbers and types of shares of such Target Shares or Consideration Shares referred to in this Agreement shall be adjusted to the number and types of shares that a holder of such number of shares would own or be entitled to receive as a result of such event if such holder had held such number of shares immediately prior to the record date for, or effectiveness of, such event.

Section 14.14 Specific Performance. The Parties acknowledge and agree that irreparable harm may occur for which money damages would not be an adequate remedy in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that, in addition to any other remedies at law or in equity, the Parties shall be entitled to injunction and other equitable remedies, including specific performance of the terms and provisions of this Agreement, without posting any bond or other undertaking.

Section 14.15 Amendment; Waiver. This Agreement may be amended, modified or supplemented only by a written instrument duly executed by the Parties. The observance of any provision in this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only by the written consent of the Party against whom such waiver is to be effective. Any amendment or waiver effected in accordance with this Section 14.15 shall be binding upon the Parties and their respective assigns. It is agreed that no delay or omission to exercise any right, power or remedy accruing to any party, upon any breach, default or noncompliance by another party under this Agreement, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of or in any similar breach, default or noncompliance thereafter occurring.

*[Signature Pages Follow]*

**IN WITNESS WHEREOF**, the parties hereto have caused their respective signature page to this Agreement to be duly executed as of the date first written above.

**XPeng Inc.**

By: /s/ Xiaopeng He  
Name: Xiaopeng He  
Title: Chairman and Chief Executive Officer

**IN WITNESS WHEREOF**, the parties hereto have caused their respective signature page to this Agreement to be duly executed as of the date first written above.

**DiDi Global Inc.**

By: /s/ CHENG Wei

Name: CHENG Wei

Title: Authorized Signatory

Signature Page to Share Purchase Agreement

**IN WITNESS WHEREOF**, the parties hereto have caused their respective signature page to this Agreement to be duly executed as of the date first written above.

**Da Vinci Auto Co., Limited**

By: /s/ CHENG Wei

Name: CHENG Wei

Title: Authorized Signatory

Signature Page to Share Purchase Agreement

## FIRST AMENDMENT TO SHARE PURCHASE AGREEMENT

This FIRST AMENDMENT TO SHARE PURCHASE AGREEMENT (this “**Amendment**”), dated and effective as of November 12, 2023, is entered into by and among XPeng Inc., an exempted company with limited liability incorporated under the Laws of the Cayman Islands (the “**Purchaser**”), DiDi Global Inc., an exempted company with limited liability incorporated under the Laws of the Cayman Islands (the “**Seller**”) and Da Vinci Auto Co. Limited, an exempted company with limited liability incorporated under the Laws of the Cayman Islands and a wholly owned subsidiary of the Seller (together with the Purchaser and the Seller, the “**Parties**”).

**WHEREAS**, the Parties entered into a Share Purchase Agreement, dated as of August 27, 2023 (the “**Share Purchase Agreement**”), pursuant to which, among other things, the Seller shall undertake a series of restructuring and reorganization steps, prior to the Initial Closing and as described in the Reorganization Plan on Exhibit A to the Share Purchase Agreement, as updated from time to time, and such other steps may be mutually agreed in writing among the Parties in connection with the transactions contemplated by the Share Purchase Agreement; and

**WHEREAS**, Section 14.15 of the Share Purchase Agreement provides that the Share Purchase Agreement may be amended, modified or supplemented only by a written instrument duly executed by the Parties, and the Parties wish to enter into this Amendment to amend the Reorganization Plan pursuant to Section 14.15 of the Share Purchase Agreement, in accordance with the terms and conditions set forth herein.

**NOW, THEREFORE**, in consideration of the premises set forth above and the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions. Capitalized terms used but not otherwise defined herein shall have the meanings specified in the Share Purchase Agreement or, in the case of any capitalized terms not defined in the Share Purchase Agreement, the Reorganization Plan.

2. Amendments to the Reorganization Plan. Exhibit A (*Reorganization Plan*) of the Share Purchase Agreement shall be amended in the manner set out in Schedule 1 hereto.

3. Amendments to Determination of Closing Target Company Cash and Post-Closing Adjustment.

3.1. The definition of “Benchmark Cash Amount” set forth in Article I (*Definitions and Interpretation*) of the Share Purchase Agreement shall be deleted in its entirety and replaced with following:

“**Benchmark Cash Amount**” means RMB675,000,000, subject to the adjustment set forth in Section 2.08(f);

3.2. Section 2.08(b) of the Share Purchase Agreement is hereby deleted in its entirety and replaced with the following:

The “**Post-Closing Adjustment**” shall be an amount equal to (A) the Closing Target Company Cash minus the Benchmark Cash Amount; minus (B) the Tranche 1 Released Excluded Contract Amount, subject to the adjustments that the Parties may otherwise agree in writing. If the Post-Closing Adjustment is a positive number, the Seller shall pay to the Purchaser an amount equal to the Post-Closing Adjustment. If the Post-Closing Adjustment is a negative number, the Purchaser shall pay to the Seller an amount equal to the absolute value of the Post-Closing Adjustment.

3.3. Section 2.08(e) of the Share Purchase Agreement is hereby deleted in its entirety and replaced with the following:

Except as otherwise provided herein, any payment of the Post-Closing Adjustment shall (i) be due (x) within ten (10) Business Days of acceptance of the applicable Closing Statement or (y) if the amount of the Post-Closing Adjustment is in dispute, then within ten (10) Business Days of the resolution described in clause (c) or (d) above as applicable; and (ii) be paid by wire transfer of immediately available funds to such account as is directed by the Purchaser or the Seller, as the case may be.

3.4. The text set out in Schedule 2 attached hereto shall be added to the Share Purchase Agreement as a new Section 2.08(f), a new Section 2.08(g) and a new Section 2.08(h).

4. Amendments to Certain Closing Conditions. The Parties hereby acknowledge and agree that the effective period of the Technology Service Agreement may expire before the SOP Closing Date or any Earn-Out Closing Date. In furtherance thereof, the Parties hereby agree that:

4.1. Section 10.03(a)(i) of the Share Purchase Agreement is hereby deleted in its entirety and replaced with the following:

(A) Each of the Ancillary Agreements shall have been entered into on or prior to the SOP Closing Date; (B) each of the Ancillary Agreements shall continue to be valid and in full force and effect as of the SOP Closing Date; and (C) each of the Ancillary Agreements shall not have been terminated prior to the SOP Closing Date, except that neither the expiration of the effective period of the Technology Service Agreement (as amended from time to time) in accordance with its terms nor the cessation of the effectiveness of the Technology Service Agreement (as amended from time to time) due to the Purchaser's material breach thereof shall prevent the condition under this Section 10.03(a)(i) from being fulfilled.

4.2. Section 10.04(a)(i) of the Share Purchase Agreement is hereby deleted in its entirety and replaced with the following:

(A) Each of the Ancillary Agreements shall have been entered into on or prior to the respective Earn-Out Closing Date; (B) each of the Ancillary Agreements shall continue to be valid and in full force and effect as of the respective Earn-Out Closing Date; and (C) each of the Ancillary Agreements shall not have been terminated prior to the respective Earn-Out Closing Date, except that neither the expiration of the effective period of the Technology Service Agreement (as amended from time to time) in accordance with its terms nor the cessation of the effectiveness of the Technology Service Agreement (as amended from time to time) due to the Purchaser's material breach thereof, shall prevent the condition under this Section 10.04(a)(i) from being fulfilled.

5. Amendment re: Non-Compliant Designs.

5.1. Section 13.04 of the Share Purchase Agreement is hereby deleted in its entirety and replaced with the following:



Non-Compliant Designs. If the designs delivered by the Seller to the Purchaser pursuant to this Agreement, as amended from time to time, at the Initial Closing were at the time of such delivery in violation of the applicable Laws of the PRC or not in compliance with the compulsory national standards of the PRC in effect as of August 30, 2023 (collectively, the “**Non-Compliant Designs**”), then any direct costs incurred by the Purchaser to rectify such Non-Compliant Designs (the “**Non-Compliant Design Liabilities**”) shall constitute an Indemnified Liability as defined under this Agreement, *provided* that notwithstanding anything to the contrary in this Agreement, the limitations of the Seller’s liabilities under Section 13.03(b) shall not apply to the Non-Compliant Design Liabilities.

6. Full Force and Effect. Each Party confirms that this Amendment is intended to be a part of, and will serve as a valid, written amendment to, the Share Purchase Agreement. Except as otherwise set forth in this Amendment, this Amendment shall not, by implication or otherwise, alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Share Purchase Agreement, which shall continue in full force and effect, and this Amendment will not operate as an extension or waiver by the parties to the Share Purchase Agreement of any condition, covenant, obligation, right, power or privilege under the Share Purchase Agreement.

7. Construction. This Amendment shall be governed by all provisions of the Share Purchase Agreement, as amended by this Amendment, unless context requires otherwise, including all provisions concerning construction, enforcement and governing law. For the avoidance of doubt, the following provisions of the Share Purchase Agreement are hereby incorporated by reference into this Amendment, *mutatis mutandis* (except that references therein to the Share Purchase Agreement shall be deemed to be references to this Amendment, unless context clearly dictates otherwise): Section 1.01 (*Definitions*), Section 14.03 (*Governing Law*), Section 14.04 (*Dispute Resolution*), Section 14.06 (*Severability*), Section 14.11 (*Construction*), Section 14.14 (*Specific Performance*), and Section 14.15 (*Amendment; Waiver*).

8. Entire Agreement. This Amendment and the Share Purchase Agreement constitute the entire agreement among the Parties on the subject matter contained herein. In the event of a conflict between the terms of the Share Purchase Agreement and this Amendment, the terms of this Amendment shall prevail solely as to the subject matter contained herein.

IN WITNESS WHEREOF, the parties hereto have caused their respective signature page to this Amendment to be duly executed as of the date first written above.

**XPeng Inc.**

By: /s/ Xiaopeng He

Name:

Title:

*[Signature Page to First Amendment to Share Purchase Agreement]*

IN WITNESS WHEREOF, the parties hereto have caused their respective signature page to this Amendment to be duly executed as of the date first written above.

**DiDi Global Inc.**

By: /s/ CHENG Wei \_\_\_\_\_

Name:

Title:

*[Signature Page to First Amendment to Share Purchase Agreement]*

IN WITNESS WHEREOF, the parties hereto have caused their respective signature page to this Amendment to be duly executed as of the date first written above.

**Da Vinci Auto Co. Limited**

By: /s/ CHENG Wei \_\_\_\_\_

Name:

Title:

*[Signature Page to First Amendment to Share Purchase Agreement]*

29 September 2023

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**AGREEMENT**  
**FOR THE SALE AND PURCHASE OF**  
**SHARES IN**  
**DOGOTIX INC.**

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**PARTIES:**

1. **XProbot Holdings Limited**, a business company incorporated with limited liability under the Laws of the British Virgin Islands (the ***Seller***);
2. **XPeng Dogotix Holdings Limited**, a business company incorporated with limited liability under the Laws of the British Virgin Islands (the ***Purchaser***); and
3. **Dogotix Inc.**, an exempted company incorporated with limited liability under the Laws of the Cayman Islands (the ***Company***),

(each a ***Party*** in this Agreement and together, the ***Parties***).

Words and expressions used in this Agreement shall be interpreted in accordance with Schedule 5 (*Definitions and Interpretation*).

**IT IS AGREED:**

**PREAMBLE**

(A) As of the date of this Agreement, the issued share capital of the Company comprises Ordinary Shares, Series Angel Preferred Shares and Series A Preferred Shares.

(B) The Parties (among others) entered into an Amended and Restated Shareholders Agreement of the Company on 12 July 2022 (the ***Shareholders Agreement***).

(C) The Seller intends to sell, and the Purchaser intends to purchase from the Seller, the Sale Shares on the terms of this Agreement.

**1. Sale and Purchase**

1.1 The Seller shall sell, and the Purchaser shall purchase from the Seller, such number of Sale Shares at such purchase price (***Purchase Price***) as set forth opposite the Seller's name in the table in Part A of Schedule 1 (*Sale Shares and Purchase Price*), free from Third Party Rights with effect from Closing and with all rights attaching to them including the right to receive all distributions and dividends declared, paid or made in respect of the Sale Shares on and after Closing.

1.2 The sale and purchase of the Sale Shares shall be on the terms set out in this Agreement.

**2. Closing**

2.1 Closing shall take place on 9 October 2023 (or such other date as the Parties may agree) remotely through the exchange of documents.

2.2 At Closing, each Party shall deliver or perform (or ensure that there is delivered or performed) all those documents, items and actions respectively listed in relation to that Party in Schedule 2 (*Closing Arrangements*).

- 2.3 If the Seller (on the one hand) or the Purchaser (on the other) fails to comply with any of its obligations under clause 2.2, the Purchaser (in the case of a default by the Seller) or the Seller (in the case of a default by the Purchaser) shall be entitled by written notice to the Purchaser or the Seller, as applicable, on the date Closing would otherwise have taken place, to:
- (a) require Closing to take place so far as practicable having regard to the defaults that have occurred; or
  - (b) notify the Purchaser or the Seller (as applicable) of a new Business Day for Closing, in which case the provisions of this clause shall apply to such Closing as so deferred.
- 2.4 If, in accordance with clause 2.3, Closing is deferred to another Business Day, and at the deferred Closing, a Party fails to comply with its obligations under clause 2.2, the Purchaser (if the defaulting party is the Seller) or the Seller (if the defaulting party is the Purchaser) shall have the right to notify the Seller or the Purchaser (as applicable) in writing that it wishes to terminate this Agreement which termination (other than the Surviving Provisions) shall take effect from the date specified in that notice.

**3. Post-Closing Obligation**

The Seller shall deliver the original share certificate(s) in respect of the Sale Shares to the Company at the Company Address within ten (10) Business Days after the Closing Date.

**4. Termination of the Shareholders Agreement**

- 4.1 Each Party hereby agrees to terminate the Shareholders Agreement pursuant to clause 7.18 of the Shareholders Agreement with effect from Closing.

**5. Seller Warranties**

- 5.1 The Seller warrants to the Purchaser as at the date of this Agreement in the terms of the Seller Warranties. The Seller Warranties shall be deemed to be repeated immediately before Closing by reference to the facts and circumstances then existing as if references in the Seller Warranties to the date of this Agreement were references to the date of Closing.
- 5.2 Each Seller Warranty shall be separate and independent and (except as expressly otherwise provided) no Seller Warranty shall be limited by reference to any other Seller Warranty.
- 5.3 The aggregate amount of the liability of the Seller for all claims by the Purchaser for breach of clause 5.1 shall not exceed the aggregate subscription price the Seller paid to the Company to acquire its Sale Shares under the relevant share subscription agreement or note purchase agreement, as applicable, with the Company.



**6. Purchaser Warranties**

The Purchaser warrants to the Seller as at the date of this Agreement in the terms of the warranties set out in Schedule 4 (*Purchaser Warranties*), which warranties shall be deemed to be repeated immediately before Closing by reference to the facts and circumstances then existing as if references in such warranties to the date of this Agreement were references to the date of Closing.

**7. Payments**

- 7.1 Any payment to be made pursuant to this Agreement by the Purchaser shall be made to the Seller's bank account as set forth opposite the Seller's name in the table in Part B of Schedule 1 (*Sale Shares and Purchase Price*).
- 7.2 Any payment to be made pursuant to this Agreement by the Seller shall be made to the Purchaser's Bank Account.
- 7.3 Payments under clause 7.1 and 7.2 shall be in immediately available funds by electronic transfer on the due date for payment. Receipt of the amount due shall be an effective discharge of the relevant payment obligation.
- 7.4 The Seller undertakes (at its sole cost) that, if it is required to make a filing in respect of this Agreement under Public Notice 7, it shall:
  - (a) report the sale and purchase of the Sale Shares pursuant to this Agreement to the relevant Taxation Authorities in the PRC in the form prescribed by Public Notice 7 (together with any supporting documents and information) no later than thirty (30) days after the date of this Agreement, and provide such evidence of filing as may reasonably be required by the Purchaser; and
  - (b) pay to the relevant Taxation Authorities in the PRC on a timely basis any Tax levied, assessed or imposed by the PRC or any state, province, Taxation Authority or sub-division therein (PRC Tax) due or assessed in respect of the income, profit or gain of the Seller in connection with the sale and purchase of the Sale Shares pursuant to this Agreement under Public Notice 7, and provide such evidence of payment as may reasonably be required by the Purchaser.
- 7.5 The Company shall (at the Seller's cost) provide such reasonable assistance as may be reasonably requested by the Seller in connection with any filing to be made by the Seller under Public Notice 7.

**8. Costs**

- 8.1 Except as otherwise provided in this Agreement, the Seller and the Purchaser shall each be responsible for its own Costs and charges incurred in connection with the Proposed Transaction.

**9. Assignment**

- 9.1 Except as provided in this clause 9 or unless the Seller and the Purchaser specifically agree in writing, no person shall assign, transfer, hold on trust or encumber all or any of its rights under this Agreement nor grant, declare, create or dispose of any right or interest in any of them. Any purported assignment in contravention of this clause 9 shall be void.
- 9.2 The Purchaser may assign (in whole or in part) its rights under this Agreement to, and such rights may be enforced by, any member of the Purchaser Group as if it were the Purchaser under this Agreement, provided that the Purchaser has given a prior written notice to the Seller.

**10. Further Assurances**

- 10.1 Each Party shall from time to time and at all times hereafter, use its reasonable best efforts, to make, do or execute, or cause or procure to be made, done or executed, such further acts, deeds, conveyances, consents and assurances without further consideration, which may reasonably be required to effect the Proposed Transaction.

**11. Notices**

- 11.1 Any notice to be given by one Party to any other Party in connection with this Agreement shall be in writing in English and signed by or on behalf of the Party giving it. It shall be delivered by hand, email, registered post or courier.
- 11.2 A notice shall be effective upon receipt and shall be deemed to have been received: (i) at the time of delivery, if delivered by hand, registered post or courier or (ii) at the time of transmission if delivered by email. Where delivery occurs outside Working Hours, notice shall be deemed to have been received at the start of Working Hours on the next following Business Day.
- 11.3 The addresses and email addresses of the Parties for the purpose of clause 11.1 are:

**Seller**

**XProbot Holdings Limited**

Address: No.8 Songgang Road, Changxing Street Cencun, Tianhe District, Guangzhou, Guangdong 510640, China  
Attention: HE Xiaopeng  
Email: [REDACTED]

**Purchaser**

Address: No.8 Songgang Road, Changxing Street Cencun, Tianhe District, Guangzhou, Guangdong 510640, China  
Attention: HE Xiaopeng  
Email: [REDACTED]

**Company**

Address: No.8 Songgang Road, Changxing Street Cencun, Tianhe District, Guangzhou, Guangdong 510640, China (the *Company Address*)

Attention: ZHOU Yuhui; ZHENG Yeqing

Email: [REDACTED]

11.4 Each Party shall notify the other Parties in writing of a change to its details in clause 11.3 from time to time.

**12. Conflict with other Agreements**

If there is any conflict between the terms of this Agreement and any other agreement, this Agreement shall prevail (as between the Parties and as between any members of the Seller Group and any members of the Purchaser Group) unless: (i) such other agreement expressly states that it overrides this Agreement in the relevant respect; and (ii) the Parties are either also parties to that other agreement or otherwise expressly agree in writing that such other agreement shall override this Agreement in that respect.

**13. Whole Agreement**

13.1 This Agreement sets out the whole agreement between the Parties in respect of the sale and purchase of the Sale Shares and supersedes any previous draft, agreement, arrangement or understanding, whether in writing or not, relating to the Proposed Transaction. It is agreed that:

- (a) no Party has relied on or shall have any claim or remedy arising under or in connection with any statement, representation, warranty or undertaking made by or on behalf of any other Party (or any of its Connected Persons) in relation to the Proposed Transaction that is not expressly set out in this Agreement;
- (b) the only right or remedy of a Party in relation to any provision of this Agreement shall be for breach of this Agreement; and
- (c) except for any liability in respect of a breach of this Agreement, no Party shall owe any duty of care or have any liability in tort or otherwise to any other Party in relation to the Proposed Transaction.

13.2 Nothing in this clause 13 shall limit any liability for (or remedy in respect of) fraud or fraudulent misrepresentation.

**14. Waivers, Rights and Remedies**

14.1 Except as expressly provided in this Agreement, no failure or delay by any Party in exercising any right or remedy relating to this Agreement shall affect or operate as a waiver or variation of that right or remedy or preclude its exercise at any subsequent time. No single or partial exercise of any such right or remedy shall preclude any further exercise of it or the exercise of any other remedy.

**15. Counterparts**

This Agreement may be executed in any number of counterparts, and by each Party on separate counterparts. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument.

**16. Variations**

No amendment of this Agreement shall be valid unless it is in writing and duly executed by or on behalf of all of the Parties.

**17. Invalidity**

Each of the provisions of this Agreement is severable. If any such provision is held to be or becomes invalid or unenforceable under the law of any jurisdiction, the Parties shall use all reasonable efforts to replace it with a valid and enforceable substitute provision the effect of which is as close to its intended effect as possible.

**18. Third Party Enforcement Rights**

A person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong) to enforce any of its terms.

**19. Governing Law and Arbitration**

19.1 This Agreement shall be governed by, and interpreted in accordance with, Hong Kong laws.

19.2 Any dispute, controversy, difference or claim arising out of or relating to this Agreement, including the validity, interpretation, performance, breach or termination thereof, or any dispute regarding non-contractual obligations arising out of or relating to it, shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre under the Hong Kong International Arbitration Centre Administered Arbitration Rules in force when the Notice of Arbitration is submitted.

19.3 The law of this arbitration clause shall be Hong Kong law. The seat of the arbitration shall be Hong Kong. The number of arbitrators shall be three. The arbitration proceedings shall be conducted in the English language.

19.4 Unless otherwise specified in the arbitral award, the expenses of the arbitration (including witness fees and reasonable legal expenses) shall be borne by the losing party.

**SIGNATURE**

This Agreement is signed by duly authorised representatives of the Parties:

**SIGNED**

for and on behalf of

**XPROBOT HOLDINGS LIMITED**

) SIGNATURE: /s/ HE Xiaopeng

)

) NAME: HE Xiaopeng

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**SIGNED**  
for and on behalf of  
**XPENG DOGOTIX**  
**HOLDINGS LIMITED**

) SIGNATURE: /s/ HE Xiaopeng

)

)

) NAME: HE Xiaopeng

**SIGNED**  
for and on behalf of  
**DOGOTIX INC.**

) SIGNATURE: /s/ HE Xiaopeng  
)  
) NAME: HE Xiaopeng

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29 September 2023

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**AGREEMENT**  
**FOR THE SALE AND PURCHASE OF**  
**SHARES IN**  
**DOGOTIX INC.**

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**PARTIES:**

1. **IDG Breyer Capital Fund L.P.**, an exempted limited partnership incorporated with limited liability under the Laws of the Cayman Islands (the *Seller*);
2. **XPeng Dogotix Holdings Limited**, a business company incorporated with limited liability under the Laws of the British Virgin Islands (the *Purchaser*); and
3. **Dogotix Inc.**, an exempted company incorporated with limited liability under the Laws of the Cayman Islands (the *Company*),

(each a *Party* in this Agreement and together, the *Parties*).

Words and expressions used in this Agreement shall be interpreted in accordance with Schedule 5 (*Definitions and Interpretation*).

**IT IS AGREED:**

**PREAMBLE**

(A) As of the date of this Agreement, the issued share capital of the Company comprises Ordinary Shares, Series Angel Preferred Shares and Series A Preferred Shares.

(B) The Parties (among others) entered into an Amended and Restated Shareholders Agreement of the Company on 12 July 2022 (the *Shareholders Agreement*).

(C) The Seller intends to sell, and the Purchaser intends to purchase from the Seller, the Sale Shares on the terms of this Agreement.

**1. Sale and Purchase**

- 1.1 The Seller shall sell, and the Purchaser shall purchase from the Seller, such number of Sale Shares at such purchase price (*Purchase Price*) as set forth opposite the Seller's name in the table in Part A of Schedule 1 (*Sale Shares and Purchase Price*), free from Third Party Rights with effect from Closing and with all rights attaching to them including the right to receive all distributions and dividends declared, paid or made in respect of the Sale Shares on and after Closing.
- 1.2 The sale and purchase of the Sale Shares shall be on the terms set out in this Agreement.

**2. Closing**

- 2.1 Closing shall take place on 9 October 2023 (or such other date as the Parties may agree) remotely through the exchange of documents.
- 2.2 At Closing, each Party shall deliver or perform (or ensure that there is delivered or performed) all those documents, items and actions respectively listed in relation to that Party in Schedule 2 (*Closing Arrangements*).

- 2.3 If the Seller (on the one hand) or the Purchaser (on the other) fails to comply with any of its obligations under clause 2.2, the Purchaser (in the case of a default by the Seller) or the Seller (in the case of a default by the Purchaser) shall be entitled by written notice to the Purchaser or the Seller, as applicable, on the date Closing would otherwise have taken place, to:
- (a) require Closing to take place so far as practicable having regard to the defaults that have occurred; or
  - (b) notify the Purchaser or the Seller (as applicable) of a new Business Day for Closing, in which case the provisions of this clause shall apply to such Closing as so deferred.
- 2.4 If, in accordance with clause 2.3, Closing is deferred to another Business Day, and at the deferred Closing, a Party fails to comply with its obligations under clause 2.2, the Purchaser (if the defaulting party is the Seller) or the Seller (if the defaulting party is the Purchaser) shall have the right to notify the Seller or the Purchaser (as applicable) in writing that it wishes to terminate this Agreement which termination (other than the Surviving Provisions) shall take effect from the date specified in that notice.

**3. Post-Closing Obligation**

The Seller shall deliver the original share certificate(s) in respect of the Sale Shares to the Company at the Company Address within ten (10) Business Days after the Closing Date.

**4. Termination of the Shareholders Agreement**

- 4.1 Each Party hereby agrees to terminate the Shareholders Agreement pursuant to clause 7.18 of the Shareholders Agreement with effect from Closing.

**5. Seller Warranties**

- 5.1 The Seller warrants to the Purchaser as at the date of this Agreement in the terms of the Seller Warranties. The Seller Warranties shall be deemed to be repeated immediately before Closing by reference to the facts and circumstances then existing as if references in the Seller Warranties to the date of this Agreement were references to the date of Closing.
- 5.2 Each Seller Warranty shall be separate and independent and (except as expressly otherwise provided) no Seller Warranty shall be limited by reference to any other Seller Warranty.
- 5.3 The aggregate amount of the liability of the Seller for all claims by the Purchaser for breach of clause 5.1 shall not exceed the aggregate subscription price the Seller paid to the Company to acquire its Sale Shares under the relevant share subscription agreement or note purchase agreement, as applicable, with the Company.

**6. Purchaser Warranties**

The Purchaser warrants to the Seller as at the date of this Agreement in the terms of the warranties set out in Schedule 4 (*Purchaser Warranties*), which warranties shall be deemed to be repeated immediately before Closing by reference to the facts and circumstances then existing as if references in such warranties to the date of this Agreement were references to the date of Closing.

**7. Payments**

- 7.1 Any payment to be made pursuant to this Agreement by the Purchaser shall be made to the Seller's bank account as set forth opposite the Seller's name in the table in Part B of Schedule 1 (*Sale Shares and Purchase Price*).
- 7.2 Any payment to be made pursuant to this Agreement by the Seller shall be made to the Purchaser's Bank Account.
- 7.3 Payments under clause 7.1 and 7.2 shall be in immediately available funds by electronic transfer on the due date for payment. Receipt of the amount due shall be an effective discharge of the relevant payment obligation.
- 7.4 The Seller undertakes (at its sole cost) that, if it is required to make a filing in respect of this Agreement under Public Notice 7, it shall:
  - (a) report the sale and purchase of the Sale Shares pursuant to this Agreement to the relevant Taxation Authorities in the PRC in the form prescribed by Public Notice 7 (together with any supporting documents and information) no later than thirty (30) days after the date of this Agreement, and provide such evidence of filing as may reasonably be required by the Purchaser; and
  - (b) pay to the relevant Taxation Authorities in the PRC on a timely basis any Tax levied, assessed or imposed by the PRC or any state, province, Taxation Authority or sub-division therein (PRC Tax) due or assessed in respect of the income, profit or gain of the Seller in connection with the sale and purchase of the Sale Shares pursuant to this Agreement under Public Notice 7, and provide such evidence of payment as may reasonably be required by the Purchaser.
- 7.5 The Company shall (at the Seller's cost) provide such reasonable assistance as may be reasonably requested by the Seller in connection with any filing to be made by the Seller under Public Notice 7.

**8. Costs**

- 8.1 Except as otherwise provided in this Agreement, the Seller and the Purchaser shall each be responsible for its own Costs and charges incurred in connection with the Proposed Transaction.

**9. Assignment**

- 9.1 Except as provided in this clause 9 or unless the Seller and the Purchaser specifically agree in writing, no person shall assign, transfer, hold on trust or encumber all or any of its rights under this Agreement nor grant, declare, create or dispose of any right or interest in any of them. Any purported assignment in contravention of this clause 9 shall be void.
- 9.2 The Purchaser may assign (in whole or in part) its rights under this Agreement to, and such rights may be enforced by, any member of the Purchaser Group as if it were the Purchaser under this Agreement, provided that the Purchaser has given a prior written notice to the Seller.

**10. Further Assurances**

- 10.1 Each Party shall from time to time and at all times hereafter, use its reasonable best efforts, to make, do or execute, or cause or procure to be made, done or executed, such further acts, deeds, conveyances, consents and assurances without further consideration, which may reasonably be required to effect the Proposed Transaction.

**11. Notices**

- 11.1 Any notice to be given by one Party to any other Party in connection with this Agreement shall be in writing in English and signed by or on behalf of the Party giving it. It shall be delivered by hand, email, registered post or courier.
- 11.2 A notice shall be effective upon receipt and shall be deemed to have been received: (i) at the time of delivery, if delivered by hand, registered post or courier or (ii) at the time of transmission if delivered by email. Where delivery occurs outside Working Hours, notice shall be deemed to have been received at the start of Working Hours on the next following Business Day.
- 11.3 The addresses and email addresses of the Parties for the purpose of clause 11.1 are:

**Seller**

**IDG Breyer Capital Fund L.P.**

Address: Room 622, Block A, COFCO Plaza, No.8 Jianguomennei Dajie, Dongcheng District, Beijing  
Attention: CUI Guangfu; XIONG Simiao  
Email: [REDACTED]

**Purchaser**

Address: No.8 Songgang Road, Changxing Street Cencun, Tianhe District, Guangzhou, Guangdong 510640, China  
Attention: HE Xiaopeng  
Email: [REDACTED]

**Company**

Address: No.8 Songgang Road, Changxing Street Cencun, Tianhe District, Guangzhou, Guangdong 510640, China (the

**Company Address)**

Attention: ZHOU Yuhui; ZHENG Yeqing

Email: [REDACTED]

11.4 Each Party shall notify the other Parties in writing of a change to its details in clause 11.3 from time to time.

**12. Conflict with other Agreements**

If there is any conflict between the terms of this Agreement and any other agreement, this Agreement shall prevail (as between the Parties and as between any members of the Seller Group and any members of the Purchaser Group) unless: (i) such other agreement expressly states that it overrides this Agreement in the relevant respect; and (ii) the Parties are either also parties to that other agreement or otherwise expressly agree in writing that such other agreement shall override this Agreement in that respect.

**13. Whole Agreement**

13.1 This Agreement sets out the whole agreement between the Parties in respect of the sale and purchase of the Sale Shares and supersede any previous draft, agreement, arrangement or understanding, whether in writing or not, relating to the Proposed Transaction. It is agreed that:

- (a) no Party has relied on or shall have any claim or remedy arising under or in connection with any statement, representation, warranty or undertaking made by or on behalf of any other Party (or any of its Connected Persons) in relation to the Proposed Transaction that is not expressly set out in this Agreement;
- (b) the only right or remedy of a Party in relation to any provision of this Agreement shall be for breach of this Agreement; and
- (c) except for any liability in respect of a breach of this Agreement, no Party shall owe any duty of care or have any liability in tort or otherwise to any other Party in relation to the Proposed Transaction.

13.2 Nothing in this clause 13 shall limit any liability for (or remedy in respect of) fraud or fraudulent misrepresentation.

**14. Waivers, Rights and Remedies**

14.1 Except as expressly provided in this Agreement, no failure or delay by any Party in exercising any right or remedy relating to this Agreement shall affect or operate as a waiver or variation of that right or remedy or preclude its exercise at any subsequent time. No single or partial exercise of any such right or remedy shall preclude any further exercise of it or the exercise of any other remedy.

**15. Counterparts**

This Agreement may be executed in any number of counterparts, and by each Party on separate counterparts. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument.

**16. Variations**

No amendment of this Agreement shall be valid unless it is in writing and duly executed by or on behalf of all of the Parties.

**17. Invalidity**

Each of the provisions of this Agreement is severable. If any such provision is held to be or becomes invalid or unenforceable under the law of any jurisdiction, the Parties shall use all reasonable efforts to replace it with a valid and enforceable substitute provision the effect of which is as close to its intended effect as possible.

**18. Third Party Enforcement Rights**

A person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong) to enforce any of its terms.

**19. Governing Law and Arbitration**

19.1 This Agreement shall be governed by, and interpreted in accordance with, Hong Kong laws.

19.2 Any dispute, controversy, difference or claim arising out of or relating to this Agreement, including the validity, interpretation, performance, breach or termination thereof, or any dispute regarding non-contractual obligations arising out of or relating to it, shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre under the Hong Kong International Arbitration Centre Administered Arbitration Rules in force when the Notice of Arbitration is submitted.

19.3 The law of this arbitration clause shall be Hong Kong law. The seat of the arbitration shall be Hong Kong. The number of arbitrators shall be three. The arbitration proceedings shall be conducted in the English language.

19.4 Unless otherwise specified in the arbitral award, the expenses of the arbitration (including witness fees and reasonable legal expenses) shall be borne by the losing party.

**SIGNATURE**

This Agreement is signed by duly authorised representatives of the Parties:

**SIGNED**

for and on behalf of

**IDG BREYER CAPITAL**

**FUND L.P.**

) SIGNATURE: /s/ Chi Sing Ho

)

)

) NAME: Chi Sing Ho



**SIGNED**  
for and on behalf of  
**XPENG DOGOTIX**  
**HOLDINGS LIMITED**

) SIGNATURE: /s/ HE Xiaopeng  
)  
)  
) NAME: HE Xiaopeng

**SIGNED**  
for and on behalf of  
**DOGOTIX INC.**

) SIGNATURE: /s/ HE Xiaopeng  
)  
) NAME: HE Xiaopeng\_\_\_\_\_

29 September 2023

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**AGREEMENT**  
**FOR THE SALE AND PURCHASE OF**  
**SHARES IN**  
**DOGOTIX INC.**

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**PARTIES:**

1. **PX (BVI) Investment I Limited Partnership**, a business company incorporated with limited liability under the Laws of the British Virgin Islands (the *Seller*);
2. **XPeng Dogotix Holdings Limited**, a business company incorporated with limited liability under the Laws of the British Virgin Islands (the *Purchaser*); and
3. **Dogotix Inc.**, an exempted company incorporated with limited liability under the Laws of the Cayman Islands (the *Company*),

(each a *Party* in this Agreement and together, the *Parties*).

Words and expressions used in this Agreement shall be interpreted in accordance with Schedule 5 (*Definitions and Interpretation*).

**IT IS AGREED:**

**PREAMBLE**

(A) As of the date of this Agreement, the issued share capital of the Company comprises Ordinary Shares, Series Angel Preferred Shares and Series A Preferred Shares.

(B) The Parties (among others) entered into an Amended and Restated Shareholders Agreement of the Company on 12 July 2022 (the *Shareholders Agreement*).

(C) The Seller intends to sell, and the Purchaser intends to purchase from the Seller, the Sale Shares on the terms of this Agreement.

**1. Sale and Purchase**

- 1.1 The Seller shall sell, and the Purchaser shall purchase from the Seller, such number of Sale Shares at such purchase price (**Purchase Price**) as set forth opposite the Seller's name in the table in Part A of Schedule 1 (*Sale Shares and Purchase Price*), free from Third Party Rights with effect from Closing and with all rights attaching to them including the right to receive all distributions and dividends declared, paid or made in respect of the Sale Shares on and after Closing.
- 1.2 The sale and purchase of the Sale Shares shall be on the terms set out in this Agreement.

**2. Closing**

- 2.1 Closing shall take place on 9 October 2023 (or such other date as the Parties may agree) remotely through the exchange of documents.
- 2.2 At Closing, each Party shall deliver or perform (or ensure that there is delivered or performed) all those documents, items and actions respectively listed in relation to that Party in Schedule 2 (*Closing Arrangements*).

- 2.3 If the Purchaser fails to comply with any of its obligations under clause 2.2, the Seller shall be entitled by written notice to the Purchaser on the date Closing would otherwise have taken place, to:
- (a) require Closing to take place so far as practicable having regard to the defaults that have occurred; or
  - (b) notify the Purchaser of a new Business Day for Closing, in which case the provisions of this clause shall apply to such Closing as so deferred.
- 2.4 If, in accordance with clause 2.3, Closing is deferred to another Business Day, and at the deferred Closing, the Purchaser fails to comply with its obligations under clause 2.2, the Seller shall have the right to notify the Purchaser in writing that it wishes to terminate this Agreement which termination (other than the Surviving Provisions) shall take effect from the date specified in that notice.

**3. Post-Closing Obligation**

The Seller shall deliver the original share certificate(s) in respect of the Sale Shares to the Company at the Company Address within ten (10) Business Days after the Closing Date.

**4. Termination of the Shareholders Agreement**

- 4.1 Each Party hereby agrees to terminate the Shareholders Agreement pursuant to clause 7.18 of the Shareholders Agreement with effect from Closing.

**5. Seller Warranties**

- 5.1 The Seller warrants to the Purchaser as at the date of this Agreement in the terms of the Seller Warranties. The Seller Warranties shall be deemed to be repeated immediately before Closing by reference to the facts and circumstances then existing as if references in the Seller Warranties to the date of this Agreement were references to the date of Closing.
- 5.2 Each Seller Warranty shall be separate and independent and (except as expressly otherwise provided) no Seller Warranty shall be limited by reference to any other Seller Warranty.
- 5.3 The aggregate amount of the liability of the Seller for all claims by the Purchaser for breach of clause 5.1 shall not exceed the aggregate subscription price the Seller paid to the Company to acquire its Sale Shares under the relevant share subscription agreement or note purchase agreement, as applicable, with the Company.

**6. Purchaser Warranties**

The Purchaser warrants to the Seller as at the date of this Agreement in the terms of the warranties set out in Schedule 4 (*Purchaser Warranties*), which warranties shall be deemed to be repeated immediately before Closing by reference to the facts and circumstances then existing as if references in such warranties to the date of this Agreement were references to the date of Closing.

---

**7. Payments**

- 7.1 Any payment to be made pursuant to this Agreement by the Purchaser shall be made to the Seller's bank account as set forth opposite the Seller's name in the table in Part B of Schedule 1 (*Sale Shares and Purchase Price*).
- 7.2 Any payment to be made pursuant to this Agreement by the Seller shall be made to the Purchaser's Bank Account.
- 7.3 Payments under clause 7.1 and 7.2 shall be in immediately available funds by electronic transfer on the due date for payment. Receipt of the amount due shall be an effective discharge of the relevant payment obligation.
- 7.4 The Seller undertakes (at its sole cost) that, if it is required to make a filing in respect of this Agreement under Public Notice 7, it shall:
- (a) report the sale and purchase of the Sale Shares pursuant to this Agreement to the relevant Taxation Authorities in the PRC in the form prescribed by Public Notice 7 (together with any supporting documents and information) no later than thirty (30) days after the date of this Agreement, and provide such evidence of filing as may reasonably be required by the Purchaser; and
  - (b) pay to the relevant Taxation Authorities in the PRC on a timely basis any Tax levied, assessed or imposed by the PRC or any state, province, Taxation Authority or sub-division therein (PRC Tax) due or assessed in respect of the income, profit or gain of the Seller in connection with the sale and purchase of the Sale Shares pursuant to this Agreement under Public Notice 7, and provide such evidence of payment as may reasonably be required by the Purchaser.
- 7.5 The Company shall (at the Seller's cost) provide such reasonable assistance as may be reasonably requested by the Seller in connection with any filing to be made by the Seller under Public Notice 7.

**8. Costs**

- 8.1 Except as otherwise provided in this Agreement, the Seller and the Purchaser shall each be responsible for its own Costs and charges incurred in connection with the Proposed Transaction.

**9. Assignment**

- 9.1 Except as provided in this clause 9 or unless the Seller and the Purchaser specifically agree in writing, no person shall assign, transfer, hold on trust or encumber all or any of its rights under this Agreement nor grant, declare, create or dispose of any right or interest in any of them. Any purported assignment in contravention of this clause 9 shall be void.

9.2 The Purchaser may assign (in whole or in part) its rights under this Agreement to, and such rights may be enforced by, any member of the Purchaser Group as if it were the Purchaser under this Agreement, provided that the Purchaser has given a prior written notice to the Seller.

**10. Further Assurances**

10.1 Each Party shall from time to time and at all times hereafter, use its reasonable best efforts, to make, do or execute, or cause or procure to be made, done or executed, such further acts, deeds, conveyances, consents and assurances without further consideration, which may reasonably be required to effect the Proposed Transaction.

**11. Notices**

11.1 Any notice to be given by one Party to any other Party in connection with this Agreement shall be in writing in English and signed by or on behalf of the Party giving it. It shall be delivered by hand, email, registered post or courier.

11.2 A notice shall be effective upon receipt and shall be deemed to have been received: (i) at the time of delivery, if delivered by hand, registered post or courier or (ii) at the time of transmission if delivered by email. Where delivery occurs outside Working Hours, notice shall be deemed to have been received at the start of Working Hours on the next following Business Day.

11.3 The addresses and email addresses of the Parties for the purpose of clause 11.1 are:

**Seller**

**PX (BVI) Investment I Limited Partnership**

Address: No.8 Songgang Road, Changxing Street Cencun, Tianhe District, Guangzhou, Guangdong, China

Attention: Yeqing Zheng

Email: [REDACTED]

**Purchaser**

Address: No.8 Songgang Road, Changxing Street Cencun, Tianhe District, Guangzhou, Guangdong 510640, China

Attention: HE Xiaopeng

Email: [REDACTED]

**Company**

Address: No.8 Songgang Road, Changxing Street Cencun, Tianhe District, Guangzhou, Guangdong 510640, China (the **Company Address**)

Attention: ZHOU Yuhui; ZHENG Yeqing

Email: [REDACTED]



11.4 Each Party shall notify the other Parties in writing of a change to its details in clause 11.3 from time to time.

**12. Conflict with other Agreements**

If there is any conflict between the terms of this Agreement and any other agreement, this Agreement shall prevail (as between the Parties and as between any members of the Seller Group and any members of the Purchaser Group) unless: (i) such other agreement expressly states that it overrides this Agreement in the relevant respect; and (ii) the Parties are either also parties to that other agreement or otherwise expressly agree in writing that such other agreement shall override this Agreement in that respect.

**13. Whole Agreement**

13.1 This Agreement sets out the whole agreement between the Parties in respect of the sale and purchase of the Sale Shares and supersede any previous draft, agreement, arrangement or understanding, whether in writing or not, relating to the Proposed Transaction. It is agreed that:

- (a) no Party has relied on or shall have any claim or remedy arising under or in connection with any statement, representation, warranty or undertaking made by or on behalf of any other Party (or any of its Connected Persons) in relation to the Proposed Transaction that is not expressly set out in this Agreement;
- (b) the only right or remedy of a Party in relation to any provision of this Agreement shall be for breach of this Agreement; and
- (c) except for any liability in respect of a breach of this Agreement, no Party shall owe any duty of care or have any liability in tort or otherwise to any other Party in relation to the Proposed Transaction.

13.2 Nothing in this clause 13 shall limit any liability for (or remedy in respect of) fraud or fraudulent misrepresentation.

**14. Waivers, Rights and Remedies**

14.1 Except as expressly provided in this Agreement, no failure or delay by any Party in exercising any right or remedy relating to this Agreement shall affect or operate as a waiver or variation of that right or remedy or preclude its exercise at any subsequent time. No single or partial exercise of any such right or remedy shall preclude any further exercise of it or the exercise of any other remedy.

**15. Counterparts**

This Agreement may be executed in any number of counterparts, and by each Party on separate counterparts. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument.

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**16. Variations**

No amendment of this Agreement shall be valid unless it is in writing and duly executed by or on behalf of all of the Parties.

**17. Invalidity**

Each of the provisions of this Agreement is severable. If any such provision is held to be or becomes invalid or unenforceable under the law of any jurisdiction, the Parties shall use all reasonable efforts to replace it with a valid and enforceable substitute provision the effect of which is as close to its intended effect as possible.

**18. Third Party Enforcement Rights**

A person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong) to enforce any of its terms.

**19. Governing Law and Arbitration**

- 19.1 This Agreement shall be governed by, and interpreted in accordance with, Hong Kong laws.
- 19.2 Any dispute, controversy, difference or claim arising out of or relating to this Agreement, including the validity, interpretation, performance, breach or termination thereof, or any dispute regarding non-contractual obligations arising out of or relating to it, shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre under the Hong Kong International Arbitration Centre Administered Arbitration Rules in force when the Notice of Arbitration is submitted.
- 19.3 The law of this arbitration clause shall be Hong Kong law. The seat of the arbitration shall be Hong Kong. The number of arbitrators shall be three. The arbitration proceedings shall be conducted in the English language.
- 19.4 Unless otherwise specified in the arbitral award, the expenses of the arbitration (including witness fees and reasonable legal expenses) shall be borne by the losing party.

**SIGNATURE**

This Agreement is signed by duly authorised representatives of the Parties:

**SIGNED**

for and on behalf of

**PX (BVI) INVESTMENT I**

**LIMITED PARTNERSHIP**

) SIGNATURE: /s/ GU Brian Hongdi

)

)

) NAME: GU Brian Hongdi

**SIGNED**  
for and on behalf of  
**XPENG DOGOTIX**  
**HOLDINGS LIMITED**

) SIGNATURE: /s/ HE Xiaopeng

)

)

) NAME: HE Xiaopeng

**SIGNED**  
for and on behalf of  
**DOGOTIX INC.**

) SIGNATURE: /s/ HE Xiaopeng  
)  
) NAME: HE Xiaopeng

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29 September 2023

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**AGREEMENT  
FOR THE SALE AND PURCHASE OF  
SHARES IN**

**DOGOTIX INC.**

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**PARTIES:**

1. **Quack Holding Limited**, a business company incorporated with limited liability under the Laws of the British Virgin Islands (the ***Seller***);
2. **XPeng Dogotix Holdings Limited**, a business company incorporated with limited liability under the Laws of the British Virgin Islands (the ***Purchaser***); and
3. **Dogotix Inc.**, an exempted company incorporated with limited liability under the Laws of the Cayman Islands (the ***Company***),

(each a ***Party*** in this Agreement and together, the ***Parties***).

Words and expressions used in this Agreement shall be interpreted in accordance with Schedule 5 (*Definitions and Interpretation*).

**IT IS AGREED:**

**PREAMBLE**

(A) As of the date of this Agreement, the issued share capital of the Company comprises Ordinary Shares, Series Angel Preferred Shares and Series A Preferred Shares.

(B) The Parties (among others) entered into an Amended and Restated Shareholders Agreement of the Company on 12 July 2022 (the ***Shareholders Agreement***).

(C) The Seller intends to sell, and the Purchaser intends to purchase from the Seller, the Sale Shares on the terms of this Agreement.

**1. Sale and Purchase**

- 1.1 The Seller shall sell, and the Purchaser shall purchase from the Seller, such number of Sale Shares at such purchase price (***Purchase Price***) as set forth opposite the Seller's name in the table in Part A of Schedule 1 (*Sale Shares and Purchase Price*), free from Third Party Rights with effect from Closing and with all rights attaching to them including the right to receive all distributions and dividends declared, paid or made in respect of the Sale Shares on and after Closing.
- 1.2 The sale and purchase of the Sale Shares shall be on the terms set out in this Agreement.

**2. Closing**

- 2.1 Closing shall take place on 9 October 2023 (or such other date as the Parties may agree) remotely through the exchange of documents.
- 2.2 At Closing, each Party shall deliver or perform (or ensure that there is delivered or performed) all those documents, items and actions respectively listed in relation to that Party in Schedule 2 (*Closing Arrangements*).



- 2.3 If the Purchaser fails to comply with any of its obligations under clause 2.2, the Seller shall be entitled by written notice to the Purchaser on the date Closing would otherwise have taken place, to:
- (a) require Closing to take place so far as practicable having regard to the defaults that have occurred; or
  - (b) notify the Purchaser of a new Business Day for Closing, in which case the provisions of this clause shall apply to such Closing as so deferred.
- 2.4 If, in accordance with clause 2.3, Closing is deferred to another Business Day, and at the deferred Closing, the Purchaser fails to comply with its obligations under clause 2.2, the Seller shall have the right to notify the Purchaser in writing that it wishes to terminate this Agreement which termination (other than the Surviving Provisions) shall take effect from the date specified in that notice.

**3. Post-Closing Obligation**

The Seller shall deliver the original share certificate(s) in respect of the Sale Shares to the Company at the Company Address within ten (10) Business Days after the Closing Date.

**4. Termination of the Shareholders Agreement**

- 4.1 Each Party hereby agrees to terminate the Shareholders Agreement pursuant to clause 7.18 of the Shareholders Agreement with effect from Closing.

**5. Seller Warranties**

- 5.1 The Seller warrants to the Purchaser as at the date of this Agreement in the terms of the Seller Warranties. The Seller Warranties shall be deemed to be repeated immediately before Closing by reference to the facts and circumstances then existing as if references in the Seller Warranties to the date of this Agreement were references to the date of Closing.
- 5.2 Each Seller Warranty shall be separate and independent and (except as expressly otherwise provided) no Seller Warranty shall be limited by reference to any other Seller Warranty.
- 5.3 The aggregate amount of the liability of the Seller for all claims by the Purchaser for breach of clause 5.1 shall not exceed the aggregate subscription price the Seller paid to the Company to acquire its Sale Shares under the relevant share subscription agreement or note purchase agreement, as applicable, with the Company.

**6. Purchaser Warranties**

The Purchaser warrants to the Seller as at the date of this Agreement in the terms of the warranties set out in Schedule 4 (*Purchaser Warranties*), which warranties shall be deemed to be repeated immediately before Closing by reference to the facts and circumstances then existing as if references in such warranties to the date of this Agreement were references to the date of Closing.

---

**7. Payments**

- 7.1 Any payment to be made pursuant to this Agreement by the Purchaser shall be made to the Seller's bank account as set forth opposite the Seller's name in the table in Part B of Schedule 1 (*Sale Shares and Purchase Price*).
- 7.2 Any payment to be made pursuant to this Agreement by the Seller shall be made to the Purchaser's Bank Account.
- 7.3 Payments under clause 7.1 and 7.2 shall be in immediately available funds by electronic transfer on the due date for payment. Receipt of the amount due shall be an effective discharge of the relevant payment obligation.
- 7.4 The Seller undertakes (at its sole cost) that, if it is required to make a filing in respect of this Agreement under Public Notice 7, it shall:
- (a) report the sale and purchase of the Sale Shares pursuant to this Agreement to the relevant Taxation Authorities in the PRC in the form prescribed by Public Notice 7 (together with any supporting documents and information) no later than thirty (30) days after the date of this Agreement, and provide such evidence of filing as may reasonably be required by the Purchaser; and
  - (b) pay to the relevant Taxation Authorities in the PRC on a timely basis any Tax levied, assessed or imposed by the PRC or any state, province, Taxation Authority or sub-division therein (PRC Tax) due or assessed in respect of the income, profit or gain of the Seller in connection with the sale and purchase of the Sale Shares pursuant to this Agreement under Public Notice 7, and provide such evidence of payment as may reasonably be required by the Purchaser.
- 7.5 The Company shall (at the Seller's cost) provide such reasonable assistance as may be reasonably requested by the Seller in connection with any filing to be made by the Seller under Public Notice 7.

**8. Costs**

- 8.1 Except as otherwise provided in this Agreement, the Seller and the Purchaser shall each be responsible for its own Costs and charges incurred in connection with the Proposed Transaction.

**9. Assignment**

- 9.1 Except as provided in this clause 9 or unless the Seller and the Purchaser specifically agree in writing, no person shall assign, transfer, hold on trust or encumber all or any of its rights under this Agreement nor grant, declare, create or dispose of any right or interest in any of them. Any purported assignment in contravention of this clause 9 shall be void.

9.2 The Purchaser may assign (in whole or in part) its rights under this Agreement to, and such rights may be enforced by, any member of the Purchaser Group as if it were the Purchaser under this Agreement, provided that the Purchaser has given a prior written notice to the Seller.

**10. Further Assurances**

10.1 Each Party shall from time to time and at all times hereafter, use its reasonable best efforts, to make, do or execute, or cause or procure to be made, done or executed, such further acts, deeds, conveyances, consents and assurances without further consideration, which may reasonably be required to effect the Proposed Transaction.

**11. Notices**

11.1 Any notice to be given by one Party to any other Party in connection with this Agreement shall be in writing in English and signed by or on behalf of the Party giving it. It shall be delivered by hand, email, registered post or courier.

11.2 A notice shall be effective upon receipt and shall be deemed to have been received: (i) at the time of delivery, if delivered by hand, registered post or courier or (ii) at the time of transmission if delivered by email. Where delivery occurs outside Working Hours, notice shall be deemed to have been received at the start of Working Hours on the next following Business Day.

11.3 The addresses and email addresses of the Parties for the purpose of clause 11.1 are:

**Seller**

**Quack Holding Limited**

Address: No.8 Songgang Road, Changxing Street Cencun, Tianhe District, Guangzhou, Guangdong 510640, China

Attention: GU Brian Hongdi

Email: [REDACTED]

**Purchaser**

Address: No.8 Songgang Road, Changxing Street Cencun, Tianhe District, Guangzhou, Guangdong 510640, China

Attention: HE Xiaopeng

Email: [REDACTED]

**Company**

Address: No.8 Songgang Road, Changxing Street Cencun, Tianhe District, Guangzhou, Guangdong 510640, China (the **Company Address**)

Attention: ZHOU Yuhui; ZHENG Yeqing

Email: [REDACTED]

11.4 Each Party shall notify the other Parties in writing of a change to its details in clause 11.3 from time to time.

**12. Conflict with other Agreements**

If there is any conflict between the terms of this Agreement and any other agreement, this Agreement shall prevail (as between the Parties and as between any members of the Seller Group and any members of the Purchaser Group) unless: (i) such other agreement expressly states that it overrides this Agreement in the relevant respect; and (ii) the Parties are either also parties to that other agreement or otherwise expressly agree in writing that such other agreement shall override this Agreement in that respect.

**13. Whole Agreement**

13.1 This Agreement sets out the whole agreement between the Parties in respect of the sale and purchase of the Sale Shares and supersede any previous draft, agreement, arrangement or understanding, whether in writing or not, relating to the Proposed Transaction. It is agreed that:

- (a) no Party has relied on or shall have any claim or remedy arising under or in connection with any statement, representation, warranty or undertaking made by or on behalf of any other Party (or any of its Connected Persons) in relation to the Proposed Transaction that is not expressly set out in this Agreement;
- (b) the only right or remedy of a Party in relation to any provision of this Agreement shall be for breach of this Agreement; and
- (c) except for any liability in respect of a breach of this Agreement, no Party shall owe any duty of care or have any liability in tort or otherwise to any other Party in relation to the Proposed Transaction.

13.2 Nothing in this clause 13 shall limit any liability for (or remedy in respect of) fraud or fraudulent misrepresentation.

**14. Waivers, Rights and Remedies**

14.1 Except as expressly provided in this Agreement, no failure or delay by any Party in exercising any right or remedy relating to this Agreement shall affect or operate as a waiver or variation of that right or remedy or preclude its exercise at any subsequent time. No single or partial exercise of any such right or remedy shall preclude any further exercise of it or the exercise of any other remedy.

**15. Counterparts**

This Agreement may be executed in any number of counterparts, and by each Party on separate counterparts. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument.

---

**16. Variations**

No amendment of this Agreement shall be valid unless it is in writing and duly executed by or on behalf of all of the Parties.

**17. Invalidity**

Each of the provisions of this Agreement is severable. If any such provision is held to be or becomes invalid or unenforceable under the law of any jurisdiction, the Parties shall use all reasonable efforts to replace it with a valid and enforceable substitute provision the effect of which is as close to its intended effect as possible.

**18. Third Party Enforcement Rights**

A person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong) to enforce any of its terms.

**19. Governing Law and Arbitration**

- 19.1 This Agreement shall be governed by, and interpreted in accordance with, Hong Kong laws.
- 19.2 Any dispute, controversy, difference or claim arising out of or relating to this Agreement, including the validity, interpretation, performance, breach or termination thereof, or any dispute regarding non-contractual obligations arising out of or relating to it, shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre under the Hong Kong International Arbitration Centre Administered Arbitration Rules in force when the Notice of Arbitration is submitted.
- 19.3 The law of this arbitration clause shall be Hong Kong law. The seat of the arbitration shall be Hong Kong. The number of arbitrators shall be three. The arbitration proceedings shall be conducted in the English language.
- 19.4 Unless otherwise specified in the arbitral award, the expenses of the arbitration (including witness fees and reasonable legal expenses) shall be borne by the losing party.

**SIGNATURE**

This Agreement is signed by duly authorised representatives of the Parties:

**SIGNED**

for and on behalf of

**QUACK HOLDING LIMITED**

)  
)  
)

SIGNATURE: /s/ GU Brian Hongdi

NAME: GU Brian Hongdi

**SIGNED**  
for and on behalf of  
**XPENG DOGOTIX**  
**HOLDINGS LIMITED**

)  
)  
)  
)

SIGNATURE: /s/ HE Xiaopeng

NAME: HE Xiaopeng

**SIGNED**  
for and on behalf of  
**DOGOTIX INC.**

)  
)  
)

SIGNATURE: /s/ HE Xiaopeng

NAME: HE Xiaopeng\_\_\_\_\_



29 September 2023

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**AGREEMENT  
FOR THE SALE AND PURCHASE OF  
SHARES IN  
DOGOTIX INC.**

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**PARTIES:**

1. **XPD Holdings Limited**, a business company incorporated with limited liability under the Laws of the British Virgin Islands (the ***Seller***);
2. **XPeng Dogotix Holdings Limited**, a business company incorporated with limited liability under the Laws of the British Virgin Islands (the ***Purchaser***); and
3. **Dogotix Inc.**, an exempted company incorporated with limited liability under the Laws of the Cayman Islands (the ***Company***),

(each a ***Party*** in this Agreement and together, the ***Parties***).

Words and expressions used in this Agreement shall be interpreted in accordance with Schedule 5 (*Definitions and Interpretation*).

**IT IS AGREED:**

**PREAMBLE**

(A) As of the date of this Agreement, the issued share capital of the Company comprises Ordinary Shares, Series Angel Preferred Shares and Series A Preferred Shares.

(B) The Parties (among others) entered into an Amended and Restated Shareholders Agreement of the Company on 12 July 2022 (the ***Shareholders Agreement***).

(C) The Seller intends to sell, and the Purchaser intends to purchase from the Seller, the Sale Shares on the terms of this Agreement.

**1. Sale and Purchase**

- 1.1 The Seller shall sell, and the Purchaser shall purchase from the Seller, such number of Sale Shares at such purchase price (***Purchase Price***) as set forth opposite the Seller's name in the table in Part A of Schedule 1 (*Sale Shares and Purchase Price*), free from Third Party Rights with effect from Closing and with all rights attaching to them including the right to receive all distributions and dividends declared, paid or made in respect of the Sale Shares on and after Closing.
- 1.2 The sale and purchase of the Sale Shares shall be on the terms set out in this Agreement.

**2. Closing**

- 2.1 Closing shall take place on 9 October 2023 (or such other date as the Parties may agree) remotely through the exchange of documents.
- 2.2 At Closing, each Party shall deliver or perform (or ensure that there is delivered or performed) all those documents, items and actions respectively listed in relation to that Party in Schedule 2 (*Closing Arrangements*).

- 2.3 If the Purchaser fails to comply with any of its obligations under clause 2.2, the Seller shall be entitled by written notice to the Purchaser on the date Closing would otherwise have taken place, to:
- (a) require Closing to take place so far as practicable having regard to the defaults that have occurred; or
  - (b) notify the Purchaser of a new Business Day for Closing, in which case the provisions of this clause shall apply to such Closing as so deferred.
- 2.4 If, in accordance with clause 2.3, Closing is deferred to another Business Day, and at the deferred Closing, the Purchaser fails to comply with its obligations under clause 2.2, the Seller shall have the right to notify the Purchaser in writing that it wishes to terminate this Agreement which termination (other than the Surviving Provisions) shall take effect from the date specified in that notice.

**3. Post-Closing Obligation**

The Seller shall deliver the original share certificate(s) in respect of the Sale Shares to the Company at the Company Address within ten (10) Business Days after the Closing Date.

**4. Termination of the Shareholders Agreement**

- 4.1 Each Party hereby agrees to terminate the Shareholders Agreement pursuant to clause 7.18 of the Shareholders Agreement with effect from Closing.

**5. Seller Warranties**

- 5.1 The Seller warrants to the Purchaser as at the date of this Agreement in the terms of the Seller Warranties. The Seller Warranties shall be deemed to be repeated immediately before Closing by reference to the facts and circumstances then existing as if references in the Seller Warranties to the date of this Agreement were references to the date of Closing.
- 5.2 Each Seller Warranty shall be separate and independent and (except as expressly otherwise provided) no Seller Warranty shall be limited by reference to any other Seller Warranty.
- 5.3 The aggregate amount of the liability of the Seller for all claims by the Purchaser for breach of clause 5.1 shall not exceed the aggregate subscription price the Seller paid to the Company to acquire its Sale Shares under the relevant share subscription agreement or note purchase agreement, as applicable, with the Company.

**6. Purchaser Warranties**

The Purchaser warrants to the Seller as at the date of this Agreement in the terms of the warranties set out in Schedule 4 (*Purchaser Warranties*), which warranties shall be deemed to be repeated immediately before Closing by reference to the facts and circumstances then existing as if references in such warranties to the date of this Agreement were references to the date of Closing.

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**7. Payments**

- 7.1 Any payment to be made pursuant to this Agreement by the Purchaser shall be made to the Seller's bank account as set forth opposite the Seller's name in the table in Part B of Schedule 1 (*Sale Shares and Purchase Price*).
- 7.2 Any payment to be made pursuant to this Agreement by the Seller shall be made to the Purchaser's Bank Account.
- 7.3 Payments under clause 7.1 and 7.2 shall be in immediately available funds by electronic transfer on the due date for payment. Receipt of the amount due shall be an effective discharge of the relevant payment obligation.
- 7.4 The Seller undertakes (at its sole cost) that, if it is required to make a filing in respect of this Agreement under Public Notice 7, it shall:
- (a) report the sale and purchase of the Sale Shares pursuant to this Agreement to the relevant Taxation Authorities in the PRC in the form prescribed by Public Notice 7 (together with any supporting documents and information) no later than thirty (30) days after the date of this Agreement, and provide such evidence of filing as may reasonably be required by the Purchaser; and
  - (b) pay to the relevant Taxation Authorities in the PRC on a timely basis any Tax levied, assessed or imposed by the PRC or any state, province, Taxation Authority or sub-division therein (PRC Tax) due or assessed in respect of the income, profit or gain of the Seller in connection with the sale and purchase of the Sale Shares pursuant to this Agreement under Public Notice 7, and provide such evidence of payment as may reasonably be required by the Purchaser.
- 7.5 The Company shall (at the Seller's cost) provide such reasonable assistance as may be reasonably requested by the Seller in connection with any filing to be made by the Seller under Public Notice 7.

**8. Costs**

- 8.1 Except as otherwise provided in this Agreement, the Seller and the Purchaser shall each be responsible for its own Costs and charges incurred in connection with the Proposed Transaction.

**9. Assignment**

- 9.1 Except as provided in this clause 9 or unless the Seller and the Purchaser specifically agree in writing, no person shall assign, transfer, hold on trust or encumber all or any of its rights under this Agreement nor grant, declare, create or dispose of any right or interest in any of them. Any purported assignment in contravention of this clause 9 shall be void.

9.2 The Purchaser may assign (in whole or in part) its rights under this Agreement to, and such rights may be enforced by, any member of the Purchaser Group as if it were the Purchaser under this Agreement, provided that the Purchaser has given a prior written notice to the Seller.

**10. Further Assurances**

10.1 Each Party shall from time to time and at all times hereafter, use its reasonable best efforts, to make, do or execute, or cause or procure to be made, done or executed, such further acts, deeds, conveyances, consents and assurances without further consideration, which may reasonably be required to effect the Proposed Transaction.

**11. Notices**

11.1 Any notice to be given by one Party to any other Party in connection with this Agreement shall be in writing in English and signed by or on behalf of the Party giving it. It shall be delivered by hand, email, registered post or courier.

11.2 A notice shall be effective upon receipt and shall be deemed to have been received: (i) at the time of delivery, if delivered by hand, registered post or courier or (ii) at the time of transmission if delivered by email. Where delivery occurs outside Working Hours, notice shall be deemed to have been received at the start of Working Hours on the next following Business Day.

11.3 The addresses and email addresses of the Parties for the purpose of clause 11.1 are:

**Seller**

**XPD Holdings Limited**

Address: n/a  
Attention: Sara Dai  
Email: [REDACTED]

**Purchaser**

Address: No.8 Songgang Road, Changxing Street Cencun, Tianhe District, Guangzhou, Guangdong 510640, China  
Attention: HE Xiaopeng  
Email: [REDACTED]

**Company**

Address: No.8 Songgang Road, Changxing Street Cencun, Tianhe District, Guangzhou, Guangdong 510640, China (the **Company Address**)  
Attention: ZHOU Yuhui; ZHENG Yeqing  
Email: [REDACTED]

11.4 Each Party shall notify the other Parties in writing of a change to its details in clause 11.3 from time to time.

**12. Conflict with other Agreements**

If there is any conflict between the terms of this Agreement and any other agreement, this Agreement shall prevail (as between the Parties and as between any members of the Seller Group and any members of the Purchaser Group) unless: (i) such other agreement expressly states that it overrides this Agreement in the relevant respect; and (ii) the Parties are either also parties to that other agreement or otherwise expressly agree in writing that such other agreement shall override this Agreement in that respect.

**13. Whole Agreement**

13.1 This Agreement sets out the whole agreement between the Parties in respect of the sale and purchase of the Sale Shares and supersede any previous draft, agreement, arrangement or understanding, whether in writing or not, relating to the Proposed Transaction. It is agreed that:

- (a) no Party has relied on or shall have any claim or remedy arising under or in connection with any statement, representation, warranty or undertaking made by or on behalf of any other Party (or any of its Connected Persons) in relation to the Proposed Transaction that is not expressly set out in this Agreement;
- (b) the only right or remedy of a Party in relation to any provision of this Agreement shall be for breach of this Agreement; and
- (c) except for any liability in respect of a breach of this Agreement, no Party shall owe any duty of care or have any liability in tort or otherwise to any other Party in relation to the Proposed Transaction.

13.2 Nothing in this clause 13 shall limit any liability for (or remedy in respect of) fraud or fraudulent misrepresentation.

**14. Waivers, Rights and Remedies**

14.1 Except as expressly provided in this Agreement, no failure or delay by any Party in exercising any right or remedy relating to this Agreement shall affect or operate as a waiver or variation of that right or remedy or preclude its exercise at any subsequent time. No single or partial exercise of any such right or remedy shall preclude any further exercise of it or the exercise of any other remedy.

**15. Counterparts**

This Agreement may be executed in any number of counterparts, and by each Party on separate counterparts. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument.

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**16. Variations**

No amendment of this Agreement shall be valid unless it is in writing and duly executed by or on behalf of all of the Parties.

**17. Invalidity**

Each of the provisions of this Agreement is severable. If any such provision is held to be or becomes invalid or unenforceable under the law of any jurisdiction, the Parties shall use all reasonable efforts to replace it with a valid and enforceable substitute provision the effect of which is as close to its intended effect as possible.

**18. Third Party Enforcement Rights**

A person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong) to enforce any of its terms.

**19. Governing Law and Arbitration**

19.1 This Agreement shall be governed by, and interpreted in accordance with, Hong Kong laws.

19.2 Any dispute, controversy, difference or claim arising out of or relating to this Agreement, including the validity, interpretation, performance, breach or termination thereof, or any dispute regarding non-contractual obligations arising out of or relating to it, shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre under the Hong Kong International Arbitration Centre Administered Arbitration Rules in force when the Notice of Arbitration is submitted.

19.3 The law of this arbitration clause shall be Hong Kong law. The seat of the arbitration shall be Hong Kong. The number of arbitrators shall be three. The arbitration proceedings shall be conducted in the English language.

19.4 Unless otherwise specified in the arbitral award, the expenses of the arbitration (including witness fees and reasonable legal expenses) shall be borne by the losing party.



**SIGNATURE**

This Agreement is signed by duly authorised representatives of the Parties:

**SIGNED**

for and on behalf of

**XPD HOLDINGS LIMITED**

) SIGNATURE: /s/ Sara Dai

)

) NAME: Sara Dai

**SIGNED**  
for and on behalf of  
**XPENG DOGOTIX**  
**HOLDINGS LIMITED**

) SIGNATURE: /s/ HE Xiaopeng

)

)

) NAME: HE Xiaopeng

**SIGNED**  
for and on behalf of  
**DOGOTIX INC.**

) SIGNATURE: /s/ HE Xiaopeng  
)  
) NAME: HE Xiaopeng\_\_\_\_\_

29 September 2023

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**AGREEMENT  
FOR THE SALE AND PURCHASE OF  
SHARES IN  
DOGOTIX INC.**

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**PARTIES:**

1. **Hong Kong King Taian Molding Technology Co., Limited**, a private company with limited liability under the Laws of Hong Kong (the ***Seller***);
2. **XPeng Dogotix Holdings Limited**, a business company incorporated with limited liability under the Laws of the British Virgin Islands (the ***Purchaser***); and
3. **Dogotix Inc.**, an exempted company incorporated with limited liability under the Laws of the Cayman Islands (the ***Company***),

(each a ***Party*** in this Agreement and together, the ***Parties***).

Words and expressions used in this Agreement shall be interpreted in accordance with Schedule 5 (*Definitions and Interpretation*).

**IT IS AGREED:**

**PREAMBLE**

(A) As of the date of this Agreement, the issued share capital of the Company comprises Ordinary Shares, Series Angel Preferred Shares and Series A Preferred Shares.

(B) The Parties (among others) entered into an Amended and Restated Shareholders Agreement of the Company on 12 July 2022 (the ***Shareholders Agreement***).

(C) The Seller intends to sell, and the Purchaser intends to purchase from the Seller, the Sale Shares on the terms of this Agreement.

**1. Sale and Purchase**

- 1.1 The Seller shall sell, and the Purchaser shall purchase from the Seller, such number of Sale Shares at such purchase price (***Purchase Price***) as set forth opposite the Seller's name in the table in Part A of Schedule 1 (*Sale Shares and Purchase Price*), free from Third Party Rights with effect from Closing and with all rights attaching to them including the right to receive all distributions and dividends declared, paid or made in respect of the Sale Shares on and after Closing.
- 1.2 The sale and purchase of the Sale Shares shall be on the terms set out in this Agreement.

**2. Closing**

- 2.1 Closing shall take place on 9 October 2023 (or such other date as the Parties may agree) remotely through the exchange of documents.
- 2.2 At Closing, each Party shall deliver or perform (or ensure that there is delivered or performed) all those documents, items and actions respectively listed in relation to that Party in Schedule 2 (*Closing Arrangements*).

- 2.3 If the Purchaser fails to comply with any of its obligations under clause 2.2, the Seller shall be entitled by written notice to the Purchaser on the date Closing would otherwise have taken place, to:
- (a) require Closing to take place so far as practicable having regard to the defaults that have occurred; or
  - (b) notify the Purchaser of a new Business Day for Closing, in which case the provisions of this clause shall apply to such Closing as so deferred.
- 2.4 If, in accordance with clause 2.3, Closing is deferred to another Business Day, and at the deferred Closing, the Purchaser fails to comply with its obligations under clause 2.2, the Seller shall have the right to notify the Purchaser in writing that it wishes to terminate this Agreement which termination (other than the Surviving Provisions) shall take effect from the date specified in that notice.
- 3. Post-Closing Obligation**
- The Seller shall deliver the original share certificate(s) in respect of the Sale Shares to the Company at the Company Address within ten (10) Business Days after the Closing Date.
- 4. Termination of the Shareholders Agreement**
- 4.1 Each Party hereby agrees to terminate the Shareholders Agreement pursuant to clause 7.18 of the Shareholders Agreement with effect from Closing.
- 5. Seller Warranties**
- 5.1 The Seller warrants to the Purchaser as at the date of this Agreement in the terms of the Seller Warranties. The Seller Warranties shall be deemed to be repeated immediately before Closing by reference to the facts and circumstances then existing as if references in the Seller Warranties to the date of this Agreement were references to the date of Closing.
- 5.2 Each Seller Warranty shall be separate and independent and (except as expressly otherwise provided) no Seller Warranty shall be limited by reference to any other Seller Warranty.
- 5.3 The aggregate amount of the liability of the Seller for all claims by the Purchaser for breach of clause 5.1 shall not exceed the aggregate subscription price the Seller paid to the Company to acquire its Sale Shares under the relevant share subscription agreement or note purchase agreement, as applicable, with the Company.
- 6. Purchaser Warranties**
- The Purchaser warrants to the Seller as at the date of this Agreement in the terms of the warranties set out in Schedule 4 (*Purchaser Warranties*), which warranties shall be deemed to be repeated immediately before Closing by reference to the facts and circumstances then existing as if references in such warranties to the date of this Agreement were references to the date of Closing.

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**7. Payments**

- 7.1 Any payment to be made pursuant to this Agreement by the Purchaser shall be made to the Seller's bank account as set forth opposite the Seller's name in the table in Part B of Schedule 1 (*Sale Shares and Purchase Price*).
- 7.2 Any payment to be made pursuant to this Agreement by the Seller shall be made to the Purchaser's Bank Account.
- 7.3 Payments under clause 7.1 and 7.2 shall be in immediately available funds by electronic transfer on the due date for payment. Receipt of the amount due shall be an effective discharge of the relevant payment obligation.
- 7.4 The Seller undertakes (at its sole cost) that, if it is required to make a filing in respect of this Agreement under Public Notice 7, it shall:
- (a) report the sale and purchase of the Sale Shares pursuant to this Agreement to the relevant Taxation Authorities in the PRC in the form prescribed by Public Notice 7 (together with any supporting documents and information) no later than thirty (30) days after the date of this Agreement, and provide such evidence of filing as may reasonably be required by the Purchaser; and
  - (b) pay to the relevant Taxation Authorities in the PRC on a timely basis any Tax levied, assessed or imposed by the PRC or any state, province, Taxation Authority or sub-division therein (PRC Tax) due or assessed in respect of the income, profit or gain of the Seller in connection with the sale and purchase of the Sale Shares pursuant to this Agreement under Public Notice 7, and provide such evidence of payment as may reasonably be required by the Purchaser.
- 7.5 The Company shall (at the Seller's cost) provide such reasonable assistance as may be reasonably requested by the Seller in connection with any filing to be made by the Seller under Public Notice 7.

**8. Costs**

- 8.1 Except as otherwise provided in this Agreement, the Seller and the Purchaser shall each be responsible for its own Costs and charges incurred in connection with the Proposed Transaction.

**9. Assignment**

- 9.1 Except as provided in this clause 9 or unless the Seller and the Purchaser specifically agree in writing, no person shall assign, transfer, hold on trust or encumber all or any of its rights under this Agreement nor grant, declare, create or dispose of any right or interest in any of them. Any purported assignment in contravention of this clause 9 shall be void.



9.2 The Purchaser may assign (in whole or in part) its rights under this Agreement to, and such rights may be enforced by, any member of the Purchaser Group as if it were the Purchaser under this Agreement, provided that the Purchaser has given a prior written notice to the Seller.

#### 10. Further Assurances

10.1 Each Party shall from time to time and at all times hereafter, use its reasonable best efforts, to make, do or execute, or cause or procure to be made, done or executed, such further acts, deeds, conveyances, consents and assurances without further consideration, which may reasonably be required to effect the Proposed Transaction.

#### 11. Notices

11.1 Any notice to be given by one Party to any other Party in connection with this Agreement shall be in writing in English and signed by or on behalf of the Party giving it. It shall be delivered by hand, email, registered post or courier.

11.2 A notice shall be effective upon receipt and shall be deemed to have been received: (i) at the time of delivery, if delivered by hand, registered post or courier or (ii) at the time of transmission if delivered by email. Where delivery occurs outside Working Hours, notice shall be deemed to have been received at the start of Working Hours on the next following Business Day.

11.3 The addresses and email addresses of the Parties for the purpose of clause 11.1 are:

#### Seller

##### Hong Kong King Taian Molding Technology Co., Limited

Address: 2nd Floor, Building 10, Jintai Xinqiao Building, No. 15 Xinxing East Lane A, Xicheng District, Beijing (北京市西城区新兴东巷甲 15 号金泰鑫侨大厦 10 栋 2 层)

Attention: Zhang Chi

Email: [REDACTED]

#### Purchaser

Address: No.8 Songgang Road, Changxing Street Cencun, Tianhe District, Guangzhou, Guangdong 510640, China

Attention: HE Xiaopeng

Email: [REDACTED]

#### Company

Address: No.8 Songgang Road, Changxing Street Cencun, Tianhe District, Guangzhou, Guangdong 510640, China (the **Company Address**)

Attention: ZHOU Yuhui; ZHENG Yeqing

Email: [REDACTED]

11.4 Each Party shall notify the other Parties in writing of a change to its details in clause 11.3 from time to time.

**12. Conflict with other Agreements**

If there is any conflict between the terms of this Agreement and any other agreement, this Agreement shall prevail (as between the Parties and as between any members of the Seller Group and any members of the Purchaser Group) unless: (i) such other agreement expressly states that it overrides this Agreement in the relevant respect; and (ii) the Parties are either also parties to that other agreement or otherwise expressly agree in writing that such other agreement shall override this Agreement in that respect.

**13. Whole Agreement**

13.1 This Agreement sets out the whole agreement between the Parties in respect of the sale and purchase of the Sale Shares and supersede any previous draft, agreement, arrangement or understanding, whether in writing or not, relating to the Proposed Transaction. It is agreed that:

- (a) no Party has relied on or shall have any claim or remedy arising under or in connection with any statement, representation, warranty or undertaking made by or on behalf of any other Party (or any of its Connected Persons) in relation to the Proposed Transaction that is not expressly set out in this Agreement;
- (b) the only right or remedy of a Party in relation to any provision of this Agreement shall be for breach of this Agreement; and
- (c) except for any liability in respect of a breach of this Agreement, no Party shall owe any duty of care or have any liability in tort or otherwise to any other Party in relation to the Proposed Transaction.

13.2 Nothing in this clause 13 shall limit any liability for (or remedy in respect of) fraud or fraudulent misrepresentation.

**14. Waivers, Rights and Remedies**

14.1 Except as expressly provided in this Agreement, no failure or delay by any Party in exercising any right or remedy relating to this Agreement shall affect or operate as a waiver or variation of that right or remedy or preclude its exercise at any subsequent time. No single or partial exercise of any such right or remedy shall preclude any further exercise of it or the exercise of any other remedy.

**15. Counterparts**

This Agreement may be executed in any number of counterparts, and by each Party on separate counterparts. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument.

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**16. Variations**

No amendment of this Agreement shall be valid unless it is in writing and duly executed by or on behalf of all of the Parties.

**17. Invalidity**

Each of the provisions of this Agreement is severable. If any such provision is held to be or becomes invalid or unenforceable under the law of any jurisdiction, the Parties shall use all reasonable efforts to replace it with a valid and enforceable substitute provision the effect of which is as close to its intended effect as possible.

**18. Third Party Enforcement Rights**

A person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong) to enforce any of its terms.

**19. Governing Law and Arbitration**

19.1 This Agreement shall be governed by, and interpreted in accordance with, Hong Kong laws.

19.2 Any dispute, controversy, difference or claim arising out of or relating to this Agreement, including the validity, interpretation, performance, breach or termination thereof, or any dispute regarding non-contractual obligations arising out of or relating to it, shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre under the Hong Kong International Arbitration Centre Administered Arbitration Rules in force when the Notice of Arbitration is submitted.

19.3 The law of this arbitration clause shall be Hong Kong law. The seat of the arbitration shall be Hong Kong. The number of arbitrators shall be three. The arbitration proceedings shall be conducted in the English language.

19.4 Unless otherwise specified in the arbitral award, the expenses of the arbitration (including witness fees and reasonable legal expenses) shall be borne by the losing party.

**SIGNATURE**

This Agreement is signed by duly authorised representatives of the Parties:

**SIGNED**

for and on behalf of

**HONG KONG KING TAIAN**

**MOLDING TECHNOLOGY**

**CO., LIMITED**

) SIGNATURE: /s/ WEN Yiyi

)

)

)

) NAME: WEN Yiyi

**SIGNED**  
for and on behalf of  
**XPENG DOGOTIX**  
**HOLDINGS LIMITED**

) SIGNATURE: /s/ HE Xiaopeng

)

)

) NAME: HE Xiaopeng

**SIGNED**  
for and on behalf of  
**DOGOTIX INC.**

) SIGNATURE: /s/ HE Xiaopeng  
)  
) NAME: HE Xiaopeng\_\_\_\_\_

29 September 2023

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**AGREEMENT  
FOR THE SALE AND PURCHASE OF  
SHARES IN  
DOGOTIX INC.**

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**PARTIES:**

1. **Like Minded Enterprise Limited**, a business company incorporated with limited liability under the Laws of the British Virgin Islands (the **Seller**);
2. **XPeng Dogotix Holdings Limited**, a business company incorporated with limited liability under the Laws of the British Virgin Islands (the **Purchaser**); and
3. **Dogotix Inc.**, an exempted company incorporated with limited liability under the Laws of the Cayman Islands (the **Company**),

(each a **Party** in this Agreement and together, the **Parties**).

Words and expressions used in this Agreement shall be interpreted in accordance with Schedule 5 (*Definitions and Interpretation*).

**IT IS AGREED:**

**PREAMBLE**

(A) As of the date of this Agreement, the issued share capital of the Company comprises Ordinary Shares, Series Angel Preferred Shares and Series A Preferred Shares.

(B) The Parties (among others) entered into an Amended and Restated Shareholders Agreement of the Company on 12 July 2022 (the **Shareholders Agreement**).

(C) The Seller intends to sell, and the Purchaser intends to purchase from the Seller, the Sale Shares on the terms of this Agreement.

**1. Sale and Purchase**

- 1.1 The Seller shall sell, and the Purchaser shall purchase from the Seller, such number of Sale Shares at such purchase price (**Purchase Price**) as set forth opposite the Seller's name in the table in Part A of Schedule 1 (*Sale Shares and Purchase Price*), free from Third Party Rights with effect from Closing and with all rights attaching to them including the right to receive all distributions and dividends declared, paid or made in respect of the Sale Shares on and after Closing.
- 1.2 The sale and purchase of the Sale Shares shall be on the terms set out in this Agreement.

**2. Closing**

- 2.1 Closing shall take place on 9 October 2023 (or such other date as the Parties may agree) remotely through the exchange of documents.
- 2.2 At Closing, each Party shall deliver or perform (or ensure that there is delivered or performed) all those documents, items and actions respectively listed in relation to that Party in Schedule 2 (*Closing Arrangements*).

- 2.3 If the Purchaser fails to comply with any of its obligations under clause 2.2, the Seller shall be entitled by written notice to the Purchaser on the date Closing would otherwise have taken place, to:
- (a) require Closing to take place so far as practicable having regard to the defaults that have occurred; or
  - (b) notify the Purchaser of a new Business Day for Closing, in which case the provisions of this clause shall apply to such Closing as so deferred.
- 2.4 If, in accordance with clause 2.3, Closing is deferred to another Business Day, and at the deferred Closing, the Purchaser fails to comply with its obligations under clause 2.2, the Seller shall have the right to notify the Purchaser in writing that it wishes to terminate this Agreement which termination (other than the Surviving Provisions) shall take effect from the date specified in that notice.

**3. Post-Closing Obligation**

The Seller shall deliver the original share certificate(s) in respect of the Sale Shares to the Company at the Company Address within ten (10) Business Days after the Closing Date.

**4. Termination of the Shareholders Agreement**

- 4.1 Each Party hereby agrees to terminate the Shareholders Agreement pursuant to clause 7.18 of the Shareholders Agreement with effect from Closing.

**5. Seller Warranties**

- 5.1 The Seller warrants to the Purchaser as at the date of this Agreement in the terms of the Seller Warranties. The Seller Warranties shall be deemed to be repeated immediately before Closing by reference to the facts and circumstances then existing as if references in the Seller Warranties to the date of this Agreement were references to the date of Closing.
- 5.2 Each Seller Warranty shall be separate and independent and (except as expressly otherwise provided) no Seller Warranty shall be limited by reference to any other Seller Warranty.
- 5.3 The aggregate amount of the liability of the Seller for all claims by the Purchaser for breach of clause 5.1 shall not exceed the aggregate subscription price the Seller paid to the Company to acquire its Sale Shares under the relevant share subscription agreement or note purchase agreement, as applicable, with the Company.

**6. Purchaser Warranties**

The Purchaser warrants to the Seller as at the date of this Agreement in the terms of the warranties set out in Schedule 4 (*Purchaser Warranties*), which warranties shall be deemed to be repeated immediately before Closing by reference to the facts and circumstances then existing as if references in such warranties to the date of this Agreement were references to the date of Closing.

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**7. Payments**

- 7.1 Any payment to be made pursuant to this Agreement by the Purchaser shall be made to the Seller's bank account as set forth opposite the Seller's name in the table in Part B of Schedule 1 (*Sale Shares and Purchase Price*).
- 7.2 Any payment to be made pursuant to this Agreement by the Seller shall be made to the Purchaser's Bank Account.
- 7.3 Payments under clause 7.1 and 7.2 shall be in immediately available funds by electronic transfer on the due date for payment. Receipt of the amount due shall be an effective discharge of the relevant payment obligation.
- 7.4 The Seller undertakes (at its sole cost) that, if it is required to make a filing in respect of this Agreement under Public Notice 7, it shall:
- (a) report the sale and purchase of the Sale Shares pursuant to this Agreement to the relevant Taxation Authorities in the PRC in the form prescribed by Public Notice 7 (together with any supporting documents and information) no later than thirty (30) days after the date of this Agreement, and provide such evidence of filing as may reasonably be required by the Purchaser; and
  - (b) pay to the relevant Taxation Authorities in the PRC on a timely basis any Tax levied, assessed or imposed by the PRC or any state, province, Taxation Authority or sub-division therein (PRC Tax) due or assessed in respect of the income, profit or gain of the Seller in connection with the sale and purchase of the Sale Shares pursuant to this Agreement under Public Notice 7, and provide such evidence of payment as may reasonably be required by the Purchaser.
- 7.5 The Company shall (at the Seller's cost) provide such reasonable assistance as may be reasonably requested by the Seller in connection with any filing to be made by the Seller under Public Notice 7.

**8. Costs**

- 8.1 Except as otherwise provided in this Agreement, the Seller and the Purchaser shall each be responsible for its own Costs and charges incurred in connection with the Proposed Transaction.

**9. Assignment**

- 9.1 Except as provided in this clause 9 or unless the Seller and the Purchaser specifically agree in writing, no person shall assign, transfer, hold on trust or encumber all or any of its rights under this Agreement nor grant, declare, create or dispose of any right or interest in any of them. Any purported assignment in contravention of this clause 9 shall be void.

9.2 The Purchaser may assign (in whole or in part) its rights under this Agreement to, and such rights may be enforced by, any member of the Purchaser Group as if it were the Purchaser under this Agreement, provided that the Purchaser has given a prior written notice to the Seller.

**10. Further Assurances**

10.1 Each Party shall from time to time and at all times hereafter, use its reasonable best efforts, to make, do or execute, or cause or procure to be made, done or executed, such further acts, deeds, conveyances, consents and assurances without further consideration, which may reasonably be required to effect the Proposed Transaction.

**11. Notices**

11.1 Any notice to be given by one Party to any other Party in connection with this Agreement shall be in writing in English and signed by or on behalf of the Party giving it. It shall be delivered by hand, email, registered post or courier.

11.2 A notice shall be effective upon receipt and shall be deemed to have been received: (i) at the time of delivery, if delivered by hand, registered post or courier or (ii) at the time of transmission if delivered by email. Where delivery occurs outside Working Hours, notice shall be deemed to have been received at the start of Working Hours on the next following Business Day.

11.3 The addresses and email addresses of the Parties for the purpose of clause 11.1 are:

**Seller**

**Like Minded Enterprise Limited**

Address: No.8 Songgang Road, Changxing Street Cencun, Tianhe District, Guangzhou, Guangdong 510640, China

Attention: XIAO Bin

Email: [REDACTED]

**Purchaser**

Address: No.8 Songgang Road, Changxing Street Cencun, Tianhe District, Guangzhou, Guangdong 510640, China

Attention: HE Xiaopeng

Email: [REDACTED]

**Company**

Address: No.8 Songgang Road, Changxing Street Cencun, Tianhe District, Guangzhou, Guangdong 510640, China (the **Company Address**)

Attention: ZHOU Yuhui; ZHENG Yeqing

Email: [REDACTED]

11.4 Each Party shall notify the other Parties in writing of a change to its details in clause 11.3 from time to time.

**12. Conflict with other Agreements**

If there is any conflict between the terms of this Agreement and any other agreement, this Agreement shall prevail (as between the Parties and as between any members of the Seller Group and any members of the Purchaser Group) unless: (i) such other agreement expressly states that it overrides this Agreement in the relevant respect; and (ii) the Parties are either also parties to that other agreement or otherwise expressly agree in writing that such other agreement shall override this Agreement in that respect.

**13. Whole Agreement**

13.1 This Agreement sets out the whole agreement between the Parties in respect of the sale and purchase of the Sale Shares and supersede any previous draft, agreement, arrangement or understanding, whether in writing or not, relating to the Proposed Transaction. It is agreed that:

- (a) no Party has relied on or shall have any claim or remedy arising under or in connection with any statement, representation, warranty or undertaking made by or on behalf of any other Party (or any of its Connected Persons) in relation to the Proposed Transaction that is not expressly set out in this Agreement;
- (b) the only right or remedy of a Party in relation to any provision of this Agreement shall be for breach of this Agreement; and
- (c) except for any liability in respect of a breach of this Agreement, no Party shall owe any duty of care or have any liability in tort or otherwise to any other Party in relation to the Proposed Transaction.

13.2 Nothing in this clause 13 shall limit any liability for (or remedy in respect of) fraud or fraudulent misrepresentation.

**14. Waivers, Rights and Remedies**

14.1 Except as expressly provided in this Agreement, no failure or delay by any Party in exercising any right or remedy relating to this Agreement shall affect or operate as a waiver or variation of that right or remedy or preclude its exercise at any subsequent time. No single or partial exercise of any such right or remedy shall preclude any further exercise of it or the exercise of any other remedy.

**15. Counterparts**

This Agreement may be executed in any number of counterparts, and by each Party on separate counterparts. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument.

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**16. Variations**

No amendment of this Agreement shall be valid unless it is in writing and duly executed by or on behalf of all of the Parties.

**17. Invalidity**

Each of the provisions of this Agreement is severable. If any such provision is held to be or becomes invalid or unenforceable under the law of any jurisdiction, the Parties shall use all reasonable efforts to replace it with a valid and enforceable substitute provision the effect of which is as close to its intended effect as possible.

**18. Third Party Enforcement Rights**

A person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the Laws of Hong Kong) to enforce any of its terms.

**19. Governing Law and Arbitration**

19.1 This Agreement shall be governed by, and interpreted in accordance with, Hong Kong laws.

19.2 Any dispute, controversy, difference or claim arising out of or relating to this Agreement, including the validity, interpretation, performance, breach or termination thereof, or any dispute regarding non-contractual obligations arising out of or relating to it, shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre under the Hong Kong International Arbitration Centre Administered Arbitration Rules in force when the Notice of Arbitration is submitted.

19.3 The law of this arbitration clause shall be Hong Kong law. The seat of the arbitration shall be Hong Kong. The number of arbitrators shall be three. The arbitration proceedings shall be conducted in the English language.

19.4 Unless otherwise specified in the arbitral award, the expenses of the arbitration (including witness fees and reasonable legal expenses) shall be borne by the losing party.

**SIGNATURE**

This Agreement is signed by duly authorised representatives of the Parties:

**SIGNED** ) SIGNATURE: /s/ XIAO Bin  
for and on behalf of )  
**LIKE MINDED** )  
**ENTERPRISE LIMITED** ) NAME: XIAO Bin

**SIGNED**  
for and on behalf of  
**XPENG DOGOTIX**  
**HOLDINGS LIMITED**

)  
)  
)  
)

SIGNATURE: /s/ HE Xiaopeng

NAME: HE Xiaopeng



**SIGNED**  
for and on behalf of  
**DOGOTIX INC.**

)  
)  
)

SIGNATURE: /s/ HE Xiaopeng  
NAME: HE Xiaopeng

### Termination Agreement

This termination agreement (the “**Agreement**”) is made by the following parties on January 31, 2024:

1. Xiaopeng Automobile Sales Co., Ltd. (“**Party A**”)  
Unified social credit code: 91440101MA5ANXEF2F  
Registered address: Room 108, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou (for office only, not for factory)
2. He Tao (ID Card No. [REDACTED]) and Li Zhixue (ID Card No. [REDACTED]) (“**Party B**”)
3. Guangzhou Xuetao Enterprise Management Co., Ltd. (“**Party C**”)  
Unified social credit code: 91440115MABPJG4F53  
Registered address: Room 1262, No.2 Liangma 1st Street, Xiaowu Village, Dongchong Town, Nansha District, Guangzhou (for office only)

(Each of the above parties is hereinafter referred to individually as a “**Party**”, and collectively as the “**Parties**”).

Whereas, Party A, Party B and Party C entered into the Cooperation Agreement on the Acquisition of Insurance Agency Business Qualification (“**Cooperation Agreement**”) on July 22, 2022.

Now, therefore, the Parties agree as follows upon consensus through negotiation:

#### 1. Termination of the Cooperation Agreement

- 1.2 The Parties agree that the Cooperation Agreement will terminate when this Agreement becomes effective.
- 1.3 The Parties acknowledge that after the termination of the Cooperation Agreement, there shall not be any dispute or outstanding debts or liabilities between the Parties arising out of or in connection with the Cooperation Agreement and the covenants thereunder, and they shall not claim any other rights against each other in relation to the signing of the Cooperation Agreement by them; provided, however, that the rights and obligations that have accrued under the Cooperation Agreement shall be valid.
- 1.4 Except as otherwise agreed herein, each Party hereby irrevocably and unconditionally releases the other Parties or their respective affiliates, successors or assigns, from any and all disputes, claims, demands, rights, obligations, liabilities or causes of action, of any kind or nature whatsoever, whether past, present or future, the Party has or may have, directly or indirectly, in connection with, or arising out of, all and/or any of the rights or obligations of the Party under the Cooperation Agreement, whether such claims, demands, causes of action have been filed or not, are known or unknown.

## 2. Others

- 2.1 Each Party shall be under an obligation of confidentiality with respect to any business information of the other Parties to which it has access or of which it becomes aware in the course of the performance of this Agreement, unless there is clear evidence that such information is in the public domain or that it has been previously authorized in writing by the other Parties. The confidentiality obligation shall survive the expiration, revocation or termination of this Agreement. Each Party shall indemnify the other Parties for any loss caused by the breach of such confidentiality obligation.
- 2.2 Each Party shall be responsible for any and all transfer and registration taxes, expenses and fees incurred by or levied against such Party in connection with the preparation and execution of this Agreement and the consummation of the transaction contemplated hereby, as applicable.
- 2.3 Any dispute arising from the performance of this Agreement shall be resolved by amicable negotiation between the Parties, and if it cannot be resolved by negotiation, any Party shall have the right to bring the dispute to the people's court of competent jurisdiction in Tianhe District, Guangzhou City.
- 2.4 This Agreement is signed in Tianhe District, Guangzhou.
- 2.5 This Agreement becomes effective on the date first written above after it is signed by the Parties. This Agreement is made in four copies, with each Party holding one. All copies have equal legal force.

*[The remainder of this page is intentionally left blank. Signature page follows.]*

**Xiaopeng Automobile Sales Co., Ltd. (seal)**

Legal representative: Han Jian

Signature: /s/ Han Jian

Date: January 31, 2024

**He Tao**

Signature: /s/ He Tao

Date: January 31, 2024

**Li Zhixue**

Signature: /s/ Li Zhixue

Date: January 31, 2024

**Guangzhou Xuetao Enterprise Management Co., Ltd. (seal)**

Legal representative: Zhao Dawu

Signature: /s/ Zhao Dawu

Date: January 31, 2024

**Equity Interest Pledge Agreement**

**Between**

**Xiaopeng Automobile Sales Co., Ltd.**

**And**

**Zheng Yeqing**

**And**

**Guangzhou Xuetao Enterprise Management Co., Ltd.**

**And**

**Guangdong Intelligent Insurance Agency Co., Ltd.**

**In relation to Guangdong Intelligent Insurance Agency Co., Ltd.**

**January 31, 2024**

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## Equity Interest Pledge Agreement

This equity interest pledge agreement (“**Agreement**”) is made by the following parties on January 31, 2024 (“**Execution Date**”):

1. Zheng Yeqing (the nominee shareholder of Xuetao Company, together with Xuetao Company as the “**Pledgors**”);  
Address: [REDACTED]  
ID Card No.: [REDACTED]
2. Guangzhou Xuetao Enterprise Management Co., Ltd. (“**Xuetao Company**”, the nominee shareholder of the Company, together with Zheng Yeqing as “**Pledgors**”)  
Registered address: Room 1262, No.2 Liangma 1st Street, Xiaowu Village, Dongchong Town, Nansha District, Guangzhou (for office only)  
Unified social credit code: 91440115MABPJG4F53  
Legal representative: Zhao Dawu
3. Guangdong Intelligent Insurance Agency Co., Ltd. (the “**Company**”)  
Registered address: Room 2222, No. 29, Middle Huan Shi Avenue, Nansha District, Guangzhou  
Unified social credit code: 91370202664509184D  
Legal representative: Feng Jie
4. Xiaopeng Automobile Sales Co., Ltd. (“**Pledgee**”).  
Registered address: Room 108, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou (for office only, not for factory)  
Unified social credit code: 91440101MA5ANXEF2F  
Legal representative: Han Jian

Each of the above parties is hereinafter referred to individually as a “**Party**”, and collectively as the “**Parties**”.

### Whereas,

1. Xuetao Company is the registered shareholder of the Company, and holds the entire equity interest in the Company (“**Equity**”) according to law. As of the Execution Date, Xuetao Company’s subscribed capital contribution in the registered capital of the Company is RMB 50 million (RMB50,000,000), accounting for 100% of the registered capital. The basic information of the Company is set forth in Exhibit 1.
2. Zheng Yeqing is the registered shareholder of Xuetao Company and holds the entire equity interest in Xuetao Company. As of the Execution Date, his subscribed capital contribution in the registered capital of Xuetao Company is RMB 60 million (RMB60,000,000), accounting for 100% of the registered capital. The basic information of Xuetao Company is set forth in Exhibit 1.
3. The Parties entered into the Power of Attorney (“**Proxy Agreement**”) on January 31, 2024. According to the Proxy Agreement, the Pledgors irrevocably and exclusively authorize the person to be designated by the Pledgee to exercise their voting powers at the Company on their halves.

4. The Pledgee and Zheng Yeqing entered into the Loan Agreement (“**Loan Agreement**”) on January 31, 2024. According to the Loan Agreement, the Pledgee provides Zheng Yeqing with a loan with an aggregate principal of RMB thirty-one million five hundred thousand (RMB31,500,000.00) (“**Loan**”) for Zheng Yeqing to pay the transaction consideration for the indirect acquisition of 100% equity interest in the Company, i.e., Zheng Yeqing indirectly acquires 100% equity interest in Guangdong Intelligent Insurance Agency Co., Ltd. a wholly-owned subsidiary of Xuetao Company through the acquisition of 100% equity interest in Xuetao Company.
5. The Company and the Pledgee entered into the Exclusive Service Agreement (“**Service Agreement**”) on January 31, 2024. 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.
6. The Parties entered into the Exclusive Option Agreement (“**Option Agreement**”) on January 31, 2024. 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.
7. 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 agree to create a pledge over the Equity held by Xuetao Company 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 Proxy Agreement, 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 Proxy Agreement, 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 Proxy Agreement, the Service Agreement, the Loan Agreement and the Option Agreement.
<b>“Breaching Event”</b>	Means the breach by any Pledgor of any of his/its Contractual Obligations under the Proxy Agreement, the Loan Agreement, the Option Agreement and/or this Agreement, and the breach by the Company of any of its Contractual Obligations under the Proxy Agreement, 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. For the avoidance of any doubt, the Pledged Equity Interest refers to the equity held by Xuetao Company directly in the Company and does not include the equity held by Zheng Yeqing in Xuetao Company.

**“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 promptly complete the registration of the Pledge of Equity Interest with the market regulation authority 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 of the Pledgee or its gross negligence having direct causation with the result, 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 will 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 Pledged Equity Interest. The Pledgors shall complete the pledge registration of the Equity corresponding to such additional capital contribution with the market regulation authority 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 have fully and completely performed all Contractual Obligations and repaid 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 market regulation authority. 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 Guangzhou Xuetao Enterprise Management Co., Ltd. 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. Zheng Yeqing is a natural person of full capacity for civil acts according to the PRC Laws, has 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, Xuetao Company is 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 market regulation authority, 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 promptly complete the pledge registration of the Pledge of Equity Interest hereunder with relevant market regulation authority, 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 market regulation authority, 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 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 recognize and undertake that, subject to the provisions of the PRC laws, the arbitrator shall have the right to make appropriate awards in the light of the actual circumstances to grant appropriate legal remedies to the Pledgee, including, without limitation, restricting the business operation of the Company, imposing restrictions and/or making disposals (including, without limitation, by way of compensation), prohibiting the transfer or disposal, or granting other relevant remedies in respect of the equity interests or assets of the Company (including land assets), liquidating the Company, etc. The Parties shall perform such awards.
- (d) The Parties hereby specifically recognize and undertake that, subject to the provisions of the PRC laws, a court of competent jurisdiction shall, at the request of one of the disputing Parties, have the right, before the constitution of the arbitral tribunal or in other appropriate cases permitted by the law, to issue a decision or judgment providing provisional relief to one of the disputing Parties as a measure of property preservation or enforcement, such as a decision or judgment to detain or freeze the property of the breaching Party or the equity interests in the Company. Such rights of a disputing Party and the judgment or decision of the court thereon shall not affect the validity of the said arbitration clause agreed upon by the Parties.

- (e) After the entry into force of the arbitral award, either Party shall have the right to apply to a court of competent jurisdiction for the enforcement of the arbitral award.
- (f) The Parties agree that the competent court in the following places shall be deemed to have jurisdiction for the purposes of this Article: (1) the Hong Kong Special Administrative Region; (2) the place of incorporation of XPeng Inc.; (3) the place of incorporation of the Company (i.e., Guangzhou); and (4) the place where the principal assets of XPeng Inc. or the Company are situated.
- 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 any other regulatory body proposes any changes to this Agreement, or if there are any changes to the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited or related requirements in relation to this Agreement, 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. 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 and Exhibit 3 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.]*

**Xiaopeng Automobile Sales Co., Ltd. (seal)**

Legal representative: Han Jian

Signature: /s/ Han Jian

**Guangdong Intelligent Insurance Agency Co., Ltd. (seal)**

Legal representative: Feng Jie

Signature: /s/ Feng Jie

**Zheng Yeqing**

Signature: /s/ Zheng Yeqing

**Guangdong Intelligent Insurance Agency Co., Ltd. (seal)**

Legal representative: Zhao Dawu

Signature: /s/ Zhao Dawu

**Basic Information of the Company**

## 1. Guangdong Intelligent Insurance Agency Co., Ltd.

Registered address Room 2222, No. 29, Middle Huan Shi Avenue, Nansha District, Guangzhou  
Registered capital RMB 50,000,000  
Legal representative Feng Jie  
Shareholding structure:

<u>Shareholder</u>	<u>Shareholding percentage</u>	<u>Subscribed capital contribution (RMB)</u>
Guangzhou Xuetao Enterprise Management Co., Ltd	100%	50,000,000

## 2. Guangzhou Xuetao Enterprise Management Co., Ltd.

Registered address Room 1262, No.2 Liangma 1st Street, Xiaowu Village, Dongchong Town, Nansha District, Guangzhou  
Registered capital RMB 60,000,000  
Legal representative Zhao Dawu  
Shareholding structure:

<u>Shareholder</u>	<u>Shareholding percentage</u>	<u>Subscribed capital contribution (RMB)</u>
Zheng Yeqing	100%	60,000,000

**Power of Attorney**

I, Zheng Yeqing, hereby irrevocably authorize \_\_\_\_\_ (ID Card No.: \_\_\_\_\_), as my agent, to sign all legal documents required or desired for the exercise by Xiaopeng Automobile Sales Co., Ltd. of the rights under the Equity Interest Pledge Agreement entered into by me, Xiaopeng Automobile Sales Co., Ltd., Guangzhou Xuetao Enterprise Management Co., Ltd. and Guangdong Intelligent Insurance Agency Co., Ltd. in relation to Guangdong Intelligent Insurance Agency Co., Ltd.

The Principal: Zheng Yeqing

Signature: /s/ Zheng Yeqing

Date:



**Power of Attorney**

Guangzhou Xuetao Enterprise Management Co., Ltd. hereby irrevocably authorizes \_\_\_\_\_ (ID Card No.: \_\_\_\_\_), as its agent, to sign all legal documents required or desired for the exercise by Xiaopeng Automobile Sales Co., Ltd. of the rights under the Equity Interest Pledge Agreement entered into by Guangzhou Xuetao Enterprise Management Co., Ltd., Xiaopeng Automobile Sales Co., Ltd., Zheng Yeqing and Guangdong Intelligent Insurance Agency Co., Ltd. in relation to Guangdong Intelligent Insurance Agency Co., Ltd.

The Principal: Guangzhou Xuetao Enterprise Management Co., Ltd. (seal)

Authorized representative: Zhao Dawu

Signature: /s/ Zhao Dawu

Date:

**Power of Attorney**

**Between**

**Zheng Yeqing**

**And**

**Guangzhou Xuetao Enterprise Management Co., Ltd.**

**And**

**Xiaopeng Automobile Sales Co., Ltd.**

**And**

**Guangdong Intelligent Insurance Agency Co., Ltd.**

**In relation to Guangdong Intelligent Insurance Agency Co., Ltd.**

**January 31, 2024**

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## Power of Attorney

This Power of Attorney (“**Agreement**”) is made by the following parties on January 31, 2024 (“**Execution Date**”):

1. Guangdong Intelligent Insurance Agency Co., Ltd. (the “**Company**”)  
Registered address: Room 2222, No. 29, Middle Huan Shi Avenue, Nansha District, Guangzhou  
Unified social credit code: 91370202664509184D  
Legal representative: Feng Jie
2. Guangzhou Xuetao Enterprise Management Co., Ltd. (“**Xuetao Company**”, the nominee shareholder of the Company, together with Zheng Yeqing as “**Existing Shareholders**”)  
Registered address: Room 1262, No.2 Liangma 1st Street, Xiaowu Village, Dongchong Town, Nansha District, Guangzhou (for office only)  
Unified social credit code: 91440115MABPJG4F53  
Legal representative: Zhao Dawu
3. Zheng Yeqing (the nominee shareholder of Xuetao Company, together with Xuetao Company as the “**Existing Shareholders**”);  
Address: [REDACTED]  
ID Card No.: [REDACTED]
4. Xiaopeng Automobile Sales Co., Ltd. (“**Xiaopeng Auto**”).  
Registered address: Room 108, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou (for office only, not for factory)  
Unified social credit code: 91440101MA5ANXEF2F  
Legal representative: Han Jian

Each of the above parties is hereinafter referred to individually as a “**Party**”, and collectively as the “**Parties**”.

### **Whereas,**

1. Xuetao Company is the sole shareholder of the Company as of the Execution Date and hold 100% of the equity of the Company. Zheng Yeqing is the sole shareholder of Xuetao Company as of the Execution Date and hold 100% of the equity of Xuetao Company.
2. The Existing Shareholders intend to entrust the person designated by Xiaopeng Auto to exercise their voting powers and decision-making powers in the Company, and Xiaopeng Auto 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 they will sign respectively the power of attorney in the substance and format set forth in Exhibit 1 and Exhibit 2 attached hereto after execution of this Agreement, to authorize any director or successor of director (including the liquidator replacing the director or successor, but excluding any no-independent person or any person having conflicting interests, and for the avoidance of any doubt, further excluding the Existing Shareholders and any “associate” thereof as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) of Xiaopeng Auto or of any direct or indirect shareholder designated by Xiaopeng Auto (“**Proxy**”) to exercise, on behalf of the Existing Shareholders, the following powers (collectively, the “**Powers**”) of the Existing Shareholders as the shareholders of the Company according to the current articles of association of the Company:

- (a) Proposing, as the proxy of the Existing Shareholders, to convene and attending meetings of the shareholders of the Company in accordance with the articles of association of the Company;
- (b) Exercising the voting powers and decision-making powers on all matters to be discussed and resolved by the shareholders on behalf of the Existing Shareholders, signing the meeting minutes and preparing the signed resolutions, including but not limited to the following: nominating and electing the Company's directors, supervisors and other officers to be appointed and removed by shareholders; disposing of the Company's assets; amending the Company's articles of association; dissolving or liquidating the Company, forming a liquidation group on behalf of the Existing Shareholders and exercising the powers and functions enjoyed by the liquidation group during the liquidation period in accordance with the law;
- (c) Delivering, as the agent of the Existing Shareholders, any required documents to the relevant company registrar or other relevant authority;
- (d) Any shareholder's rights and other shareholder's voting powers specified in the applicable PRC laws and regulations and the articles of association of the Company (including any other shareholder's rights or shareholder's voting powers specified in amended the articles of association of the Company);
- (e) Subject to the item (b) hereof, when the Existing Shareholders transfer their equity in the Company, agreeing to the transfer of the Company's assets, reducing their capital contribution to the Company, or accepting the additional capital contribution by Xiaopeng Auto 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; and
- (f) Subject to the PRC laws and regulations and the articles of association of the Company, instructing the directors and officers of the Company to act in accordance with the instructions of Xiaopeng Auto and its designees.

Provided that Xiaopeng Auto agrees to the above authorization of Powers. When and only if Xiaopeng Auto issues to the Existing Shareholders a written notice of removing or replacing the Proxy, the Existing Shareholders shall immediately entrust other persons designated then by Xiaopeng Auto 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 Xiaopeng Auto 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 Xiaopeng Auto and hold Xiaopeng Auto harmless from all losses Xiaopeng Auto 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) Guangzhou Xuetao Enterprise Management Co., Ltd. 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) Zheng Yeqing is a natural person of full capacity for civil acts according to the PRC Laws, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- (c) 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.
- (d) 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.
- (e) Guangzhou Xuetao Enterprise Management Co., Ltd. is the registered legal owner of the Company when this Agreement becomes effective, and there are not any third party's rights over the Powers, except for the rights created under this Agreement, and the Equity Interest Pledge Agreement and the Exclusive Option Agreement dated on January 31, 2024 between the Existing Shareholders, the Company, and Xiaopeng Auto. According to this Agreement, the Proxy can fully and completely exercise the Powers under the current articles of association of the Company.

- (f) 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 Xiaopeng Auto.
- 5.2 The Existing Shareholders hereby irrevocably undertake to Xiaopeng Auto that they will immediately, without any delay, notify Xiaopeng Auto of any circumstance that the equity held directly or indirectly by them in the Company may be transferred to any third party other than Xiaopeng Auto 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 Xiaopeng Auto 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) Guangzhou Xuetao Enterprise Management Co., Ltd. is the registered legal owner of the Company when this Agreement becomes effective, and there are 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, the Company and Xiaopeng Auto on January 31, 2024. 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 Xiaopeng Auto that it will immediately, without any delay, notify Xiaopeng Auto of any circumstance that the equity held directly and/or indirectly by the Existing Shareholders in the Company may be transferred to any third party other than Xiaopeng Auto or the individual or entity designated by Xiaopeng Auto 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 hereof, this Agreement is formed and effective when it is officially signed by the Parties. 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 Xiaopeng Auto 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 Xiaopeng Auto 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 Xiaopeng Auto expires.
- 6.3 If the Existing Shareholders transfer the whole equity in the Company held by them directly and/or indirectly upon prior consent of Xiaopeng Auto, or no longer hold any equity in the Company directly and/or indirectly after reduction of the Company's capital, they will no longer be the 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, Xiaopeng Auto has the right to terminate this Agreement and request the Breaching Parties (/Party) to compensate any damages;

- (b) If Xiaopeng Auto 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 Xiaopeng Auto.

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 recognize and undertake that, subject to the provisions of the PRC laws, the arbitrator shall have the right to make appropriate awards in the light of the actual circumstances to grant appropriate legal remedies to the Xiaopeng Auto, including, without limitation, restricting the business operation of the Company, imposing restrictions and/or making disposals (including, without limitation, by way of compensation), prohibiting the transfer or disposal, or granting other relevant remedies in respect of the equity interests or assets of the Company (including land assets), liquidating the Company, etc. The Parties shall perform such awards.
- (d) The Parties hereby specifically recognize and undertake that, subject to the provisions of the PRC laws, a court of competent jurisdiction shall, at the request of one of the disputing Parties, have the right, before the constitution of the arbitral tribunal or in other appropriate cases permitted by the law, to issue a decision or judgment providing provisional relief to one of the disputing Parties as a measure of property preservation or enforcement, such as a decision or judgment to detain or freeze the property of the breaching Party or the equity interests in the Company. Such rights of a disputing Party and the judgment or decision of the court thereon shall not affect the validity of the said arbitration clause agreed upon by the Parties.
- (e) After the entry into force of the arbitral award, either Party shall have the right to apply to a court of competent jurisdiction for the enforcement of the arbitral award.
- (f) The Parties agree that the competent court in the following places shall be deemed to have jurisdiction for the purposes of this Article: (1) the Hong Kong Special Administrative Region; (2) the place of incorporation of XPeng Inc.; (3) the place of incorporation of the Company (i.e., Guangzhou); and (4) the place where the principal assets of XPeng Inc. or the Company are situated.



- 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 any other regulatory body proposes any changes to this Agreement, or if there are any changes to the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited or related requirements in relation to this Agreement, 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. Any amendment or supplement to this Agreement must be made in writing, and shall become effective after the Parties properly sign it, except that Xiaopeng Auto transfers its rights hereunder according to Article 10.9.
- 10.10 Without prior written consent of Xiaopeng Auto, 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, Xiaopeng Auto 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 Xiaopeng Auto 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 Xiaopeng Auto.

*[The remainder of this page is intentionally left blank. Signature page follows.]*

**Guangzhou Xuetao Enterprise Management Co., Ltd. (seal)**

Legal representative: Zhao Dawu

Signature: /s/ Zhao Dawu

**Xiaopeng Automobile Sales Co., Ltd. (seal)**

Legal representative: Han Jian

Signature: /s/ Han Jian

**Guangdong Intelligent Insurance Agency Co., Ltd. (seal)**

Legal representative: Feng Jie

Signature: /s/ Feng Jie

**Zheng Yeqing**

Signature: /s/ Zheng Yeqing

**Power of Attorney**

This power of attorney (“**POA**”) is signed by Guangzhou Xuetao Enterprise Management Co., Ltd. (“**we**”) on [•] and issued to \_\_\_\_\_ (ID Card No.: \_\_\_\_\_) (“**Proxy**”).

We hereby grant to the Proxy a general authority to act as our agent and exercise, in our name, the following powers, as a shareholder of Guangdong Intelligent Insurance Agency Co., Ltd. (“**Company**”):

- (1) Exercising the voting powers and decision-making powers on all matters to be decided by the shareholders on our 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 our 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 we transfer our equity in the Company, agreeing to the transfer of the Company’s assets, reducing my capital contribution to the Company, or accepting the additional capital contribution by Xiaopeng Automobile Sales Co., Ltd. (“**Xiaopeng Auto**”) to the Company according to the Exclusive Option Agreement signed on the execution date of this Agreement, signing, as our 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.

We hereby irrevocably acknowledge that unless Xiaopeng Auto issues an instruction to us requesting replacement of the Proxy, the POA shall remain valid until the Power of Attorney entered into between Zheng Yeqing, Xiaopeng Auto, the Company and us on [•] expires or terminates early.

[No text below.]

Signature of the shareholder:

Guangzhou Xuetao Enterprise Management Co., Ltd. (seal)

Authorized representative: Zhao Dawu (signature: /s/ Zhao Dawu)

Date:

**Power of Attorney**

This power of attorney (“**POA**”) is signed by Zheng Yeqing on [ ] and issued to \_\_\_\_\_ (ID Card No. \_\_\_\_\_) (“**Proxy**”).

I hereby grant to the Proxy a general authority to act as my agent and exercise, in my name, the following powers enjoyed by me through indirectly holding the equity of Guangdong Intelligent Insurance Agency Co., Ltd. (“**Company**”) via Guangzhou Xuetao Enterprise Management Co., Ltd.:

- (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 the equity in the Company indirectly held by me through Guangzhou Xuetao Enterprise Management Co., Ltd., agreeing to the transfer of the Company’s assets, reducing my capital contribution to the Company, or accepting the additional capital contribution by Xiaopeng Automobile Sales Co., Ltd. (“**Xiaopeng Auto**”) 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 Xiaopeng Auto issues an instruction to me requesting replacement of the Proxy, the POA shall remain valid until the Power of Attorney entered into between Xiaopeng Auto, the Company, Guangzhou Xuetao Enterprise Management Co., Ltd. and me on [ ] expires or terminates early.

[No text below.]

Signature of the shareholder:

Zheng Yeqing

/s/ Zheng Yeqing

Date:

**Loan Agreement**

**Between**

**Zheng Yeqing**

**And**

**Xiaopeng Automobile Sales Co., Ltd.**

**January 31, 2024**

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## Loan Agreement

This loan agreement (“**Agreement**”) is made by the following parties on January 31, 2024 (“**Execution Date**”):

1. Zheng Yeqing (“**Borrower**”);  
Address: [REDACTED]  
ID Card No.: [REDACTED]
2. Xiaopeng Automobile Sales Co., Ltd. (“**Lender**”).  
Registered address: Room 108, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou (for office only, not for factory)  
Unified social credit code: 91440101MA5ANXEF2F  
Legal representative: Han Jian

Each of the above parties is hereinafter referred to individually as a “**Party**”, and collectively as the “**Parties**”.

### Whereas,

1. The Borrower intends to obtain the Loan (as defined below) from the Lender according to the terms and conditions of this Agreement for the Transaction (as defined below).
2. The Lender intends to provide the Loan to the Borrower 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 Guangdong Intelligent Insurance Agency Co., Ltd., a limited liability company established in China, whose unified social credit code is 91370202664509184D.
“ <b>Loan</b> ”	Means the loan provided by the Lender to the Borrower under Article 2.1 hereof in one lump sum or in installments, the principal of which amounts to RMB thirty-one million five hundred thousand (RMB31,500,000.00).
“ <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 Borrower.
“ <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, Macao 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.
<b>“Transaction”</b>	Has the meaning set forth in Article 2.1 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

“**Borrower**” 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 thirty-one million five hundred thousand (RMB31,500,000.00) to the Borrower.

The Borrower may only use the Loan hereunder to pay the transaction consideration for the indirect acquisition of 100% equity interest in the Domestic Company, i.e., the Borrower indirectly acquires 100% equity interest in Guangdong Intelligent Insurance Agency Co., Ltd., a wholly-owned subsidiary of Guangzhou Xuetao Enterprise Management Co., Ltd. (“**Xuetao Company**”) through the acquisition of 100% equity interest in Xuetao Company (the “**Transaction**”).

Without the prior written consent of the Lender, the Borrower shall not use part or all of the Loan for any other purpose.

2.2 The Parties agree that the Loan may be provided by the Lender and/or any third party designated by the Lender in one lump sum or in installments. The Parties acknowledge that the Lender and/or any third party designated by the Lender shall provide the Loan to the third party designated by the Borrower, i.e., He Tao and Li Zhixue, the natural person shareholders of Xuetao Company, in the full amount set forth under Article 2.1 within 360 days after the Execution Date. RMB15,750,000 of the Loan amount will be paid to He Tao, and RMB15,750,000 will be paid to Li Zhixue.

2.3 The Parties acknowledge that the Borrower shall perform the repayment obligation and other obligations hereunder to the Lender according to the provisions of this Agreement.

2.4 The Borrower and Xuetao Company 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 the whole equity in the Domestic Company as the security for performance of the Borrower’s 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 Borrower does not breach this Agreement.

#### 4. Repayment

- 4.1 This Agreement is formed and effective when it is signed officially by both Parties (“**Effective Date**”). The loan term hereunder shall start from the actual drawdown date of the Loan, and end on the earliest of the following: (i) twenty (20) years after the Execution Date; (ii) the date when Xuetao Company’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 Borrower 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 request waiver of payment of the Transfer Price for its accepting transfer of the Option Equity (as defined in the Exclusive Option Agreement) in respect of the Outstanding Amount, in accordance with the Exclusive Option Agreement entered into between the Lender, the Borrower, 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 the 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 Borrower to repay the Outstanding Amount according to the above paragraph, subject to the applicable laws and regulations, the Lender may request waiver of payment of the Transfer Price for its accepting transfer of the Option Equity (as defined in the Exclusive Option Agreement) in respect of the Outstanding Amount, in accordance with the Exclusive Option Agreement entered into between the Lender, the Borrower, and other relevant parties. The ratio of the equity to be purchased to the equity held by the Borrower through Xuetao Company 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 Borrower according to this Agreement.

Notwithstanding the above provisions, the Loan will become due and payable immediately if:

- (a) the Domestic Company or Xuetao Company is dissolved and goes into liquidation, or the Domestic Company goes into bankruptcy;
  - (b) the Borrower is no longer the shareholder of Xuetao Company, or Xuetao Company is no longer the shareholder of the Domestic Company;
  - (c) part or whole of the equity held indirectly by the Borrower in the Domestic Company through Xuetao 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 Borrower 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 Borrower repays 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 accepted 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 Borrower shall provide all reasonable cooperation and waive any right of first refusal he has.

4.5 The Borrower will not assume any repayment obligation hereunder when he transfers his whole equity held indirectly through Xuetao Company 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 Borrower hereby undertakes and warrants that without prior written consent of the Lender, he will not make or authorize others (including but not limited to the directors of Xuetao Company and the directors of the Domestic Company nominated by Xuetao Company) to make any resolution, instruction, consent or order, agreeing, authorizing or procuring Xuetao Company or the Domestic Company to carry out any transactions that will or may have material effect on the assets, rights, obligations or business of Xuetao Company or 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 Borrower will procure the directors and officers of Xuetao Company or the Domestic Company to strictly comply with the provisions hereof when they perform their duties in the capacity of directors or officers of Xuetao Company or the Domestic Company, and will not take any action or inaction in contradiction with the above undertaking.
- 7.3 The Borrower will immediately, without any delay, notify the Lender of any circumstance that the equity held by him in Xuetao Company or the equity held by Xuetao Company 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 he knows 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 Borrower irrevocably undertakes 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, he shall be liable for corresponding damages to the Lender. The Borrower further acknowledges and agrees that his 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 recognize and undertake that, subject to the provisions of the PRC laws, the arbitrator shall have the right to make appropriate awards in the light of the actual circumstances to grant appropriate legal remedies to the Lender, including, without limitation, restricting the business operation of the Domestic Company, imposing restrictions and/or making disposals (including, without limitation, by way of compensation), prohibiting the transfer or disposal, or granting other relevant remedies in respect of the equity interests or assets of the Domestic Company (including land assets), liquidating the Domestic Company, etc. The Parties shall perform such awards.
  - (d) The Parties hereby specifically recognize and undertake that, subject to the provisions of the PRC laws, a court of competent jurisdiction shall, at the request of one of the disputing Parties, have the right, before the constitution of the arbitral tribunal or in other appropriate cases permitted by the law, to issue a decision or judgment providing provisional relief to one of the disputing Parties as a measure of property preservation or enforcement, such as a decision or judgment to detain or freeze the property of the defaulting Party or the equity interests in a company. Such rights of a disputing Party and the judgment or decision of the court thereon shall not affect the validity of the said arbitration clause agreed upon by the Parties.
  - (e) After the entry into force of the arbitral award, either Party shall have the right to apply to a court of competent jurisdiction for the enforcement of the arbitral award.
  - (f) The Parties agree that the competent court in the following places shall be deemed to have jurisdiction for the purposes of this Article: (1) the Hong Kong Special Administrative Region; (2) the place of incorporation of XPeng Inc.; (3) the place of incorporation of the Domestic Company (i.e., Guangzhou); and (4) the place where the principal assets of XPeng Inc. or the Domestic Company are situated.
- 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 any other regulatory body proposes any changes to this Agreement, or if there are any changes to the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited or related requirements in relation to this Agreement, 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. 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.
- 10.10 Without prior written consent of the Lender, the Borrower shall not transfer his 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 Borrower warrants to the Lender that he has taken all proper measures and signed all required documents so that when he goes into bankruptcy, is liquidated, or suffers other circumstances that may affect his exercise of his equity, his legal assigns, successors, liquidators, administrators, creditors and other persons who may obtain the equity or relevant rights in the Domestic Company shall not affect or prevent performance of this Agreement. For this purpose, the Borrower 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.]*

**Xiaopeng Automobile Sales Co., Ltd. (seal)**

Legal representative: Han Jian

Signature: /s/ Han Jian

Date: January 31, 2024



**Zheng Yeqing**

Signature: /s/ Zheng Yeqing

Date: January 31, 2024

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**Exclusive Service Agreement**

**Between**

**Guangdong Intelligent Insurance Agency Co., Ltd.**

**And**

**Xiaopeng Automobile Sales Co., Ltd.**

**January 31, 2024**

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## Exclusive Service Agreement

This exclusive service agreement (“**Agreement**”) is made by the following parties on January 31, 2024:

1. Guangdong Intelligent Insurance Agency Co., Ltd. (“**Party A**”)

Registered address: Room 2222, No. 29, Middle Huan Shi Avenue, Nansha District, Guangzhou

Unified social credit code: 91370202664509184D

Legal representative: Feng Jie

2. Xiaopeng Automobile Sales Co., Ltd. (“**Party B**”).

Registered address: Room 108, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou (for office only, not for factory)

Unified social credit code: 91440101MA5ANXEF2F

Legal representative: Han Jian

(Each of Party A and Party B is hereinafter referred to collectively as the “**Parties**” and individually as a “**Party**”.)

### Recitals:

Whereas, Party A Party A is a limited liability company established and legally existing in Guangzhou, whose business is “insurance agency”;

Whereas, Party B is a limited liability company established and legally existing in Guangzhou, whose business includes “sales of new energy vehicle; sales of new vehicles; sales of used vehicles; wholesale of automobile parts and accessories; retail of automobile parts and accessories; manufacture of automobile parts and accessories; sales of new energy vehicle switching facilities; sales of new energy vehicle electric accessories; sales of distributed AC charging piles; sales of motor vehicle charging piles; sales of automobile decoration products; distribution of used vehicles; used vehicle appraisal and evaluation; used vehicle brokerage; operation of electric vehicle charging infrastructure; centralized fast charging stations; vehicle leasing; motor vehicle repair and maintenance; vehicle wash services; information technology consulting services; information consulting services (excluding licensed information consulting services); business agency services; parking lot services; vehicle towing, assistance and clearing services; motor vehicle inspection and testing services; ticketing agency services; household appliance installation services; internet sales (except for the sale of goods requiring a license); sales of knitwear and textiles; sales of home audio-visual equipment; sales of gifts and flowers; sales of electronic products; sales of daily necessities; retail of clothing and apparel; sales of toys; sales of lubricating oils; retail of pet food and supplies; retail of household appliances; retail of cosmetics; sales of hygiene products and single-use medical supplies; sales of daily-use glass products; domestic freight forwarding agency; retail of stationery supplies; retail of sporting goods and equipment; retail of furniture sales; kitchen and sanitary ware and daily-use sundries; leasing of non-residential real estate; leasing of machinery and equipment; warehousing equipment leasing services; food business; import and export of technology; import and export of goods; internet sales of food (sales of pre-packaged food); food business (sales of bulk food)”;

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:  
sales of new energy vehicle; sales of new vehicles; sales of used vehicles; wholesale of automobile parts and accessories; retail of automobile parts and accessories; manufacture of automobile parts and accessories; sales of new energy vehicle switching facilities; sales of new energy vehicle electric accessories; sales of distributed AC charging piles; sales of motor vehicle charging piles; sales of automobile decoration products; distribution of used vehicles; used vehicle appraisal and evaluation; used vehicle brokerage; operation of electric vehicle charging infrastructure; centralized fast charging stations; vehicle leasing; motor vehicle repair and maintenance; vehicle wash services; information technology consulting services; information consulting services (excluding licensed information consulting services); business agency services; parking lot services; vehicle towing, assistance and clearing services; motor vehicle inspection and testing services; ticketing agency services; household appliance installation services; internet sales (except for the sale of goods requiring a license); sales of knitwear and textiles; sales of home audio-visual equipment; sales of gifts and flowers; sales of electronic products; sales of daily necessities; retail of clothing and apparel; sales of toys; sales of lubricating oils; retail of pet food and supplies; retail of household appliances; retail of cosmetics; sales of hygiene products and single-use medical supplies; sales of daily-use glass products; domestic freight forwarding agency; retail of stationery supplies; retail of sporting goods and equipment; retail of furniture sales; kitchen and sanitary ware and daily-use sundries; leasing of non-residential real estate; leasing of machinery and equipment; warehousing equipment leasing services; food business; import and export of technology; import and export of goods; internet sales of food (sales of pre-packaged food); food business (sales of bulk food).
- “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.

<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 invoices 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 subject to 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 PRC laws, 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 PRC laws at the minimum price permitted by the current PRC laws.

- 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 PRC laws at the minimum price permitted by the current PRC laws. 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 for 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 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.
- 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 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 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 and effective when it is officially signed by the Parties. 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 PRC laws.
- 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 recognize and undertake that, subject to the provisions of the PRC laws, the arbitrator shall have the right to make appropriate awards in the light of the actual circumstances to grant appropriate legal remedies to Party B, including, without limitation, restricting the business operation of Party A, imposing restrictions and/or making disposals (including, without limitation, by way of compensation), prohibiting the transfer or disposal, or granting other relevant remedies in respect of the equity interests or assets of Party A (including land assets), liquidating Party A, etc. The Parties shall perform such awards.
- 14.3.4 The Parties hereby specifically recognize and undertake that, subject to the provisions of the PRC laws, a court of competent jurisdiction shall, at the request of one of the disputing Parties, have the right, before the constitution of the arbitral tribunal or in other appropriate cases permitted by the law, to issue a decision or judgment providing provisional relief to one of the disputing Parties as a measure of property preservation or enforcement, such as a decision or judgment to detain or freeze the property of the Breaching Party or the equity interests in the Company. Such rights of a disputing Party and the judgment or decision of the court thereon shall not affect the validity of the said arbitration clause agreed upon by the Parties.
- 14.3.5 After the entry into force of the arbitral award, either Party shall have the right to apply to a court of competent jurisdiction for the enforcement of the arbitral award.
- 14.3.6 The Parties agree that the competent court in the following places shall be deemed to have jurisdiction for the purposes of this Article: (1) the Hong Kong Special Administrative Region; (2) the place of incorporation of XPeng Inc.; (3) the place of incorporation of Party A (i.e., Guangzhou); and (4) the place where the principal assets of XPeng Inc. or Party A are situated.
- 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 any other regulatory body proposes any changes to this Agreement, or if there are any changes to the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited or related requirements in relation to this Agreement, the Parties shall amend this Agreement accordingly.
- 14.9 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 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.

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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.]*

**Guangdong Intelligent Insurance Agency Co., Ltd. (seal)**

Legal representative: Feng Jie

Signature: /s/ Feng Jie

**Xiaopeng Automobile Sales Co., Ltd. (seal)**

Legal representative: Han Jian

Signature: /s/ Han Jian

**Exclusive Option Agreement**

**Between**

**Zheng Yeqing**

**And**

**Guangzhou Xuetao Enterprise Management Co., Ltd.**

**And**

**Xiaopeng Automobile Sales Co., Ltd.**

**And**

**Guangdong Intelligent Insurance Agency Co., Ltd.**

**In relation to Guangdong Intelligent Insurance Agency Co., Ltd.**

**January 31, 2024**

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## Exclusive Option Agreement

This exclusive option agreement (“**Agreement**”) is made by the following parties on January 31, 2024 (“**Execution Date**”):

1. Guangdong Intelligent Insurance Agency Co., Ltd. (the “**Company**”)  
Registered address: Room 2222, No. 29, Middle Huan Shi Avenue, Nansha District, Guangzhou  
Unified social credit code: 91370202664509184D  
Legal representative: Feng Jie
2. Guangzhou Xuetao Enterprise Management Co., Ltd. (“**Xuetao Company**”, the nominee shareholder of the Company, together with Zheng Yeqing as “**Existing Shareholders**”)  
Registered address: Room 1262, No.2 Liangma 1st Street, Xiaowu Village, Dongchong Town, Nansha District, Guangzhou (for office only)  
Unified social credit code: 91440115MABPJG4F53  
Legal representative: Zhao Dawu
3. Zheng Yeqing (the nominee shareholder of Xuetao Company, together with Xuetao Company as the “**Existing Shareholders**”);  
Address: [REDACTED]  
ID Card No.: [REDACTED]
4. Xiaopeng Automobile Sales Co., Ltd. (“**Xiaopeng Auto**”).  
Registered address: Room 108, No. 8 Songgang Street, Cen Village, Changxing Avenue, Tianhe District, Guangzhou (for office only, not for factory)  
Unified social credit code: 91440101MA5ANXEF2F  
Legal representative: Han Jian

Each of the above parties is hereinafter referred to individually as a “**Party**”, and collectively as the “**Parties**”.

### Whereas,

1. Xuetao Company is the registered shareholder of the Company and holds the entire equity interest in the Company. As of the Execution Date, Xuetao Company’s subscribed capital contribution in the registered capital of the Company is RMB 50 million, accounting for 100% of the registered capital. The basic information of the Company is set forth in Exhibit 1.
2. Zheng Yeqing is the registered shareholder of Xuetao Company and holds the entire equity interest in Xuetao Company. As of the Execution Date, his subscribed capital contribution in the registered capital of Xuetao Company is RMB 60 million, accounting for 100% of the registered capital. The basic information of Xuetao Company is set forth in Exhibit 1.
3. Subject to the current PRC Laws, the Existing Shareholders are willing to transfer their entire equity interest in the Company to Xiaopeng Auto and/or its designated entity and/or individual, and Xiaopeng Auto 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 is willing to transfer its assets to Xiaopeng Auto and/or its designated entity and/or individual, and Xiaopeng Auto 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 and the Existing Shareholders intend that the capital of the Company will be reduced and then increased by Xiaopeng Auto or its designated entity and/or individual, and Xiaopeng Auto is willing to subscribe for such additional capital by itself or by its designated entity and/or individual.
6. In order to effect the above transfer of equity interest and assets, the Existing Shareholders and the Company agree to grant to Xiaopeng Auto 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 Xiaopeng Auto transfer the Option Equity or the Assets (as defined below) to Xiaopeng Auto 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 Xiaopeng Auto to the Company, the Existing Shareholders and the Company agree to grant to Xiaopeng Auto 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 Xiaopeng Auto, and then Xiaopeng Auto and/or its designated entity and/or individual will subscribe for the Capital Increase Equity (as defined below).
7. The Company agrees that the Existing Shareholders will grant to Xiaopeng Auto the Equity Transfer Option (as defined below) according to this Agreement.
8. The Existing Shareholders agree that the Company will grant to Xiaopeng Auto the Asset Purchase Option (as defined below) according to this Agreement.
9. The Company and the Existing Shareholders agree to grant to Xiaopeng Auto 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 Xiaopeng Auto according to the terms and conditions hereof to purchase the equity interest of the Company. For the avoidance of any doubt, the Equity Transfer Option is applicable to the equity in the Company only and not applicable to the equity held by Zheng Yeqing directly in Xuetao Company.
<b>“Asset Purchase Option”</b>	Means the option granted by the Company to Xiaopeng Auto according to the terms and conditions hereof to purchase any asset of the Company. For the avoidance of any doubt, the Asset Purchase Option is applicable to the Assets (as defined below) only and not applicable to the assets of Xuetao Company.
<b>“Capital Increase Option”</b>	Means the option granted by the Company and the Existing Shareholder to Xiaopeng Auto 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 Xiaopeng Auto and/or its designated entity and/or individual to purchase the newly increased registered capital of the Company. For the avoidance of any doubt, the Capital Increase Option is applicable to the equity or registered capital of the Company only and not applicable to the equity held by Zheng Yeqing directly in or the registered capital of Xuetao Company.

<b>“Option Equity”</b>	Means the entire equity interest held by Xuetao Company 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 fifty million (RMB50,000,000) 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 Xiaopeng Auto has the right to request the Existing Shareholders to transfer to it and/or its designated entity and/or individual when Xiaopeng Auto 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 Xiaopeng Auto 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 Xiaopeng Auto has the right to request the Company to transfer to it and/or its designated entity and/or individual when Xiaopeng Auto 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 Xiaopeng Auto 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 Xiaopeng Auto and/or its designated entity and/or individual have the right to subscribe for after the reduction of capital of the Company when Xiaopeng Auto exercises the Capital Increase Option according to Article 3 hereof, the number of which will be determined by Xiaopeng Auto in its sole discretion according to the current PRC Laws and its own business consideration.
<b>“Exercise”</b>	Means Xiaopeng Auto exercises the Equity Transfer Option, the Asset Purchase Option or the Capital Increase Option.
<b>“Transfer Price”</b>	Means the entire consideration payable by Xiaopeng Auto 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 Xiaopeng Auto.
<b>“Capital Increase Price”</b>	Means the entire consideration payable by Xiaopeng Auto 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 a 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 on January 31, 2024 between the Zheng Yeqing and Xiaopeng Auto.
<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 Xiaopeng Auto an irrevocable, unconditional and exclusive Equity Transfer Option, according to which Xiaopeng Auto has the right to request the Existing Shareholders at any time (including but not limited to when Xiaopeng Auto 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 Xiaopeng Auto and/or its designated entity and/or individual according to the requirements of the PRC Laws) to transfer the Option Equity to Xiaopeng Auto and/or its designated entity and/or individual according to the terms and conditions of this Agreement, subject to the PRC Laws. Xiaopeng Auto hereby agrees to accept the Equity Transfer Option.

2.2 The Company hereby agrees that the Existing Shareholders will grant to Xiaopeng Auto the Equity Transfer Option according to the above Article 2.1 and other provisions hereof.

2.3 The Company hereby agrees to grant to Xiaopeng Auto an irrevocable, unconditional and exclusive Asset Purchase Option, according to which Xiaopeng Auto has the right to request the Company at any time (including but not limited to when Xiaopeng Auto 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 Xiaopeng Auto 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 Xiaopeng Auto and/or its designated entity and/or individual according to the terms and conditions of this Agreement, subject to the PRC Laws. Xiaopeng Auto hereby agrees to accept the Asset Purchase Option.

- 2.4 The Existing Shareholders hereby agree that the Company will grant to Xiaopeng Auto 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 Xiaopeng Auto an irrevocable, unconditional and exclusive Capital Increase Option, according to which Xiaopeng Auto has the right to request the Company at any time (including but not limited to when Xiaopeng Auto 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 Xiaopeng Auto 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, Xiaopeng Auto 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. Xiaopeng Auto 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, Xiaopeng Auto 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, Xiaopeng Auto has the right to request at any time the transfer of part or all of the equity interest of the Company 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, Xiaopeng Auto 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, Xiaopeng Auto 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, Xiaopeng Auto has the right to determine the number of Transfer Equity that the Existing Shareholders shall transfer to Xiaopeng Auto and its designated entity and/or individual in the Exercise. The Existing Shareholders shall transfer the Transfer Equity respectively to Xiaopeng Auto and its designated entity and/or individual according to the number determined by Xiaopeng Auto. Xiaopeng Auto 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, Xiaopeng Auto has the right to determine the specific Assets that the Company shall transfer to Xiaopeng Auto and its designated entity and/or individual in the Exercise. The Company shall transfer the Assets to Xiaopeng Auto and its designated entity and/or individual according to the determination of Xiaopeng Auto. Xiaopeng Auto 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, Xiaopeng Auto has the right to determine the number of capital that the Company shall reduce in the Exercise, and Xiaopeng Auto 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 Xiaopeng Auto. Moreover, Xiaopeng Auto has the right to determine the number of Capital Increase Equity to be subscribed for by Xiaopeng Auto and its designated entity and/or individual in each Exercise. The Company shall accept the subscription according to the requirements of Xiaopeng Auto. The Company shall pay the Existing Shareholders the price for reduction of capital in each reduction of its Registered Capital. Xiaopeng Auto 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, Xiaopeng Auto 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 Xiaopeng Auto 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 the Exercise Notice, the Existing Shareholders or the Company shall transfer the Transfer Equity or the Transfer Assets wholly to Xiaopeng Auto 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 Xiaopeng Auto 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 Xiaopeng Auto 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 take all necessary measures (including but not limited to signing all necessary legal documents) to use such amount to repay the loan provided by Xiaopeng Auto under the Loan Agreement.
- 4.2 At each Exercise of the Asset Purchase Option, Xiaopeng Auto 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 Xiaopeng Auto 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 take all necessary measures (including but not limited to signing all necessary legal documents) to use such amount to repay the loan provided by Xiaopeng Auto 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) Guangzhou Xuetao Enterprise Management Co., Ltd. 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) Zheng Yeqing is a natural person of full capacity for civil acts according to the PRC Laws, has full and separate legal status and capacity to execute, deliver and perform this Agreement, and can sue and be sued independently.
- (c) 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.
- (d) The Existing Shareholders have full power and authority to execute, deliver and perform this Agreement and all other documents to be signed and relating to the transaction hereunder, and have full power and authority to complete the transaction hereunder.
- (e) This Agreement constitutes their legal and binding obligations, and is enforceable against them according to the terms hereof.
- (f) Guangzhou Xuetao Enterprise Management Co., Ltd. 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 on January 31, 2024 between the Company, Xiaopeng Auto and the Existing Shareholders, and the proxy powers created under the Power of Attorney dated on January 31, 2024. According to this Agreement, after Exercise Xiaopeng Auto 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.
- (g) 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 Xiaopeng Auto 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 Xiaopeng Auto 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 Xiaopeng Auto 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 Xiaopeng Auto, 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 Xiaopeng Auto, 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 Xiaopeng Auto 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 Xiaopeng Auto to exclude such circumstances or take other valid remedial measures.
- 6.4 Once Xiaopeng Auto issues the Exercise Notice, the Existing Shareholders will:
- (a) immediately agree, through shareholder's resolution or other necessary actions, to the transfer of the whole Transfer Equity or Transfer Assets from the Existing Shareholders or the Company to Xiaopeng Auto 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 Xiaopeng Auto 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 Xiaopeng Auto and/or its designated entity and/or individual, transfer the whole Transfer Equity to Xiaopeng Auto and/or its designated entity and/or individual at the Transfer Price, and provide necessary support to Xiaopeng Auto (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 Xiaopeng Auto and the laws and regulations, so that Xiaopeng Auto 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 Xiaopeng Auto, 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 Xiaopeng Auto 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 Xiaopeng Auto. The Existing Shareholders will instruct relevant receiving party or the Company to pay the income to the bank account designated by Xiaopeng Auto.
- 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 Xiaopeng Auto and taking all necessary actions or the actions required by Xiaopeng Auto, and will not take any action or inaction to prevent Xiaopeng Auto from claiming and realizing any right hereunder.
- 6.7 They will immediately, without any delay, notify Xiaopeng Auto of any circumstance that the Option Equity held by them may be transferred to any third party other than Xiaopeng Auto 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 Xiaopeng Auto, 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 Xiaopeng Auto, 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 Xiaopeng Auto'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 Xiaopeng Auto of any circumstance that the Option Equity held directly or indirectly by any Existing Shareholder may be transferred to any third party other than Xiaopeng Auto 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 Xiaopeng Auto 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 Xiaopeng Auto and/or its designated entity and/or individual at the Transfer Price, or to the reduction of capital of the Company, and to allow Xiaopeng Auto 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 Xiaopeng Auto and/or its designated entity and/or individual, transfer the whole Transfer Assets to Xiaopeng Auto and/or its designated entity and/or individual at the Transfer Price, and provide necessary support to Xiaopeng Auto (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 Xiaopeng Auto and the laws and regulations, so that Xiaopeng Auto 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 Xiaopeng Auto 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 Xiaopeng Auto 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 and effective when it is officially signed by the Parties. Unless Xiaopeng Auto requires otherwise, this Agreement will terminate when the whole Option Equity and Assets are transferred to Xiaopeng Auto 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, Xiaopeng Auto has the right to terminate this Agreement and request the Breaching Parties (/Party) to compensate any damages;
- (b) If Xiaopeng Auto 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 Xiaopeng Auto.

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 recognize and undertake that, subject to the provisions of the PRC laws, the arbitrator shall have the right to make appropriate awards in the light of the actual circumstances to grant appropriate legal remedies to Xiaopeng Auto, including, without limitation, restricting the business operation of the Company, imposing restrictions and/or making disposals (including, without limitation, by way of compensation), prohibiting the transfer or disposal, or granting other relevant remedies in respect of the equity interests or assets of the Company (including land assets), liquidating the Company, etc. The Parties shall perform such awards.
  - (d) The Parties hereby specifically recognize and undertake that, subject to the provisions of the PRC laws, a court of competent jurisdiction shall, at the request of one of the disputing Parties, have the right, before the constitution of the arbitral tribunal or in other appropriate cases permitted by the law, to issue a decision or judgment providing provisional relief to one of the disputing Parties as a measure of property preservation or enforcement, such as a decision or judgment to detain or freeze the property of the breaching Party or the equity interests in the Company. Such rights of a disputing Party and the judgment or decision of the court thereon shall not affect the validity of the said arbitration clause agreed upon by the Parties.
  - (e) After the entry into force of the arbitral award, either Party shall have the right to apply to a court of competent jurisdiction for the enforcement of the arbitral award.
  - (f) The Parties agree that the competent court in the following places shall be deemed to have jurisdiction for the purposes of this Article: (1) the Hong Kong Special Administrative Region; (2) the place of incorporation of XPeng Inc.; (3) the place of incorporation of the Company (i.e., Guangzhou); and (4) the place where the principal assets of XPeng Inc. or the Company are situated.
- 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 any other regulatory body proposes any changes to this Agreement, or if there are any changes to the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited or related requirements in relation to this Agreement, 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. Any amendment or supplement to this Agreement must be made in writing, and shall become effective after the Parties properly sign it, except that Xiaopeng Auto transfers its rights hereunder according to Article 12.10.
- 12.10 Without prior written consent of Xiaopeng Auto, 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, Xiaopeng Auto 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 Xiaopeng Auto 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 Xiaopeng Auto.

*[The remainder of this page is intentionally left blank. Signature page follows.]*

**Xiaopeng Automobile Sales Co., Ltd. (seal)**

Legal representative: Han Jian

Signature: /s/ Han Jian

**Guangzhou Xuetao Enterprise Management Co., Ltd. (seal)**

Legal representative: Zhao Dawu

Signature: /s/ Zhao Dawu

**Guangdong Intelligent Insurance Agency Co., Ltd. (seal)**

Legal representative: Feng Jie

Signature: /s/ Feng Jie

**Zheng Yeqing**

Signature: /s/ Zheng Yeqing



**Basic Information of the Company**

1. Guangdong Intelligent Insurance Agency Co., Ltd.

Registered address Room 2222, No. 29, Middle Huan Shi Avenue, Nansha District, Guangzhou

Registered capital RMB 50,000,000

Legal representative Feng Jie

Shareholding structure:

<u>Shareholder</u>	<u>Shareholding percentage</u>	<u>Subscribed capital contribution (RMB)</u>
Guangzhou Xuetao Enterprise Management Co., Ltd	100%	50,000,000

2. Guangzhou Xuetao Enterprise Management Co., Ltd.

Registered address Room 1262, No.2 Liangma 1st Street, Xiaowu Village, Dongchong Town, Nansha District, Guangzhou

Registered capital RMB 60,000,000

Legal representative Zhao Dawu

Shareholding structure:

<u>Shareholder</u>	<u>Shareholding percentage</u>	<u>Subscribed capital contribution (RMB)</u>
Zheng Yeqing	100%	60,000,000

**Form of Exercise Notice**

To: Guangzhou Xuetao Enterprise Management Co., Ltd. and Mr. Zheng Yeqing

Whereas we entered into the Exclusive Option Agreement (“**Option Agreement**”) with you and Guangdong Intelligent Insurance Agency Co., Ltd. (“**Company**”) on [•], providing that subject to the laws and regulations of China, upon the request of us, you shall transfer the 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.

Xiaopeng Automobile Sales Co., Ltd. (seal)

Authorized representative: /s/ Han Jian

Date:

Exhibit 2 to the Exclusive Option Agreement

**Form of Exercise Notice**

To: Guangdong Intelligent Insurance Agency Co., Ltd.

Whereas we entered into the Exclusive Option Agreement (“**Option Agreement**”) with you, Zheng Yeqing and Guangzhou Xuetao Enterprise Management Co., Ltd. on [•], 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.

Xiaopeng Automobile Sales Co., Ltd. (seal)

Authorized representative: /s/ Han Jian

Date:

Exhibit 3 to the Exclusive Option Agreement

**Form of Exercise Notice**

To: Guangdong Intelligent Insurance Agency Co., Ltd., Guangzhou Xuetao Enterprise Management Co., Ltd. and Mr. Zheng Yeqing

Whereas we entered into the Exclusive Option Agreement (“**Option Agreement**”) with Zheng Yeqing, Guangdong Intelligent Insurance Agency Co., Ltd. (“**Company**”), and Guangzhou Xuetao Enterprise Management Co., Ltd. on [•], 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 Xuetao Enterprise Management Co., Ltd. will not hold equity interest in the Company / LLC 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.

Xiaopeng Automobile Sales Co., Ltd. (seal)

Authorized representative: /s/ Han Jian

Date:

Exhibit 4 to the Exclusive Option Agreement

GUANGDONG XIAOPENG MOTORS TECHNOLOGY CO., LTD.

(广东小鹏汽车科技有限公司)

GUANGZHOU XIAOPENG MOTORS TECHNOLOGY CO., LTD.

(广州小鹏汽车科技有限公司)

AND

VOLKSWAGEN GROUP (CHINA) TECHNOLOGY COMPANY LTD.

(大众汽车 (中国) 科技有限公司)

VOLKSWAGEN (ANHUI) COMPANY LTD.

(大众汽车 (安徽) 有限公司)

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MASTER AGREEMENT ON PLATFORM  
AND SOFTWARE COLLABORATION

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Schedule 12	Quality Management Protocol
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Schedule 14	Fee Structure
Schedule 15	Additional Item List
Schedule 16	Policies for Handling of Foreground Rights
Schedule 17	TPR List
Schedule 18	Copyrighted Open Source Software

**THIS AGREEMENT** is made on February 5, 2024 (“**Effective Date**”).

**BETWEEN:**

**GUANGDONG XIAOPENG MOTORS TECHNOLOGY CO., LTD.** (广东小鹏汽车科技有限公司), a company duly established and validly existing under the laws of the PRC (unified social credit code 91440101MA5CTGH317), with its legal address at Room 406-176, No. 1 Yichuang Street, China-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, PRC (“**MM Guangdong**”)

**GUANGZHOU XIAOPENG MOTORS TECHNOLOGY CO., LTD.** (广州小鹏汽车科技有限公司), a company duly established and validly existing under the laws of the PRC (unified social credit code 91440116MA59CU773U), with its legal address at No. 8 Songgang Road, Changxing Street, Tianhe District, Guangzhou, PRC (“**MM Guangzhou**”, MM Guangdong and MM Guangzhou are collectively referred to as “**MM**”),

and

**VOLKSWAGEN GROUP (CHINA) TECHNOLOGY COMPANY LTD.** (大众汽车 (中国) 科技有限公司), a company duly established and validly existing under the laws of the PRC (registered number 91340111MA8QHJGE6F), with its legal address at Floor 3, Building 3, No. 3456 Zhujiang Road, Hefei Economic and Technological Development Zone, Anhui Province, PRC (“**VCTC**”)

**VOLKSWAGEN (ANHUI) COMPANY LTD.** (大众汽车 (安徽) 有限公司), a company duly established and validly existing under the laws of the PRC (registered number 91340000MA2RCF4L9Q), with its legal address at No. 3456 Zhujiang Road, Economic and Technological Development Zone, Hefei, Anhui Province, the PRC (“**VWA**”, VCTC and VWA are collectively referred to as “**VW**”)

MM and VW are hereinafter referred to individually as a “**Party**” and collectively as the “**Parties**”.

**BACKGROUND**

- A.** In accordance with the Framework Agreement on Technical Collaboration dated July 27, 2023, signed by and between the Parties (“**TFA**”), VW Group had been conducting a feasibility study to evaluate the technical and commercial feasibility of the use of the Platform and Software for the development and production of the two VW B BEVs (“**Project Feasibility Study**”). VW Group completed the Project Feasibility Study as of the Effective Date.
- B.** This Agreement supersedes and terminates the TFA (except for provisions that survive in accordance with their terms) and sets out the fundamental principles, terms and procedures under which the Parties shall enter into a collaboration arrangement regarding the Platform and Software Collaboration.
- C.** The Parties will be entering into Operative Documents regarding different aspects of the Platform and Software Collaboration and the Parties agree that the general terms and conditions of the Operative Documents shall be governed by this Agreement, except to the extent expressly modified in the relevant Operative Document by the Parties.



THE PARTIES AGREE as follows:

1. **INTERPRETATION**

1.1 *Definitions*

In this Agreement:

“**Adaptation**” has the meaning as defined in Clause 7.3.1 and “**Adapt**” shall be construed accordingly.

“**Adaptation Specification**” means the evaluated and mutually agreed technical information that outlines the specific modifications and customizations required to adapt the MM G9 Platform to meet VW’s needs and requirements in the PFS, as set out in the VW Spec Book under the License and Service Agreement for Platform and Software.

“**ADAS System**” has the meaning as defined in Clause 4.2.2.

“**Additional Fees Protocol**” means the process and terms for determining the Cost-Plus and any additional fees as described in Schedule 1 (Additional Fees Protocol) of this Agreement.

“**Additional Services**” has the meaning as defined in Clause 8.1.

“**Affiliates**” means in respect of each Party, entities which, directly or indirectly, control, are controlled by, or are under common control of the respective Party. For the purposes of this definition, ‘control’ shall mean (a) direct or indirect ownership of more than fifty percent (50%) of the voting rights or capital by a body corporate by contract or otherwise, or (b) the right to nominate half or more of the members of any executive body. The term “controlling” and “controlled” shall be construed accordingly.

“**Aftersales**” means the provision of aftersales services of the two VW B BEVs in the PRC market.

“**Allegedly Infringing Parts**” has the meaning as defined in Clause 11.6.

“**Applicable Law**” means as the context may require, all or any laws, statutes, by-laws, directives, regulations, statutory instruments, rules, orders, rules of court, delegated or subordinate legislation, which are or may become applicable to this Agreement or the Operative Documents or any other agreement or document referred to therein, or any item of the VW B BEVs, at any time or from time to time in force in the PRC, as well as the Compliance Laws as set out in Schedule 2 (Compliance Laws).

“**Approved Subcontractors**” means the subcontractors listed in the whitelist agreed by the Parties during the Project Feasibility Study as set forth in Schedule 3 (Whitelist) of this Agreement, and such other subcontractors as may be consented by MM in writing in advance, which consent shall not be unreasonably withheld.

“**Assigned IP**” has the meaning as defined in the License and Service Agreement for Platform and Software.

“**Associated Services**” means the technical support services to enable VW’s usage of the Platform and Software for development, production, operation, maintenance and Aftersales of the two VW B BEVs, the scope of which is set out in Clause 7.3 and further detailed in the relevant Operative Documents.

“**Background Rights**” means Intellectual Property owned or controlled by a Party or its Affiliates that is (i) in existence as of the Effective Date or (ii) created, developed, invented or acquired independently of the Platform and Software Collaboration or (iii) as specifically provided for in Clause 11.1.

“**BOM**” means Bill of Materials.

“**Breaching Party**” has the meaning as defined in Clause 17.2.1.

“**Business Day**” means Monday to Friday, excluding bank or public holidays in the PRC.

“**Change**” has the meaning given to it in the Change Management Process.

“**Change Request**” has the meaning given to it in the Change Management Process.

“**Change Management Process**” has the meaning as defined in Schedule 4 (Change Management Process).

“**CIETAC**” has the meaning as defined in Clause 22.

“**Claim**” means any action, proceeding, claim, suit, demand or other legal recourse.

“**Collaboration Terms**” has the meaning as defined in Clause 16.1.

“**Confidential Information**” has the meaning as defined in Clause 16.1.

“**Connectivity OS Software**” has the meaning as defined in Clause 4.2.2.

“**Cost-Plus**” has the meaning given to it with detailed calculation and verification methodology set forth in the Additional Fees Protocol.

“**Data Exchange Protocol**” means the structure, process and terms for the exchange of information and provision of documents and materials for the Platform and Software Collaboration as set forth in Schedule 5 (Data Exchange Protocol) of this Agreement.

“**Deliveries**” means, collectively, the Platform and Software, the Associated Services and/or the Additional Services MM provides to VW under this Agreement and the Operative Documents (and for the avoidance of doubt, also including Know-how Protected Deliveries).

“**Development Costs**” means, for the purpose of this Agreement, costs and expenses in relation to development for the purpose of any Change commonly used on MM’s G9 vehicle production model and VW B BEVs, including overall design, performance evaluation, automotive part level design and verification and tooling, and excluding any additional costs caused by deviation and expenses of implementation such as whole vehicle testing, evaluation, certification, verification and tooling incurred for the VW B BEVs which shall be covered by Implementation Cost.

“**Disclosing Party**” has the meaning as defined in Clause 16.1.

“**Dispute**” has the meaning as defined in the Governance Protocol.

“**Documentation**” has the meaning as defined in Clause 7.2.

“**Effective Date**” has the meaning set forth in the preamble.

“**Embedded TPR**” has the meaning given to it in Clause 11.3.3(b).

“**EOP**” means, with respect to each VW B BEV, the end of production of such VW B BEV, provided that, the EOP shall be no later than the seventh (7th) anniversary of the SOP of such VW B BEV.

“**EOS**” means, with respect to each VW B BEV, the fifteenth (15th) anniversary of the EOP of such VW B BEV.

“**Exit Management Plan**” has the meaning as defined in Clause 18.4.1.

“**Exit Management Procedure**” means has the meaning as defined in Clause 18.4.1.

“**Fees**” has the meaning as defined in Clause 7.4.

“**Field Action**” means actions, other than a Recall, to implement a modification, repair or notification that automobile product manufacturers determine is appropriate or is otherwise consistent with customary practice in the automotive industry.

“**Force Majeure Events**” means any event beyond the reasonable control of the Party concerned (and which does not relate to, or arise by reason of, default or negligence of the Party seeking to rely on the event) which renders impossible or substantially hinders its ability to perform its obligations under this Agreement, including, without limitation:

- (a) conventional or nuclear war, riot, civil unrest or revolution, sabotage, terrorism, insurrection, acts of civil or military authority or embargo;
- (b) fire, act of God, epidemic, pandemic, flood, earthquake, typhoon or any other adverse weather or environmental condition;
- (c) any act of state or other exercise of sovereign, judicial or executive prerogative by any government or public authority, including expropriation, nationalisation or compulsory acquisition or acts claimed to be justified by executive necessity,
- (d) but not including: (i) strikes or other forms of industrial action (not being general or national strikes) of a Party’s employees, agents or sub-contractors; or (ii) breakdown of plant or machinery of either a Party or its sub-contractors or agents.

“**Foreground Rights**” has the meaning as defined in Clause 11.2.1.

“**Framework Agreement on Technical Collaboration**” or “**TFA**” has the meaning as defined in Background paragraph A.

“**Governance Protocol**” means the structure and process for the governance of the Platform and Software Collaboration as set forth in Schedule 6 (Governance Protocol) of this Agreement.

“**Homologation**” or “**Vehicle Type Approval**” means the process of obtaining all necessary approvals from government entities that a vehicle type or part type satisfies the regulatory requirements of the market in the PRC, which may be updated by PRC authorities from time to time.

“**Human Machine Interface**” or “**HMI**” means a software application that presents information to an operator or user about the state of a process and accepts and implements an operator’s control instructions.

“**Implementation Costs**” means, for the purpose of this Agreement, costs and expenses incurred in the Platform and Software Collaboration that relates to adaptation, whole vehicle testing, certification and implementation of the technical solution of a Change on a VW B BEV, including vehicle loading tests of any automotive part or system for the two (2) VW B BEVs, duplication of tooling, vehicle certification announcement, certification of automotive parts suppliers, adjustment to production, additional costs caused by deviation and expenses of implementation such as whole vehicle testing, evaluation, certification, verification and tooling incurred for the VW B BEVs, and excluding any Development Costs.

“**Implementation Plan**” means Schedule 7 (Implementation Plan) of this Agreement setting forth the sequence of events, timeline, Milestones and Milestones Dates, together with target achievements for development of the Platform and Software Collaboration which will be further aligned in the form of Deliverable Lists in the Operative Documents before 15 March 2024.

“**Indemnified Party**” has the meaning given to it in Clause 19.1 and 19.2.

“**Intellectual Property**” means all registered or unregistered (i) patents, patentable inventions and other patent rights (including any divisionals, continuations, continuations-in-part, reissues, re-examinations and interferences thereof); (ii) copyrights, mask works, designs, get-up of products and packaging and other signs used in trade; (iii) trade secrets, know-how, data, technical information, processes, methodologies, inventions, processes, procedures, databases, rights in integrated circuits, confidential business information and other proprietary information and rights (including information comprised in formulae, algorithms, techniques, specifications, codes, computation models, software and manuals); (iv) rights in computer software programs, including all source code, object code, specifications, designs and documentation related thereto; and (v) all other industrial and intellectual property rights and equivalent or similar forms of protection existing anywhere in the world, but excluding Trademarks.

“**Joint Sourcing Protocol**” means Schedule 8 (Joint Sourcing Protocol) to this Agreement setting forth the Parties’ agreed process of cooperation in the purchasing of parts, components, equipment and tools in connection with the Platform and Software Collaboration.

“**Know-how Protected Deliveries**” has the meaning as defined in the Protocol of Handling Know-how Protected Deliveries.

“**Know-how Protected Parts**” means the parts/software listed in the Protocol of Handling Know-how Protected Deliveries.

“**Losses**” has the meaning given to it in Clause 19.1.

“**Master Agreement**” means this Agreement.

“**Material Breach**” has the meaning as defined in Clause 17.1

“**Milestone**” means an event or task described in the Implementation Plan included in the Platform and Software Agreement that must be completed by the corresponding Milestone Date set forth therein.

“**Milestone Date**” means the date by which a particular Milestone must be completed as set forth in the Implementation Plan.

“**MM G9 Platform**” means platform and software based on MM’s existing G9 vehicle production model, together with features aligned by both Parties during the PFS (such features are particularly described in Schedule 9 (Aligned Features)).

“**MM MOS System**” has the meaning as defined in the License and Service Agreement for Mobile Online Service.

“**MM Patent List**” means the list set out in Schedule 10 (MM Patent List).

“**MOS**” has the meaning as defined in the License and Service Agreement for Mobile Online Service.

“**MOS Release**” has the meaning as defined in the License and Service Agreement for Mobile Online Service.

“**MOS System**” has the meaning as defined in the License and Service Agreement for Mobile Online Service.

“**NCM and LFP Cell**” means NiCoMn battery or LiFePO4 battery.

“**Non-Disclosing Party**” has the meaning as defined in Clause 16.1.

“**Operative Documents**” means:

- (i) License and Service Agreement for Platform and Software;
- (ii) License and Service Agreement for Mobile Online Service (MOS); and
- (iii) License and Service Agreement for Aftersales.

together with any other documents designated as an Operative Document in accordance with this Agreement or specifically identified as so in that Operative Document.

“**Open Source Software**” means any software that is subject to any open source copyright license agreement, including software available under the GNU Affero General Public License (AGPL), GNU General Public License (GPL), GNU Lesser General Public License (LGPL), Mozilla Public License (MPL), Apache License, BSD licenses, or any other license that is approved by the Open Source Initiative.

“**Optional TPR**” has the meaning given to it in Clause 11.3.3(c).

“**OTA**” means over-the-air delivery of any new software, firmware or other data to the vehicles, as well as the new software, firmware or other data to be delivered through over-the-air delivery.

“**Person**” means any natural person, corporation, limited liability company, company limited by shares, joint venture, partnership, enterprise, trust, unincorporated organization or any other entity or organization.

“**Platform**” has the meaning as defined in Clause 4.2.2.

“**Platform and Software**” has the meaning as defined in Clause 4.2.2, with the details set out in the License and Service Agreement for Platform and Software.

“**Platform and Software Collaboration**” has the meaning as defined in Clause 4.1.

“**Platform Parts**” has the meaning as defined in the License and Service Agreement for Platform and Software.

“**PRC**” means the People’s Republic of China which, for the purposes of this Agreement, shall exclude the Hong Kong Special Administrative Region, the Macau Special Administrative Region, and Taiwan.

“**Project Feasibility Study**” or “**PFS**” has the meaning as defined in Background paragraph A.

“**Protocol of Handling Know-how Protected Deliveries**” means the agreed protocol of handling Know-how Protected Deliveries as set forth in Schedule 11(Protocol of Handling Know-how Protected Deliveries) of this Agreement.

“**Quality Management Protocol**” means the structure, process and terms for the management of quality assurance of the Deliveries and in relation to the Platform and Software Collaboration as set forth in Schedule 12 (Quality Management Protocol) of this Agreement.

“**Recall**” means the activity in which automobile product manufacturers take measures against the automobile products they have sold to remove defects.

“**Regulatory Change**” means with respect to each VW B BEV, Change that is necessary to address a non-compliance with the mandatory requirements under the Applicable Law that take effect after the respective SOP or the time of delivery, whichever is later.

“**Remedy Change**” has the meaning given to in the Change Management Protocol.

“**Representatives**” means, with respect to any Person, its Affiliates, and such Person’s and its Affiliates’ directors, officers, employees, agents, consultants, investment bankers, accountants, attorneys or financial advisors, bona fide prospective investors and other representatives.

“**Responsibilities Matrix**” means the table describing the Parties’ roles and responsibilities to carry out actions or to provide information, documents or materials in connection with the Platform and Software Collaboration as set forth in Schedule 13 (Responsibility Matrix) of this Agreement.

“**Services**” means, collectively, Associated Services and Additional Services MM provides to VW.

“**Service Parts**” has the meaning as defined in the License and Service Agreement for Aftersales.

“**Software**” means, collectively, all application programs associated to (a) to define the functions of microprocessors and similar devices installed on the Platform or Platform Parts or such other components to be used in conjunction with, or for the maintenance of, the Platform and Software and the two VW B BEVs and/or (b) to run programmes and or databases in connection with the Platform or Platform Parts, usable as made, or modified in accordance with this Agreement including in and to the Connectivity OS Software and ADAS System.

“**SOP**” means, with respect to each VW B BEV, the start of production of the first model of such VW B BEV. For the avoidance of doubt, each VW B BEV shall only have one SOP, and the production of any subsequent facelifts performed on such VW B BEV shall not affect the determination of its SOP.

“**Technical DD**” means the technical due diligence performed by VW and its advisers and completed prior to the date of the TFA, in relation to the Platform and Software Collaboration as was contemplated before the date of the TFA.

“**Third Party Rights**” has the meaning as defined in Clause 11.3.1.

“**TPR List**” has the meanings as defined in Clause 11.3.1.

“**Trademarks**” means all trademarks, service marks, trade dress, trade names, taglines, brand names, logos and corporate names, domain names, internet addresses and other computer identifiers and all goodwill related thereto.

“**Transitional Services**” has the meaning as defined in 18.3.2(b).

“**Transitional Services Plan**” has the meaning as defined in 18.3.2(b).

“**Updates**” means any periodic revisions, corrections, releases, versions, patches, fixes and any other enhancements or changes by and of MM vehicles based on the MM G9 Platform, including hardware and software, and any changes, adaptations and revisions made under the Change Management Process, but excluding Remedy Change. These may include operating system upgrades or other updates, third party software patches, drivers, security hotfixes, configuration file changes, firmware upgrades or alteration to the hardware.

“**Upgrades**” means a new or improved version of the whole or part of the MM G9 Platform by or of MM vehicles based on the MM’s G9 Platform, including hardware and software developed by or on behalf of MM from time to time, and any changes, adaptations and revisions made under the Change Management Process, but excluding Remedy Change.

“**VW B BEVs**” has the meaning as defined in Clause 4.1.

“**VW Group**” means Volkswagen Aktiengesellschaft and its Affiliates.

“**Whole Vehicle Release**” means approval of the design of the whole vehicle with a confirmation that such design fulfils the technical specification, feature list and performance requirements of such vehicle in accordance with this Agreement and applicable Operative Documents.

## 1.2 *References*

In this Agreement, a reference to:

- 1.2.1 an agreement or a document is a reference to such agreement or document as amended, restated or supplemented from time to time, unless otherwise expressed to the contrary;
- 1.2.2 a clause, paragraph or schedule, unless the context otherwise requires, is a reference to a clause or paragraph of, or schedule to, this Agreement;
- 1.2.3 the words “include”, “includes” and “including” or similar words are deemed to be followed by the words “without limitation”;
- 1.2.4 references to “writing” or “written” include emails, faxes and any other method of reproducing words in a legible and non-transitory form;
- 1.2.5 a statutory provision includes a reference to the statutory provision as modified from time to time before the date of this Agreement and any implementing regulations made under the statutory provision (as so modified) before the date of this Agreement;



1.2.6 a party being liable to another party, or to liability, includes any liability in contract or tort (including negligence);

1.2.7 a time of the day is a reference to the time in Beijing, PRC, unless otherwise stated; and

1.2.8 the singular includes the plural and vice versa unless the context otherwise requires.

### 1.3 *Schedules*

The Schedules to this Agreement form part of this Agreement.

### 1.4 *Headings*

The headings in this Agreement do not affect its interpretation.

## 2. **SCOPE AND GOVERNANCE**

### 2.1 *Purpose of this Agreement*

2.1.1 The purpose of this Agreement is to provide for certain general common terms, being the fundamental principles, terms and procedures on which the Parties have agreed to conduct and carry out the Platform and Software Collaboration which shall apply to each of the Operative Documents by way of incorporation by reference.

2.1.2 The Platform and Software Collaboration is for the development and production of the two VW B BEVs to be sold in the PRC.

2.1.3 The Parties understand a competitive cost level of the Platform Parts manufactured and supplied by the Parties hereunder may be beneficial to the Platform and Software Collaboration. To the extent permitted by Applicable Laws, the Parties shall discuss in good faith, and in accordance with and based on the Joint Sourcing Protocol, cooperate in the purchasing of any parts, components, equipment, and tools in connection with the Platform and Software Collaboration.

2.1.4 The Parties shall not be entitled to terminate or vary this Agreement or any part hereof, except in accordance with the express terms hereof.

### 2.2 *Operative Documents*

2.2.1 The Parties hereby confirm that the TFA has been superseded and hereby terminated as of the Effective Date, except for provisions that survive in accordance with their terms.

2.2.2 Each Operative Document shall be subject to the terms set forth in this Agreement which shall be incorporated by reference into each Operative Document and accordingly, shall apply as if such terms were expressly set out in each such document.

- 2.2.3 By way of exception to Clause 2.2.2, the Parties to any Operative Document may expressly agree that any or all terms of this Agreement will not apply or may apply subject to variation to such Operative Document and, accordingly, may provide for other terms that differ from such disappplied or varied terms herein.
- 2.2.4 Any term herein will apply to an Operative Document so long as it does not contradict any mandatory provision of Applicable Laws.
- 2.2.5 The Parties agree that each Party can designate its Affiliates to execute the terms of the Operative Documents. To the extent that any Operative Document is executed by a Party's Affiliate, such relevant Party shall ensure and procure that its Affiliate will comply with the terms of this Agreement and such Party shall remain responsible for any non-compliance by its Affiliate.

2.3 *Order of Precedence in the event of Conflict*

- 2.3.1 Subject to Clause 2.2.3 and unless otherwise stated, in the event of any inconsistency between this Agreement and any of the Operative Documents, this Agreement will prevail.
- 2.3.2 Unless otherwise stated, in the event of any inconsistency between the terms and conditions (Clause 1 to Clause 24) of this Agreement and any Schedule to this Agreement, the terms and conditions (Clause 1 to Clause 24) of this Agreement will prevail.

3. **GENERAL PRINCIPLES OF COLLABORATION**

The Parties agree to conduct the Platform and Software Collaboration in accordance with the following principles of "Four Key Success Factors":

- (a) Working cooperatively towards mutual equitable opportunities, allowing for efficiency advantages for both Parties;
- (b) Establishing a lasting and broad harmonious relationship in areas where significant economic efficiencies may be developed;
- (c) Cooperating with balanced rights and responsibilities; and
- (d) Taking a pragmatic and solution-focused approach in evaluating and implementing the workstreams and milestones.

4. **PLATFORM AND SOFTWARE COLLABORATION**

4.1 *Purpose of the Collaboration*

The Parties' collaboration shall comprise of the development and provision of the Platform, Connectivity OS Software and ADAS System for use by VW in two VW B-class BEV models (namely one VW B SUV and one VW B Notchback/Coupe) ("VW B BEVs") with a target SOP for the first VW B BEV in the first half of 2026, and the services or other activities provided under this Agreement and the Operative Documents (including the Associated Services, Aftersales and any Additional Services ("Platform and Software Collaboration") which shall be governed by this Agreement and the Operative Documents.

## 4.2 Roles and Responsibilities

4.2.1 The Parties shall carry out the Platform and Software Collaboration jointly and in close cooperation with each other in accordance with the terms of this Agreement, in principle following the allocation of roles and responsibilities set out in the Responsibility Matrix. Notwithstanding anything to the contrary in the foregoing, the Parties acknowledge that with respect to the roles and responsibilities that are not addressed in this Agreement (including the Responsibility Matrix and the Implementation Plan) and any Operative Documents, the Parties shall allocate the roles and responsibilities in accordance with principles of collaboration set out in Clause 3 of this Agreement, taking due consideration of achieving the purposes of the Platform and Software Collaboration set out in Clause 4.1 of this Agreement.

4.2.2 MM shall, with supports from VW as set out in relevant Operative Documents:

- (a) develop and deliver, in a manner and standard,
  - (i) as set out in the License and Service Agreement for Platform and Software, the underlying platform to VW for use in the two VW B BEVs, which includes the chassis, underbody, battery system, powertrain, electrical and electronic architecture and related controllers, thermal management system, and associated hardware (including hardware for ADAS System) and software supporting the operations of such platform (“**Platform**”);
  - (ii) as set out in the relevant Operative Documents, the in-car connectivity operating system and associated software and backend applications which are required for use in the VW B BEVs in conjunction with the Platform (“**Connectivity OS Software**”); and
  - (iii) as set out in the License and Service Agreement for Platform and Software, the ADAS system and associated software which is required for use in the VW B BEVs in conjunction with the Platform (“**ADAS System**”)(the Platform, Connectivity OS Software and ADAS System, together, “**Platform and Software**”), which would serve as a ready-to-implement part with the hat being added for whole vehicle production;
- (b) deliver to VW Group the Services in accordance with Clauses 7.3 and 8 of this Agreement and the terms of the applicable Operative Documents; and
- (c) develop the Platform and Software based on the MM G9 Platform, including Updates and Upgrades as provided in Clause 7.3 and Clause 8 (if applicable), and shall adapt the Platform and Software pursuant to the Adaptation Specification, as set out in the License and Service Agreement for Platform and Software.

4.2.3 VW shall be responsible for, with supports from MM as set out in Clause 7 and Clause 8 and relevant Operative Documents:

- (a) the design/styling and the development/engineering of the two VW B BEVs' hats;
- (b) the development and the design of HMI and mobile apps for use on the two VW B BEVs. Notwithstanding of the above, the Parties shall discuss in good faith the further usage of MM's mobile apps;
- (c) the development, validation and production of the two VW B BEVs' whole vehicle using the Platform and Software; and
- (d) the operation of the MOS System for the two VW B BEVs with license and technical supports from MM in accordance with the License and Service Agreement for Mobile Online Service.

4.2.4 The Parties shall further fulfil the roles and obligations set out in the Responsibility Matrix. In case of any conflict between the Responsibility Matrix on the one hand, and this Agreement or any of the Operative Documents on the other hand, the latter shall prevail.

## 5. SOURCING AND JOINT SOURCING

5.1.1 Pursuant to the Joint Sourcing Protocol, the Parties have established a joint sourcing program in which both Parties will work together to select suppliers for the Platform and Software Collaboration to the extent technically feasible, to ensure timely and applicable delivery and to the extent possible, maximize the economies of scale and cost reduction for the Platform and Software Collaboration. Specifically, the Parties shall collaborate in the sourcing of hardware and/or service related to the Platform and Software, including hardware and software and third party license for both the two VW B BEVs and the MOS System, including Service Parts when applicable, for use in the two VW B BEVs and, MM's BEV models. For the avoidance of doubt, each of VW and MM is entitled to directly source from jointly selected suppliers.

5.1.2 The Parties acknowledge and agree that the joint sourcing program in this Clause 5 is subject to compliance with antitrust laws.

5.1.3 Subject to Clause 5.1.1 and without prejudice to Clause 12, VW Group may, at its own discretion, directly procure hardware and/or service related to the Platform and Software, including hardware and software and third party license for the hardware and software for both the two VW B BEVs and the MOS System, including Service Parts, and MM's battery concept technology from suppliers worldwide outside of the joint sourcing program for the two VW B BEVs, and manage such suppliers following VW Group's standards. Subject to the Protocol of Handling Know-how Protected Deliveries and the Joint Sourcing Protocol, MM shall provide necessary supports to VW to enable VW's independent sourcing from potential suppliers, specifically, with provision of necessary technical information required for implementation by suppliers, and to answer any reasonable technical questions raised during VW's sourcing process.

5.1.4 To the extent that any sourcing arrangement may lead to a change of any supplier that supplies for any part on the MM G9 Platform, and such part is used on, related to or may have an impact on the Deliveries, following completion of the assessment in accordance with the Change Management Process or the Joint Sourcing Protocol (as applicable):

- (a) if both Parties agree to the proposed change of supplier and such new third-party supplier has become part of the joint sourcing program, each Party shall assume the portion of development costs in proportion to its purchasing volume of the said part against the total purchasing volume of both Parties, unless otherwise agreed by the Parties; or
- (b) otherwise, the procurement of any part related to the Platform and Software from such third-party supplier outside of the joint sourcing program by VW shall be governed by Clause 5.1.3, and any costs and risks associated with the change of suppliers, procured parts, components or technology initiated by VW Group shall be borne by VW.

## 6. **TIME OF THE ESSENCE**

Each of MM and VW acknowledges that time is of the essence with respect to the Platform and Software Collaboration.

## 7. **LICENSE AND ASSOCIATED SERVICES**

### 7.1 *Provision of Licenses*

MM hereby licenses its Background Rights in accordance with Clause 11.1.2, as well as sub-licenses (or shall provide reasonable assistance to VW to obtain a direct license from the respective licensor of) any Third Party Rights in accordance with Clause 11.3.

### 7.2 *Provision of Documentation*

7.2.1 Unless otherwise agreed in the Protocol of Handling Know-how Protected Deliveries, MM shall provide and disclose to VW and VW is entitled to request the technical information of the Platform and Software (including but not limited to technical information regarding applicable standards, dimension and communication interfaces, associated backend and connectivity services and design documentation that records the design or total conception of the Platform) as necessary to enable VW (and its Approved Subcontractors, as applicable) to:

- (a) design, style, develop/engineer, achieve Homologation, manufacture, sell, operate and maintain, aftersales of two VW B BEVs, including interface for VW to develop HMI of the two VW B BEVs;
- (b) identify the cause and assess the impact of defects on the Platform and Software (excluding Know-how Protected Deliveries);
- (c) receive Updates and Upgrades in accordance with Clause 7.3.1; and

(d) comply with Applicable Laws,

(in each case, as listed in the relevant Operative Documents and as supplemented in accordance with Clause 7.2.2, the “**Documentation**”).

7.2.2 Subject to the Know-how Protected Parts Delivery Protocol, VW may request in writing, acting reasonably, any necessary documentation (including technical information and know-how) that falls within the categories of paragraphs 7.2.1(a) to 7.2.1(d) above but for whatever reason has not been explicitly listed in any Operative Document. MM shall assess and address such written request from VW in good faith, giving due consideration to the purposes set out in Clause 4.1.

### 7.3 *Provision of Associated Services*

Subject to and in accordance with further details agreed under the relevant Schedules and the Operative Documents, MM shall provide the following associated technical support services (“**Associated Services**”) to enable VW’s usage of the Platform and Software for development, production, operation, maintenance and Aftersales of the two VW B BEVs. Specifically,

7.3.1 MM shall, in accordance with the Operative Documents, provide technical services to adapt the MM G9 Platform (“**Adaptation**”) for the two VW B BEVs in accordance with the Adaptation Specification set out in the License and Service Agreement for the Platform and Software. Unless otherwise agreed under Schedule 15 (Additional Item List) in accordance with Clause 8.3 and Schedule 1 (Additional Fees Protocol) in accordance with Clause 8.1, all Adaptation and the process of Adaptation (excluding any Changes thereafter), in each case for the items under Part 1 of the Adaptation Specification, shall be covered by the Fees.

7.3.2 MM shall disclose to VW, until the relevant EOP of the two VW B BEVs, any relevant Updates and Upgrades which have been decided by MM to be developed for the MM G9 Platform, including all information reasonably necessary for VW to decide whether to adopt such Updates or Upgrades. For the avoidance of doubt, the disclosure requirement under this Clause 7.3.2 is not applicable to any concepts, ideas and theories generated during the research and development process relating to the Updates and Upgrades, or any Updates and Upgrades adopted in the testing or beta versions of any products. The disclosure shall be made to VW no later than five (5) Business Days after such decision of development has been duly approved by MM with development budget allocated.

7.3.3 To the extent that VW intends to adopt or implement any Updates and Upgrades disclosed by MM in accordance with Clause 7.3.2, VW shall make a VW’s Change Request in accordance with the Change Management Process. If, following the Change Management Process, the Parties agree that such Updates or Upgrades shall be implemented:

- (a) where such Updates or Upgrades relate to software, MM shall provide such software Updates or Upgrades through OTA. For the avoidance of doubt, any OTA after the fourth (4<sup>th</sup>) anniversary of SOP shall be limited to (i) adjustments required to fulfil regulatory requirements and mandatory GB/GBT standards; and (ii) Updates or Upgrades adopted by MM's vehicles based on the MM G9 Platform. The issue of potential deviation of the OTA package between MM vehicles and the two VW B BEVs is addressed and governed by the Change Management Process.
  - (b) where such Updates and Upgrades relate to hardware, MM shall support VW, subject to Clauses 7.3.5 and 7.3.6, for the implementation of such hardware Updates or Upgrades and (i) Development Costs in connection with such Change shall be borne by MM, and (ii) the Implementation Costs in connection with such Change shall be borne by VW on the basis of Cost-Plus and the Parties may discuss in good faith to agree on other pricing methodology taking into account the nature of such Updates or Upgrades.
- 7.3.4 MM shall provide, in accordance with the terms agreed by the Parties in the relevant Operative Documents, the interfaces required for the development and operation of the two VW B BEVs, including such interface for VW to develop HMI of the two VW B BEVs.
- 7.3.5 MM shall support the whole vehicle development of the two VW B BEVs until their respective EOP, including (i) providing development toolkits, programming interfaces, and technical documentation to enable VW team to do integration and adaptation activities; (ii) providing technical services for conjunction of the hats with the Platform; (iii) providing technical services for the production of the prototyping vehicles; (iv) supporting integration of the Platform and Software with and for the two VW B BEVs and systems associated therewith. Where such Associated Services set out in this Clause 7.3.5 are provided for a VW B BEV after the ninetieth (90<sup>th</sup>) day of its SOP, the service fees referred to in Clause 7.4 payable by VW to MM in connection with such Associated Services shall be charged on Cost-Plus in addition to the Fees.
- 7.3.6 MM shall support the whole vehicle production of the two VW B BEVs until their respective EOP, including providing information of tooling, allowing VW's usage of relevant systems, and supporting Homologation of the two VW B BEVs. Where such Associated Services set out in this Clause 7.3.6 are provided for a VW B BEV after the ninetieth (90<sup>th</sup>) day of its SOP, the service fees referred to in Clause 7.4 payable by VW to MM in connection with such Associated Services shall be charged on Cost-Plus in addition to the Fees.
- 7.3.7 MM shall support VW to build up the HMI and mobile apps in accordance with the Operative Documents.
- 7.3.8 In accordance with the relevant Operative Documents, MM shall build up the MM MOS System for the two VW B BEVs and provide necessary assistance to VW for VW's operation of the MM MOS System for the two VW B BEVs, including (i) providing necessary licenses, tools, software packages, and technical support; (ii) providing technical support to VW's operation of such MM MOS System until the fifth (5<sup>th</sup>) anniversary of their respective EOP, including bug-fixing, update and upgrade of the tools and software packages; and (iii) enabling connection of MM MOS System with VW backend by measures including providing interface. Where such Associated Services set out in this Clause 7.3.8 are provided for a VW B BEV after the fifth (5<sup>th</sup>) anniversary of its EOP, the service fees referred to in Clause 7.4 payable by VW to MM in connection with such Associated Services shall be charged on Cost-Plus in addition to the Fees.

- 7.3.9 MM shall support the operation and the maintenance of the two VW B BEVs until the fifth (5<sup>th</sup>) anniversary of their respective EOP, including providing necessary technical support, and the integration of MM's systems with VW systems. Subject to the foregoing, the details of such support are to be mutually agreed between MM and VW in good faith in the relevant Operative Documents. Where such Associated Services set out in this Clause 7.3.9 are provided for a VW B BEV after the fifth (5<sup>th</sup>) anniversary of its EOP, the service fees referred to in Clause 7.4 payable by VW to MM in connection with such Associated Services shall be charged on Cost-Plus and in addition to the Fees.
- 7.3.10 MM shall support Aftersales of the two VW B BEVs until the fifteen (15<sup>th</sup>) anniversary of the EOP of such VW B BEV, including (i) providing VW's access to work/repair shop equipment hardware, software and spare parts within MM's possession and control; and (ii) setting up of Field Action and Recall process to the extent relating to MM's design defect, provided that after tenth (10<sup>th</sup>) anniversary of the respective EOP of the two VW B BEVs the provision of the Aftersales supports from MM shall be charged on Cost-Plus basis in addition to the Fees.

For the avoidance of doubt, VW shall be primarily responsible for the Aftersales and Recalls of the VW B BEVs, and MM's Associated Services set out in this Clause 7.3.10 shall be limited to providing necessary assistance to VW in handling such Aftersales.

#### 7.4 Fees

- 7.4.1 The Parties agree to the fee and royalty structure set out in Schedule 14 (Fee Structure) with respect to the actions and services set out in Clause 7.1 (*Provision of Licenses*), Clause 7.2 (*Provision of Documentation*) and Clause 7.3 (*Provision of Associated Services*) ("**Fees**").
- 7.4.2 Unless otherwise provided in Clause 7.3.3 and Clause 8, all fees and royalties payable and paid by VW in accordance with this Clause 7.4 shall be inclusive of any and all fees, expenses, charges.
- 7.4.3 Any Development Costs or Implementation Costs incurred or arising from a Remedy Change shall be borne by MM to the extent the Remedy Change is solely attributable to MM and is related to conformity with this Agreement and applicable Operative Documents as is on the Effective Date.



7.4.4 Any Development Costs arising from the Regulatory Change shall be borne by MM, provided that (i) such Regulatory Change has been or is being adopted by MM on the MM's G9 vehicle production model, and (ii) MM shall have the discretion to determine matters relating to the proposed Change with VW's inputs being reasonably considered, including the detailed plan for implementing the Change to MM's vehicles. For the avoidance of doubt, if VW has additional or deviate requirements on the Regulatory Change, VW shall raise a Change Request in accordance with the Change Management Process. The Implementation Costs arising from the Regulatory Change shall be borne by VW.

## 8. ADDITIONAL AND OTHER SERVICES

### 8.1 *Scope of Additional Services*

In the event that VW requires any technical services in respect of any further modifications or adaptations or updates to the Platform and Software ("**Additional Services**"), the Parties shall engage in good faith discussions as to whether and to what extent, such Additional Services can be provided. Subject to Clause 8.2, MM shall use its reasonable endeavours to provide technical services in this regard, including:

- 8.1.1 VW's Change Request (other than a Remedy Change or a Regulatory Change) to the Platform and Software requested by VW in accordance with the Change Management Process;
- 8.1.2 continued provision of the Associated Services beyond the agreed period set out in Clause 7.3; and
- 8.1.3 development of differentiated or additional features and functions for the two VW B BEVs, including any OTA for such features and functions, such as user interface related OTA.

### 8.2 *Fees for Additional Services*

Any Additional Services shall be subject to a service fee payable by VW to MM in addition to the Fees on "Cost-Plus" basis in accordance with the process and terms set forth in the Additional Fees Protocol.

### 8.3 *Mutually Agreed Services/Deliveries*

Without prejudice to Clauses 8.1 and 8.2, the Parties have agreed on an additional list of services/deliveries to be provided by MM as set out in Schedule 15 (Additional Item List), and the Parties shall use their respective best endeavours to agree on the fees and payment schedule for such services within four (4) weeks after the Effective Date.

### 8.4 *Out of Scope Services*

Notwithstanding anything to the contrary, in the event VW requires any Additional Services which MM is unable to accommodate using its reasonable endeavours, the Parties shall engage in good faith discussions to explore alternative solutions to satisfy such request including alternative pricing strategy apart from Cost-Plus basis.

## 9. TIMELINE AND MILESTONES

### 9.1 *Key Timeline and Milestones for two VW B BEVs*

The key timeline and Milestones for the Platform and Software Collaboration are set forth in the Implementation Plan. MM and VW shall carry out and complete all their respective works and activities for the Platform and Software Collaboration, including the Deliveries and the Documentation (as applicable), strictly in accordance with the Implementation Plan and any adjustment shall be managed in accordance with the terms of the Governance Protocol.

### 9.2 *Product Release*

9.2.1 VW Group shall be responsible for the Whole Vehicle Release (for the avoidance of doubt, including MOS Release) of the two VW B BEVs, as well as any changes to the two VW B BEVs after their respective SOP.

9.2.2 MM shall ensure that its delivery of the Platform and Software fulfils the release criteria of the Platform and Software in a way that is agreed and set out in the relevant Operative Documents.

9.2.3 VW Group shall have the right to suspend or terminate the Whole Vehicle Release (for the avoidance of doubt, including the MOS Release) process for any of the two VW B BEVs, if VW Group determines that the release process is not compliant with the applicable VW Group release criteria, or there is a Material Breach under Clause 17.1 in which event VW Group may terminate the Platform and Software Collaboration (and correspondingly this Agreement and the Operative Documents as applicable) in accordance with Clause 17.2 and no license fee or royalties on vehicles not yet delivered shall be payable.

9.2.4 In the course of VW conducting the whole-vehicle validation and verification of the two VW B BEVs, for VW's reference, MM agrees to provide VW with MM's validation and verification plan for the Platform and Software, including future Changes to the Platform and Software that have been aligned by both Parties in accordance with the Change Management Process.

## 10. GOVERNANCE STRUCTURE

The Parties' cooperation for the Platform and Software Collaboration shall be overseen and managed in accordance with the Governance Protocol unless the Parties agree upon an alternative management structure for a specific aspect of the Platform and Software Collaboration in the relevant Operative Documents.

## 11. INTELLECTUAL PROPERTY

The Operative Documents shall include provisions dealing with and relating to the licensing, ownership, and/or transfer of Intellectual Property used, created and developed in the course of the relevant Operative Documents following the key terms set forth below.

## 11.1 Background Rights

- 11.1.1 Each Party shall continue to have exclusive ownership of its Background Rights. Neither Party shall acquire any right or title, or make any claim, to any Background Rights of the other Party on the basis of the Platform and Software Collaboration unless otherwise agreed.
- 11.1.2 Each Party shall license to the other Party its Background Rights which are needed for the Platform and Software Collaboration (including any use of such Background Rights by the other Party's Affiliates, third-party contractors and suppliers as reasonably necessary, required or needed) for the sole purpose of the Platform and Software Collaboration. For the avoidance of doubt, (i) the MM G9 Platform (as well as any Updates/Upgrades adopted afterwards which are developed by MM independent of the Platform and Software Collaboration) shall be deemed Background Rights of MM; and (ii) the design, styling, engineering of the hats, as well as the development and the design of HMI and mobile apps for use in the two VW B BEVs shall be deemed the Background Rights of VW Group; and (iii) any Intellectual Property created, developed or invented by VW in the Adaptation Specification (including all amendments) prior to the date of this Agreement, shall be deemed Background Rights of VW, provided that where any Intellectual Property, including specifications and data, although provided as Adaptation Specification, was created, developed or invented by MM prior to 26 July 2023 for existing vehicle models of MM, shall be deemed Background Rights of MM.

## 11.2 Ownership and Use Rights of Foreground Rights

- 11.2.1 Any Intellectual Property that is created, developed or invented by either Party, whether alone or jointly with others or the other Party, under and arising from the Platform and Software Collaboration ("**Foreground Rights**") shall be co-owned by MM and VW Group, for use in connection with the Platform and Software Collaboration.
- 11.2.2 Notwithstanding Clause 11.2.1, MM may use the Foreground Rights (other than any Foreground Rights that may be generated from implementation of Adaptation Specification on the two VW B BEVs) on any MM's vehicles based on the MM G9 Platform, *provided that* (i) prior to MM using any such Foreground Rights in accordance with this Clause 11.2.2, MM shall notify VW in writing with reasonable details with regard to on which vehicle the Foreground Rights MM intends to use and in the event that VW has borne any development costs leading to such Foreground Rights in accordance with this Agreement, MM and VW shall enter into a volume-based costs-sharing arrangement; (ii) with respect to Foreground Rights generated from Additional Services in accordance with Clause 8.1.3, MM shall not use such Foreground Rights within one (1) year after such Foreground Rights are generated; and (iii) for the avoidance of doubt, MM shall not use the Foreground Rights for any purpose or in any way other than within the scope provided for in Clause 11.2.1 or this Clause 11.2.2. The Parties shall discuss in good faith to further use the Foreground Rights outside of the scope described as aforesaid.

11.2.3 The Parties shall be obliged to disclose and provide to the other Party, any related information and required information for the determination of potential Foreground Rights and agree that they shall comply with the terms set out in Schedule 16 (Policies for Handling of Foreground Rights) with respect to management and administration of Foreground Rights. For the avoidance of doubt, once the Foreground Rights are defined, each of MM and VW shall have full information in respect of such Foreground Rights.

### 11.3 *Third Party Rights*

#### 11.3.1 TPR List

- (a) A list containing material details of all (i) third party Intellectual Property licenses and/or (ii) other rights to use Intellectual Property, in each case, to the extent MM knows or should have known as of the Effective Date and of which specific licenses are needed for the use of the MM G9 Platform (excluding the features provided under Schedule 9 (Aligned Features)) (“**Third Party Rights**”) is set out in Schedule 17 (TPR List) (“**TPR List**”).
- (b) MM shall supplement the TPR List, and provide the supplemented TPR List to VW, as soon as reasonably practicable after the date of this Agreement to include (i) third party Intellectual Property licenses and/or (ii) other rights to use Intellectual Property, in each case, to the extent MM knows or should have known and of which specific licenses are needed for the use of the features set out in Schedule 9 (Aligned Features).

11.3.2 The TPR List shall classify the Third Party Rights in different categories as described in Clause 11.3.3, and in the case of Embedded TPR (defined below in Clause 11.3.3(b)), specifying, to the extent applicable, corresponding hardware bearing the Third Party Rights. Notwithstanding anything to the contrary, the Embedded TPR disclosed in the TPR List shall be limited to the extent that the license fee of such Embedded TPR is expressly set out in the current contracts as at the Effective Date relating to the corresponding hardware entered into between MM and the relevant third party suppliers. For the avoidance of doubt, MM is only obligated to disclose potential Embedded TPR to the extent MM knows or should have known that such potential Embedded TPR is needed for the development and use of the Platform and Software.

11.3.3 Subject to the terms of the applicable Operative Document, the Parties agree that the following arrangement shall apply to Third Party Rights that are necessary (including, for the avoidance of doubt, any Optional TPR (defined in Clause 11.3.3(c) below) for the use, production, operation, maintenance of the Platform and Software and in connection with the Platform and Software Collaboration based on information disclosed by MM in Clause 11.3.1:

- (a) With respect to any Third Party Right used by MM in the development of, incorporated into or part of any software being part of any of MM's Deliveries (other than any Optional TPR) ("**Essential TPR**"), MM shall either grant a sublicense of, or procure the grant of a direct license of, the right to such Third Party Rights for use in connection with the Platform and Software and the Platform and Software Collaboration from the relevant licensor, to VW, and no further fees or costs shall be payable by VW; in case the Essential TPR cannot be obtained for whatever reason, MM shall, in a timely manner, at its own cost, provide alternative solutions through the Change Management Process. Both Parties will discuss in good faith the details and the mechanism of the provision of such alternative solutions in the relevant Operative Documents.
- (b) With respect to Third Party Rights that are embedded in the hardware of the Platform (including chips) and to be covered by BOM (the "**Embedded TPR**"):
  - (i) In the case where such hardware is directly sourced by VW or otherwise procured by VW through a direct contract between VW and a third party supplier, the license to use such Third Party Rights shall be included as part of the purchase of the sourced or procured hardware, and to be obtained by VW directly from the relevant licensor if required. Consequently, fees and costs applicable to such license required by the relevant licensor shall be borne by VW.
  - (ii) In case the Embedded TPR cannot be obtained by VW, both Parties shall discuss in good faith to identify alternative solutions to address the potential risk.
- (c) With respect to any Third Party Rights used in any software that are not essential for and do not affect the core functionality of the Platform and Software (such as any entertainment or high definition map related software) ("**Optional TPR**"), MM shall, to the extent requested by VW, provide reasonable assistance to procure the grant of a direct license of the right to such Third Party Rights for use in connection with the Platform and Software and the Platform and Software Collaboration from the relevant licensor, to VW, and any fees and costs applicable to such license shall be borne by VW.

#### 11.3.4 Open Source Software

MM:

- (a) represents and warrants to VW on an ongoing basis throughout the term of this Agreement that, except for software disclosed in Schedule 18 (Copylefted Open Source Software), no "copy-left" effects are triggered that would require any software incorporated or embedded in the Deliveries to be made available in whole or in part as Open Source Software, unless otherwise disclosed (on an ongoing basis) to and acknowledged by VW in writing in advance;

- (b) shall ensure that no Open Source Software is used in the Software on license conditions that require a user to install or run modified software on hardware with the integrated software (i.e. an “embedded system”, in particular on motor vehicles), unless VW has expressly informed MM that the relevant Software is not used on such an “embedded system” with technical security mechanisms (e.g. signature procedures);
- (c) represents and warrants to VW on an ongoing basis throughout the term of the Platform and Software Collaboration that, to the knowledge of MM, the open source software declaration provided herein to VW is complete and accurate in all material respects; and
- (d) shall ensure that the use of Open Source Software does not restrict the contractual use of the Software by VW or any authorized sub-licensee of VW. For the avoidance of doubt, the requirements in this Clause 11.3.4 shall apply to the same extent to all Updates and Upgrades.

11.3.5 Without prejudice to Clause 11.3.1, in the event that the Platform and Software requires any Third Party Rights which (i) do not fall under any of the categories set out in Clause 11.3.3, and (ii) are in existence as at the date of this Agreement or the relevant Operative Document, should have been disclosed by MM in accordance with Clause 11.3.1 but are not disclosed to VW by MM, MM shall, (i) use its best endeavours to support VW in obtaining the right to such Third Party Rights for use or otherwise provide a suitable alternative solution in a timely and cost effective manner to enable VW to use such Third Party Rights in connection with the Platform and Software and the Platform and Software Collaboration, and (ii) the Parties shall in good faith discuss the allocation of any costs which may be payable to the third party licensor for the aforesaid purpose following the principles set out in Clause 11.3.3.

#### 11.4 Trademarks

11.4.1 The Parties agree that the “Volkswagen” logo and/or other relevant Trademarks owned by VW Group can be used on the two VW B BEVs and VW shall have the absolute right to decide the branding of two VW B BEVs, including but not limited to the name, logo, trademark, and other distinctive features.

11.4.2 No Party shall, without the other Party’s prior written consent, use (howsoever) the other Party’s Trademarks.

#### 11.5 IP Representations and Warranties

Unless otherwise agreed by both Parties in the relevant Operating Documents, MM represents and warrants to VW that:

11.5.1 MM’s Background Rights and Third Party Rights as disclosed in the TPR List constitute all material Intellectual Properties (excluding Embedded TPR) required to construct, test, manufacture, deliver and sell/provide the MM G9 Platform (excluding the features provided under Schedule 9 (Aligned Features)) which is contemplated as of the Effective Date and does not include future Change (such as Updates and/or Upgrades).

- 11.5.2 The use and exploitation of MM's Background Rights applied in the Platform and Software as contemplated hereunder in connection with the Platform and Software Collaboration will not result in the infringement of any Intellectual Property belonging to a third party. MM will immediately notify VW of any potential infringement claims raised by any third parties in accordance with Clause 11.6.
- 11.5.3 The MM Patent List contains a list of MM's and its Affiliates' material registered patents included in the MM G9 Platform.
- 11.5.4 To the extent MM will sublicense any Third Party Rights to VW in accordance with Clause 11.3, to the best of MM's knowledge, MM is entitled without the need for the consent or waiver of any third party, to grant sub-licenses or rights to use to VW of Third Party Rights.
- 11.5.5 The representations and warranties on the Assigned IP as set out in Clause 7.2 of the License and Service Agreement for Platform and Software are incorporated by reference into this Clause 11.5 (*IP Representations and Warranties*).

#### 11.6 *Infringement Claims to MM's Background Rights*

- 11.6.1 If any use of MM's Background Rights is enjoined or subject to an infringement claim, MM shall, at MM's sole cost and expense:
- (a) procure for VW the right to continue to use such MM's Background Rights to the full extent contemplated by this Agreement; or
  - (b) modify the Platform and Software or component thereof that infringe or are alleged to infringe ("**Allegedly Infringing Parts**") to make such Allegedly Infringing Parts and all of its components non-infringing while providing fully equivalent features and functionality.
- 11.6.2 If neither of the foregoing is possible notwithstanding MM's best efforts, and in case such Allegedly Infringing Parts may have a material adverse effect on VW's production, maintenance and Aftersales service of the two VW B BEVs, the Parties shall proceed in accordance with Clause 17.1 (*Material Breach*).

#### 11.7 *Notice of Actions*

- 11.7.1 Unless otherwise agreed by both Parties in the relevant Operating Documents, MM covenants to VW that after MM becomes aware of any proceeding, suit or legal action commenced or threatened in writing against MM that will cause any MM's Background Rights that are required to construct, test, manufacture, deliver and sell/provide the Platform and Software to be invalid, unenforceable or not subsisting, it shall as soon as reasonably practicable notify VW of such action in writing and use commercially reasonable endeavours to promptly follow up with the status of such action and its reasonably foreseeable impact on VW's use of the Platform and Software as contemplated in this Agreement and Operative Documents.

11.7.2 Unless otherwise agreed by both Parties in the relevant Operating Documents, VW covenants to MM that after VW becomes aware of any proceeding, suit or legal action commenced or threatened in writing against MM that will cause any MM's Background Rights that are required to construct, test, manufacture, deliver and sell/provide the Platform and Software to be invalid, unenforceable or not subsisting, it shall as soon as reasonably practicable notify MM of such action in writing and use commercially reasonable endeavours to promptly follow up with the status of such action and its reasonably foreseeable impact on the Platform and Software as contemplated in this Agreement and Operative Documents.

## 12. QUALITY AND PRODUCT LIABILITY

### 12.1 *Quality Management Protocol*

Each Party shall perform its respective obligations hereunder and the Operative Documents in accordance with the standards set forth in the Quality Management Protocol.

### 12.2 *MM's Product Liabilities*

MM shall be liable for any product liability claim resulting from its Deliveries (including the Platform and Software, or its Deliveries related to the battery system and software, technologies, components, support and services provided) under the Platform and Software Collaboration brought under Applicable Laws, except to the extent that such claim results from and is related to (i) adaptations being provided by VW without the Change Management Process or in respect of which MM, based on its professional experience, acting reasonably, as the provider of the Platform and Software, has made reservations (which are rejected by VW) to carve out its product liability exposure in the Change Management Process discussions related to the adaptations (for the avoidance of doubt, this exception does not apply to MM's implementation of VW's specifications and instructions for such adaptations unless MM has specifically made the aforesaid reservations), (ii) alterations or modifications on such Deliveries unless such alterations or modifications are made by MM or made with the instructions of MM, or (iii) any parts, technologies or components which are directly sourced by VW from third parties or otherwise procured by VW through a direct contract between VW and such third parties unless otherwise such liability claim resulting from MM's instructions and/or specifications to such parts, technologies, and component. Accordingly, MM shall hold VW Group harmless from, and indemnify VW Group for any losses arising from the foregoing claims brought under Applicable Laws.

### 12.3 *Others*

12.3.1 With respect to any third party claim arising from or as a result of a breach of, the gross negligence or wilful misconduct relating to, any term of the Quality Management Protocol, the defaulting Party shall be liable for such third party claim including the handling or defending such claims and payment of any damages, costs and expenses arising therefrom.



12.3.2 The Parties shall discuss in good faith of any quality and/or non-conformity issues raised during the Platform and Software Collaboration.

### 13. DATA AND SECURITY

#### 13.1 *Access of Associated Data by VW*

- 13.1.1 Subject to Applicable Laws, VW is entitled and will have access and usage rights, including to collect, access, and utilize, relevant technical data and other data regarding or associated with the two VW B BEVs including (i) data required for fulfilment of legal regulations, (ii) data related to the tests, homologation, connectivity service, performance, maintenance, optimization and safety of the vehicle, (iii) CAE simulation models (including details of crash performance) and (iv) other data as stipulated in the relevant Operative Documents. The relevant Operative Documents applicable to or referring to each of such technical data shall incorporate VW's access and usage rights and such technical data shall be provided to VW in accordance with the provisions and mechanisms set forth in the applicable Operative Documents.
- 13.1.2 In accordance with the relevant Operative Documents, MM shall provide required MM's in-house tools and a list of required toolchains (including both MM's in-house tools and third-party tools) interfaces, guidance and trainings necessary and for the sole purpose of enabling VW to access and use the data regarding or associated with the two VW B BEVs.
- 13.1.3 For the avoidance of doubt, (i) any data shared by or otherwise made available to VW by MM shall be used by VW in accordance with the Parties' agreement in relation to the use thereof; and (ii) VW's customer data shall be accessible to VW only, and MM cannot access/process such data without agreement with VW.
- 13.1.4 In case personal information will be disclosed to MM for the purpose of providing the supports under this Agreement, both Parties shall discuss in good faith the entering into of a data protection agreement.

#### 13.2 *Access of Associated Data by MM*

Subject to Applicable Laws, MM has the right to access and process the relevant technical data and other data as necessary and for the sole purpose of performing, fulfilling or discharging its obligations under this Agreement and the Operative Documents.

#### 13.3 *Further Collaboration on ADAS Data.*

Subject to Applicable Laws, the Parties agree that ADAS related corner-case data of the two VW B BEVs may be shared with MM to improve the system for the Parties' mutual benefit, subject to technical and commercial discussion between the Parties in the future.

#### 13.4 *Data Security*

The Parties shall implement and maintain appropriate technical and organizational measures to protect against unauthorized access, destruction, alteration, or disclosure of any data and information related to the Platform and Software Collaboration. The Parties shall ensure that all personnel involved in the Platform and Software Collaboration are aware of the importance of data and IT security and comply with all Applicable Laws related to data and IT security.

#### 13.5 *Access to IT Systems*

In accessing the other Party's systems, but without prejudice to the cyber security requirements and handling of cyber security incident in the Quality Management Protocol, each Party shall follow and comply with the other Party's cyber security and data security policies.

#### 13.6 *Cyber Security*

13.6.1 MM shall ensure that MM's systems provided to VW for use in the Platform and Software Collaboration shall continuously comply with mandatory national standards (i.e. GB standards) as required by Applicable Laws in relation to cyber and data security.

13.6.2 MM shall support VW, when applicable, to obtain necessary certificates as required by Applicable Laws in relation to cyber and data security for the two VW B BEVs.

#### 13.7 *Information Exchange*

All communication and information exchanged between the Parties, including all data, information and documents accessed or received through the connection with the other Party's system or the supports under this Agreement, shall be in compliance with Applicable Laws, and shall be governed and follow the process and requirements set forth in the Data Exchange Protocol.

### 14. **ACCESS TO RECORDS AND AUDIT RIGHT**

#### 14.1 *Record Maintenance*

Both Parties shall maintain and retain sufficient books, documentations and records in relation to, or in connection with, the arrangements set out in this Agreement and Operative Documents, as required under Applicable Laws, during the term of this Agreement or till the 10<sup>th</sup> anniversary of the SOP for the second (2<sup>nd</sup>) VW B BEV, whichever is later.

#### 14.2 *Request Access to Records*

Subject to the restrictions specifically set out in this Agreement and the Operative Documents, each Party shall be entitled to request from the other Party in writing such operational data and other information relating to or in connection with the performance of this Agreement and the Operative Documents, and, if the information requested is reasonably required by the requesting Party:

- (a) for the purpose of performing its obligations or exercising its rights under this Agreement and the Operative Documents;
- (b) in order to verify conformity with this Agreement and relevant Operative Documents;
- (c) pursuant to a request of a regulatory body; or
- (d) in order to maintain appropriate accounting records or prepare accounts, and, provided that such information does not contain any commercially sensitive data relating to the disclosing Party,

the Party in receipt of such request shall furnish to the other Party who made the request with the requested information within five (5) Business Days of such request or such other period as may be agreed between the Parties.

## 15. UNDERTAKINGS, REPRESENTATIONS AND WARRANTIES

### 15.1 *Capacity and Solvency*

Each Party represents and warrants to the other Party that at the Effective Date:

- 15.1.1 it is duly organized, validly existing, and in good standing as a corporation or other entity as represented herein under the laws of its jurisdiction of incorporation;
- 15.1.2 it has the full right, power, and authority to enter into this Agreement, to grant the rights and licenses granted hereunder, and to perform its obligations hereunder;
- 15.1.3 the execution of this Agreement by its representative whose signature is set forth at the end hereof has been duly authorised by all necessary corporate action of the Party; and
- 15.1.4 when executed and delivered by both Parties, this Agreement will constitute the legal, valid, and binding obligation of such Party, enforceable against such party in accordance with its terms.

### 15.2 *Integrity of Information Disclosed*

Each Party represents and warrants to the other Party that all data, information and/or documentations disclosed and being disclosed/provided to the other Party or its designated recipients in connection with the Platform and Software Collaboration (including during and after the phase of Technical DD and the Project Feasibility Study) are true, accurate, complete and are not misleading in any material respect.

### 15.3 *Performance, Quality and Business Conduct*

MM represents and warrants to VW that:

- 15.3.1 it has facilities, personnel, experience and expertise sufficient in quality and quantity to perform its obligations in connection with the Platform and Software Collaboration as contemplated in this Agreement and the Operative Documents;
- 15.3.2 Deliveries, as of the time of delivery, will conform to the specification as set out in the applicable Operative Documents;
- 15.3.3 it has established necessary quality assurance, quality controls and review procedures as reasonable and appropriate for the performance of its obligations under this Agreement and the Operative Documents; and
- 15.3.4 in the performance of MM's obligations under this Agreement and the Operation Documents, it shall manage its business and conduct to ensure:
  - (a) compliance with Applicable Laws; and
  - (b) necessary internal control systems and processes to manage its business risk is in place and in operation.

### 15.4 *VW's Reliance*

The Parties acknowledge that VW has entered into this Platform and Software Collaboration in reliance upon (i) MM's expertise in the battery electric vehicle and in particular, its capabilities to meet the requirements as set out in this Agreement and the Operative Documents; (ii) the Project Feasibility Study; and (iii) its own knowledge, sophistication and experience for collaboration of similar nature as well as those obtained through investigations and enquiries made in connection with this Platform and Software Collaboration.

### 15.5 *Cost Down Program*

- 15.5.1 MM shall carry out a cost down program with an aim to reduce the cost of the MM G9 Platform (excluding the features provided under Schedule 9 (Aligned Features)), and will share with VW MM's cost down plan as well as feasibility analysis when available subject to compliance with anti-trust law requirements.
- 15.5.2 MM and VW will establish a joint cost down program with an aim to reduce 25% of the up-to-date current cost of the Platform until the end of 2024. Notwithstanding of the above, both Parties will continue to collaborate to achieve cost efficiency of the MM G9 Platform as well as the Platform and Software under the Platform and Software Collaboration.
- 15.5.3 Both Parties will make proposals of cost down measures, taking into account the outcome of MM's cost down program on the MM G9 Platform, overall project timing, costs, functional requirements and performance targets when executing the cost down program. MM will provide relevant information and adjust the Platform according to VW's specifications to be agreed upon by the Parties to enable component resourcing as agreed by the Parties. This specifically includes the resourcing of a cost optimized NCM and LFP Cell, taking into consideration the costs and time required associated with such resourcing.

## 15.6 *Compliance of the Delivery*

MM represents that, as at the time of SOP and/or as at the time of delivery, the Platform and Software complies and the Deliveries under this Agreement and Operative Documents will comply with Applicable Laws, including mandatorily applicable requirements and standards. MM undertakes to ensure that the Deliveries shall be in compliance with technical specifications, development/validation/engineering processes, quality requirements, safety standards, security requirements, and level of compliance in the manner as set out in the applicable Operative Documents.

## 15.7 *No Default or Breach*

Transactions entered into pursuant to this Agreement and the Operative Documents will not result in a default or breach of the Parties under any agreement to which either Party is subject or is a party.

## 16. **CONFIDENTIALITY**

### 16.1 *Confidentiality Obligations*

- 16.1.1 The existence of this Agreement and the Operative Documents and the terms and conditions of the transactions contemplated thereunder (collectively, the “**Collaboration Terms**”) are confidential information and shall not be disclosed by any Party to any third party except in accordance with the provisions set forth in Clause 16.1.4. Any information (including, without limitation, the contents of the Operative Documents) whether written or oral, provided or disclosed by a Party (“**Disclosing Party**”) to the other Party (“**Non-Disclosing Party**”) in connection with the Platform and Software Collaboration shall be treated by the Non-Disclosing Party as confidential and the Non-Disclosing Party shall not provide or disclose without the prior written consent of the Disclosing Party or use it otherwise than for the purpose for which it was provided.
- 16.1.2 Subject to their respective rights under this Agreement and the Operative Documents in relation to Documentation, Deliveries and Intellectual Property, the Parties shall treat as confidential all information provided by the Disclosing Party under the Platform and Software Collaboration, and shall not, without the prior written consent of the Disclosing Party, disclose or use any such information otherwise than for the purpose for which it was provided or in accordance with this Agreement or the applicable Operative Document.
- 16.1.3 The Collaboration Terms and information provided and disclosed as aforesaid being “**Confidential Information**” provided that the following shall not be considered confidential information for purposes hereof: (i) any information that comes into the public domain other than by reason of a breach of the confidentiality obligations hereunder by such Party, (ii) any information that is already in the possession of such Party or its Representatives at the time the information was disclosed to such Party by or on behalf of the other Parties, (iii) any information acquired by such Party from a source other than the other Parties or its Representatives, which source, to the knowledge of the receiving Party, is not in breach of any obligation owed to any Person in respect of such disclosure, (iv) any information independently developed by such Party or its Representatives without using or making reference to any confidential information, and (v) any information agreed in writing by the other Parties not to be confidential.

16.1.4 Notwithstanding Clause 16.1.1, (i) in the event that any Party is requested by any Governmental Authority or becomes legally compelled (including, without limitation, pursuant to securities Laws and regulations or in connection with any legal, judicial, arbitration or administrative proceedings) to disclose any Collaboration Terms, such Party (the “**Disclosing Party**”) shall, to the extent practicable and permitted by Applicable Laws, provide the Other Party (the “**Non-Disclosing Party**”) with prompt written notice of that fact and use reasonable efforts to seek (with the cooperation and reasonable efforts of the other Parties), at the Disclosing Party’s costs, a protective order (in any event without initiating any litigation or similar proceedings), confidential treatment or other appropriate remedy with respect to the information which is requested or legally required to be disclosed. In such event, the Disclosing Party shall furnish only that portion of the information which is requested or legally required to be disclosed and shall exercise reasonable efforts to keep confidential such information to the extent reasonably requested by any Non-Disclosing Party, and (ii) each of the Parties may disclose the Collaboration Terms to its Representatives on a need-to-know basis, provided that such recipient shall either be subject to professional obligations to keep such information confidential or confidentiality obligations that are as restrictive as this Clause 16.1 and that the Parties, as applicable, shall be liable for any breach of confidentiality obligations by its recipients.

## 16.2 *Permitted Use*

16.2.1 The Parties agree that a Party may only use the Confidential Information received from the other Party under this Agreement and Operative Documents for the sole purpose of the Platform and Software Collaboration, and shall not use or otherwise exploit such Confidential Information for any other purposes without the consent of the other Party, unless otherwise agreed as follows:

- a. VW may provide and disclose any Confidential Information to its Affiliates on a need-to-know basis and solely for the purpose of the Platform and Software Collaboration;
- b. Subject to the Protocol of Handling Know-how Protected Deliveries, VW may disclose required technical information to potential suppliers on a need-to-know basis and solely for the purpose of sourcing under the Platform and Software Collaboration in accordance with Clause 5.1.3, and
- c. VW may disclose any Confidential Information to the Approved Subcontractors without additional consent from MM on a need-to-know basis and solely for the purpose of the Platform and Software Collaboration.

16.2.2 In fulfilling its obligations under this Clause 16.2, each Party shall be required to follow the Data Exchange Protocol and in any event, without prejudice to the aforesaid, to use the same degree of care to prevent unauthorised disclosure of Confidential Information as it would use to prevent the disclosure of its own commercial and financial information of the same or similar nature and which it considers proprietary or confidential.

## 17. MATERIAL BREACH

### 17.1 *Material Breach*

17.1.1 The Parties agree that for the purposes of this Agreement, a “**Material Breach**” means:

- (a) a breach by a Party of any of its obligations under this Agreement which has or is likely to have a material adverse effect on the other Party’s entitlement under this Agreement, or
- (b) repeated breaches of this Agreement and/or an Operative Document by a Party that of themselves may not be material but which collectively amount to a material breach, provided that: (i) the non-breaching Party has not contributed to the breach; (ii) the non-breaching Party has worked with the breaching Party in good faith to examine the reasons for the breach and sought to agree a reasonable solution to prevent the breach from re-occurring and provided a reasonable time for the remedy to be implemented; and (iii) the breaching Party fails to successfully implement the remedy; and

provided further that such breach would have been considered by the Committees (as defined in Governance Protocol) following the process set forth in the Governance Protocol, and no resolution had been made in respect of such breach; except in the case of any Material Breach which has or is likely to have a material adverse effect on the reputation of the non-breaching Party or any Material Breach caused by product liability claims, taken as a whole, which has or is likely to have a material adverse effect on the non-breaching Party, the non-breaching Party shall have the right to serve written notice pursuant to Clause 17.2.1 without having to follow the process set forth in the Governance Protocol.

### 17.2 *Remedies*

17.2.1 If any Party commits a Material Breach (“**Breaching Party**”), the non-Breaching Party may provide written notice requiring the Breaching Party to, at its own expense, either (at the option of the Breaching Party): (a) cure such Material Breach within a period of no less than 30 days. In the event that the Material Breach cannot be resolved in 30 days, upon the provision by the Breaching Party and acknowledgement by the non-Breaching Party (which shall not be unreasonably withheld, delayed, or conditioned) of reasonable justifications, such curing period shall be extended by another 30 days; or (b) follow the reasonable instructions of the non-Breaching Party for re-work and/or improvement within a reasonable timeline, as set out in the aforementioned written notice. The non-breaching Party shall be entitled to, if the Breaching Party fails to cure such breach or comply with such instructions within the timeline specified, terminate this Agreement with immediate effect by providing a written termination notice to the Breaching Party.

- 17.2.2 The non-Breaching Party has the right to suspend the performance of its obligation under this Agreement after the Parties have completed the process under Clause 22.2 and the dispute remains unsolved.
- 17.2.3 Notwithstanding the mechanism mentioned in Clause 17.2.1, if any Party identifies or should be able to identify a potential risk that may jeopardize the Platform and Software Collaboration for whatsoever reasons, it shall notify the other Party about such potential risk immediately and shall, where reasonably practicable, provide effective countermeasures for the other Party to consider and decide. For the avoidance of doubt, the other Party's acceptance of countermeasures under this Clause 17.2 will not preclude such Party's rights under other Clauses of this Agreement.

## 18. TERM AND TERMINATION

### 18.1 *Terms*

The effect of this Agreement and the terms herein shall continue, until it lapses and terminates automatically (without prejudice to either Party's right to claim or exercise its right for any other relief under this Agreement or any other agreements):

- 18.1.1 upon the termination by a Party in accordance with Clause 18.2;
- 18.1.2 upon written agreement by the Parties; or
- 18.1.3 upon all obligations under this Agreement and Operation Documents (including without limitation any payment obligations) having been performed, fulfilled and discharged.

whichever is the earlier.

### 18.2 *Grounds for Termination*

This Agreement may be terminated:

- 18.2.1 by a non-Breaching Party with immediate effect by a written notice to the other Party at any time, if the other Party commits a Material Breach and it fails to remedy the Material Breach in accordance with Clause 17.2.1; or
- 18.2.2 by either VW or MM by a written notice with immediate effect following the receipt of the other Party's notice of (i) any plan of ceasing to do business or otherwise terminating its business operations or (ii) any anticipation of it becoming insolvent or filing a voluntary petition relating to bankruptcy, insolvency or similar matters, or having an involuntary petition filed against it under Applicable laws, or a receiver appointed for its business. Each Party undertakes to give the other Party prompt prior notice of the potential occurrence of any of the aforementioned events upon it becoming aware of the potential occurrence.



### 18.3 *Impacts on the Operative Documents*

- 18.3.1 Subject to the terms of the Operative Documents and the Parties' agreement to the contrary, termination of this Agreement shall lead to automatic termination of the then-current Operative Documents with immediate effect.
- 18.3.2 Termination of any Operative Document shall not affect in principle the terms of this Agreement and any other Operative Document but subject to the termination of the applicable terms and provisions in this Agreement that apply to such Operative Document, provided that:
- (a) payment of Fees should be revisited upon termination of any Operative Document;
  - (b) without prejudice to other obligations allocated to the Parties in this Agreement or the Operative Documents, the Parties shall provide reasonable cooperation and assistance to each other in seeking to minimise any disruption to the production, sale and Aftersales of the two VW B BEVs notwithstanding the termination of the relevant Operating Document ("**Transitional Services**"). The Parties shall, following the process stipulated in the Governance Protocol, discuss in good faith and use best endeavours to agree on a plan for the Transitional Services setting forth each Party's rights and allocated obligations in relation to preparation for, and the consequences of, the termination, in whole or in part, of the relevant Operative Document ("**Transitional Services Plan**").

### 18.4 *Exit Management Procedure*

- 18.4.1 Following a Party's receipt of the other Party's notice of termination pursuant to Clause 18.2.1 or not less than 90 days before the due expiry of this Agreement or the Parties' written agreement to terminate this Agreement, the Parties shall discuss in good faith and use best endeavours to agree on an exit management plan setting forth each Party's rights and allocated obligations in relation to preparation for, and the consequences of, the termination, in whole or in part, of this Agreement (and/or an Operative Document) ("**Exit Management Plan**") following the process stipulated in the Governance Protocol ("**Exit Management Procedure**"). For the avoidance of doubt, pending the delivery and implementation of the Exit Management Plan, the Parties' rights and obligations under this Agreement (and the Operative Documents) shall, subject to Clause 17.2.2, continue in accordance with the terms hereof.
- 18.4.2 The Parties agree that the Exit Management Plan shall provide, among other things, that, where the non-Breaching Party under Clause 18.2.1 is VW, in respect of Aftersales Supports (as defined in the License and Service Agreement for and Aftersales) and the MOS Services (as defined in the License and Service Agreement for Mobile Online Service), from the start of the Exit Management Plan till the EOS of the last VW B BEV produced before the termination of this Agreement, or such period as VW reasonably requests (but not continuing beyond the EOS) MM shall continue to (i) provide, subject to the fee arrangement set forth in the Exit Management Plan, the Aftersales Supports and the MOS Services; and (ii) grant all licences to Background Rights, in accordance with or in connection with the respective Operative Documents and provide such reasonable cooperation and assistance to VW Group in seeking to minimise any disruption to the Aftersales and VW MOS System, or otherwise the servicing of the two VW B BEVs as a result of termination. The Parties will discuss and agree on the terms, rights and responsibilities of the Parties of such post-termination Aftersales Supports and MOS Services.

18.5 *Consequences of Termination*

18.5.1 Upon termination or expiry of this Agreement, the following provisions shall apply:

- (a) each Party shall comply with the Exit Management Plan;
- (b) except as expressly agreed otherwise in this Agreement and/or Operative Documents and/or the Exit Management Plan and subject to Clause 18.4 and/or to the extent that retention is required by the Applicable Law, each Party shall return, destroy or erase all copies of the other Party's Confidential Information and, upon the written request of such Party, provide assurances that it has done so, unless otherwise agreed between Parties, or retain of such documents are required by the Applicable Law;
- (c) the Parties shall align as to any public announcement that needs to be made pursuant to Clause 24.9, and make such public announcements as are agreed;
- (d) any rights, remedies, obligations or liabilities of the Parties that have accrued up to the date of termination, including the right to claim damages in respect of any breach of this Agreement which existed at or before the date of termination shall not be affected or prejudiced; and
- (e) unless otherwise set forth under the Exit Management Plan, no Fees payable by VW shall accrue after the date of termination of this Agreement.

18.5.2 In the event this Agreement is terminated by the administrator as a result of MM's bankruptcy in accordance with Applicable Laws, the Parties agree that VW is entitled to continue the usage of MM's Background Rights solely for production, maintenance and aftersales service of the two VW B BEVs. In addition, VW is entitled to liquidated damages equivalent to the amount of two (2) times of Fees paid or payable by VW as of the date of such termination. The Parties agree that such liquidated damages is a reasonable estimate by the Parties of the losses which may be suffered by VW, which is applicable only if this Agreement is terminated in the manner as set out in this Clause 18.5.2. VW's right to liquidated damages under this Clause 18.5.2 shall be without prejudice to its other rights and remedies, including the right to terminate this Agreement in accordance with Clause 18.2 (Grounds for Termination) and its right to seek indemnity in accordance with Clause 19 (Indemnity).

18.5.3 Unless otherwise agreed by the Parties, all of the Fees that have already been accrued or become outstanding and payable under this Agreement or the Operative Documents, prior to the termination of this Agreement shall still be paid by VW notwithstanding the termination of this Agreement.

#### 18.6 *Survival*

The rights and obligations of the Parties set forth in Clause 1 (Interpretation), Clause 2 (Scope and Governance), Clause 11 (Intellectual Property), Clause 12.2 (MM's Product Liabilities), Clause 14.1 (Record Maintenance) (but only for period as determined in accordance with Clause 14.1) Clause 16 (Confidentiality), Clause 17 (Material Breach), Clause 18 (Term and Termination), Clause 19 (Indemnity), Clause 20 (Liability), Clause 21 (Force Majeure), Clause 22 (Dispute Resolution and Governing Law) and Clause 24 (Miscellaneous) and any right or obligation of the Parties in this Agreement which, by its express terms or nature and context is intended to survive termination or expiration of this Agreement, shall survive termination or expiration of this Agreement.

### 19. **INDEMNITY**

#### 19.1 *Scope of MM Indemnity*

MM shall indemnify and keep indemnified VW, other members of VW Group, their respective officers, directors, employees and agents (each, an "**Indemnified Party**") against all demands, losses, costs, expenses, obligations, liabilities, damages, recoveries and deficiencies, including interest, penalties, reasonable attorneys' fees, costs of investigation and any legal or other expenses or costs ("**Losses**") rising out of, in connection with or resulting from:

- 19.1.1 MM's material breach (as defined under the TFA) of the TFA which was committed prior to the Effective Date;
- 19.1.2 any actual or alleged infringement of a third party's Intellectual Properties arising out of VW's use of any of the Deliveries in accordance with this Agreement and/or the Operative Documents;
- 19.1.3 any breach of terms of Open Source Software under Clause 11.3.3 and IP representations and warranties under Clause 11.5;
- 19.1.4 product liability claims as described under Clause 12.1;
- 19.1.5 any breach of representations and warranties under Clause 15.1 (*Capacity and Solvency*), 15.2 (*Integrity of Information Disclosed*), Clause 15.3 (*Performance, Quality and Business Conduct*) and Clause 15.6 (*Compliance of the Delivery*);
- 19.1.6 any breach of obligations under Clause 16 (*Confidentiality*); and
- 19.1.7 any gross negligence, wilful default or fraud by MM under the Platform and Software Collaboration.

## 19.2 *Scope of VW Indemnity*

VW shall indemnify and keep indemnified MM, its officers, directors, employees and agents (each, an “**Indemnified Party**”) against all Losses arising out of, in connection with or resulting from:

- 19.2.1 any actual or alleged infringement of a third party’s Intellectual Properties arising out of MM’s use of VW’s Background Rights in accordance with this Agreement and/or Operative Documents;
- 19.2.2 any breach of representations and warranties under Clause 15.1 (*Capacity and Solvency*) and Clause 15.2 (*Integrity of Information Disclosed*);
- 19.2.3 any breach of obligations under Clause 16 (*Confidentiality*); and
- 19.2.4 any gross negligence, wilful default or fraud by VW under the Platform and Software Collaboration.

## 19.3 *Indemnification Procedure*

- 19.3.1 Each of VW and MM (as the case may be) will promptly notify the other Party (the “**Indemnifying Party**”) in writing of any Claim for which it seeks to be indemnified pursuant to Clause 19.1 or Clause 19.2 (as the case may be) and cooperate, and shall procure the relevant Indemnified Party to cooperate, with the Indemnifying Party at the Indemnifying Party’s sole cost and expense; and the Indemnifying Party shall immediately take control of the defence and investigation of such Claim and shall employ legal counsel reasonably acceptable to the Indemnified Party to handle and defend the same, at the Indemnifying Party’s sole cost and expense.
- 19.3.2 The Indemnifying Party shall not settle any Claim in a manner that adversely affects the rights of the Indemnified Party or any Indemnified Party without the Indemnified Party’s prior written consent.
- 19.3.3 The Indemnified Party may participate in and observe the proceedings at its own cost and expense with counsel of its own choosing.

## 20. **LIABILITY**

20.1 Nothing in this Agreement excludes the liability of either Party, for:

- 20.1.1 death or personal injury resulting from the negligence of a Party;
- 20.1.2 fraud or fraudulent misrepresentation;
- 20.1.3 breach of its confidentiality obligations under Clause 16.1;
- 20.1.4 any indemnity obligations under Clause 19 under this Agreement; or
- 20.1.5 any other matter in respect of which it would be illegal to exclude or attempt to exclude liability under the Applicable Law.

20.2 Unless otherwise provided in this Agreement, in no event will either Party be liable to the other for indirect or consequential damages arising out of or in connection with this Agreement.

## 21. **FORCE MAJEURE**

### 21.1 *Notification of Force Majeure Events and Continuing Obligations*

No Party shall be in breach of this Agreement, if there is any total or partial failure of performance by it of its duties and obligations under this Agreement occasioned by a Force Majeure Event. If a Party is unable to perform any of its duties and obligations under this Agreement as a direct result of the effect of any Force Majeure Event, it shall:

- 21.1.1 within seven (7) days of the occurrence of the Force Majeure Event give written notice to the other Party, as the case may be, of its inability which sets out full details of the Force Majeure Event in question and its consequences;
- 21.1.2 promptly provide the other Party, as the case may be, with any further information which the other Party may reasonably request regarding the Force Majeure Event or its causes or consequences;
- 21.1.3 use its reasonable endeavours to continue to perform all other duties and obligations under this Agreement;
- 21.1.4 promptly take such action as may be required of it under its disaster recovery and contingency planning procedures; and
- 21.1.5 promptly take any other steps which VW or MM, as the case may be, may reasonably require it to take to mitigate the consequences of the Force Majeure Event.

### 21.2 *Effect of Force Majeure Event and Suspension of Obligations and Termination*

Where the relevant Force Majeure Event renders impossible or substantially hinders the performance of duties and obligations under this Agreement to an extent which is material in the context of the whole Agreement, the operation of this Agreement shall be suspended on a rolling basis until the Force Majeure Event ceases to exist.

### 21.3 *Notification of a Force Majeure Event Ceasing to Exist*

Forthwith upon any Force Majeure Event ceasing to exist, VW or MM as the Party relying upon it shall give written notice to the other Party, as the case may be, of the same.

## 22. **DISPUTE RESOLUTION AND GOVERNING LAW**

22.1 Any Dispute arising out of or in connection with this Agreement shall be determined as provided in this Clause 22 and the Governance Protocol.

- 22.2 The Parties agree that procedures and terms set out in the Governance Protocol shall be followed by the Parties with respect to dealing with any Dispute under or relating to this Agreement or any Operative Documents.
- 22.3 This Agreement shall be governed and construed in accordance with the laws of the PRC. Any Dispute arising from or in connection with this Agreement shall be submitted to China International Economic and Trade Arbitration Commission (“CIETAC”) for arbitration which shall be conducted in accordance with the CIETAC’s arbitration rules in effect at the time of applying for arbitration. The arbitral award is final and binding upon the Parties. The arbitration tribunal shall be comprised by three (3) arbitrators. Each Party shall nominate one arbitrator within thirty (30) days after the date of the notice of arbitration sent by one Party to the other Party, for confirmation by the competent authority under the CIETAC Rules (the “**Appointing Authority**”). Both arbitrators shall agree on the third arbitrator within thirty (30) days. Should either Party fails to appoint an arbitrator or should the two arbitrators fail, within the above time-limit, to reach agreement on the third arbitrator, such arbitrator shall be appointed by the Appointing Authority. The language of arbitration shall be English. The seat of arbitration shall be Beijing.
- 22.4 Nothing in this Clause 22 and the Governance Protocol shall restrict, at any time while the above dispute resolution procedures are in progress or before or after they are invoked, either Party’s freedom to commence legal proceedings to preserve any legal right or remedy or to protect any Intellectual Property or trade secret right pending the final resolution of the dispute.

## 23. NON-SOLICITATION OF EMPLOYEES

- 23.1 No Party shall, during the term of the Platform and Software Collaboration, either for its own account or in conjunction with or on behalf of any person, solicit or induce any employee of the other Party or any of its Affiliates who the first-mentioned Party has or had direct contact with in connection with the Platform and Software Collaboration contemplated under this Agreement and/or the Operative Documents, to terminate or leave his/her employment or appointment.
- 23.2 The undertaking in Clause 23.1 shall not prohibit or restrict any Party from carrying out a general solicitation of employment (through the placing of an advertisement, or through head-hunters and consultants) for, and subsequently recruiting to, a post available to a member of the public generally following an unsolicited response to such general solicitation.

## 24. MISCELLANEOUS

### 24.1 *Governing Language*

- 24.1.1 This Agreement is drawn up in the English language. If this Agreement is translated into another language, the English language text prevails.
- 24.1.2 Each notice, demand, request, statement, instrument, certificate or other communication given, delivered or made by a Party to any other Party under or in connection with this Agreement shall be:
- (a) in English; or

(b) if not in English, accompanied by an English translation made by a translator, and certified by such translator to be accurate.

24.1.3 The receiving Party shall be entitled to assume the accuracy of, and rely upon any English translation of, any document provided pursuant to Clause 24.1.2.

#### 24.2 *MM's Performance*

MM Guangzhou agrees to perform MM's obligations under this Agreement and the Operative Documents, and MM Guangdong agrees to be jointly liable for MM Guangzhou's liabilities under this Agreement and the Operative Documents.

#### 24.3 *VW's Performance and Potential Novation*

24.3.1 Subject to Clause 24.3.2 and without prejudice to Clause 2.2.5, VWA agrees to pay the fees to MM as set out in this Agreement and to execute the terms of this Agreement and the Operative Documents, and VCTC agrees to be jointly liable for VW's liabilities under this Agreement and the Operative Documents.

24.3.2 The Parties agree that that during the term of the Platform and Software Collaboration, due to VW's operational and business needs, with prior written notice to MM (which shall be no less than thirty (30) Business Days), VWA or VCTC (the "**Outgoing VW Party**") may novate all of its rights and obligations (including the payment obligations) under this Agreement and the Operative Documents to the other party, being VCTC or VWA (the "**Remaining VW Party**") such that, starting from the effective date of this novation, unless otherwise provided in this Agreement and the Operative Agreements and/or agreed between the Parties, the Remaining VW Party will assume all rights and obligations under this Agreement and the Operative Documents, and the Outgoing VW Party shall be released from all obligations and liabilities under this Agreement and the Operative Documents except for such obligations and liabilities of the Outgoing VW Party accrued up to the effective date of this novation. MM agrees to execute any necessary documents to give effect to the novation as described in this Clause, provided VW shall bear the costs MM incurred in this regard. For the avoidance of doubt, before the date of novation, VWA and VCTC are jointly liable for the obligations under this Agreement and the Operative Documents.

#### 24.4 *No Waiver*

The failure by any Party to exercise, or delay in exercising, any right or remedy provided by this Agreement or by law does not impair or constitute a waiver of the right or remedy or an impairment of or a waiver of any other rights or remedies that such Party may otherwise have. No single or partial exercise of any right or remedy provided by this Agreement or by law shall prevent any further exercise of the right or remedy or the exercise of any other right or remedy.







IN WITNESS WHEREOF, The Parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date first written above.

**Guangdong Xiaopeng Motors Technology Co., Ltd.**

(广东小鹏汽车科技有限公司)

(Seal)

By: /s/ Xiaopeng He

Name: Xiaopeng He

Title: Director

IN WITNESS WHEREOF, The Parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date first written above.

**Guangzhou Xiaopeng Motors Technology Co., Ltd.**  
(广州小鹏汽车科技有限公司)

(Seal)

By: /s/ Xiaopeng He  
Name: Xiaopeng He  
Title: Director

IN WITNESS WHEREOF, The Parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date first written above.

**Volkswagen Group (China) Technology Company Ltd.**  
(大众汽车 (中国) 科技有限公司)

(Seal)

By: /s/ Marcus Hafkemeyer

Name: Marcus Hafkemeyer

Title: CEO

By: /s/ Dr. Ludger Michael Luehrmann

Name: Dr. Ludger Michael Luehrmann

Title: Head of VW R&D

IN WITNESS WHEREOF, The Parties hereto have caused their respective duly authorized representatives to execute this Agreement as of the date first written above.

**Volkswagen (Anhui) Company Ltd.**  
(大众汽车 (安徽) 有限公司)

(Seal)

By: /s/ Dr. Erwin Hermann Gabardi  
Name: Dr. Erwin Hermann Gabardi  
Title: CEO

By: /s/ Dr. Juergen Hasenpusch  
Name: Dr. Juergen Hasenpusch  
Title: CFO

## List of Significant Subsidiaries of the Registrant (as of December 31, 2023)

Subsidiaries	Jurisdiction of Incorporation
XPeng Limited	BVI
XPeng (Hong Kong) Limited	Hong Kong
Zhaoqing Xiaopeng New Energy Investment Co., Ltd.* 肇庆小鹏新能源投资有限公司	PRC
Guangdong Xiaopeng Motors Technology Co., Ltd.* 广东小鹏汽车科技有限公司	PRC
Guangzhou Chengxing Zhidong Automotive Technology Co., Ltd.* 广州橙行智动汽车科技有限公司	PRC
Xiaopeng Motors Huazhong (Wuhan) Co., Ltd.* 小鹏汽车华中（武汉）有限公司	PRC
Zhaoqing Xiaopeng Automobile Co., Ltd.* 肇庆小鹏汽车有限公司	PRC
XPeng Charging (Hong Kong) Limited	Hong Kong
XPeng Power Battery (Hong Kong) Limited	Hong Kong
Guangzhou Pengyue Power Battery Co., Ltd.* 广州鹏悦动力电池有限公司	PRC
Guangzhou Xiaopeng Smart Charge Technology Co., Ltd.* 广州小鹏智慧充电科技有限公司	PRC
Shanghai Jusheng Technology Co., Ltd.* 上海桔晟科技有限公司	PRC
Wuhan Xiaopeng Intelligent Manufacturing Co., Ltd.* 武汉小鹏智能制造有限公司	PRC
Zhaoqing Xiaopeng New Energy Investment Co., Ltd. Guangzhou Branch* 肇庆小鹏新能源投资有限公司广州分公司	PRC
Guangzhou Xiaopeng New Energy Vehicle Co., Ltd.* 广州小鹏新能源汽车有限公司	PRC
Guangzhou Zhipeng Manufacturing Co., Ltd.* 广州智鹏制造有限公司	PRC
Guangzhou Xiaopeng Automotive Financial Leasing Co., Ltd.* 广州小鹏汽车融资租赁有限公司	PRC
Guangzhou Pengyue Automobile Development Co., Ltd.* 广州鹏跃汽车发展有限公司	PRC
Beijing Xiaopeng Automobile Co., Ltd.* 北京小鹏汽车有限公司	PRC

Xiaopeng Motor Sales Co., Ltd.* 小鹏汽车销售有限公司	PRC
Guangzhou Xiaopeng Autonomous Driving Technology Co., Ltd.* 广州小鹏自动驾驶科技有限公司	PRC
Beijing Xiaoju Intelligent Automobile Technology Co., Ltd.* 北京小桔智能汽车科技有限公司	Cayman Islands
Dogotix Inc.	Cayman Islands
XPeng International Holding (Hong Kong) Limited	Hong Kong
Dogotix (Hong Kong) Limited	Hong Kong
XPeng Dogotix Holdings Limited	BVI
Guangdong Pengxing Intelligent Co., Ltd.* 广东鹏行智能有限公司	PRC
XPeng Huitian Holdings Limited	BVI
Guangzhou Xiaopeng Automobile Manufacturing Co., Ltd.* 广州小鹏汽车制造有限公司	PRC
Shanghai Xiaopeng Motors Technology Co., Ltd.* 上海小鹏汽车科技有限公司	PRC
Guangdong Xiaopeng Automotive Industry Holdings Co., Ltd.* 广东小鹏汽车产业控股有限公司	PRC
Guangzhou Pengzhi Automobile Technology Co., Ltd.* 广州鹏智汽车科技有限公司	PRC
Shenzhen Xiaopeng Automobile Sales Service Co., Ltd.* 深圳小鹏汽车销售服务有限公司	PRC
Guangzhou City Delong Automotive Services Co., Ltd.* 广州市德隆汽车服务有限公司	PRC
Shanghai Xiaopeng Automobile Sales Service Co., Ltd.* 上海小鹏汽车销售服务有限公司	PRC
Guangzhou Xiaopeng Motors Technology Co., Ltd.* 广州小鹏汽车科技有限公司	PRC
Guangzhou Pengran Automobile Technology Co., Ltd.* 广州鹏冉汽车科技有限公司	PRC
Xiaoju Smart Auto Co., Limited	Cayman Islands
Xiaoju Smart Auto (HK) Co. Limited	Hong Kong
Hangzhou Zhipeng Automobile Sales Service Co., Ltd.* 杭州智鹏汽车销售服务有限公司	PRC
Guangzhou Xiaopeng Automobile Investment Consulting Partnership (Limited Partnership)* 广州小鹏汽车投资咨询合伙企业(有限合伙)	PRC

Beijing Xiaopeng Automobile Sales Service Co., Ltd.* 北京小鹏汽车销售服务有限公司	PRC
Beijing Hengxin Time Automobile Service Co., Ltd.* 北京恒信时光汽车服务有限公司	PRC
Guangzhou Xiaopeng Zhihui Chuxing Technology Co., Ltd.* 广州小鹏智慧出行科技有限公司	PRC
Guangzhou Pengxing Automobile Sales Service Co., Ltd.* 广州鹏行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
Shanghai Pengxing Automobile Sales Service Co., Ltd.* 上海鹏行汽车销售服务有限公司	PRC
Tianjin Xiaopeng Automobile Sales Services Co., Ltd.* 天津小鹏汽车销售服务有限公司	PRC
Shanghai Chengpeng Automobile Technology Co., Ltd.* 上海橙鹏汽车科技有限公司	PRC
Hainan Xiaopeng Automobile Technology Co., Ltd.* 海南小鹏汽车科技有限公司	PRC
Guangzhou Xiaopeng Motors Trading Co., Ltd.* 广州小鹏汽车贸易有限公司	PRC
Dongguan Pengxing Automobile Sales Service Co., Ltd.* 东莞鹏行汽车销售服务有限公司	PRC
Shenzhen Pengxing Intelligent Research Co., Ltd.* 深圳鹏行智能研究有限公司	PRC
Shenzhen Xiaopeng Automobile Technology Co., Ltd.* 深圳小鹏汽车科技有限公司	PRC
XPeng Motors Denmark ApS	Denmark
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
Chongqing Pengyue Automobile Sales Service Co., Ltd.* 重庆鹏悦汽车销售服务有限公司	PRC
XPeng European Holding B.V.	Amsterdam



Ningbo Xiaopeng Automobile Sales Service Co., Ltd.* 宁波小鹏汽车销售服务有限公司	PRC
Xiaopeng Automobile Service Co., Ltd.* 小鹏汽车服务有限公司	PRC
Guangzhou Pengxu Automatic Driving Technology Co., Ltd.* 广州鹏煦自动驾驶科技有限公司	PRC
Suzhou Xiaopeng Automobile Sales Service Co., Ltd.* 苏州小鹏汽车销售服务有限公司	PRC
Wuxi Xiaopeng Automobile Sales Service Co., Ltd.* 无锡小鹏汽车销售服务有限公司	PRC
XMotors Limited	Hong Kong
Guangzhou Pengyi Automobile Technology Co., Ltd.* 广州鹏毅汽车科技有限公司	PRC
Zhengzhou Xiaopeng Automobile Sales Co., Ltd.* 郑州小鹏汽车销售有限公司	PRC
Shanghai Pengxu Automobile Sales Service Co., Ltd.* 上海鹏煦汽车销售服务有限公司	PRC
Beijing Zhipeng Automobile Sales Service Co., Ltd.* 北京智鹏汽车销售服务有限公司	PRC
Xiaopeng New Energy Vehicle Sales (Guangzhou) Co., Ltd.* 小鹏新能源汽车销售(广州)有限公司	PRC
Beijing Chengpeng Automobile Technology Co., Ltd.* 北京橙鹏汽车科技有限公司	PRC
Hangzhou Pengxu Automobile Sales Service Co., Ltd.* 杭州鹏煦汽车销售服务有限公司	PRC
Xi'an Zhipeng Automobile Sales Service Co., Ltd.* 西安智鹏汽车销售服务有限公司	PRC
Wuxi Zhipeng Automobile Sales Service Co., Ltd.* 无锡智鹏汽车销售服务有限公司	PRC
Shanghai Pengting Automobile Sales Service Co., Ltd.* 上海鹏廷汽车销售服务有限公司	PRC
Hangzhou Xiaopeng Travel Technology Co., Ltd.* 杭州小鹏出行科技有限公司	PRC

Variable Interest Entity (“VIE”)	Jurisdiction of Incorporation
Guangzhou Zhipeng IoV Technology Co., Ltd.* 广州智鹏车联网科技有限公司	PRC
Guangzhou Yidian Zhihui Chuxing 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
Guangdong Intelligent Insurance Agency Co., Ltd.* 广东智选保险代理有限公司 (formerly known as Qingdao Miaobao Insurance Agent Co., Ltd. (青岛妙保保险代理有限公司))	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 17, 2024

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, Jiaming (James) Wu, 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 17, 2024

By: /s/ Jiaming (James) Wu  
Name: Jiaming (James) Wu  
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, 2023 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 17, 2024

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, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jiaming (James) Wu, 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 17, 2024

By: /s/ Jiaming (James) Wu

Name: Jiaming (James) Wu

Title: Vice President of Finance and Accounting  
(principal financial and accounting officer)

## 方達律師事務所

FANGDA PARTNERS

<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 17, 2024

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, 2023 (the “Annual Report”), which is filed with the Securities and Exchange Commission (the “SEC”) on the date hereof, and further consent to the incorporation by reference the summaries of our opinions under these headings into the Registration Statements on Form S-8 (No. 333-251792 and No. 333-265733). 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

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Signature: Fangda Partners

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-251792 and No. 333-265733) of XPeng Inc. of our report dated April 17, 2024 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 17, 2024



## RECOVERY OF ERRONEOUSLY AWARDED INCENTIVE-BASED COMPENSATION

### I. BACKGROUND

XPeng Inc. (the “Company”) has adopted this Policy Regarding the Recovery of Erroneously Awarded Incentive-Based Compensation (this “Policy”) to provide for the recovery or “clawback” of excess Incentive-Based Compensation earned by current or former Executive Officers of the Company in the event of a required Restatement (each, as defined under the section entitled “VIII. Definitions” herein).

This Policy is intended to comply with the requirements of Section 303A.14 of the New York Stock Exchange (“NYSE”) Listed Company Manual (the “Listing Standard”). To the extent that any provision in this Policy is ambiguous as to its compliance with the Listing Standard or to the extent any provision in this Policy must be modified to comply with the Listing Standard, such provision will be read, or will be modified, as the case may be, in such a manner so that all applicable provisions under this Policy comply with the Listing Standard.

### II. STATEMENT OF POLICY

The Company shall recover reasonably promptly the amount of erroneously awarded Incentive-Based Compensation in the event that the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a “Restatement”).

The Company shall recover erroneously awarded Incentive-Based Compensation in compliance with this Policy except to the extent provided under the section entitled “V. Exceptions” herein.

### III. SCOPE OF POLICY

**A. *Persons Covered and Recovery Period.*** This Policy applies to all Incentive-Based Compensation received by an Executive Officer:

- after beginning service as an Executive Officer,
- who served as an Executive Officer at any time during the performance period for that Incentive-Based Compensation,
- while the securities of the Company are listed on NYSE, and
- during the three completed fiscal years immediately preceding the date that the Company is required to prepare a Restatement (the “Recovery Period”).

Notwithstanding this look-back requirement, the Company is only required to apply this Policy to Incentive-Based Compensation received on or after October 2, 2023.

For purposes of this Policy, Incentive-Based Compensation shall be deemed “received” in the Company’s fiscal period during which the Financial Reporting Measure (as defined herein) specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period.

**B. *Transition Period.*** In addition to the Recovery Period, this Policy applies to any transition period (that results from a change in the Company’s fiscal year) within or immediately following the Recovery Period (a “Transition Period”), provided that a Transition Period between the last day of the Company’s previous fiscal year end and the first day of the Company’s new fiscal year that comprises a period of nine to 12 months will be deemed a completed fiscal year. For clarity, the Company’s obligation to recover erroneously awarded Incentive-Based Compensation under this Policy is not dependent on if or when a Restatement is filed.

**C. Determining Recovery Period.** For purposes of determining the relevant Recovery Period, the date that the Company is required to prepare the Restatement is the earlier to occur of:

- the date the board of directors of the Company (the “Board”), a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare a Restatement, and
- the date a court, regulator, or other legally authorized body directs the Company to prepare a Restatement.

#### **IV. AMOUNT SUBJECT TO RECOVERY**

**A. Recoverable Amount.** The amount of Incentive-Based Compensation subject to this Policy is the amount of Incentive-Based Compensation received that exceeds the amount of Incentive-Based Compensation that otherwise would have been received had it been determined based on the restated amounts, computed without regard to any taxes paid.

**B. Covered Compensation Based on Stock Price or TSR.** For Incentive-Based Compensation based on stock price or total shareholder return (“TSR”), where the amount of erroneously awarded Incentive-Based Compensation is not subject to mathematical recalculation directly from the information in a Restatement, the recoverable amount shall be based on a reasonable estimate of the effect of the Restatement on the stock price or TSR upon which the Incentive-Based Compensation was received. In such event, the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to NYSE.

#### **V. EXCEPTIONS**

The Company shall recover erroneously awarded Incentive-Based Compensation in compliance with this Policy except to the extent that the conditions set out below are met and a majority of the independent directors serving on the Board has made a determination that recovery would be impracticable:

**A. Direct Expense Exceeds Recoverable Amount.** The direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered; provided, however, that before concluding it would be impracticable to recover any amount of erroneously awarded Incentive-Based Compensation based on expense of enforcement, the Company shall make a reasonable attempt to recover such erroneously awarded Incentive-Based Compensation, document such reasonable attempt(s) to recover, and provide that documentation to NYSE.

**B. Violation of Home Country Law.** Recovery would violate Cayman Islands law where that law was adopted prior to November 28, 2022; provided, however, that before concluding it would be impracticable to recover any amount of erroneously awarded Incentive-Based Compensation based on violation of Cayman Islands law, the Company shall obtain an opinion of Cayman Islands counsel, acceptable to NYSE, that recovery would result in such a violation, and shall provide such opinion to NYSE.

**C. Recovery from Certain Tax-Qualified Retirement Plans.** Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

## **VI. PROHIBITION AGAINST INDEMNIFICATION**

The Company shall not indemnify any Executive Officer or former Executive Officer against the loss of erroneously awarded Incentive-Based Compensation.

## **VII. DISCLOSURE**

The Company shall file all disclosures with respect to recoveries under this Policy in accordance with the requirements of the U.S. Federal securities laws, including the disclosure required by the applicable Securities and Exchange Commission ("SEC") filings.

## **VIII. DEFINITIONS**

Unless the context otherwise requires, the following definitions apply for purposes of this Policy:

"Executive Officer" means the Company's president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policymaking functions for the Company. Executive officers of the Company's subsidiaries, as applicable, are deemed Executive Officers of the Company if they perform such policy making functions for the Company. Policy-making function is not intended to include policymaking functions that are not significant. Identification of an Executive Officer for purposes of this Policy would include at a minimum executive officers identified pursuant to 17 CFR 229.401(b).

"Financial Reporting Measures" means any of the following: (i) measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures, (ii) stock price and (iii) TSR. A Financial Reporting Measure need not be presented within the Company's financial statements or included in a filing with the SEC.

"Incentive-Based Compensation" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

## **IX. EFFECTIVENESS**

This Policy shall be effective as of December 1, 2023. This Policy supersedes any previous policy of the Company concerning the recovery of excess Incentive-Based Compensation earned by current or former Executive Officers in the event of a required Restatement.