



Listing by way of Introduction

蔚來

NIO INC.

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

STOCK CODE : 9866

Joint Sponsors

Morgan Stanley

CREDIT SUISSE 

 CICC 中金公司

IMPORTANT

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



NIO Inc.

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

**LISTING BY WAY OF INTRODUCTION
ON THE MAIN BOARD OF
THE STOCK EXCHANGE OF HONG KONG LIMITED**

Stock code : 9866

Joint Sponsors



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This document is published in connection with the listing by way of introduction on the Main Board of The Stock Exchange of Hong Kong Limited of the Class A ordinary share of NIO Inc. This document contains particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information with regard to our Company and subsidiaries.

This document does not constitute an offer of, nor is it calculated to invite offers for, Class A ordinary share or other securities of our Company, nor has any such Class A ordinary share or other securities been allotted with a view to any of them being offered for sale to or subscription by members of the public. No new Shares will be allotted to and issued in connection with, or pursuant to, this document.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in “Risk factors”. Information regarding the proposed arrangements for the listing of, and dealings and settlement of dealings in, our Class A ordinary share following the Introduction is set out in “Market arrangements to facilitate dealings in Hong Kong” in this document.

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

The Company is controlled through weighted voting rights (“WVR”). Prospective investors should be aware of the potential risks of investing in a company with a WVR structure. For further information about the risks associated with our WVR structure, see the section headed “Risk Factors — Risks Related to Our Corporate Structure.” Prospective investors should make the decision to invest in us only after due and careful consideration.

February 28, 2022

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Introduction, we will issue an announcement to be published on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk, and our Company at <https://ir.nio.com>.

Commencement of investor education activities
as described in “Market arrangements to facilitate
dealings in Hong Kong – Investor Education” from February, 28, 2022

- dissemination of electronic copies of this listing document through the respective websites of our Company at <https://ir.nio.com> and the Hong Kong Stock Exchange at www.hkexnews.hk

Daily announcement released on the respective websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at <https://ir.nio.com>, disclosing the previous day closing price (in both US dollars and Hong Kong dollars for reference) of our Shares on the New York Stock Exchange, and developments and updates, if any, with regard to bridging arrangements described in “Market arrangements to facilitate dealings in Hong Kong” on Monday, March 7, 2022
Tuesday, March 8, 2022
Wednesday, March 9, 2022
and no later than 8:30 a.m.
on Thursday, March 10, 2022

Dealings in the Class A ordinary share on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on Thursday, March 10, 2022

(1) All times refer to Hong Kong local time, except as otherwise stated.
(2) Particulars of the Introduction are set out in “Information About this Document and the Introduction”.

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IMPORTANT NOTICE TO INVESTORS

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

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SUMMARY

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

OUR COMPANY

Our Chinese name, Weilai (蔚來), which means Blue Sky Coming, reflects our commitment to a more environmentally friendly future.

We are a pioneer and a leading company in the premium smart electric vehicle market. We design, develop, jointly manufacture, and sell premium smart electric vehicles, driving innovations in autonomous driving, digital technologies, electric powertrains and batteries. We differentiate ourselves through our continuous technological breakthroughs and innovations, such as our industry-leading battery swapping technologies, Battery as a Service, or BaaS, as well as our proprietary autonomous driving technologies and Autonomous Driving as a Service, or ADaaS.

We introduced the EP9 supercar in 2016, which was then the fastest electric vehicle, setting the Nurburgring Nordschleife all-electric vehicle lap record. In December 2017, we launched the ES8, which is a six- or seven-seater flagship premium smart electric SUV. Subsequently, we launched the award-winning ES6, a five-seater high-performance premium smart electric SUV, in December 2018, and the EC6, a five-seater premium smart electric coupe SUV, in December 2019, followed by the ET7, a flagship premium smart electric sedan, in January 2021. In December 2021, we launched the ET5, a mid-size premium smart electric sedan.

Our vehicles have been well-received by Chinese consumers. In the first nine months of 2021, the NIO ES6, EC6 and ES8 were the top three premium battery electric SUVs as measured by sales volume in China, according to Frost & Sullivan. In 2018, we delivered 11,348 ES8s. In 2019, we delivered 20,565 vehicles, including 9,132 ES8s and 11,433 ES6s. In 2020, we delivered 43,728 vehicles, including 10,861 ES8s, 27,945 ES6s and 4,922 EC6s. In 2021, we delivered 91,429 vehicles, which include 20,050 ES8s, 41,474 ES6s and 29,905 EC6s. As of January 31, 2022, the cumulative deliveries of the ES8, ES6 and EC6 reached 176,722 vehicles.

SUMMARY



| Model | ES8 | ES6 | EC6 | ET7* | ET5* |
|---|---------------|-----------------|--------------------|------------------------|------------------------|
| Segment | Mid-large SUV | Mid-size SUV | Mid-size coupe SUV | Mid-large sedan | Mid-size sedan |
| Wheelbase (mm) | 3,010 | 2,900 | 2,900 | 3,060 | 2,888 |
| Driving range** (km) (with 75/100/150kWh battery pack)*** | 450/580/850 | 465/610/900**** | 475/615/910**** | 550/705/1000 | 550/700/1000 |
| Acceleration time from 0 to 100km/h (s) | 4.9 | 4.7**** | 4.5**** | 3.8 | 4.3 |
| Peak Power (kW) | 400 | 400**** | 400**** | 480 | 360 |
| Maximum Torque (NM) | 725 | 725**** | 725**** | 850 | 700 |
| Autonomous driving package | NIO Pilot | NIO Pilot | NIO Pilot | NIO Autonomous Driving | NIO Autonomous Driving |
| MSRP starting from (RMB) † | 468,000 | 358,000 | 368,000 | 448,000 | 328,000 |

* ET7 and ET5 are expected to commence delivery in March and September 2022, respectively.

** Represent NEDC range for ES8, ES6 and EC6 and CLTC range for ET7 and ET5.

*** 150 kWh battery is expected to be available in the fourth quarter of 2022.

**** Represent configurations of performance versions.

† Starting price of base models, and actual price may be higher depending on configuration.

OUR KEY TECHNOLOGICAL BREAKTHROUGHS AND INNOVATIONS

Since our inception, we have continued to innovate with the goal of consistently creating the most worry-free and convenient experience for our users. We are an industry leader in battery swapping and autonomous driving technologies, according to Frost & Sullivan. Our technological breakthroughs and innovations differentiate us from our peers, creating better user experience and enhancing our users' confidence in us.

Battery swapping and BaaS

Since our introduction of the ES8 in 2017, all of our smart electric vehicles have been equipped with proprietary battery swapping technologies, providing our users with a “chargeable, swappable, upgradable” experience. In 2020, we launched the industry-first Battery as a Service, or BaaS, an innovative model which allows users to purchase electric vehicles and subscribe for the usage of batteries separately. BaaS enables our users to benefit from lower vehicle purchase prices, flexible battery upgrade options and assurance of battery performance.

- **Battery swapping.** Supported by over 1,200 patented technologies, all of our vehicles support battery swapping. It provides our users with convenient “recharging” experience by simply swapping the user’s battery for another one within minutes. In addition, it enables users to enjoy the benefits of battery technology advancements with upgrade options. Our Power Swap station 2.0, which began deployment in April 2021, significantly increases our service capacity by shortening the battery swapping time to under three minutes and carrying up to 13

SUMMARY

batteries. As of December 31, 2021, we had 777 Power Swap stations covering urban areas and expressways across 183 cities in China, through which we had completed over 5.5 million battery swaps cumulatively.

- **BaaS.** Enabled by vehicle-battery separation and battery subscription, BaaS decouples the battery price from the purchase price of a vehicle. Under the BaaS, we sell a battery to the Battery Asset Company, in which we currently hold approximately 19.8% of the equity interests, and the user subscribes for the usage of the battery from the Battery Asset Company. BaaS users enjoy a lower upfront purchase price and flexible subscription options for batteries of various capacities according to their needs on a monthly or yearly basis, as well as flexibility for battery upgrades in the future. For the year ended December 31, 2021, over half of the users that we delivered vehicles to chose BaaS subscription.

Autonomous driving and ADaaS

We believe that autonomous driving is the core of smart electric vehicles and it has been our focus from day one. We are one of the first companies in China to offer enhanced ADAS capabilities. NIO Pilot, our proprietary enhanced ADAS, is now equipped with Navigate on Pilot, or NOP. NOP is able to guide a vehicle on and off ramps, overtake, merge lanes and cruise according to planned routes in highways and urban expressways, and is one of the most advanced ADAS features on any volume-manufactured vehicle, according to Frost & Sullivan. In January 2021, we announced NIO Autonomous Driving, or NAD, our next generation, proprietary full stack autonomous driving technology. We have built up the NAD capability with in-house developed perception algorithms, localization, control strategy and platform software. The technology comprises a super computing platform called NIO Adam and a super sensing system called NIO Aquila. NAD is expected to gradually cover use cases from expressways, urban roads, parking, battery swapping to other domains to deliver a safer and more relaxing autonomous driving experience for our users and is first available on the ET7. We plan to roll out NAD through a monthly subscription under Autonomous Driving as a Service, or ADaaS, in the future.

OUR USER COMMUNITY

We strive to build an integrated online and offline user community by providing holistic services and a joyful lifestyle, under which users interact with us and with each other. Our direct sales model allows us to build direct relationships with users and engage with them online through NIO app and offline through NIO Houses and NIO Spaces. We further engage our user community through NIO Day and NIO Events, as well as our lifestyle brand NIO Life.

Our in-house developed NIO app is designed to be a portal not only for selling vehicles where users can place orders for and configure all NIO vehicles, but also for vehicle control, service access and NIO Life product purchase. NIO Houses have showroom functions while serving as clubhouses for our users and their friends. NIO Spaces are mainly showrooms for our brand, vehicles and services. As of December 31, 2021, we operated 37 NIO Houses and 321 NIO Spaces across 143 cities in China.

We have fostered a NIO community with users being involved in planning, organizing, and participating in company- and user-organized events, including our annual NIO Day. As a result of strong user engagement, our users are more willing to refer friends and family to our vehicles and services. For the year ended December 31, 2021, we reached a high user referral rate of over 60%.

SUMMARY

OUR SUPPLY CHAIN AND MANUFACTURING

Our position as a pioneer in the market has attracted many global leaders and innovative companies in the industry to work with us, creating an extensive industry alliance network that is mutually beneficial to NIO and our partners. We continuously innovate our supply chain in order to establish a more effective and diverse supply chain system. We actively cultivate partnerships with suppliers that have innovative technological capabilities and cost advantages, thereby increasing the competitiveness and innovativeness of our supply chain. Our key supplier for batteries is Contemporary Amperex Technology Co., Limited, or CATL. Our key suppliers for the semiconductor chips are Mobileye and Nvidia. We have also added Qualcomm as a semiconductor chip supplier for our vehicle models.

We manufacture our vehicles through a strategic alliance with JAC at its Hefei manufacturing facility, which currently has an annual vehicle and component production capacity of 120,000 units and will be expanded to 240,000 units in the first half of 2022. Our alliance with JAC has given us great flexibility and scalability, enabling our vehicles to hit market fast with high quality assurance. In addition, we have kicked off the construction of the second manufacturing plant in Xinqiao Industrial Park in Hefei and expect to start our vehicle production in the new manufacturing plant in the third quarter of 2022. According to the reports published by J.D. Power in July 2021, the ES6 ranked the highest in the luxury battery electric vehicle segment in China New Energy Initial Quality Study (NEV-IQS) while the ES8 ranked the highest in the luxury battery electric vehicle segment in China New Energy Vehicle — Automotive Performance, Execution and Layout (NEV-APEAL) Study.

OUR COOPERATION WITH HEFEI STRATEGIC INVESTORS

On April 29, 2020, we entered into an investment agreement, or the initial investment agreement or the “Hefei Investment Agreement”, and a shareholders agreement, or the initial shareholders agreements (collectively, the initial agreements), for investments into NIO Holding Co., Ltd. (previously known as NIO (Anhui) Holding Co., Ltd.), or NIO China, a legal entity wholly owned by us prior to the investment, with Hefei City Construction and Investment Holding (Group) Co., Ltd. (“**Hefei Construction Co.**”), CMG-SDIC Capital Co., Ltd. (“**SDIC**”) and Anhui Provincial Emerging Industry Investment Co., Ltd. (“**Anhui High-tech Co.**”). Pursuant to the initial agreements, each investor may designate a fund managed by it or a third party, as applicable, to perform the investment obligations and assume other rights and obligations under the initial agreements. Accordingly, we entered into a series of supplemental agreements with the designated investment entities of these investors later in 2020. We refer to the group of investors with whom we entered into the Hefei Agreements as the Hefei Strategic Investors in this document.

Under the Hefei Investment Agreement, the Hefei Strategic Investors agreed to invest an aggregate of RMB7 billion in cash into NIO China. We agreed to inject our core businesses and assets in China, including vehicle research and development, supply chain, sales and services and NIO Power, or together as the Asset Consideration, which was valued at RMB17.77 billion, into NIO China. As of the Latest Practicable Date, the injection of our core businesses and assets into NIO China had been completed. Further, we agreed to invest RMB4.26 billion in cash into NIO China. Pursuant to the Hefei Shareholders Agreement, upon the completion of the investments, we held 75.885% of controlling equity interests in NIO China, and the Hefei Strategic Investors collectively held the remaining 24.115%. In September 2020, February 2021 and September 2021, we, through one of our wholly-owned subsidiaries, purchased from certain Hefei Strategic Investors equity interests in NIO China and subscribed for newly increased registered capital of NIO China to increase our shareholding. After the completion of these transactions, as of the Latest Practicable Date, we held 92.114% controlling equity

SUMMARY

interests in NIO China. See “Business — Certain Other Cooperation Arrangements — Hefei Strategic Investors” and “Risk Factors — Risks Related to Our Business and Industry — We are subject to risks related to the investment in NIO China” for more information about the investment in NIO China.

OUR STRENGTHS

We believe the following strengths contribute to our success:

- Leading brand in China’s premium smart electric vehicle market
- Well positioned products in the premium smart electric vehicle market
- Proven capabilities in proprietary software and hardware technological innovations
- Innovative Battery as a Service and comprehensive power solutions
- User enterprise advocating a worry-free and holistic user experience
- World-class management and global talent pool

OUR STRATEGIES

We are pursuing the following strategies to achieve our mission:

- Successfully launch future models and accelerate product iteration
- Continue to focus on technological innovations
- Continue to develop our power infrastructure and expand sales and service coverage
- Create more recurring revenues during the lifetime ownership
- Expand internationally to benefit from rising global demand

SUMMARY

Selected Consolidated Statements of Comprehensive Loss Data

The following table sets forth a summary of our consolidated results of operations for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this document. The operating results in any periods are not necessarily indicative of the results that may be expected for any future periods.

| | Year Ended December 31, | | | Nine Months Ended September 30, | | |
|--|-------------------------|---------------------|---------------------|---------------------------------|---------------------|--------------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 | |
| | RMB | RMB | RMB | RMB | RMB | US\$ |
| | (in thousands) | | | | | |
| | (unaudited) | | | | | |
| Revenues: ⁽¹⁾ | | | | | | |
| Vehicle sales | 4,852,470 | 7,367,113 | 15,182,522 | 9,008,474 | 23,954,365 | 3,717,659 |
| Other sales ⁽³⁾ | 98,701 | 457,791 | 1,075,411 | 608,368 | 2,281,316 | 354,055 |
| Total revenues | 4,951,171 | 7,824,904 | 16,257,933 | 9,616,842 | 26,235,681 | 4,071,714 |
| Cost of sales: ⁽²⁾ | | | | | | |
| Vehicle sales | (4,930,135) | (8,096,035) | (13,255,770) | (8,146,439) | (19,225,123) | (2,983,692) |
| Other sales | (276,912) | (927,691) | (1,128,744) | (738,929) | (1,888,669) | (293,117) |
| Total cost of sales | (5,207,047) | (9,023,726) | (14,384,514) | (8,885,368) | (21,113,792) | (3,276,809) |
| Gross (loss)/profit ⁽⁴⁾ | (255,876) | (1,198,822) | 1,873,419 | 731,474 | 5,121,889 | 794,905 |
| Operating expenses: ⁽²⁾ | | | | | | |
| Research and development ⁽²⁾ | (3,997,942) | (4,428,580) | (2,487,770) | (1,658,327) | (2,763,336) | (428,863) |
| Selling, general and administrative ⁽²⁾ | (5,341,790) | (5,451,787) | (3,932,271) | (2,725,465) | (4,519,883) | (701,475) |
| Other operating (loss)/income, net | - | - | (61,023) | (23,941) | 110,158 | 17,096 |
| Total operating expenses | (9,339,732) | (9,880,367) | (6,481,064) | (4,407,733) | (7,173,061) | (1,113,242) |
| Loss from operations | (9,595,608) | (11,079,189) | (4,607,645) | (3,676,259) | (2,051,172) | (318,337) |
| Interest income | 133,384 | 160,279 | 166,904 | 89,885 | 552,772 | 85,789 |
| Interest expenses | (123,643) | (370,536) | (426,015) | (332,174) | (561,473) | (87,139) |
| Share of (losses)/profits of equity investees .. | (9,722) | (64,478) | (66,030) | (32,061) | 64,207 | 9,965 |
| Other (loss)/income, net | (21,346) | 66,160 | (364,928) | 39,854 | 131,164 | 20,356 |
| Loss before income tax expenses | (9,616,935) | (11,287,764) | (5,297,714) | (3,910,755) | (1,864,502) | (289,366) |
| Income tax expense | (22,044) | (7,888) | (6,368) | (4,704) | (9,018) | (1,400) |
| Net loss ⁽⁵⁾ | (9,638,979) | (11,295,652) | (5,304,082) | (3,915,459) | (1,873,520) | (290,766) |

SUMMARY

| | Year Ended December 31, | | | Nine Months Ended September 30, | | |
|--|-------------------------|---------------------|--------------------|---------------------------------|--------------------|--------------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 | |
| | RMB | RMB | RMB | RMB | RMB | US\$ |
| | (in thousands) | | | | | |
| | (unaudited) | | | | | |
| Other comprehensive (loss)/income | | | | | | |
| Foreign currency translation adjustment, net of nil tax | (20,786) | (168,340) | 137,596 | 104,920 | (168,944) | (26,220) |
| Total other comprehensive (loss)/income ... | (20,786) | (168,340) | 137,596 | 104,920 | (168,944) | (26,220) |
| Total comprehensive loss | (9,659,765) | (11,463,992) | (5,166,486) | (3,810,539) | (2,042,464) | (316,986) |
| Accretion on convertible redeemable preferred shares to redemption value | (13,667,291) | - | - | - | - | - |
| Accretion on redeemable non-controlling interests to redemption value | (63,297) | (126,590) | (311,670) | (205,864) | (6,519,698) | (1,011,841) |
| Net loss attributable to non-controlling interests | 41,705 | 9,141 | 4,962 | 2,703 | 131 | 20 |
| Comprehensive loss attributable to ordinary shareholders of NIO Inc. | (23,348,648) | (11,581,441) | (5,473,194) | (4,013,700) | (8,562,031) | (1,328,807) |

Note:

- (1) We began generating revenues in June 2018, when we began making deliveries and sales of the ES8. We currently generate revenues from vehicle sales and other sales.
- (2) Share-based compensation expenses were allocated in cost of sales and operating expenses as follows:

| | Year Ended December 31, | | | Nine Months Ended September 30, | | |
|---|-------------------------|----------------|----------------|------------------------------------|----------------|---------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 | |
| | RMB | RMB | RMB | RMB | RMB | US\$ |
| | (in thousands) | | | | | |
| | (unaudited) | | | | | |
| Cost of sales | 9,289 | 9,763 | 5,564 | 3,575 | 22,065 | 3,424 |
| Research and development expenses | 109,124 | 82,680 | 51,024 | 32,595 | 217,456 | 33,749 |
| Selling, general and administrative expenses | 561,055 | 241,052 | 130,506 | 90,725 | 373,928 | 58,033 |
| Total | 679,468 | 333,495 | 187,094 | 126,895 | 613,449 | 95,206 |

- (3) Other sales mainly consist of revenues from sales of our service package and energy package, battery upgrade service, automotive regulatory credits and accessories, and a number of embedded products and services offered together with vehicle sales. Embedded products and services include home chargers, vehicle connectivity service, extended warranty and battery swapping service.

SUMMARY

- (4) We had gross profit for the first time in 2020, primarily due to the increased revenue from vehicle sales.
- (5) The increase of net loss for the year ended December 31, 2019 compared with the year ended December 31, 2018 was mainly due to the increased gross loss from our sales of vehicles as a result of high cost of sales in the early production stage, and increase of our research and development expenses. Research and development expenses increased in 2019 mainly due to the increase in design and development expenses, primarily due to the incurrence of incremental design and development costs for the ES6, EC6 and all-new ES8, and the increase in employee compensation as a result of increased number of our research and development employees. The decrease of net loss for the year ended December 31, 2020 was mainly due to the increase of gross profit from increased sales of vehicles, and decrease of operating expenses. The decrease of net loss for the nine months ended September 30, 2021 compared with the corresponding period was mainly due to the increase of gross profit from increased sales of vehicles. We may continue to record net losses in the near future.

Selected Consolidated Balance Sheets Data

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

| | As at December 31, | | | As at September 30, | |
|--|--------------------------------------|------------|------------|---------------------|------------|
| | 2018 | 2019 | 2020 | 2021 | |
| | RMB | RMB | RMB | RMB | US\$ |
| | (in thousands except for share data) | | | | |
| Selected Consolidated Balance Sheet Data: | | | | | |
| Cash and cash equivalents | 3,133,847 | 862,839 | 38,425,541 | 21,594,871 | 3,351,471 |
| Restricted cash | 57,012 | 82,507 | 78,010 | 3,655,717 | 567,358 |
| Short-term investments | 5,154,703 | 111,000 | 3,950,747 | 21,706,448 | 3,368,788 |
| Trade and notes receivable | 756,508 | 1,352,093 | 1,123,920 | 3,322,076 | 515,578 |
| Amounts due from related parties | 88,066 | 50,783 | 169,288 | 1,048,656 | 162,749 |
| Inventory | 1,465,239 | 889,528 | 1,081,553 | 1,703,005 | 264,302 |
| Prepayments and other current assets | 1,514,257 | 1,579,258 | 1,422,403 | 1,332,340 | 206,776 |
| Expected credit loss provision – current | – | – | (44,645) | (47,682) | (7,400) |
| Total current assets | 12,169,632 | 4,928,008 | 46,206,817 | 54,315,431 | 8,429,622 |
| Long-term restricted cash | 33,528 | 44,523 | 41,547 | 44,385 | 6,888 |
| Property, plant and equipment, net | 4,853,157 | 5,533,064 | 4,996,228 | 6,032,503 | 936,230 |
| Intangible assets, net | 3,470 | 1,522 | 613 | 3 | – |
| Land use rights, net | 213,662 | 208,815 | 203,968 | 200,333 | 31,091 |
| Long-term investments | 148,303 | 115,325 | 300,121 | 1,307,975 | 202,995 |
| Amounts due from related parties | 7,970 | – | 617 | – | – |
| Right-of-use assets – operating lease | – | 1,997,672 | 1,350,294 | 2,348,642 | 364,504 |
| Other non-current assets | 1,412,830 | 1,753,100 | 1,561,755 | 4,813,221 | 747,000 |
| Expected credit loss provision | | | | | |
| – non-current | – | – | (20,031) | (51,633) | (8,013) |
| Total non-current assets | 6,672,920 | 9,654,021 | 8,435,112 | 14,695,429 | 2,280,695 |
| Total assets | 18,842,552 | 14,582,029 | 54,641,929 | 69,010,860 | 10,710,317 |

SUMMARY

| | As at December 31, | | | As at September 30, | |
|---|--------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2018 | 2019 | 2020 | 2021 | |
| | RMB | RMB | RMB | RMB | US\$ |
| | (in thousands except for share data) | | | | |
| Short-term borrowings | 1,870,000 | 885,620 | 1,550,000 | 5,310,000 | 824,099 |
| Trade and notes payable | 2,869,953 | 3,111,699 | 6,368,253 | 10,798,315 | 1,675,872 |
| Amounts due to related parties | 219,583 | 309,729 | 344,603 | 810,104 | 125,726 |
| Taxes payable | 51,317 | 43,986 | 181,658 | 184,766 | 28,675 |
| Current portion of operating lease liabilities | – | 608,747 | 547,142 | 646,887 | 100,395 |
| Current portion of long-term borrowings | 198,852 | 322,436 | 380,560 | 1,562,777 | 242,539 |
| Accruals and other liabilities | 3,383,681 | 4,216,641 | 4,604,024 | 7,290,806 | 1,131,516 |
| Total current liabilities | 8,593,386 | 9,498,858 | 13,976,240 | 26,603,655 | 4,128,822 |
| Net current assets/(liabilities)⁽¹⁾ | 3,576,246 | (4,570,850) | 32,230,577 | 27,711,776 | 4,300,800 |
| Long-term borrowings | 1,168,012 | 7,154,798 | 5,938,279 | 9,826,612 | 1,525,066 |
| Non-current operating lease liabilities | – | 1,598,372 | 1,015,261 | 1,792,738 | 278,229 |
| Other non-current liabilities | 930,812 | 1,151,813 | 1,849,906 | 3,055,570 | 474,217 |
| Total non-current liabilities | 2,098,824 | 9,904,983 | 8,803,446 | 14,674,920 | 2,277,512 |
| Total liabilities | 10,692,210 | 19,403,841 | 22,779,686 | 41,278,575 | 6,406,334 |
| Total mezzanine equity | 1,329,197 | 1,455,787 | 4,691,287 | 3,210,985 | 498,337 |
| Ordinary shares | 1,809 | 1,827 | 2,679 | 2,808 | 435 |
| Treasury shares | (9,186) | – | – | (1,849,600) | (287,053) |
| Additional paid in capital | 41,918,936 | 40,227,856 | 78,880,014 | 80,022,293 | 12,419,266 |
| Accumulated other comprehensive loss | (34,708) | (203,048) | (65,452) | (234,396) | (36,378) |
| Accumulated deficit | (35,039,810) | (46,326,321) | (51,648,410) | (53,521,799) | (8,306,453) |
| Non-controlling interests | (15,896) | 22,087 | 2,125 | 101,994 | 15,829 |
| Total shareholders' equity/(deficit)⁽²⁾ | 6,821,145 | (6,277,599) | 27,170,956 | 24,521,300 | 3,805,646 |
| Total shares outstanding | 1,050,799,032 | 1,064,472,660 | 1,526,539,388 | 1,590,573,377 | 1,590,573,377 |

Notes:

- (1) The net current liabilities as at December 31, 2019 was mainly due to the decrease of cash and cash equivalents and short-term investments used in the operations. The increase of net current assets as at December 31, 2020 compared with December 31, 2019 was mainly due to the cash generated from our external financing activities.
- (2) Total shareholders' deficit as of December 31, 2019 was mainly due to the increase of accumulated deficit, which was mainly derived from the net loss and accretion on convertible redeemable preferred shares to redemption value during the current and prior years. The increase of shareholders' equity as at December 31, 2020 compared with December 31, 2019 was mainly due to our external financing activities.

SUMMARY

Selected Consolidated Cash Flows Data

The following table sets forth a summary of our cash flows for the periods indicated. We had negative cash flows from operating activities of RMB7,911.8 million and RMB8,721.7 million in 2018 and 2019, respectively. We had only generated positive cash flows from operations in 2020 and the nine months ended September 30, 2021. See “Risk Factors — Risks Related to Our Business and Industry — We have not been profitable. We had negative cash flows from operating activities in 2018 and 2019 and have only recently generated positive cash flows from operations in certain periods.”

| | Year Ended December 31, | | | Nine Months Ended September 30, | | |
|---|-------------------------|-------------|-------------|---------------------------------|--------------|-------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 | |
| | RMB | RMB | RMB | RMB | RMB | US\$ |
| | (in thousands) | | | | | |
| | (unaudited) | | | | | |
| Summary of Consolidated Cash Flow Data: | | | | | | |
| Net cash (outflow used in)/inflow generated from operating activities before movements in working capital | (8,417,422) | (9,158,543) | (2,878,979) | (2,506,151) | 182,899 | 28,385 |
| Changes in operating assets and liabilities | 505,654 | 436,837 | 4,829,873 | 2,309,439 | 152,935 | 23,736 |
| Net cash (used in)/provided by operating activities ⁽¹⁾ | (7,911,768) | (8,721,706) | 1,950,894 | (196,712) | 335,834 | 52,121 |
| Net cash (used in)/provided by investing activities | (7,940,843) | 3,382,069 | (5,071,060) | (3,661,405) | (21,135,057) | (3,280,110) |
| Net cash provided by financing activities | 11,603,092 | 3,094,953 | 41,357,435 | 22,515,102 | 7,528,360 | 1,168,383 |
| Effects of exchange rate changes on cash, cash equivalents and restricted cash | (56,947) | 10,166 | (682,040) | (91,270) | 20,738 | 3,218 |
| Net (decrease)/increase in cash, cash equivalents and restricted cash | (4,306,466) | (2,234,518) | 37,555,229 | 18,565,715 | (13,250,125) | (2,056,388) |
| Cash, cash equivalents and restricted cash at beginning of the year/period | 7,530,853 | 3,224,387 | 989,869 | 989,869 | 38,545,098 | 5,982,105 |
| Cash, cash equivalents and restricted cash at end of the year/period | 3,224,387 | 989,869 | 38,545,098 | 19,555,584 | 25,294,973 | 3,925,717 |

Note:

(1) Negative cash flows from operating activities for the years ended December 31, 2018 and 2019, and for the nine months ended September 30, 2020, was mainly due to the loss incurred during the periods.

SUMMARY

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Our Major Shareholders and Relationship with Controlling Shareholders

As of the Latest Practicable Date, Mr. Bin Li, our founder, chairman and chief executive officer, was interested in and controlled through (a) Originalwish Limited, 89,013,451 Class C ordinary shares, (b) mobike Global Ltd., 26,454,325 Class C ordinary shares and (c) NIO Users Limited, 16,967,776 Class A ordinary shares and 33,032,224 Class C ordinary shares. In total, as of the Latest Practicable Date, Mr. Bin Li controlled 39.0% of the aggregate voting power of our Company.

Immediately following the Listing, (a) Originalwish Limited will be interested in 59.9% of the Class C ordinary shares and voting power of Class C ordinary shares; (b) mobike Global Ltd. will be interested in 17.8% of the issued Class C ordinary shares and voting power of Class C ordinary shares; and (c) NIO Users Limited will be interested in 1.1% of the issued Class A ordinary shares and voting power of Class A ordinary shares and 22.2% of the Class C ordinary shares and voting power of Class C ordinary shares.

NIO Users Limited is a holding company controlled by NIO Users Trust, a trust of which Mr. Bin Li is the settlor, protector, investment advisor and the only existing de facto beneficiary. Mr. Bin Li has the power to direct the trustee with respect to the retention or disposal of, and the exercise of any voting and other rights attached to, the shares held by NIO Users Limited in our Company. See “Relationship with the Controlling Shareholders — Controlling Shareholders — Powers, Rights and Obligations in NIO Users Trust” and “Risk Factors — Risks Related to Our Business and Industry” for further details about NIO Users Trust. Originalwish Limited and mobike Global Ltd. are BVI companies wholly owned by Mr. Bin Li.

For further details, please see “Major Shareholders” and “Relationship with the Controlling Shareholders.”

Weighted Voting Rights Structure and WVR Beneficiary

Under our weighted voting rights structure, our share capital comprises Class A ordinary shares, Class B ordinary shares and Class C ordinary shares. Each Class A ordinary share entitles the holder to exercise one vote, each Class B ordinary share (all of which shall have been converted to Class A ordinary shares upon Listing pursuant to the conversion notice delivered by the relevant shareholders) entitles the holder to exercise four votes, and each Class C ordinary share entitles the holder to exercise eight votes respectively, on all matters that require a shareholder’s vote, subject to Rule 8A.24 of the Hong Kong Listing Rules that requires a limited number of Reserved Matters to be voted on a one vote per share basis (save for the specified exception for the compliance of Rule 8A.24 of the Hong Kong Listing Rules as set out below).

Immediately upon Listing, upon conversion of all of the Class B ordinary shares into Class A ordinary shares pursuant to the conversion notice delivered by the affiliates of Tencent Holdings Limited (“**Tencent**”) who were holders of the Class B ordinary shares before the Listing, there will no longer be any Class B ordinary shares issued and outstanding, and the Company will not issue any Class B ordinary shares in order to comply with Rule 8A.07 of the Hong Kong Listing Rules.

In connection with the share conversion, our founder, Mr. Bin Li, together with Originalwish Limited, mobike Global Ltd. and NIO Users Limited, undertook to Tencent and/or its affiliates that, if, at any time after the Listing becoming effective, upon the earlier of (A) there is any

SUMMARY

change in the Listing Rules or any change in the interpretation of the Listing Rules by the Hong Kong Stock Exchange and the SFC such that Tencent is permitted under the Listing Rules to be a beneficiary of Class B ordinary shares with weighted voting rights, or (B) the shares of the Company cease to be traded on the Hong Kong Stock Exchange, they will, within reasonable time and in their capacity as direct and/or indirect shareholders and/or beneficial owners of the shares of the Company, use all their best efforts to assist, and procure the Company to assist Tencent, with a view to reinstating the Class B ordinary shares enjoyed by Tencent before the Listing (including but not limited to putting forward relevant resolutions to such effect at the shareholders meeting upon Tencent's request, and/or voting in favour of such relevant resolutions whether proposed by them or not), provided that this undertaking shall lapse upon such completion of such reinstatement.

Immediately upon the Listing, the WVR beneficiary will be Mr. Bin Li, our founder, chairman and chief executive officer. Mr. Bin Li beneficially owns 16,967,776 Class A ordinary shares and 148,500,000 Class C ordinary shares, representing 44.5% of the voting rights in the Company (excluding 23,279,058 Class A ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Stock Incentive Plans and assuming no additional Shares are issued under the Stock Incentive Plans and between the Latest Practicable Date and the Listing).

Mr. Bin Li is the founder, chairman and chief executive officer of our Company. He is a seasoned serial entrepreneur with a proven track record in building innovative businesses in the mobility and internet spaces.

Mr. Li is pivotal in defining NIO vision to build a user enterprise. Guided by this vision, Mr. Li initiates the concept of building a user community starting with smart electric vehicles to share joy and grow together with our users, and made that our mission.

Mr. Li leads the strategic development of our Company and is the mastermind in formulating our Company's business model and strategy. Under his guidance, our Company designs, develops, jointly manufactures and sells premium smart electric vehicles, driving innovations in next-generation technologies in autonomous driving, digital technologies, electric powertrains and batteries. Mr. Li spearheaded a series of technological breakthroughs and innovations, including our battery swapping technologies, BaaS, as well as our autonomous driving technologies and ADaaS.

Mr. Li is crucial in building NIO as a premium brand to provide a holistic experience of superior services and a joyful lifestyle to our users. Mr. Li is also the determining force behind the adoption of our online and offline integrated direct sales model.

Prospective investors are advised to be aware of the potential risks of investing in companies with a WVR structure, in particular that the interests of the WVR beneficiary may not necessarily always be aligned with those of our shareholders as a whole, and that the WVR beneficiary will be in a position to exert significant influence over the affairs of our Company and the outcome of shareholders' resolutions, irrespective of how other shareholders vote. Prospective investors should make the decision to invest in the Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by the Company, please refer to "Risk Factors — Risks Related to Our Shares, Our ADS and the Listing."

SUMMARY

ARTICLES OF ASSOCIATION

As we are seeking a listing as a Non-Grandfathered Greater China Issuer pursuant to Chapter 19C of the Hong Kong Listing Rules (Secondary Listings of Qualifying Issuers) with a WVR structure, we are subject to: (a) certain shareholder protection measures and governance safeguards under Chapter 8A of the Hong Kong Listing Rules (Weighted Voting Rights), including Rule 8A.44 of the Hong Kong Listing Rules, which requires our WVR structure to give force to the requirements of certain rules under Chapter 8A of the Hong Kong Listing Rules by incorporating them into our Articles; and (b) the articles requirements set out in Appendix 3 to the Hong Kong Listing Rules (the “**Unmet Listing Rules Articles Requirements**”). Our Articles do not currently comply with some of the Listing Rules Articles Requirements, and we undertake to put forth resolutions to amend our Articles to comply with these requirements at the upcoming annual general meeting to be convened on or before August 31, 2022.

Furthermore, we undertake to, at the same annual general meeting, seek shareholders’ approval to amend our Articles to (i) require a general meeting postponed by the directors to be postponed to a specific date, time and place (the “**GM Postponement Requirement**”), and (ii) remove the shareholding structure of Class B ordinary shares and provisions related to Class B ordinary shares (the “**Class B Removal Requirement**”, together with the Unmet Listing Rules Articles Requirements and the GM Postponement Requirement, the “**Unmet Articles Requirements**”).

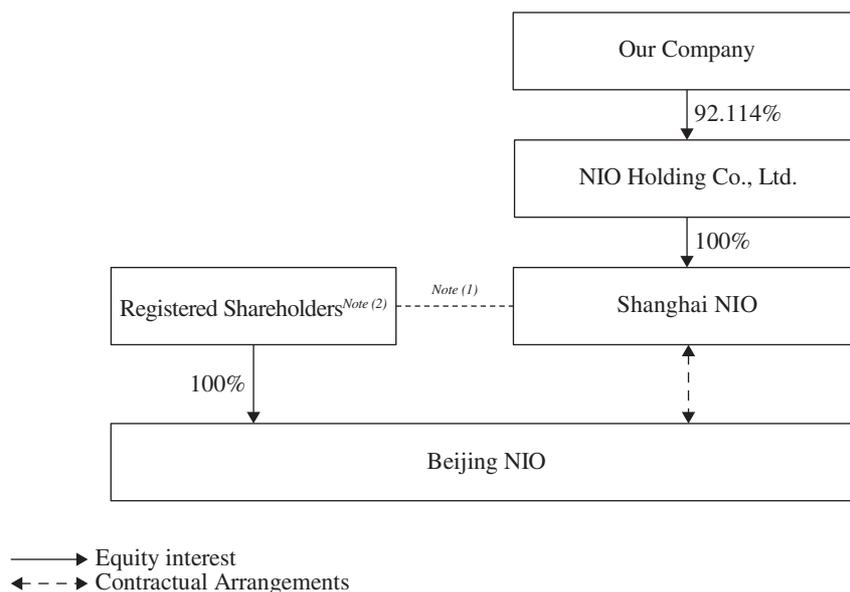
In addition, save for certain specified exceptions, we undertake to fully comply with the Unmet Articles Requirements (the “**Undertaking for Interim Compliance**”) upon the Listing and before its existing Articles are formally amended to incorporate the Unmet Articles Requirements. For further details, please see “Waivers and Exemptions — Requirements Relating to the Articles of Association of the Company” and “Share Capital — Weighted Voting Rights Structure.”

CONTRACTUAL ARRANGEMENTS

Our Company operates or may operate in certain industries that are subject to restrictions on foreign investment under current PRC laws and regulations. In order to comply with such laws, while availing ourselves of international capital markets and maintaining effective control over all of our operations, we control our Consolidated Affiliated Entities through the Contractual Arrangements. Hence, we do not directly own any equity interest in our Consolidated Affiliated Entities. Pursuant to the Contractual Arrangements, we have effective control over the financial and operational policies of our Consolidated Affiliated Entities and are entitled to all the economic benefits derived from the Consolidated Affiliated Entities’ operations. As a result, we include the financial results of our Consolidated Affiliated Entities in our consolidated financial statements in accordance with U.S. GAAP as if such entities were our wholly-owned subsidiaries. The Contractual Arrangements comply with the relevant requirements set out in the Hong Kong Stock Exchange’s Listing Decision HKEX-LD43-3. For further details, please see the section headed “Contractual Arrangements” in this document.

SUMMARY

The diagram below illustrates the relationships among the entities under the Contractual Arrangements:



Notes:

- (1) Each of Mr. Bin Li and Mr. Lihong Qin executed, respectively, an exclusive option agreement, equity pledge agreement and power of attorney in favor of Shanghai NIO. See the section headed “— Our Contractual Arrangements” for details.
- (2) Mr. Bin Li and Mr. Lihong Qin hold 80% and 20% equity interests in Beijing NIO, respectively. Mr. Bin Li is our controlling shareholder, our founder, the chairman of our board of directors and our chief executive officer. Mr. Lihong Qin is also a director and executive officer of our Company.

RISK FACTORS

There are certain risks involved in our business and industries, our corporate structure, our business operations in China, our Shares, our ADS and the Listing, many of which are beyond our control. For example, these risks include, among others, the following risks relating to our business:

- Our ability to develop and manufacture vehicles of sufficient quality and appeal to customers on schedule and on a large scale is still evolving.
- We have not been profitable. We had negative cash flows from operating activities in 2018 and 2019 and have only recently generated positive cash flows from operations in certain periods.
- Our business, financial condition and results of operations may be adversely affected by the COVID-19 pandemic.
- We have a limited operating history and face significant challenges as a new entrant into our industry.
- Manufacturing in collaboration with partners is subject to risks.

SUMMARY

- The unavailability, reduction or elimination of government and economic incentives or government policies which are favorable for electric vehicles and domestically produced vehicles could have a material adverse effect on our business, financial condition, operating results and prospects.
- Our vehicles may not perform in line with customer expectations.
- We had incurred net current liabilities and net liabilities as of December 31, 2019, and may not be able to achieve or maintain net assets in the future.

THE LISTING

Our ADSs have been listed and traded on the NYSE since September 12, 2018. Each ADS represents one Share. Dealings in our ADSs on the NYSE are conducted in U.S. dollars. We have applied for a listing of our Class A ordinary shares on the Main Board pursuant to Rule 8.05(3) and Chapter 19C (Secondary Listings of Qualifying Issuers) as well as Chapter 8A (Weighted Voting Rights) of the Hong Kong Listing Rules. Dealings in our Class A ordinary shares on the Hong Kong Stock Exchange will be conducted in Hong Kong dollars. Our Class A ordinary shares will be traded on the Hong Kong Stock Exchange in board lots of 10 Shares. For additional information, see “Information about This Document and the Introduction.”

Bridging Arrangements

In connection with the Listing, the Designated Dealer and the Alternate Designated Dealer have been appointed as bridging dealer and alternate bridging dealer, respectively and intend to implement certain bridging arrangements during the Bridging Period (being the 30-day period from and including the Listing Date). The Designated Dealer and Alternate Designated Dealer have been appointed for a period of 30 calendar days commencing from 9:00 a.m. on Listing Date. The Bridging Period will end on April 8, 2022.

In connection with the bridging arrangements, the Stock Borrowing Agreement between the Designated Dealer, as borrower, and each of CHJ Limited, a wholly-owned SPV of the Company, and Image Frame Investment (HK) Limited, one of the Tencent Entities (each as a “**Lender**”, and together as “**Lenders**”) were entered into on February 27, 2022, which will come into effect from the first day of the Bridging Period. Pursuant to the Stock Borrowing Agreement, the Lenders will make available to the borrowers stock lending facilities of up to 41,400,000 Class A ordinary share (the “**Borrowed Shares**”), or approximately 2.7% of the Class A ordinary share in issue immediately upon Listing (without taking into account the additional Shares to be issued under the Stock Incentive Plans, Class A ordinary shares issued and reserved for future issuance upon exercising or vesting of awards granted under our Stock Incentive Plan and assuming all Class B ordinary shares will be converted into Class A ordinary shares upon Listing), on one or more occasions, subject to applicable Laws. The Borrowed Shares will be registered on our Hong Kong share register and admitted into CCASS prior to and upon Listing. The Borrowed Shares shall be returned to the Lenders within 15 Business Days after the expiry of the Bridging Period, but may be postponed in case the procedure for re-delivering and transfer of the Borrowed Shares is unable to be completed within this period. For further details, see “Market Arrangements to Facilitate Dealings in Hong Kong — Bridging Arrangements”.

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Investor Education

Prior to Listing, our Company and the Joint Sponsors will cooperate to inform the investor community of general information about our Company, as well as developments and/or changes to the market arrangements disclosed in this document. After Listing, our Company and the Joint Sponsors may continue to take measures to educate the public. The measures, including but not limited to media briefings and press interviews, analyst briefings to local brokerages/research houses that cover Hong Kong-listed electric vehicle companies; publication of announcements containing, among other matters, information on the developments and updates of the liquidity arrangements, may be taken to enhance transparency of our Company and the bridging arrangements as appropriate. For further details, see “Market Arrangements to Facilitate Dealings in Hong Kong — Investor Education”.

WAIVERS AND EXEMPTIONS

As we are applying for listing under Chapter 19C of the Hong Kong Listing Rules, we will not be subject to certain provisions of the Hong Kong Listing Rules, including, among others, rules on notifiable transactions, connected transactions, share option schemes, content of financial statements as well as certain other continuing obligations. In addition, in connection with the Listing, we have applied for a number of waivers and/or exemptions from strict compliance with the Hong Kong Listing Rules and the SFO and a ruling under the Takeovers Codes. For additional information, see “Waivers and Exemptions.”

We enjoy exemptions from certain obligations under U.S. securities laws and the NYSE rules as a foreign private issuer as defined under the U.S. Exchange Act. Investors should exercise care when investing in our Shares and/or ADSs. See “Information about the Listing — Summary of Exemptions as a Foreign Private Issuer in the U.S.”

LISTING EXPENSES

We expect to incur listing expenses of approximately RMB58.3 million, comprising (1) fees and expenses of legal advisers and accountants of approximately RMB36.2 million and (2) other fees and expenses of approximately RMB22.1 million. Listing expenses are recognised in our consolidated statement of comprehensive loss as and when they are incurred.

DIVIDEND POLICY

The payment of dividends is at the discretion of our board of directors, subject to our twelfth amended and restated memorandum and articles of association. 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 the share premium account, and provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business. Even if we decide to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. See “Financial Information — Dividend Policy.”

SUMMARY

SGX-ST LISTING APPLICATION

Our Company has applied for secondary listing by way of introduction on the Main Board of SGX-ST, and the application was undergoing review by SGX-ST as of the Latest Practicable Date. For additional information, see “Information about This Document and the Introduction.”

NO MATERIAL ADVERSE CHANGE

Our directors confirm that, up to the date of this document, there has not been any material adverse change in our financial or trading position or prospects since September 30, 2021, and there is no event since September 30, 2021 which would materially affect the information shown in the Accountant’s Report in Appendix I to this document.

IMPACT OF COVID-19 ON OUR OPERATIONS

The majority of our revenues are derived from sales of our vehicles in China. Our results of operations and financial condition in 2020 have been affected by the spread of COVID-19. The COVID-19 pandemic has impact on China’s auto industry in general and our company and our supply and manufacturing partners in particular, resulting in a reduction of vehicles manufactured and delivered in the first quarter of 2020. We delivered 3,838 vehicles in the first quarter of 2020, compared with 8,224 vehicles we delivered in the fourth quarter of 2019. Nevertheless, with most NIO Houses and NIO Spaces staying in full or partial operation, we had explored a variety of online traffic channels to promote our products, technologies and services to potential users and had started to see gradual recovery of our production in March 2020.

In early 2020, in response to intensifying efforts to contain the spread of COVID-19, the Chinese government took a number of actions, which included extending the Chinese New Year holiday, quarantining individuals infected with or suspected of having contracted COVID-19, prohibiting residents from free travel, encouraging employees of enterprises to work remotely from home and canceling public activities, among others. The COVID-19 has also resulted in temporary closure of many corporate offices, retail stores, manufacturing facilities and factories across China. We have taken a series of measures in response to the pandemic, including, among others, remote working arrangements for our employees and temporary shutdown of some of our premises and facilities in early 2020. We have followed and are continuing to follow all legal directions and safety guidelines with respect to our premises and facilities in operation. These measures, if taken again in the future, could reduce the capacity and efficiency of our operations, which in turn could negatively affect our results of operations. Although COVID-19 has been largely controlled in China, there have been occasional outbreaks in several cities. To the extent we have service centers and vehicle delivery centers in these locations, we are susceptible to factors adversely affecting one or more of these locations as a result of COVID-19.

We have been working closely with JAC, the manufacturer of the ES8, ES6 and EC6, to resume productions and minimize the impact of COVID-19 on our manufacturing capabilities. As a result, our manufacturing and delivery capacities recovered to the level prior to the COVID-19 pandemic by the second quarter of 2020. In addition, we strive to expand our traffic channels, integrate our online and offline sales efforts and offer high-quality services to bring business and operation back to normal. We will pay close attention to the development of the COVID-19 pandemic, perform further assessment of its impact and take relevant measures to minimize the impact. Although our vehicle deliveries in the first quarter of 2020 was negatively impacted as a result of the COVID-19 pandemic, we achieved satisfactory delivery results in the following quarters of 2020. The total number of vehicles we delivered in the last three quarters of 2020

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was 39,890, showing an increase by 140.6% from the same period of 2019. The total number of vehicle we delivered in 2021 was 91,429, showing an increase of 109.1% from 2020. In August 2021, the vehicle production was materially impacted by supply chain constraints resulting from a new wave of outbreak of the COVID-19 pandemic in certain regions in China and Malaysia. We will continue to monitor and evaluate the financial impact on our financial condition, results of operations and cash flows for subsequent periods.

The extent to which COVID-19 impacts our financial position, results of operations and cash flows in the future will depend on the future developments of the pandemic, including the duration and severity of COVID-19, the extent and severity of new waves of outbreak in China and other countries, the development and progress of distribution of COVID-19 vaccine and other medical treatment and the effectiveness of such vaccine and other medical treatment, and the actions taken by government authorities to contain the outbreak, all of which are highly uncertain, unpredictable and beyond our control. In addition, our financial position, results of operations and cash flows could be adversely affected to the extent that the pandemic harms the Chinese economy in general. As of December 31, 2020 and September 30, 2021, we had a total of RMB42,454.3 million and RMB46,957.0 million (US\$7,287.6 million), respectively, in cash and cash equivalents, restricted cash and short-term investments. We believe this level of liquidity is sufficient to successfully navigate an extended period of uncertainty.

RECENT DEVELOPMENTS

We delivered 25,034 vehicles in the fourth quarter of 2021, a record-high quarterly delivery representing an increase of 44.3% year-over-year. We delivered a total of 91,429 vehicles in 2021, representing a strong increase of 109.1% year-over-year. We delivered 9,652 vehicles in January 2022, representing an increase of 33.6% year-over-year. As of January 31, 2022, cumulative deliveries of the ES8, ES6 and EC6 reached 176,722 vehicles. We expect to publish our monthly delivery results for February 2022 in early March 2022, in accordance with our usual practice. We do not expect to record a significant decrease in the number of vehicles delivered in February 2022 as compared to the same period in 2021, and confirm there is no material adverse change in respect of our vehicle deliveries.

The global supply constraint of semiconductor chips has negatively impacted our production activity and volume. We temporarily suspended the vehicle production activity in the JAC-NIO manufacturing plant in Hefei for five working days starting from March 29, 2021 due to semiconductor shortage. In May 2021, our vehicle delivery was adversely impacted for several days due to the volatility of semiconductor supply and certain logistical adjustments. In August 2021, the supply chain constraints resulting from another wave of COVID-19 outbreak in certain areas in China and Malaysia materially impacted our production activities and volume. We have been strategically building up our inventories for critical semiconductor chips that might be in short supply, aiming to support our delivery target. We are also actively seeking possible alternative suppliers to diversify our supply sources and reduce our exposure to supply shortage. According to Frost & Sullivan, based on the production capacity expansion plans of the key automotive chip suppliers and favorable governmental policies promoting additional supply in China, the semiconductor chip constraint in the industry is expected to be lifted in the second half of 2022. We are working closely with our suppliers to minimize the impact of the global supply shortage of semiconductor chips on our vehicle production. However, we cannot guarantee that our production activity and results of operations will not be further impacted should the semiconductor chip shortage continue. See “Risk Factors – Risks Related to Our Business and Industry – We are dependent on our suppliers, many of whom are our single source suppliers for the components they supply.”

SUMMARY

In April 2021, we kicked off the construction of the second manufacturing plant in Hefei Xinqiao Industrial Park with a designed annual production capacity of up to 300,000 units and expect to start our vehicle production in the new manufacturing plant in the third quarter of 2022.

On April 15, 2021, we entered into a framework agreement with China Petroleum & Chemical Corporation, or Sinopec, the Chinese state-owned oil producer. Pursuant to the agreement, we and Sinopec will work together on building battery charging and swapping infrastructure in gas stations in China. Sinopec and us will collectively select appropriate gas stations from its nationwide network for collaboration, and we will pay Sinopec rental fees as part of the arrangement. We believe this strategic collaboration will enhance efficiency of site selection for our charging and swapping facilities, provide better user experiences and help convert more gasoline car users to electric vehicles. As of December 31, 2021, we have built 126 battery charging and swapping facilities under our cooperation with Sinopec, including 50 Power Swap stations, 47 Power Charger stations and 29 destination charging stations.

On June 3, 2021, we held an extraordinary general meeting (the “EGM”) of shareholders at our office in Shanghai, China, for the purposes of approving the proposals to amend and restate our memorandum and articles of association. At the EGM, shareholders of the Company adopted the resolutions to amend and restate the Eleventh Amended and Restated Memorandum and Articles of Association by the deletion in their entirety and by the substitution in their place of the Twelfth Amended and Restated Memorandum and Articles of Association. We intend to further amend our memorandum and articles of association to comply with the Unmet Articles Requirements in the First AGM. For further details, see “Waivers and Exemptions — Requirements Relating to the Articles of Association of the Company.”

On July 12, 2021, our board of directors appointed Ms. Yu Long as a new independent director, effective July 12, 2021. Ms. Long also serves as a member and the chairperson of the nominating and corporate governance committee of our board of directors while Mr. William Bin Li, the Company’s founder, chairman of the board of directors and chief executive officer, resigned from the nominating and corporate governance committee of the board of directors on July 12, 2021.

In September 2021, we, through one of our wholly-owned subsidiaries, purchased from a minority strategic investor of NIO China an aggregate of 1.418% equity interests in NIO China for a total consideration of RMB2.5 billion and subscribed for newly increased registered capital of NIO China at a subscription price of RMB7.5 billion. After completion of these transactions, we currently hold an aggregate of 92.114% equity interests in NIO China.

On September 23, 2021, we launched the standard range 75 kWh cell-to-pack battery pack with hybrid LFP/NCM cells, which is equipped with advanced software and hardware systems for thermal management and SoC (State of Charge) estimation. We started the delivery of the 75 kWh battery to users in November 2021.

On September 30, 2021, we officially launched the ES8 and commenced its delivery in Norway. On the following day, we opened our first NIO House outside China in Oslo to the public. We have started to build a user community and establish a full-fledged ecosystem encompassing vehicles, services, power solutions, digital experience and lifestyle in Norway.

On September 7, 2021, we entered into an Equity Distribution Agreement with certain distribution agents to sell up to an aggregate of US\$2,000,000,000 of our ADSs through an at-the-market equity offering program. Such sales were completed on November 19, 2021 and

SUMMARY

settled on November 23, 2021, with the sale of 53,292,401 ADSs resulting in gross proceeds of US\$2 billion, before deducting commissions paid to the distribution agents of approximately US\$26 million and certain offering expenses.

On December 18, 2021, we held the NIO Day 2021 in Suzhou and launched the ET5, a mid-size premium smart electric sedan, with delivery expected to start in September 2022. With a 0.24 drag coefficient and a high-efficiency electric powertrain, featuring a front 150 kW induction motor and a rear 210 kW permanent magnet motor with SiC power module, the ET5 accelerates from 0 to 100 km/h in 4.3 seconds, and brakes from 100km/h to a complete stop in 33.9 meters. It is engineered for five-star Chinese and European New Car Assessment Program safety standards. With the Standard Range Battery, Long Range Battery, and Ultra-long Range Battery, the ET5's CLTC range reaches up to 550 km, 700 km and 1,000 km, respectively. The pre-subsidy price of the ET5 starts from RMB328,000.

LOSS ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2021

On the basis set out in Appendix III to this document, and in the absence of unforeseen circumstances, we estimate that our unaudited consolidated net loss and consolidated net loss attributable to ordinary shareholders of the Company is as follows:

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|--|-------------------------------|
| Estimated consolidated net loss | Not more than RMB4.2 billion |
| Estimated consolidated net loss attributable to ordinary shareholders of the Company ^(Note) | Not more than RMB10.8 billion |

Note: Estimated consolidated net loss attributable to ordinary shareholder of the Company includes the estimated accretion on redeemable non-controlling interests to redemption value.

See “Appendix III — Loss Estimate” for details.

RECENT REGULATORY DEVELOPMENTS

Recently, the PRC governmental authorities have promulgated a series of laws and regulations relating to cybersecurity and data security.

On June 10, 2021, the Standing Committee of the National People's Congress of China promulgated the Data Security Law (《數據安全法》) (the “**Data Security Law**”), which took effect in September 2021. The Data Security Law sets forth data security and privacy related compliance obligations on entities and individuals carrying out data related activities. The Data Security Law also introduces a data classification and layered protection system based on the importance of data and the degree of impact on national security, public interests or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked or illegally acquired or used. In addition, the Data Security Law provides a national security review procedure for those data activities that may affect national security, and imposes export restrictions on certain data and information. According to the PRC National Security Law (《中華人民共和國國家安全法》) (the “**PRC National Security Law**”), the State shall establish institutions and mechanisms for national security review and regulation, and conduct national security review on certain matters that affect or may affect PRC national security, such as key technologies and IT products and services. As advised by our PRC Legal Adviser, the criteria for determining “affect or may affect national security,” as stipulated in the National Security Law, is still subject to uncertainty and further observation and further elaboration by the Standing Committee of the National People's Congress or other authorities.

SUMMARY

On July 10, 2021, the CAC released the Cybersecurity Review Measures (Revised Draft for Solicitation of Comments) (《網絡安全審查辦法(修訂草案徵求意見稿)》). On December 28, 2021, the CAC, NDRC, MIIT, the Ministry of Public Security (“MPS”), the Ministry of National Security, the MOF, the MOFCOM, the People’s Bank of China, the SAMR, the National Radio and Television Administration, the CSRC, the National Administration of State Secrets Protection and the State Cryptography Administration jointly released the Cybersecurity Review Measures (《網絡安全審查辦法》) (the “**Cybersecurity Review Measures**”), which took effect on February 15, 2022. Pursuant to the Cybersecurity Review Measures, network platform operators with information of over one million users shall declare cybersecurity review before listing abroad (國外上市). The cybersecurity review will evaluate, among others, the risk of critical information infrastructure, core data, important data, or the risk of a large amount of personal information being influenced, controlled or maliciously used by foreign governments after going public, and cyber information security risk. As advised by our PRC Legal Adviser, the term “listing abroad (國外上市)” under the Cybersecurity Review Measures exempts listing in Hong Kong from the mandatory obligation of ex-ante declaration of cybersecurity review. Based on the foregoing and as advised by our PRC Legal Adviser, we are of the view that the Cybersecurity Review Measures will not have a material adverse effect on our business, financial condition, operating results and prospects. Given the Cybersecurity Review Measures were recently promulgated, their interpretation, application and enforcement are subject to substantial uncertainties.

On August 12, 2021, the MIIT issued the Opinion on Strengthening the Access Administration of Intelligent Connected Vehicles Manufacturing Enterprises and Their Products (《關於加強智能網聯汽車生產企業及產品准入管理的意見》) (the “**Access Administration Opinion**”), which provided responsibilities of intelligent connected vehicles manufacturing enterprises, and required such enterprises to strengthen the management of vehicle data security, cyber security, software updates, function safety and intended function safety. Furthermore, the Access Administration Opinion stated that vehicles manufacturing enterprises shall conduct security assessment prior to transmitting data abroad.

On August 17, 2021, the State Council promulgated the Regulations on the Protection of the Security of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the “**Regulations**”), which took effect in September 2021. The Regulations supplement and specify the provisions on the security of critical information infrastructure as stated in the Cyber Security Law. The Regulations provide, among others, that protection department of certain industry or sector shall notify the operator of the critical information infrastructure in time after the identification of certain critical information infrastructure. According to the Regulations, operators of certain industries or sectors that may endanger national security, people’s livelihood and public interest in case of damage, function loss or data leakage may be identified as critical information infrastructure operators by the CAC or the respective industrial regulatory authorities once they meet the identification standards promulgated by the authorities.

On August 20, 2021, the Standing Committee of the National People’s Congress of China promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the “**Personal Information Protection Law**”), which took effect in November 2021. As the first systematic and comprehensive law specifically for the protection of personal information in the PRC, the Personal Information Protection Law provides, among others, that (i) an individual’s separate consent shall be obtained before operation of such individual’s sensitive personal information, e.g., biometric characteristics and individual location tracking, (ii) personal information operators operating sensitive personal information shall notify

SUMMARY

individuals of the necessity of such operations and the influence on the individuals' rights, (iii) if personal information operators reject individuals' requests to exercise their rights, individuals may file a lawsuit with a People's Court.

On August 20, 2021, the CAC promulgated the Provisions on the Administration of Automobile Data Security (for Trial Implementation) (《汽車數據安全管理若干規定(試行)》) (the **"Provisions on Automobile Data Security"**), which took effect in October 2021. The Provisions on Automobile Data Security clearly define the definition of "automobile data", "automobile data operating", "automobile data operator", "personal information", "sensitive personal information" and "important data", and further elaborate the principles of and requirements for the automobile data operating activities within the PRC. Furthermore, the Provisions on Automobile Data Security also prescribe the implementation of classified protection of cybersecurity, the obligations of automobile data operators to inform, anonymize and obtain individuals' consents, and the specific requirements for operating sensitive personal information, as well as the risk assessment when operating important data and the security assessment when providing data abroad.

On November 14, 2021, the CAC published the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the **"Draft Administration Regulations on Cyber Data Security"**), which reiterates the circumstances under which data processors shall apply for cybersecurity review, including, among others, (i) the data processors who process personal information of at least one million users apply for "foreign" listing (國外上市); and (ii) the data processors' listing in Hong Kong affects or may possibly affect national security. However, it provides no further explanation or interpretation as to how to determine what constitutes "affecting national security", and as advised by our PRC Legal Adviser, the PRC government authorities may have wide discretion in the interpretation for "affect or may affect national security." As of the Latest Practicable Date, these draft measures have not been formally adopted. It is uncertain when the final measures will be issued and take effect, how they will be enacted, interpreted or implemented, and whether they will affect us. The scope of business operations and financing activities that are subject to such draft measures and the implementation thereof is not yet clear.

As of the date of this document, (i) we have not been informed by any PRC governmental authority of any requirement that we file for approval for this Listing; (ii) we have not been subject to any material fines or administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities in relation to the infringement of cybersecurity and data protection laws and regulations; (iii) there is no material leakage of data or personal information or violation of cybersecurity and data protection and privacy laws and regulations by us which will have a material adverse impact on our business operations; (iv) there has been no material cybersecurity and data protection incidents or infringement upon the rights of any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of the knowledge of the Company, threatened against or relating to the Company; and (v) we have implemented comprehensive cybersecurity and data protection policies, procedures, and measures to ensure secured storage and transmission of data and prevent unauthorized access or use of data. For a detailed analysis of the risks of these new laws and regulations on our business operations, see "Risk Factors — Risks Related to Our Business and Industry — Our business is subject to a variety of laws, regulations, rules, policies and other obligations regarding cybersecurity, privacy, data protection and information security. Any failure to comply with these laws, regulations and other obligations or any losses, unauthorized access or releases of confidential information or personal data could subject us to significant reputational, financial, legal and operational consequences."

SUMMARY

On December 27, 2021 the MOFCOM and the NDRC jointly promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**2021 Negative List**”), which became effective on January 1, 2022. The 2021 Negative List lifts the limit on foreign ownership of automakers for ICE passenger vehicles. However, the 2021 Negative List provides that foreign investors shall hold no more than 50% of the equity interest in a service provider operating certain value-added telecommunications services (other than for e-commerce, domestic multi-parties communications, storage and forwarding categories, call centers).

On December 24, 2021, the CSRC released the *Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments)* (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) (the “**Draft Administration Provisions**”) and the *Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments)* (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (the “**Draft Filing Measures**”). The Draft Administrative Provisions and the Draft Filing Measures regulate the system, filing management and other related rules with respect to direct or indirect overseas issuance of listed and traded securities by “domestic enterprises.”

As of the Latest Practicable Date, the Draft Administration Provisions and the Draft Filing Measures have not been formally adopted yet, and it is uncertain when the final regulations will be issued and take effect, how they will be enacted, interpreted and implemented, and whether or to what extent they will affect the Company.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below.

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| “2021 Negative List” | the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》), most recently jointly promulgated by the MOFCOM and the NDRC on December 27, 2021 and became effective on January 1, 2022, as amended, supplemented or otherwise modified from time to time |
| “Accountant’s Report” | accountant’s report for the years ended December 31, 2018, 2019, and 2020 and the nine months ended September 30, 2021 in Appendix I to this document |
| “ADS(s)” | American Depositary Shares (each representing one Class A ordinary share) |
| “Articles” or “Articles of Association” | our Articles of Association (as amended from time to time), the current form of which was adopted by a special resolution passed on June 3, 2021 and effective on June 3, 2021, a summary of which is set out in Appendix IV |
| “Beijing NIO” | Beijing NIO Network Technology Co., Ltd. (北京蔚來網絡科技有限公司), a company incorporated under the laws of PRC on July 5, 2017, wholly-owned by Mr. Bin Li and Mr. Lihong Qin, and one of our Consolidated Affiliated Entities |
| “board” or “board of directors” | our board of directors |
| “business day” | any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong or other relevant jurisdictions are generally open for business |
| “BVI” | the British Virgin Islands |
| “CAC” | the Cyberspace Administration of China (國家互聯網信息辦公室) |
| “Cayman Companies Act” or “Companies Act” | the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time |
| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |

DEFINITIONS

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| “CCASS Clearing Participant” | a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant |
| “CCASS Custodian Participant” | a person admitted to participate in CCASS as a custodian participant |
| “CCASS Investor Participant” | a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation |
| “CCASS Participant” | a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant |
| “China” or “the PRC” | the People’s Republic of China, excluding, for the purposes of this document only, the Hong Kong Special Administrative Region of the People’s Republic of China, the Macao Special Administrative Region of the People’s Republic of China and Taiwan Region, except where the context otherwise requires |
| “Class A ordinary shares” | Class A ordinary shares of the share capital of the Company with a par value of US\$0.00025 each, conferring weighted voting rights in the Company such that a holder of a Class A ordinary share is entitled to one vote per share on any resolution tabled at the Company’s general meeting |
| “Class B ordinary shares” | Class B ordinary shares of the share capital of the Company with a par value of US\$0.00025 each, conferring weighted voting rights in the Company such that a holder of a Class B ordinary share is entitled to four vote per share on any resolution tabled at the Company’s general meeting, all of which shall have been converted to Class A ordinary shares upon Listing pursuant to the conversion notice delivered by the relevant shareholders |
| “Class C ordinary shares” | Class C ordinary shares of the share capital of the Company with a par value of US\$0.00025 each, giving a holder of a Class C ordinary share eight votes per share on any resolution tabled at the Company’s general meeting, subject to Rule 8A.24 of the Hong Kong Listing Rules that requires the Reserved Matters to be voted on a one vote per share basis. Please see “Share Capital — Weighted Voting Rights Structure” for the specified exception for the compliance of Rule 8A.24 of the Hong Kong Listing Rules and further details |
| “Companies Ordinance” | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time |

DEFINITIONS

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| “Company,” “our Company,” “NIO,” “we,” “our” or “us” | NIO Inc., a company incorporated in the Cayman Islands in November 28, 2014 as an exempted company and, where the context requires, its subsidiaries and Consolidated Affiliated Entities from time to time, and depending on the context, may also refer to Shanghai Anbin Technology Co., Ltd., which was no longer our consolidated affiliated entity starting from March 31, 2021, and its subsidiaries |
| “connected transaction(s)” | has the meaning ascribed to it under the Hong Kong Listing Rules |
| “Consolidated Affiliated Entity” | the entity we control through the Contractual Arrangements, namely, Beijing NIO, details of which are set out in the section headed “Contractual Arrangements” |
| “Controlling Shareholder(s)” | has the meaning ascribed to it under the Hong Kong Listing Rules and unless the context otherwise requires, refers to Mr. Bin Li, Originalwish Limited, mobike Global Ltd. and NIO Users Limited, through which he holds interests in our Company, as set out in the section headed “Relationship with the Controlling Shareholders” |
| “COVID-19” | Novel Coronavirus (COVID-19) or Novel Coronavirus Pneumonia, a respiratory illness caused by a new strain of coronavirus and characterized especially by fever, cough, and shortness of breath and may progress to pneumonia and respiratory failure |
| “CSRC” | the China Securities Regulatory Commission (中國證券監督管理委員會) |
| “Deposit Agreement” | the deposit agreement, dated as of September 11, 2018, as amended or supplemented from time to time, among us, Deutsche Bank Trust Company Americas and our ADS holders and beneficial owners from time to time |
| “director(s)” | member(s) of our board |
| “DTC” | The Depository Trust Company, the central book-entry clearing and settlement system for equity securities in the United States and the clearance system for our ADSs |
| “EIT” | enterprise income tax |
| “EIT Law” | the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), promulgated on March 16, 2007 and came into effect on January 1, 2008 and was most recently amended on December 29, 2018 which became effective on the same date |

DEFINITIONS

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| “Extreme Conditions” | extreme conditions caused by a super typhoon as announced by the government of Hong Kong |
| “Foreign Investment Law” | the PRC Foreign Investment Law (《中華人民共和國外商投資法》), promulgated by the National People’s Congress in March 2019, which became effective on January 1, 2020 |
| “foreign private issuer” | as such term is defined in Rule 3b-4 under the U.S. Exchange Act |
| “FRC” | Financial Reporting Council |
| “Group,” “our Group,” “the Group,” “we,” “us,” or “our” | our Company, subsidiaries and consolidated affiliated entities from time to time |
| “HK\$” or “Hong Kong dollars” or “HK dollars” | Hong Kong dollars, the lawful currency of Hong Kong |
| “HKSCC” | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| “HKSCC Nominees” | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC |
| “Hong Kong” or “HK” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time |
| “Hong Kong Share Registrar” | Computershare Hong Kong Investor Services Limited |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “independent third party(ies)” | person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company |
| “Introduction” or “Listing” | the listing of Class A ordinary share on the Main Board of the Hong Kong Stock Exchange by way of introduction pursuant to the Hong Kong Listing Rules |
| “Joint Sponsors” | the Joint Sponsors as named in “Directors and Parties Involved in the Introduction” |

DEFINITIONS

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| “Latest Practicable Date” | February 18, 2022, being the latest practicable date prior to the date of this document for the purpose of ascertaining certain information contained in this document |
| “Listing Committee” | the Listing Committee of the Hong Kong Stock Exchange |
| “Listing Date” | the date, expected to be on or about March 10, 2022 on which the Shares are listed on the Main Board of the Hong Kong Stock Exchange and from which dealings in the Shares are permitted to commence on the Main Board of the Hong Kong Stock Exchange |
| “M&A Rules” | the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), promulgated by the MOFCOM and other governmental authorities on August 8, 2006, effective on September 8, 2006 and subsequently amended on June 22, 2009 |
| “Main Board” | the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange |
| “Major Subsidiaries” | our subsidiaries and consolidated affiliated entities as identified in “History and Corporate Structure — Major Subsidiaries and Operating Entities” |
| “Memorandum” or “Memorandum of Association” | our memorandum of association adopted by a special resolution passed on August 10, 2018 and effective on September 12, 2018 (as amended from time to time), a summary of which is set out in Appendix IV to this document |
| “MIIT” or “MII” | the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部), and its predecessor known as the Ministry of Information Industry of the PRC (中華人民共和國信息產業部) |
| “MOF” | the Ministry of Finance of the PRC (中華人民共和國財政部) |
| “MOFCOM” | the Ministry of Commerce of the PRC (中華人民共和國商務部), or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易合作部) |
| “NDRC” | the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) |

DEFINITIONS

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| “NPC” | the National People’s Congress of the PRC (全國人民代表大會) |
| “NYSE” | New York Stock Exchange |
| “PCAOB” | the Public Company Accounting Oversight Board |
| “PRC Company Law” | the Company Law of the PRC (《中華人民共和國公司法》), enacted by the Standing Committee of the Eighth National People’s Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018, as amended, supplemented or otherwise modified from time to time |
| “PRC Legal Adviser” | Han Kun Law Offices, our legal adviser as to the laws of the PRC |
| “Principal Share Registrar” | Maples Fund Services (Cayman) Limited |
| “Qualifying Issuer” | has the meaning given to it under chapter 19C of the Hong Kong Listing Rules |
| “Regulation S” | Regulation S under the U.S. Securities Act |
| “Relevant Persons” | the Joint Sponsors, any of their or the Company’s respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Introduction |
| “Reserved Matters” | those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to Hong Kong Listing Rule 8A.24, being: (i) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares, (ii) the appointment, election or removal of any independent non-executive director, (iii) the appointment or removal of the Company’s auditors, and (iv) the voluntary liquidation or winding-up of the Company |
| “RMB” or “Renminbi” | Renminbi, the lawful currency of the PRC |
| “SAFE” | State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable |

DEFINITIONS

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| “SAFE Circular 37” | the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE with effect from July 4, 2014 |
| “SAIC” or “SAMR” | State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), currently known as the PRC State Administration for Market Regulation (中華人民共和國國家市場監督管理總局) |
| “SCNPC” | the Standing Committee of the National People’s Congress of the PRC (全國人民代表大會常務委員會) |
| “SEC” | the United States Securities and Exchange Commission |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” or “Securities and Futures Ordinance” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time |
| “SGX-ST” | Singapore Exchange Securities Trading Limited |
| “Shanghai NIO” | NIO Co., Ltd. (上海蔚來汽車有限公司), a company incorporated under the laws of PRC on May 7, 2015, a subsidiary of our Company |
| “shareholder(s)” | holder(s) of Shares and, where the context requires, ADSs |
| “Share(s)” | the Class A ordinary shares and Class C ordinary shares in the share capital of the Company, as the context so requires |
| “STA” | State Taxation Administration of the PRC (中華人民共和國國家稅務總局) |
| “Stock Incentive Plans” | the Stock Incentive Plans, details of which are set out in the section headed “Directors and Senior Management — Compensation” |
| “subsidiaries” | has the meaning ascribed thereto in the Hong Kong Listing Rules |
| “Takeovers Codes” | the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC |

DEFINITIONS

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| “Track Record Period” | the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 |
| “US\$” or “U.S. dollars” | United States dollars, the lawful currency of the United States |
| “U.S.” or “United States” | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| “U.S. Exchange Act” | the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder |
| “U.S. GAAP” | accounting principles generally accepted in the United States |
| “U.S. Securities Act” | the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder |
| “variable interest entities,” “VIE” or “VIEs” | our variable interest entities, the financial results of which are consolidated into our consolidated financial statements as if they were our subsidiaries |
| “VAT” | value-added tax; all amounts are exclusive of VAT in this document except where indicated otherwise |
| “VIE structure” or “Contractual Arrangements” | variable interest entity structure and, where the context requires, the agreements underlying the structure |
| “weighted voting right” | has the meaning ascribed to it under the Hong Kong Listing Rules |
| “WVR beneficiary(ies)” | has the meaning ascribed to it under the Hong Kong Listing Rules and unless the context otherwise requires, refers to Mr. Bin Li, holding the Class C ordinary shares, which entitle each to weighted voting rights, details of which are set out in the section headed “Share Capital” |
| “WVR share(s)” | has the meaning ascribed to it under the Hong Kong Listing Rules and unless the context otherwise requires, refers to the Class C ordinary shares which entitle each to weighted voting rights, details of which are set out in the section headed “Share Capital” |
| “WVR structure” | has the meaning ascribed to it under the Hong Kong Listing Rules |

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

DEFINITIONS

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

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

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOSSARY OF TECHNICAL TERMS

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

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| “ADaaS” | Autonomous Driving as a Service |
| “ADAS” | advanced driver assistance system, electronic systems developed to automate, adapt, and enhance vehicle systems for safety and better driving |
| “AI” | artificial intelligence, an area of computer science that focuses on mimicking human intelligence by machines |
| “AR” | augmented reality |
| “BaaS” | Battery as a Service, which is enabled by vehicle-battery separation and battery subscription |
| “BEVs” | battery electric passenger vehicles |
| “BMS” | battery management system, an electronic system that manages a rechargeable battery (cell or battery pack), such as by protecting the battery from operating outside its safe operating area, monitoring its state, calculating secondary data, reporting that data, controlling its environment, authenticating it and/or balancing it |
| “CAGR” | “CAGR” compound annual growth rate, the geometric progression ratio that provides a constant rate of return over the time period |
| “Clean+” | NIO’s certification of sustainable materials |
| “Clean Parks” | an open platform initiated by NIO to support nature reserves, build up energy infrastructure, and establish a clean and low-carbon energy cycle system |
| “CLTC” | China Light-duty Vehicle Test Cycle |
| “EV” | electric passenger vehicles |
| “FOTA” | firmware-over-the-air, which enables the upgrade of the operating firmware across the vehicle’s core systems remotely |
| “ICE” | internal combustion engine |

GLOSSARY OF TECHNICAL TERMS

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| “Insulated Gate Bipolar Transistor” | three-terminal power semiconductor device primarily used as an electronic switch |
| “LFP” | lithium-ion battery cells that uses lithium, iron and phosphate as cathode materials |
| “LiDAR” | Light Detection and Ranging, a remote sensing method used to examine the surface of the Earth |
| “Long Range Battery” | 100 kWh battery |
| “MSRP” | manufacturer suggested retail price |
| “Navigate on Pilot”, or “NOP” | feature of NIO Pilot, which is able to guide a vehicle on and off ramps, overtake, merge lanes and cruise according to planned routes in highways and urban expressways |
| “NCM” | lithium-ion battery cells that uses nickel, cobalt and manganese as cathode materials |
| “NEDC” | New European Driving Cycle |
| “NEV” or “NEVs” | new energy passenger vehicles, including BEVs |
| “NIO Power” | mobile internet-based power solution with extensive networks for battery charging and swapping facilities, which offers a power service system with chargeable, swappable and upgradable batteries to provide users with power services catering to all scenarios |
| “NOMI” | AI companion seamlessly integrated with a variety of infotainment and navigation features in the digital cockpit, which is able to learn users’ preferences over time |
| “Nurburgring Nordschleife” | test track for auto manufacturers, and its demanding layout had been traditionally used as a proving ground |
| “PanoCinema” | NIO’s panoramic digital cockpit, featuring AR and VR technologies |
| “Silicon Carbide” | semiconductor containing silicon and carbon |
| “SOTA” | software-over-the-air, which allows for the upgrade of the vehicles software remotely |
| “Standard Range Battery” | 70 kWh and 75 kWh battery |

GLOSSARY OF TECHNICAL TERMS

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|----------------------------|---|
| “SUV” | sport utility vehicles |
| “Ultra-Long Range Battery” | 150 kWh battery |
| “UWB” | ultra-wideband, a radio technology that can use a very low energy level for short-range, high-bandwidth communications over a large portion of the radio spectrum |
| “V2X” | Vehicle-to-everything, a communication between a vehicle and any entity that may affect, or may be affected by, the vehicle |
| “VR” | virtual reality |

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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You should carefully consider all of the information set out in this document before making an investment in the Shares, including, but not limited to, the risks and uncertainties described below. You should pay particular attention to the fact that we are a company incorporated in the Cayman Islands and that our principal operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from what prevails in other countries. Our business could be affected materially and adversely by any of these risks.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Our ability to develop and manufacture vehicles of sufficient quality and appeal to customers on schedule and on a large scale is still evolving.

Our future business depends in large part on our ability to execute on our plans to develop, manufacture, market and sell our electric vehicles. We plan to manufacture our vehicles in higher volumes than our present production capabilities.

Our continued development and manufacturing of our vehicles, the ES8, the ES6, the EC6, the ET7, the ET5 and our future vehicles are and will be subject to risks, including with respect to:

- our ability to secure necessary funding;
- the equipment we use being able to accurately manufacture the vehicle within specified design tolerances;
- compliance with environmental, workplace safety and similar regulations;
- securing necessary components on acceptable terms and in a timely manner;
- delays in delivery of final component designs to our suppliers, or delays in the development and delivery of our core technologies and new vehicle models, such as our NIO Autonomous Driving, or NAD, and technologies for batteries;
- our ability to attract, recruit, hire and train skilled employees;
- quality controls;
- delays or disruptions in our supply chain;
- our ability to maintain solid partnership with our manufacturing partners and suppliers; and
- other delays in manufacturing and production capacity expansion, and cost overruns.

We began making deliveries of the seven-seater ES8 in June 2018, the six-seater ES8 in March 2019, the ES6 in June 2019, the all-new ES8 in April 2020, and the EC6 in September 2020. In January 2021, we launched the ET7, a flagship premium smart electric sedan, and estimated

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to start the delivery of the ET7 in March 2022. In December 2021, we launched the ET5, a mid-size premium smart electric sedan, and estimated to start the delivery of the ET5 in September 2022. Our vehicles may not meet customer expectations and our future models may not be commercially viable.

Historically, automobile customers have expected auto companies to periodically introduce new and improved vehicle models. In order to meet these expectations, we may be required to introduce new vehicle models and enhanced versions of existing vehicle models. To date we have limited experience designing, testing, manufacturing, marketing and selling our electric vehicles and therefore cannot assure you that we will be able to meet customer expectations.

Any of the foregoing could have a material adverse effect on our results of operations and growth prospects.

We have not been profitable. We had negative cash flows from operating activities in 2018 and 2019 and have only recently generated positive cash flows from operations in certain periods.

We have not been profitable since our inception, and have only recently generated positive cash flows from operations in certain periods. We incurred net losses of RMB9,639.0 million, RMB11,295.7 million and RMB5,304.1 million and RMB1,873.5 million in 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively. In addition, although we generated positive cash flows from operation in 2020 and the nine months ended September 30, 2021, we had negative cash flows from operating activities of RMB7,911.8 million and RMB8,721.7 million in 2018 and 2019, respectively, and had negative cash flows from operation in the second and third quarters of 2021.

There can be no assurance that we will not experience liquidity problems in the future. We may not be able to fulfill our obligation in providing vehicles, embedded products or services to our users in respect of advances from customers, the failure of which may negatively affect our cash flow position. If we fail to generate sufficient revenue from our operations, or if we fail to maintain sufficient cash and financing, we may not have sufficient cash flows to fund our business, operations and capital expenditure and our business and financial position will be adversely affected.

We have made significant up-front investments in research and development, service network, and sales and marketing to rapidly develop and expand our business. We expect to continue to invest significantly in research and development and sales and service, and in production capacity expansion, to further develop and expand our business, and these investments may not result in an increase in revenue or positive cash flow on a timely basis, or at all. We may continue to record net losses in the near future. We may not generate sufficient revenues or we may incur substantial losses for a number of reasons, including lack of demand for our vehicles and services, increasing competition, challenging macro-economic environment due to the COVID-19 pandemic, as well as other risks discussed herein, and we may incur unforeseen expenses, or encounter difficulties, complications and delays in generating revenue or achieving profitability. If we are unable to achieve profitability, we may have to reduce the scale of our operations, which may impact our business growth and adversely affect our financial condition and results of operations. In addition, our continuous operation depends on our capability to improve operating cash flows as well as our capacity to obtain sufficient external equity or debt financing. If we do not succeed in doing so, we may have to limit the scale of our operations, which may limit our business growth and adversely affect our financial condition and results of operations.

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Our business, financial condition and results of operations may be adversely affected by the COVID-19 pandemic.

Since the beginning of 2020, the COVID-19 pandemic has resulted in temporary closure of many corporate offices, retail stores, manufacturing facilities and factories across China and the world. In early 2020, in response to intensifying efforts to contain the spread of COVID-19, the Chinese government took a number of actions, which included, among others, extending the Chinese New Year holiday, quarantining and otherwise treating individuals who had contracted COVID-19, asking residents to remain at home and to avoid gathering in public. While such restrictive measures have been gradually lifted, our business has been and could continue to be adversely impacted by the effects of the COVID-19 pandemic. Although COVID-19 has been largely controlled in China, there have been occasional outbreaks in several cities. To the extent we have service centers and vehicle delivery centers in these locations, we are susceptible to factors adversely affecting one or more of these locations as a result of COVID-19. Our results of operations have been and could continue to be adversely affected to the extent the COVID-19 pandemic or any other epidemic harms the Chinese economy in general. We have experienced and may continue to experience impacts to certain of our customers and/or suppliers as a result of the COVID-19 pandemic occurring in one or more of these locations, which have materially and adversely affected our business, financial condition, results of operations and cash flows. In addition, our operations have experienced and may continue to experience disruptions, such as temporary closure of our offices and/or those of our customers or suppliers and suspension of services, resulting in a reduction of vehicles manufactured and in turn fewer vehicles delivered, which have affected and may continue to materially and adversely affect our business, financial condition, results of operations and cash flow. Further, to the extent the COVID-19 pandemic adversely affects our business and financial results, it has and may continue to have the effect of heightening many of the other risks described in this document, such as those relating to our level of indebtedness, our need to generate sufficient cash flows to service our indebtedness and our ability to comply with the covenants contained in the agreements that govern our indebtedness.

As a result of COVID-19, normal economic life throughout China was sharply curtailed and there were disruptions to normal operation of businesses in various areas, including the manufacturing and sales of vehicles in China. In addition, the ongoing global pandemic may adversely affect the supply chains, which in turn may materially and adversely affect our business and results of operations. The global pandemic, especially the situation in Europe, may also delay the execution of our overseas market expansion plan. Relaxation of restrictions on economic and social life may lead to new cases, which may lead to the re-imposition of restrictions. As a result, the duration of such business disruption and the resulting financial and operational impact on us cannot be reasonably estimated at this time. The extent to which the COVID-19 pandemic may further impact our business and financial performance will depend on future developments, which are highly uncertain and largely beyond our control. Even if the economic impact of COVID-19 gradually recedes, the pandemic will have a lingering, long-term effect on business activities and consumption behavior. There is no assurance that we will be able to adjust our business operations to adapt to these changes and the increasingly complex environment in which we operate.

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

We were formed in 2014 and began making deliveries to the public of our first volume manufactured vehicle, the seven-seater ES8, in June 2018. We began making deliveries of our second volume manufactured electric vehicle, the ES6, in June 2019. We began making deliveries of the all-new ES8 in April 2020, and our third volume manufactured vehicle, the

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EC6, in September 2020. In January 2021, we launched the ET7, a flagship premium smart electric sedan, and estimated to start the delivery of the ET7 in March 2022. In December 2021, we launched the ET5, a mid-size premium smart electric sedan, and estimated to commence the delivery of the ET5 in September 2022.

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;
- establish and expand our customer base;
- successfully market not just our vehicles but also our other services, including our service package, energy package and other services we provide;
- properly price our services, including our power solutions and service package and successfully anticipate the take-rate and usage of such services by users;
- improve and maintain our operational efficiency;
- maintain a reliable, secure, high-performance and scalable technology infrastructure;
- attract, retain and motivate talented employees;
- anticipate and adapt to changing market conditions, including technological developments and changes in competitive landscape; and
- navigate an evolving and complex regulatory environment.

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

We have limited experience to date in high volume manufacturing of our electric vehicles. We cannot assure you that we will be able to develop efficient, automated, cost-efficient manufacturing capability and processes, and reliable sources of component supply that will enable us to meet the quality, price, engineering, design and production standards, as well as the production volumes required to successfully mass market the ES8, the ES6, the EC6, the ET7, the ET5 and future models.

Furthermore, our vehicles are highly technical products that will require maintenance and support. If we were to cease or cut back operations, even years from now, buyers of our vehicles from years earlier might encounter difficulties in maintaining their vehicles and obtaining satisfactory support. We also believe that our service offerings, including user confidence in our ability to provide our power solutions and honor our obligations under our service package, will be key factors in marketing our vehicles. As a result, consumers will be less likely to purchase our vehicles now if they are not convinced that our business will succeed or that our operations will continue for many years. Similarly, suppliers and other third parties will be less likely to invest time and resources in developing business relationships with us if they are not convinced that our business will succeed.

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Manufacturing in collaboration with partners is subject to risks.

Since 2016, Jianghuai Automobile Group Ltd., or JAC, a major state-owned automobile manufacturer in China, has been our partner for the joint manufacturing of our vehicles. In May 2021, we entered into renewed manufacturing agreements regarding the joint manufacturing of our vehicles and related fee arrangements with JAC and Jianglai Advanced Manufacturing Technology (Anhui) Co., Ltd., or Jianglai, the joint venture for operation management established by JAC and us where we hold 49% equity interests. JAC built the JAC-NIO manufacturing plant in Hefei for the production of the ES8 and subsequently for the production of the ES6 and EC6 with a modified production line as well as the ET7 and other future vehicles with us. During the Track Record Period, we paid JAC for each vehicle produced on a per-vehicle basis monthly. During the Track Record Period and up to the Latest Practicable Date, all of our vehicles were manufactured in the JAC-NIO manufacturing plant.

Pursuant to the renewed joint manufacturing arrangement we entered into with JAC and Jianglai in May 2021, from May 2021 to May 2024, JAC will continue to manufacture the ES8, ES6, EC6, ET7 and potentially other NIO models in the pipeline. In addition, JAC will expand its annual vehicle and component production capacity to 240,000 units (calculated based on 4,000 working hours per year) in order to meet the growing demand for our vehicles. We will be in charge of vehicle development and engineering, supply chain management, manufacturing techniques, and quality management and assurance. Jianglai will be responsible for parts assembly and operation management.

Collaboration with third parties for the manufacturing of vehicles is subject to risks with respect to operations that are outside our control. We could experience delays to the extent our partners do not meet agreed-upon timelines or experience capacity constraints. The volume of vehicles manufactured could fall short of expectation if there are any adverse changes in our partners' liquidity position that causes their inability to discharge their obligations to manufacture vehicles. There is risk of potential disputes with partners, and we could be affected by adverse publicity related to our partners whether or not such publicity is related to their collaboration with us. Our ability to successfully build a premium brand could also be adversely affected by perceptions about the quality of our partners' vehicles. In addition, although we are involved in each step of the supply chain and manufacturing process, given that we also rely on our partners to meet our quality standards, there can be no assurance that we will successfully maintain quality standards.

Our joint manufacturing arrangement with JAC will terminate in May 2024, upon which we will need to renew the contract with JAC or locate other manufacturing partners. We may be unable to enter into new agreements or extend existing agreements with JAC and other third-party manufacturing partners on terms and conditions acceptable to us and therefore may need to contract with other third parties or significantly add to our own production capacity. There can be no assurance that in such event we would be able to partner with other third parties or establish or expand our own production capacity to meet our needs on acceptable terms or at all. The expense and time required to complete any transition, and to assure that vehicles manufactured at facilities of new third-party partners comply with our quality standards and regulatory requirements, may be greater than anticipated. Any of the foregoing could adversely affect our business, results of operations, financial condition and prospects.

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The unavailability, reduction or elimination of government and economic incentives or government policies which are favorable for electric vehicles and domestically produced vehicles could have a material adverse effect on our business, financial condition, operating results and prospects.

Our growth depends significantly on the availability and amounts of government subsidies, economic incentives and government policies that support the growth of new energy vehicles. Favorable government incentives and subsidies in China include one-time government subsidies, exemption from vehicle purchase tax, exemption from license plate restrictions in certain cities, preferential utility rates for charging facilities and more. Changes in government subsidies, economic incentives and government policies to support NEVs could adversely affect the results of our operations.

China's central government provides subsidies for purchasers of certain NEVs until 2022 and reviews and further adjusts the subsidy standard on an annual basis. The 2019 subsidy standard, effective from March 26, 2019, reduced the amount of national subsidies and canceled local subsidies, resulting in a significant reduction in the total subsidy amount applicable to the ES8 and ES6 as compared to 2018. The 2020 subsidy standard, effective from April 23, 2020, reduces the base subsidy amount in general by 10% for each NEV, sets subsidies for two million vehicles as the upper limit of annual subsidy scale; and provides that national subsidy shall only apply to NEVs that are either (i) with the sale price under RMB300,000 or (ii) equipped with battery swapping mechanism. Given that all of our vehicles are equipped with battery swapping mechanism, as advised by our PRC Legal Adviser, purchasers of all of our vehicles, regardless of sales price, are eligible to enjoy the PRC government's subsidies to purchasers of new energy vehicles. We believe that our sales performance of ES8, ES6 and EC6 in 2019 and 2020 was negatively affected by the reduction in the subsidy standard to some extent. The 2021 subsidy standard, effective from January 1, 2021, reduced by 20% as compared to the 2020 subsidy standard. Further, the current 2022 subsidy standard, effective from January 1, 2022, reduced by 30% compared to the standard of 2021.

Our vehicles sales may also be impacted by government policies such as tariffs on imported vehicles and foreign investment restrictions in the industry. The tariff in China on imported passenger vehicles (other than those originating in the United States of America) was reduced to 15% starting from July 1, 2018. As a result, pricing advantage of domestically manufactured vehicles could be diminished. There used to be a certain limitation on foreign ownership of automakers in China, but for automakers of NEVs, such limit was lifted in 2018. Further, pursuant to the 2021 Negative List, which came into effect on January 1, 2022, the limit on foreign ownership of automakers for ICE passenger vehicles was also lifted. As a result, foreign NEV competitors could build wholly-owned facilities in China without the need for a domestic joint venture partner. These changes could affect the competitive landscape of the NEV industry and reduce our pricing advantage, which may adversely affect our business, results of operations and financial condition.

Apart from vehicle purchase subsidies, China's central government has adopted a NEV credit scheme that incentivizes OEMs to increase the production and sale of NEVs. Excess positive NEV credits ("**automotive regulatory credits**") are tradable and may be sold to other enterprises through a credit trading scheme established by the MIIT. For further information relating to automotive regulatory credits, please refer to "Regulatory Overview — Regulations Relating to Parallel Credits Policy on Vehicle Manufacturers and Importers." We have earned positive NEV credits through manufacturing new energy vehicles and sold some of our excess positive NEV credits to other vehicle manufacturers or importers. We generated revenue from the sale of automotive regulatory credits totaled RMB120.6 million and RMB516.5 million for 2020 and the nine months ended September 30, 2021, respectively. The credits earned are

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calculated based on the formula published by MIIT, which is dependent on various metrics such as vehicle mileage and battery energy efficiency. There is no guarantee that we will continue to earn a similar level or amount of credits going forward. Moreover, as the prices for automotive regulatory credits are subject to market demand, which affects the amount of regulatory credits generated by other vehicle manufacturers during a given period, we cannot assure you that we will continue to sell our automotive regulatory credits at the current price or a higher price. Any changes in government policies to restrict or eliminate such automotive regulatory credits trading could adversely affect our business, financial condition and results of operations.

Such negative influence and our undermined sales performance resulted therefrom could continue. Furthermore, China's central government provides certain local governments with funds and subsidies to support the roll-out of charging infrastructure. See "Regulatory Overview — Favorable Government Policies Relating to New Energy Vehicles in the PRC." These policies are subject to change and beyond our control. We cannot assure you that any changes would be favorable to our business. Furthermore, any reduction, elimination, delayed payment or discriminatory application of government subsidies and economic incentives because of policy changes, the reduced need for such subsidies and incentives due to the perceived success of electric vehicles, fiscal tightening or other factors may result in the diminished competitiveness of the alternative fuel vehicle industry generally or our electric vehicles 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. However, the collection of the government subsidies is subject to the appropriation arrangement and cadence of the relevant governmental authority. Any uncertainty or delay in collection of the government subsidies may also have an adverse impact on our financial condition. For more details, please refer to "11. Other Non-current Assets" set forth in Appendix I to this document. Any of the foregoing could materially and adversely affect our business, results of operations, financial condition and prospects.

Our vehicles may not perform in line with customer expectations.

Our vehicles, including the ES8, ES6, EC6, ET7 and ET5 may not perform in line with customers' expectations. For example, our vehicles may not have the durability or longevity of other vehicles in the market, and may not be as easy and convenient to repair as other vehicles in the market. Any product defects or any other failure of our vehicles to perform as expected could harm our reputation and result in adverse publicity, lost revenue, delivery delays, product recalls, product liability claims, harm to our brand and reputation, and significant warranty and other expenses, and could have a material adverse impact on our business, financial condition, operating results and prospects.

In addition, the range of our vehicles 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 electric vehicle as well as the frequency with which he or she charges the battery can result in additional deterioration of the battery's ability to hold a charge.

Furthermore, our vehicles may contain defects in design and manufacture that may cause them not to perform as expected or that may require repair. We have delivered our vehicles with certain features of our NIO Pilot ADAS system initially disabled, and subsequently turned on some of these features. We activated most of the announced functions of the NIO Pilot in 2019 and 2020, and plan to continue to explore more features of the NIO Pilot system in the future. We cannot assure you that our NIO Pilot system will ultimately perform in line with expectations. Our vehicles use a substantial amount of software code to operate and software products are inherently complex and often contain defects and errors when first introduced.

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While we have performed extensive internal testing on our vehicles' software and hardware systems, we have a limited frame of reference by which to evaluate the long-term performance of our systems and vehicles. There can be no assurance that we will be able to detect and fix any defects in the vehicles prior to their sale to consumers. If any of our vehicles fail to perform as expected, we may need to delay deliveries, initiate product recalls and provide servicing or updates under warranty at our expense, which could adversely affect our brand in our target markets and could adversely affect our business, prospects and results of operations.

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 generally target to launch a new model every year in the near future as we ramp up our business. Auto companies often experience delays in the design, manufacture and commercial release of new vehicle models. We are planning to target a broader market with our future vehicles, and to the extent we need to delay the launch of our vehicles, 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 and materials used in our vehicles. To the extent our suppliers experience any delays in providing us with or developing necessary components, we could experience delays in delivering on our timelines. Any delay in the manufacture or launch of the ES8, the ES6, the EC6, the ET7, the ET5, or future models, including in the build-out of the manufacturing facilities in China for these models or due to any other factors, or in refreshing or performing facelifts to existing models, could subject us to customer complaints and materially and adversely affect our reputation, demand for our vehicles, results of operations and growth prospects.

We may face challenges providing our power solutions.

We provide our users with comprehensive power solutions. We install home chargers for users where practicable, and provide other solutions, including battery swapping, supercharging, charging through publicly accessible charging infrastructure and charging using our fast-charging vans. Our users are able to use our One Click for Power valet charging service where their vehicles are picked up, charged and then returned.

We have very limited experience in the actual provision of our power solutions to users and providing these services is subject to challenges, including the challenges associated with sorting out the logistics of rolling out our network and teams in appropriate areas, inadequate capacity or over capacity of our services in certain areas, security risks or risk of damage to vehicles during One Click for Power valet services and the potential for lack of user acceptance of our services. In addition, although the Chinese government has supported the roll-out of a public charging network, the current number of charging infrastructures is generally considered to be insufficient. We also face uncertainties with regard to governmental support and public infrastructure as we roll out our power solutions, including whether we can obtain and maintain access to sufficient charging infrastructure, whether we can obtain any required permits and land use rights and complete any required filings, and whether the government support in this area may discontinue.

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

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We rely on Battery Asset Company to work together with us to provide Battery as a Service to our users. If Battery Asset Company fails to achieve smooth and stable operations, our Battery as a Service and reputation may be materially and adversely affected.

On August 20, 2020, we introduced the Battery as a Service, or BaaS, which allows users to purchase electric vehicles and subscribe for the usage of batteries separately. If users opt to purchase an ES8, ES6, EC6, ET7 or ET5 and subscribe for the Standard Range Battery under the BaaS, they can enjoy an RMB70,000 deduction off the original vehicle purchase price and pay a monthly subscription fee of RMB980 for the battery. In the meantime, we also offer the Long Range Battery with battery upgrade plans. If users opt to purchase an ES8, ES6, EC6, ET7 or ET5 and subscribe for the Long Range Battery under the BaaS, they can purchase the vehicle without the battery while paying a monthly subscription fee of RMB1,480. Users who currently apply the Standard Range Battery with the intention to upgrade their batteries can choose to either purchase a Long Range Battery for permanent upgrades or pay a monthly subscription fee of RMB880 for a flexible upgrade package. As advised by our PRC Legal Adviser, separation of sales of vehicles and batteries complies with the all applicable tax laws and regulations. While currently there is no special tax advantage applicable to us or our users by adopting the BaaS model, our users who purchase vehicles under the BaaS model are eligible to enjoy the same level of subsidies provided by the PRC government to users who purchase new energy vehicles without the BaaS model.

Under the BaaS, we sell a battery to the Battery Asset Company, and the user subscribes for the usage of the battery from the Battery Asset Company. The service we provide to our users under the BaaS relies, in part, on the smooth operation of and stability and quality of service delivered by the Battery Asset Company, which we cannot guarantee. We invested in the Battery Asset Company with CATL, Hubei Science Technology Investment Group Co., Ltd. and a subsidiary of Guotai Junan International Holdings Limited, which we refer to as the Initial BaaS Investors in this document. We and the Initial BaaS Investors each invested RMB200 million and held 25% equity interests in the Battery Asset Company at its establishment. In December 2020 and April 2021, the Battery Asset Company entered into agreements with new and existing investors for additional financing. In August 2021, the Battery Asset Company conducted series B financing with an aggregate amount of RMB530.5 million. We invested an additional RMB270 million in the Battery Asset Company in connection with its series B financing. As a result of these transactions, we currently beneficially own approximately 19.8% of the equity interests in the Battery Asset Company. We refer to the Initial BaaS Investors together with the other investors of the Battery Asset Company that subsequently joined as the Battery Asset Company Investors. As a result, we only have limited control over the business operations of the Battery Asset Company. If it fails in delivering smooth and stable operations, we will suffer from negative customer reviews and even returns of products or services and our reputation may be materially and adversely affected. Additionally, given that we generate a portion of our total revenues from sales of battery purchases and provision of service to the Battery Asset Company, our results of operations and financial performance will be negatively affected if the Battery Asset Company fails to operate smoothly. The Battery Asset Company may finance the purchase of batteries through issuance of equity and debt or bank borrowing. If the Battery Asset Company is unable to obtain future financings from the Battery Asset Company Investors or other third parties to meet its operational needs, it may not be able to continue purchasing batteries from us and providing them to our users through battery subscription, or otherwise maintain its healthy and sustainable operations. On the other hand, if the Battery Asset Company bears a significant rate of customer default on its payment obligations, its results of operations and financial performance may be materially impacted, which will in turn reduce the value of our and the Battery Asset Company Investors' investments in the Battery Asset Company. In addition, in furtherance of the BaaS, we agreed to provide guarantee to the Battery Asset Company for the

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default in payment of monthly subscription fees from users, while the maximum amount of guarantee that can be claimed shall not be higher than the accumulated service fees we receive from the Battery Asset Company. As the BaaS user base is expanding, if an increased number of default occurs, our results of operations and financial performance will be negatively affected. As of September 30, 2021, the guarantee liability we provided to Battery Asset Company was immaterial.

Our services may not be generally accepted by our users. If we are unable to provide good customer service, our business and reputation may be materially and adversely affected.

We aim to provide users with a good customer service experience, including by providing our users with access to a full suite of services conveniently through our mobile application and vehicle applications. In addition, we seek to engage with our users on an ongoing basis using online and offline channels, in ways which are non-traditional for automakers. We are also expanding our service scope to meet our users' evolving demands. For example, in January 2021, we launched NIO Certified, our official used car business, where our users can sell their NIO vehicles to us and we will resell them for value. We have established a nationwide used vehicle business network, covering services including vehicle inspection, evaluation, acquisition and sales. In addition, we have also started to offer auto financing arrangements to our users directly through our subsidiary, NIO Financial Leasing Co., Ltd., in late 2020. As advised by our PRC Legal Adviser, these auto financing arrangements provided by the Company fall within the scope of "financial leasing business" and the Company has obtained all required licenses, approvals and permits for conducting financial leasing business in all material respects. As of September 30, 2021 and the Latest Practicable Date, the outstanding amounts of auto loans we provided to our users were RMB4,219.9 million and RMB4,207.2 million, respectively, which were our total credit exposure. As of December 31, 2020 and September 30, 2021, we have accrued current expected credit loss of nil and RMB32.2 million against the carrying value of auto financing receivables based on our expected credit loss assessment. New service offerings will subject us to unknown risks. We cannot assure you that our services, including our service package and energy package, our used car service, our auto financing services or our efforts to engage with our users using both our online and offline channels, will be successful, which could impact our revenues as well as our customer satisfaction and marketing.

Our servicing will partially be carried out through third parties certified by us. Although such servicing partners may have experience in servicing other vehicles, we and such partners have very limited experience in servicing our vehicles. Servicing electric vehicles is different from servicing ICE vehicles and requires specialized skills, including high voltage training and servicing techniques. There can be no assurance that our service arrangements will adequately address the service requirements of our users to their satisfaction, or that we and our partners will have sufficient resources to meet these service requirements in a timely manner as the volume of vehicles we deliver increases.

In addition, if we are unable to roll out and establish a widespread service network, user satisfaction could be adversely affected, which in turn could materially and adversely affect our sales, results of operations and prospects.

We have received only a limited number of reservations for the ES8, the ES6, the EC6, the ET7 and the ET5, all of which are subject to cancellation.

Intention orders and reservations for our vehicles are subject to cancellation by the customer until delivery of the vehicle. We have experienced cancellations in the past. Notwithstanding the non-refundable deposits we charge for the reservations, which are less than 1.5% of the

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MSRP, our users may still cancel their reservations for many reasons outside of our control. The potentially long wait from the time a reservation is made until the time the vehicle is delivered could also impact user decisions on whether to ultimately make a purchase, due to potential changes in preferences, competitive developments and other factors. If we encounter delays in the delivery of the ES8, ES6, EC6, ET7, ET5 or future models, we believe that a significant number of reservations may be cancelled. As a result, no assurance can be made that reservations will not be cancelled and will ultimately result in the final purchase, delivery, and sale of the vehicle. Such cancellations could harm our financial condition, business, prospects and operating results.

The automotive market is highly competitive, and we may not be successful in competing in this industry.

The China automotive market is highly competitive. We have strategically entered into this market in the premium EV segment and we expect this segment will become more competitive in the future as additional players enter into this segment. We compete with international competitors, including Tesla. Our vehicles also compete with ICE vehicles in the premium segment. Many of our current and potential competitors, particularly international competitors, have significantly greater financial, technical, manufacturing, marketing and other resources than we do and may be able to devote greater resources to the design, development, manufacturing, distribution, promotion, sale and support of their products. We expect competition in our industry to intensify in the future in light of increased demand 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, fuel economy, 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. Our ability to successfully compete in our industry will be fundamental to our future success in existing and new markets and our market share. There can be no assurance that we will be able to compete successfully in our markets. If our competitors introduce new vehicles or services that successfully compete with or surpass the quality or performance of our vehicles or services at more competitive prices, we may be unable to satisfy existing customers or attract new customers at the prices and levels that would allow us to generate attractive rates of return on our investment.

Furthermore, our competitive advantage as the company with the first-to-market and leading premium EV volume-manufactured domestically in China will be severely compromised if our competitors begin making deliveries earlier than expected, or offer more favorable price than we do.

We may also be affected by the growth of the overall China automotive market. While retail sales of the passenger vehicles in China increased by 12% in the first nine months of 2021, the retail sales decreased by nearly 7% in 2020. If demand for automobiles in China continues to decrease, our business, results of operations and financial condition could be materially adversely affected.

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

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

In addition, we may face operational issues that could have a material adverse effect on our reputation, business and results of operations, if we fail to address certain factors including, but not limited to, the following:

- lack of acceptance of our products and services, and challenges of localizing our offerings to appeal to local tastes;
- conforming our products to regulatory and safety requirements and charging and other electric infrastructures;
- failure to attract and retain capable talents with international perspectives who can effectively manage and operate local businesses;
- challenges in identifying appropriate local business partners and establishing and maintaining good working relationships with them;
- availability, reliability and security of international payment systems and logistics infrastructure;
- challenges of maintaining efficient and consolidated internal systems, including technology infrastructure, and of achieving customization and integration of these systems with the other parts of our technology platform;
- challenges in replicating or adapting our company policies and procedures to operating environments different from that of China;
- national security policies that restrict our ability to utilize technologies that are deemed by local governmental regulators to pose a threat to their national security;
- the need for increased resources to manage regulatory compliance across our international businesses;

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- compliance with privacy laws and data security laws and compliance costs across different legal systems;
- heightened restrictions and barriers on the transfer of data between different jurisdictions;
- differing, complex and potentially adverse customs, import/export laws, tax rules and regulations or other trade barriers or restrictions related compliance obligations and consequences of non-compliance, and any new developments in these areas;
- business licensing or certification requirements of the local markets;
- challenges in the implementation of BaaS and other innovative business models in countries and regions outside of China;
- exchange rate fluctuations; and
- political instability and general economic or political conditions in particular countries or regions, including territorial or trade disputes, war and terrorism.

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

Our industry and its technology are rapidly evolving and may be subject to unforeseen changes. Developments in alternative technologies or improvements in the internal combustion engine may materially and adversely affect the demand for our electric vehicles.

We operate in China's electric vehicle 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 services and solutions. These changes may not achieve expected results, which could have a material adverse effect on our results of operations and prospects.

Furthermore, we may be unable to keep up with changes in electric vehicle technology and, as a result, our competitiveness may suffer. Our research and development efforts may not be sufficient to adapt to changes in electric vehicle technology. As technologies change, we plan to upgrade or adapt our vehicles and introduce new models in order to provide vehicles with the latest technology, in particular digital technologies, which could involve substantial costs and lower our return on investment for existing vehicles. There can be no assurance that we will be able to compete effectively with alternative vehicles or source and integrate the latest technology into our vehicles, against the backdrop of our rapidly evolving industry. Even if we are able to keep pace with changes in technology and develop new models, our prior models could become obsolete more quickly than expected, potentially reducing our return on investment.

Developments in 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. For example, fuel which is abundant and relatively inexpensive in China,

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such as compressed natural gas, may emerge as consumers' preferred alternative to petroleum based propulsion. Any failure by us to successfully react to changes in existing technologies could materially harm our competitive position and growth prospects.

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

We have required significant capital to develop and grow our business, including developing the ES8, the ES6, the EC6, the ET7 and the ET5, as well as building our brand. We expect to incur significant costs which will impact our profitability, including research and development expenses as we roll out new models and improve existing models, raw material procurement costs and selling and distribution expenses as we build our brand and market our vehicles. In addition, we may incur significant costs in connection with our services, including providing power solutions and honoring our commitments under our service package. Our ability to become profitable in the future will not only depend on our ability to successfully market our vehicles and other products and services but also to control our costs. If we are unable to cost efficiently design, manufacture, market, sell and distribute and service our vehicles and services, our margins, profitability and prospects will be materially and adversely affected.

We could experience cost increases or disruptions in supply of raw materials or other components used in our vehicles.

We incur significant costs related to procuring raw materials required to manufacture and assemble our vehicles. We use various raw materials in our vehicles including aluminum, steel, carbon fiber, non-ferrous metals such as copper, lithium, nickel as well as cobalt. The prices for these raw materials fluctuate depending on factors beyond our control, including market conditions and global demand for these materials, and could adversely affect our business and operating results. Our business also depends on the continued supply of batteries for our vehicles. Battery manufacturers may refuse to supply electric vehicle manufacturers to the extent they determine that the vehicles are not sufficiently safe. We are exposed to multiple risks relating to availability and pricing of quality lithium-ion battery cells. These risks include:

- the inability or unwillingness of current battery manufacturers to build or operate battery manufacturing plants to supply the numbers of lithium-ion cells required to support the growth of the electric or plug-in hybrid vehicle industry as demand for such cells increases;
- disruption in the supply of cells due to quality issues or recalls by the battery manufacturers; and
- an increase in the cost of raw materials, such as lithium, nickel and cobalt, used in lithium-ion cells.

Furthermore, currency fluctuations, tariffs or shortages in petroleum and other economic or political conditions may result in significant increases in freight charges and raw material costs. Substantial increases in the prices for our raw materials or components would increase our operating costs, and could reduce our margins. In addition, a growth in popularity of electric vehicles without a significant expansion in battery production capacity could result in shortages which would result in increased costs in raw materials to us or impact of prospects.

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We are dependent on our suppliers, many of whom are our single source suppliers for the components they supply.

The ES8, ES6, EC6, ET7 and ET5 each uses a great amount of purchased parts from suppliers, many of whom are currently our single source suppliers for these components, and we expect that this will be similar for any future vehicle we may produce. The supply chain exposes us to multiple potential sources of delivery failure or component shortages. While we obtain components from multiple sources whenever possible, similar to other players in our industry, many of the components used in our vehicles are purchased by us from a single source. To date, we have not qualified alternative sources for most of the single sourced components used in our vehicles and we generally do not maintain long-term agreements with our single source suppliers. For example, while several sources of the battery we have selected for the ES8 are available, we have fully qualified only one supplier for these cells.

Furthermore, qualifying alternative suppliers or developing our own replacements for certain highly customized components of the ES8, the ES6, the EC6, the ET7 and the ET5, such as the air suspension system and the steering system, may be time-consuming and costly. Any disruption in the supply of components, whether or not from a single source supplier, could temporarily disrupt the production of our vehicles until an alternative supplier is fully qualified by us or is otherwise able to supply us with the required material. There can be no assurance that we would be able to successfully retain alternative suppliers or supplies on a timely basis, on acceptable terms or at all. Changes in business conditions, force majeure, governmental changes and other factors beyond our control or which we do not presently anticipate, could also affect our suppliers' ability to deliver components to us on a timely basis. For example, the current global supply constraint of semiconductor chips has negatively impacted our production activity and volume, as a result of which, we temporarily suspended the vehicle production activity in the JAC-NIO manufacturing plant in Hefei for five working days starting from March 29, 2021. In May, our vehicle delivery was adversely impacted for several days due to the volatility of semiconductor supply and certain logistical adjustments. Our production activity and results of operations may be further impacted should the semiconductor chip shortage continue. Any of the foregoing could materially and adversely affect our results of operations, financial condition and prospects.

Our business is subject to a variety of laws, regulations, rules, policies and other obligations regarding cybersecurity, privacy, data protection and information security. Any failure to comply with these laws, regulations and other obligations or any losses, unauthorized access or releases of confidential information or personal data could subject us to significant reputational, financial, legal and operational consequences.

We use our vehicles' electronic systems to log information about each vehicle's use, such as charge time, battery usage, mileage and driving behavior, in order to aid us in vehicle diagnostics, repair and maintenance, as well as to help us customize and optimize the driving and riding experience. Our users may object to the use of this data, which may hinder our capabilities in conducting our business. Collection, possession and use of our user's data in conducting our business may subject us to legislative and regulatory burdens in China and other jurisdictions that could require notification of any data breach, restrict our use of such information and hinder our ability to acquire new customers or market to 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.

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We are subject to numerous laws and regulations that address information security, privacy, data protection and the collection, storage, sharing, use, disclosure and protection of certain types of data in various jurisdictions. See “Regulatory Overview — Regulations on Internet Information Security and Privacy Protection.” In particular, on June 10, 2021, the Standing Committee of the National People’s Congress of China promulgated the Data Security Law (《數據安全法》) (the “**Data Security Law**”), which took effect in September 2021. The Data Security Law sets forth data security and privacy related compliance obligations of entities and individuals carrying out data related activities. The Data Security Law also introduces a data classification and layered protection system based on the importance of data and the degree of impact on national security, public interests or legitimate rights and interests of individuals or organizations if such data is tampered with, destroyed, leaked or illegally acquired or used. In addition, the Data Security Law provides a national security review procedure for data activities that may affect national security, and imposes export restrictions on certain data and information. According to the PRC National Security Law (《中華人民共和國國家安全法》) (the “**PRC National Security Law**”), the State shall establish institutions and mechanisms for national security review and regulation, and conduct national security review on certain matters that affect or may affect PRC national security, such as key technologies and IT products and services.

In early July 2021, regulatory authorities in China launched cybersecurity investigations with regard to several China-based companies listed in the United States. On July 10, 2021, the CAC released the Cybersecurity Review Measures (Revised Draft for Solicitation of Comments) (《網絡安全審查辦法(修訂草案徵求意見稿》). On December 28, 2021, the CAC, NDRC, MIIT, the MPS, the Ministry of National Security, the MOF, the MOFCOM, the People’s Bank of China, the SAMR, the National Radio and Television Administration, the CSRC, the National Administration of State Secrets Protection and the State Cryptography Administration jointly released the Cybersecurity Review Measures (《網絡安全審查辦法》) (the “**Cybersecurity Review Measures**”), which took effect on February 15, 2022. Pursuant to the Cybersecurity Review Measures, network platform operators with information of over one million users shall be subject to cybersecurity review before listing abroad (國外上市). The cybersecurity review will evaluate, among others, the risk of critical information infrastructure, core data, important data, or the risk of a large amount of personal information being influenced, controlled or maliciously used by foreign governments after going public, and cyber information security risk. As advised by our PRC Legal Advisor, the term “listing abroad (國外上市)” under the Cybersecurity Review Measures exempts listing in Hong Kong from the mandatory obligation of ex-ante declaration of cybersecurity review. Based on the foregoing and as advised by the PRC Legal Adviser, we are of the view that the Cybersecurity Review Measures will not have a material adverse effect on our business, financial condition, operating results and prospects. Given the Cybersecurity Review Measures were recently promulgated, their interpretation, application and enforcement are subject to substantial uncertainties. On November 14, 2021, the CAC published the Administration Regulations on Cyber Data Security (Draft for Comments) (the “**Draft Administration Regulations on Cyber Data Security**”), which provides the circumstances under which data processors shall apply for cybersecurity review, including, among others, when (i) the data processors who process personal information of at least one million users apply for a “foreign” listing; and (ii) the data processors’ listing in Hong Kong affects or may possibly affect national security. However, it provides no further explanation or interpretation as to how to determine what constitutes “affecting national security”. As advised by our PRC Legal Adviser, the PRC governmental authorities have broad discretion in interpreting “affect or may affect national security.” In addition, there remains substantial uncertainty as to whether our listing in Hong Kong will be subject to cybersecurity review. Given these uncertainties, we cannot assure you whether we would be subject to the cybersecurity review for this Listing pursuant to such draft regulation. As of the Latest Practicable Date, the Draft Administration Regulations on Cyber Data Security

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have not been formally adopted. It is uncertain when the final regulation will be issued and take effect, how it will be enacted, interpreted and implemented, and whether or to what extent it will affect us. The scope of business operations and financing activities that are subject to such draft regulation and the implementation thereof is not yet clear.

In addition, the Draft Administration Regulations on Cyber Data Security also regulates other specific requirements in respect of the data processing activities conducted by data processors through the internet in view of personal data protection, important data safety, cross-broader data safety management and obligations of internet platform operators. For processing of personal information, the Draft Administration Regulations on Cyber Data Security imposes new requirements additional to those under the Personal Information Protection Law. For example, data processors shall provide individuals with convenient supports in respect of access, copy, rectification, restriction of the process, and deletion of their personal information, withdrawal of consent and deregistration of their accounts and shall not impose unreasonable restrictions for such requests. Data processors shall handle such requests and respond to the individuals within 15 business days. In one of the following situations, data processors shall delete or anonymize personal information within 15 business days: (i) the purpose of processing personal information has been achieved or the purpose of processing is no longer needed; (ii) the storage term agreed with the users or specified in the personal information processing rules has expired; (iii) the service has been terminated or the account has been canceled by the individual; or (iv) unnecessary personal information or personal information unavoidably collected due to the use of automatic data collection technology but without the consent of the individual. For the processing of important data, specific requirements shall be complied with. For example, processors of important data shall specify the responsible person of data safety, establish a data safety management department, make filing to the cyberspace administration at the districted city level within 15 business days after the identification of their important data, and seek approval for sharing, transaction and commissioned processing of important data from the industrial regulator or cyberspace administration at the districted city level. Data processors shall reserve the records of consent of individuals, the logs of provision of personal information and sharing, transaction, commissioned processing of important data for at least five years.

Data processors processing personal information of more than one million people shall also comply with the provisions for processing of important data stipulated in Draft Administration Regulations on Cyber Data Security for important data processors. Data processors dealing with important data or listing overseas (including Hong Kong) should carry out an annual data security assessment by themselves or by entrusting data security service agencies, and each year before January 31, data security assessment report for the previous year shall be submitted to the districted city level cyberspace administration department. When data collected and generated within the PRC are provided by the data processors overseas, if such data includes important data, or if the relevant data processor is a critical information infrastructure operator or processes personal information of more than one million people, the data processor shall go through the security assessment of cross-border data transfer organized by the national cyberspace administration.

As of the date of this document, (i) we have not been informed by any PRC governmental authority of any requirement that we file for approval for this Listing; (ii) we have not been subject to any material fines or administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities in relation to the infringement of cybersecurity and data protection laws and regulations; (iii) there is no material leakage of data or personal information or violation of cybersecurity and data protection and privacy laws and regulations by us which will have a material adverse impact on our business operations; (iv) there had been no material cybersecurity and data protection incidents or infringement upon the

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rights of any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of the knowledge of the Company, threatened against or relating to the Company; and (v) we have implemented comprehensive cybersecurity and data protection policies, procedures and measures to safeguard personal information rights and ensure secured storage and transmission of data and prevent unauthorized access or use of data.

Furthermore, based on the facts that (i) the Cybersecurity Review Measures were newly adopted and the Draft Administration Regulations on Cyber Data Security have not been formally adopted, and the implementation and interpretation of both are subject to uncertainties, and (ii) we have not been involved in any investigations on cyber security review made by the CAC on such basis and nor have we received any inquiry, notice, warning, or sanctions in such respect, after consulting with our PRC Legal Adviser, our Directors are of the view that such regulations do not have a material adverse impact on our business operations and financial performance as of the date of this document, and will not affect our compliance with laws and regulations in any material aspects as of the date of this document. As of the date of this document, we have not received any cybersecurity, data security and personal data protection related enquiries from any competent PRC regulatory authorities. Our PRC Legal Adviser and Directors are of the view that we are in material compliance with the existing PRC laws and regulations on cybersecurity, data security and personal data protection, and the existing laws and regulations in cybersecurity, data security and personal data protection will not have a material adverse impact on our business operations. As there might be newly issued explanations or implementation rules on the existing regulations, laws and opinions or the draft measures mentioned above might become effective, we will actively monitor future regulatory and policy changes to ensure strict compliance with all applicable laws and regulations.

However, we are not certain whether such draft measures will apply to our company and this Listing, or whether the scope of financing activities that are subject to such draft measures may change in the future. Further, if such draft measures is adopted into law in the future, we may become subject to enhanced cybersecurity review, or regulatory bodies in China may retroactively apply and implement such draft measures, including conducting a cybersecurity review over our company in connection with this Listing. We have conducted a gap analysis with the assistance of our PRC Legal Adviser, and will also rectify, adjust, and optimize our data practices in a timely manner to ensure compliance once the Draft Administration Regulations on Cyber Data Security come into effect. Our PRC Legal Adviser does not foresee any material impediment for the Group to take measures for compliance with the Draft Administration Regulations on Cyber Data Security. To mitigate the potential impact of any such regulatory changes, we will pay close attention to the legislative and regulatory development in cybersecurity and data protection, maintain ongoing dialogue with relevant government authorities and consult the relevant government authorities as necessary and in due course, we will also rectify, adjust, and optimize our data practices in a timely manner to keep pace with regulatory development.

On August 12, 2021, the MIIT issued the Opinion on Strengthening the Access Administration of Intelligent Connected Vehicles Manufacturing Enterprises and Their Products (《關於加強智能網聯汽車生產企業及產品准入管理的意見》) (the “**Access Administration Opinion**”), which provided responsibilities of intelligent connected vehicles manufacturing enterprises, and required such enterprises to strengthen the management of vehicle data security, cyber security, software updates, function safety and intended function safety. Furthermore, the Access Administration Opinion stated that vehicles manufacturing enterprises shall conduct security assessment prior to transmitting data abroad. On August 17, 2021, the State Council promulgated the Regulations on the Protection of the Security of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the “**Regulations**”), which took effect in September 2021. The Regulations supplement and specify the provisions on the security of

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critical information infrastructure as stated in the Cyber Security Law. The Regulations provide, among others, that protection department of certain industry or sector shall notify the operator of the critical information infrastructure in time after the identification of certain critical information infrastructure. According to the Regulations, operators of certain industries or sectors that may endanger national security, people's livelihood and public interest in case of damage, function loss or data leakage may be identified as critical information infrastructure operators by the CAC or the respective industrial regulatory authorities once they meet the identification standards promulgated by the authorities.

On August 20, 2021, the Standing Committee of the National People's Congress of China promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**"), which took effect in November 2021. As the first systematic and comprehensive law specifically for the protection of personal information in the PRC, the Personal Information Protection Law provides, among others, that (i) an individual's separate consent shall be obtained before operation of such individual's sensitive personal information, e.g., biometric characteristics and individual location tracking, (ii) personal information operators operating sensitive personal information shall notify individuals of the necessity of such operations and the influence on the individuals' rights, (iii) if personal information operators reject individuals' requests to exercise their rights, individuals may file a lawsuit with a People's Court. On August 20, 2021, the Cyberspace Administration of China promulgated the Provisions on the Administration of Automobile Data Security (for Trial Implementation) (《汽車數據安全管理若干規定(試行)》) (the "**Provisions on Automobile Data Security**"), which took effect in October 2021. The Provisions on Automobile Data Security clearly define the definition of "automobile data", "automobile data operating", "automobile data operator", "personal information", "sensitive personal information" and "important data", and further elaborate the principles of and requirements for the automobile data operating activities within the PRC. Furthermore, the Provisions on Automobile Data Security also prescribe the implementation of classified protection of cybersecurity, the obligations of automobile data operators to inform, anonymize and obtain individuals' consents, and the specific requirements for operating sensitive personal information, as well as the risk assessment when operating important data and the security assessment when providing data abroad.

Given that the above mentioned newly promulgated laws, regulations and policies were recently promulgated or issued, and have not yet taken effect (as applicable), their interpretation, application and enforcement are subject to substantial uncertainties. We have incurred, and will continue to incur, significant expenses in an effort to comply with cybersecurity, privacy, data protection 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 cybersecurity, privacy, data protection 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 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

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operations and financial condition. We may be notified for cybersecurity review by the CAC if we were regarded as a critical information infrastructure operator by the CAC, or if our data processing activities and overseas listing were regarded as having impact or potential impact to national security, and be required to make significant changes to our business practices, suspend certain business, or even be prohibited from providing certain service offerings in jurisdictions in which we currently operate or in which we may operate in the future. Such review could also result in negative publicity with respect to us and diversion of our managerial and financial 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.

In addition, in connection with our expansion into the international markets, such as in Norway, we may need to comply with increasingly complex and rigorous regulatory standards enacted to protect business and personal data in jurisdictions other than China. For example, the European Union adopted the General Data Protection Regulation, or the GDPR, which became effective on May 25, 2018. The GDPR imposes additional obligations on companies regarding the handling of personal data and provides certain individual privacy rights to persons whose data is stored. Compliance with existing, proposed and recently enacted laws (including implementation of the privacy and process enhancements called for under GDPR) and regulations can be costly; any failure to comply with these regulatory standards could subject us to legal and reputational risks.

Despite our efforts to comply with applicable laws, regulations and other obligations relating to cybersecurity, privacy, data protection and information security in multiple jurisdictions where we operate our business, any actual or perceived failure on our part to comply with applicable laws or regulations or any other obligations relating to cybersecurity, privacy, data protection or information security, or any compromise of security that results in unauthorized access, use or release of personally identifiable information or other data, or the perception or allegation that any of the foregoing types of failure or compromise has occurred, could damage our reputation or result in investigations, fines, suspension of one or more of our apps, or other forms of sanctions or penalties by governmental authorities and private claims or litigation, any of which could materially adversely affect our business, results of operations, financial condition and prospects.

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

Our business and prospects are heavily dependent on our ability to develop, maintain and strengthen the “NIO” brand. If we do not continue to establish, maintain and strengthen our brand, we may lose the opportunity to build a critical mass of customers. Promoting and positioning our brand will likely depend significantly on our ability to provide high quality vehicles and services and engage with our customers as intended and we have limited experience in these areas. In addition, we expect that our ability to develop, maintain and strengthen the NIO brand will depend heavily on the success of our user development and branding efforts. Such efforts mainly include building a community of online and offline users engaged with us through our mobile application, NIO Houses, NIO Spaces as well as other branding initiatives such as our annual NIO Day, Formula E team sponsorship, and other automotive shows and events. Such efforts may be non-traditional and may not achieve the desired results. To promote our brand, we may be required to change our user development and branding practices, which could result in substantially increased expenses, including the need

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to use traditional media such as television, radio and print. If we do not develop and maintain a strong brand, our business, prospects, financial condition and operating results will be materially and adversely impacted.

In addition, if incidents occur or are perceived to have occurred, whether or not such incidents are our fault, we could be subject to adverse publicity. In particular, given the popularity of social media, including WeChat/Weixin in China, any negative publicity, whether true or not, could quickly proliferate and harm consumer perceptions and confidence in our brand. Furthermore, there is the risk of potential adverse publicity related to our manufacturing and other partners, such as JAC and NIO Capital, whether or not such publicity related to their collaboration with us. Our ability to successfully position our brand could also be adversely affected by perceptions about the quality of JAC's vehicles.

In addition, from time to time, our vehicles 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 vehicles.

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

Our success depends substantially on the continued efforts of our executive officers and key employees. If one or more of our executive officers or key employees were unable or unwilling to continue their services with us, we might not be able to replace them easily, in a timely manner, or at all. As we build our brand and become more well-known, the risk that competitors or other companies may poach our talent increases. Our industry is characterized by high demand and intense competition for talent 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 electric vehicles are based on a different technology platform than traditional ICE vehicles, individuals with sufficient training in electric vehicles may not be available to hire, and we will need to expend significant time and expense training the employees we hire. We also require sufficient talent in areas such as software development. Furthermore, as our company is 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. To the extent permitted by laws, each of our executive officers and key employees has entered into an employment agreement and a non-compete agreement with us. However, if any dispute arises between our executive officers or key employees and us, the non-competition provisions contained in their non-compete agreements may not be enforceable, especially in China, where these executive officers reside, on the ground that we have not provided adequate compensation to them for their non-competition obligations, which is required under relevant PRC laws.

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Our future growth is dependent on the demand for, and upon consumers' willingness to adopt, electric vehicles.

Demand for automobile sales 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 our business grows, economic conditions and trends will impact our business, prospects and operating results as well.

Demand for our electric vehicles may also be affected by factors directly impacting automobile prices or the cost of purchasing and operating automobiles, such as sales and financing incentives, prices of raw materials and parts and components, cost of fuel and governmental regulations, including tariffs, import regulation and other taxes. Volatility in demand may lead to lower vehicle unit sales, which may result in further downward price pressure and adversely affect our business, prospects, financial condition and operating results.

In addition, the demand for our vehicles and services will highly depend upon the adoption by consumers of new energy vehicles in general and electric vehicles in particular. The market for new energy vehicles is still rapidly evolving, characterized by rapidly changing technologies, competitive pricing and competitive factors, evolving government regulation and industry standards and changing consumer demands and behaviors.

Other factors that may influence the adoption of alternative fuel vehicles, and specifically electric vehicles, include:

- perceptions about electric vehicle quality, safety, design, performance and cost, especially if adverse events or accidents occur that are linked to the quality or safety of electric vehicles, whether or not such vehicles are produced by us or other companies;
- perceptions about vehicle safety in general, in particular safety issues that may be attributed to the use of advanced technology, including electric vehicle and regenerative braking systems;
- the limited range over which electric vehicles may be driven on a single battery charge and the speed at which batteries can be recharged;
- the decline of an electric vehicle's range resulting from deterioration over time in the battery's ability to hold a charge;
- concerns about electric grid capacity and reliability;
- the availability of new energy vehicles, including plug-in hybrid electric vehicles;
- improvements in the fuel economy of the internal combustion engine;
- the availability of service for electric vehicles;
- the environmental consciousness of consumers;
- access to charging stations, standardization of electric vehicle charging systems and consumers' perceptions about convenience and cost to charge an electric vehicle;

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- the availability of tax and other governmental incentives to purchase and operate electric vehicles 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 electric vehicles and use our services. If the market for electric vehicles does not develop as we expect or develops more slowly than we expect, our business, prospects, financial condition and operating results will be affected.

We depend on revenue generated from a limited number of models and in the foreseeable future will be significantly dependent on a limited number of models.

Our business currently depends substantially on the sales and success of a limited number of models that we have launched. Historically, automobile customers have come to expect a variety of vehicle models offered in a company's fleet and new and improved vehicle models to be introduced frequently. In order to meet these expectations, we plan in the future to introduce on a regular basis new vehicle models as well as enhance versions of existing vehicle 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.

We are subject to risks related to customer credit.

We provided our users with the option of a battery payment arrangement, where users can make battery payments in installments. For the ES8 ordered before January 15, 2019, there is an RMB100,000 deduction in the purchase price and users adopting this arrangement pay RMB1,280 per month, payable over 78 months. For the ES8, ES6 and EC6 ordered between January 16, 2019 and August 19, 2020, there is an RMB100,000 deduction in the purchase price and users adopting this arrangement pay RMB1,660 per month, payable over 60 months. We are exposed to the creditworthiness of our users since we expect them to make monthly payments for vehicle batteries under the battery payment arrangement.

We also offer auto financing arrangements to users directly through our subsidiaries. Under the financing arrangements we typically receive a small portion of the total vehicle purchase price at the commencement of the financing term, followed by a stream of payments over the financing term. To the extent our users fail to make payments on time under any of the foregoing arrangements, our results of operations may be adversely affected. As of September 30, 2021, the amount of auto financing receivables was RMB3,935.8 million (US\$610.8 million). As we continue to grow our business, we may increase the amount of our auto financing receivables. We may fail to effectively manage the credit risks related to our auto financing arrangements. To the extent our users default on their obligations to us or fail to make payments on time under any of the foregoing arrangements, our results of operations may be adversely affected.

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We had incurred net current liabilities and net liabilities as of December 31, 2019, and may not be able to achieve or maintain net assets in the future.

We had net current liabilities of RMB4.6 billion as of December 31, 2019, as compared to net current assets of RMB3.6 billion as of December 31, 2018, primarily due to a decrease of RMB2.3 billion in our cash and cash equivalents and a decrease of RMB5.0 billion in our short-term investment. We had net liabilities of RMB4.8 billion as of December 31, 2019. We had net current assets of RMB32.2 billion as of December 31, 2020, as compared to net current liabilities of RMB4.6 billion as of December 31, 2019, which was primarily due to an increase in cash and cash equivalents of RMB37.6 billion and an increase in short-term investments of RMB3.8 billion, which was as a result of the cash proceeds from the consummation of equity and debt financing.

We had total shareholders' deficit of RMB6,277.6 million as of December 31, 2019, as compared to total shareholders' equity of RMB6,821.1 million as of December 31, 2018, primarily due to the increase of accumulated deficit, which was mainly derived from the net loss and accretion on convertible redeemable preferred shares to redemption value during the current and prior years. We had total shareholders' equity of RMB27,171.0 million as of December 31, 2020, as compared to shareholders' deficit of RMB6,277.6 million as of December 31, 2019, primarily due to our external financing activities. In the first quarter of 2020, our cash balance was not adequate to provide the required working capital and liquidity for our continuous operation.

We have been applying a variety of methods to manage our working capital. We use just-in-time, pull-production system to control the inventory level of the components. We adopt made-to-order model and do not maintain a high level of inventories of vehicles. We aim to fulfill orders and deliver vehicles to our users within 21 to 28 days from the date users place their orders. We manage the payment term policy to suppliers to improve our cash position. For most of our suppliers, the payment term ranges from 30 to 90 days. Meanwhile, payment methods can be a combination of cash and notes payable. We are committed to further improving our working capital management. While we believe that our current working capital management is effective, we cannot guarantee that we will have sufficient working capital to fund our current operations in the future. If we are unable to maintain adequate working capital, we may default on our payment obligations and may not be able to meet our capital expenditure requirements, which may have a material adverse effect on our business, financial condition and results of operations.

We may be exposed to credit risk of trade receivable.

Our trade receivable primarily includes amounts of vehicle sales in relation of government subsidy to be collected from government on behalf of customers, auto financing receivables, current portion of battery installment and receivables due from vehicle users. We have identified the relevant risk characteristics of our customers and the related receivables, prepayments, deposits and other receivables which include size, type of the services or the products we provide, or a combination of these characteristics. Receivables with similar risk characteristics have been grouped into pools. For each pool, we consider the historical credit loss, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses. Other key factors that influence the expected credit loss analysis include customer demographics, payment terms offered in the normal course of business to customers, and industry-specific factors that could impact our receivables. Additionally, external data and macroeconomic factors are also considered. For the year ended December 31, 2020 and for the nine months ended September 30, 2021, we recorded RMB9.7 million and RMB38.3 million (US\$5.9 million) expected credit loss expense

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in selling, general and administrative expenses, respectively. As of December 31, 2020 and September 30, 2021, the expected credit loss provision for the current and non-current assets are RMB64.7 million and RMB99.3 million (US\$15.4 million), respectively. We cannot assure you that all of our customers will not default on their obligations to us in the future, despite our efforts to conduct credit assessment on them.

We face inventory risks that, if not properly managed, could harm our financial condition, operating results, and prospects.

We are exposed to significant inventory risks that may adversely affect our operating results as a result of increased competition, seasonality, new models launches, rapid changes in vehicle life cycles and pricing, defective vehicles, changes in consumer demand and consumer spending patterns, and other factors. We endeavor to accurately predict these trends and avoid overstocking or understocking issues. Demand for our vehicles, however, can change significantly between the time inventory or components are ordered and the date of sale. We may misjudge customer demand, resulting in inventory buildup and possible significant inventory write-down. It may also make it more difficult for us to inspect and control quality and ensure proper handling, storage and delivery. We may experience higher return rates on new vehicles, receive more customer complaints about them and face costly product liability claims as a result of selling them, which would harm our brand and reputation as well as our financial performance.

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

Our recognition of deferred revenue is subject to future performance obligations, mainly including the transaction price allocated to the performance obligations that are unsatisfied, or partially satisfied, which mainly arises from the undelivered home chargers, the vehicle connectivity service, the extended warranty service, the points offered to customers as well as battery swapping service embedded in the vehicle sales contract. We may have multiple performance obligations identified in the vehicle sales contract and the sales of service and energy packages to transfer goods or services to a customer for which we have received consideration, or an amount of consideration is due, from the customer, which is recorded as deferred revenue. Due to potential future changes in customer preferences and the need for us to satisfactorily perform product support and other services, deferred revenue at any particular date may not be representative of actual revenue for any current or future period. Any failure to fulfil the obligations in respect of deferred revenue may have an adverse impact on our results of operations and liquidity.

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

During the Track Record Period, our short-term investments consist primarily of investments in fixed deposits with maturities between three months and one year and investments in money market funds and financial products issued by banks. The methodologies that we use to assess the fair value of the short-term investment involve a significant degree of management judgment and are inherently uncertain. In addition, we are exposed to credit risks in relation to our short-term investments, which may adversely affect the net changes in their fair value. We cannot assure you that market conditions will create fair value gains on our short-term investment or we will not incur any fair value losses on our short-term investment in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

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

We may become subject to product liability claims, which could harm our business, prospects, operating results and financial condition. The automotive industry experiences significant product liability claims and we face inherent risk of exposure to claims in the event our vehicles do not perform as expected or malfunction resulting in property damage, personal injury or death. Our risks in this area are particularly pronounced given we have limited field experience of our vehicles. In addition, we may be subject to product liability claims for defective components and parts that are manufactured by our third-party partners. 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 vehicles and business and inhibit or prevent commercialization of our future vehicle candidates which would have a material adverse effect on our brand, business, prospects and operating results. Any insurance coverage might not be sufficient to cover all potential product liability claims. Any lawsuit seeking significant monetary damages may have a material adverse effect on our reputation, business and financial condition.

Our vehicles are subject to motor vehicle standards and the failure to satisfy such mandated safety standards would have a material adverse effect on our business and operating results.

All vehicles sold must comply with various standards of the market where the vehicles were sold. 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 the CCC certification, before receiving delivery from the factory, being sold, or being used in any commercial activity. In addition, the Access Administration Opinion requires vehicles manufacturing enterprises to ensure the compliance of vehicle products with relevant laws, regulations, technical standards and technical specification and file for record with the MIIT prior to over-the-air updates, and shall file with the MIIT in the event of any change to the safety, energy saving, environment protection, anti-theft and other technical parameters and shall ensure conformance by vehicle products and production. Without the approval, no over-the-air update shall be conducted to add or update the autonomous driving function. Any delays or lags of the over-the-air updates due to the MIIT prior filing procedures may materially and adversely affect our business and operating results. Furthermore, given we commenced delivery of our vehicles in Norway, we are also subject to mandated safety standards in Norway. Failure by us to have the ES8, the ES6, the EC6, the ET7, the ET5 or any future model satisfy motor vehicle standards or any new laws and regulations in China, Norway or other markets where our vehicles are sold would have a material adverse effect on our business and operating results.

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

Through NIO Pilot and NAD, we provide an enhanced advanced driver assistance system, or ADAS, and plan to offer higher levels of autonomous driving functionalities, and through our research and development, we continually update and improve our autonomous driving technologies. Regulatory, safety and reliability issues, or the perception thereof, many of which are beyond our control, could cause the public, our users or our potential business partners to lose confidence in autonomous driving solutions in general. The safety of such technology depends in part on end users of vehicles equipped with ADAS and higher levels of automated driving systems, as well as other drivers, pedestrians, other obstacles on the roadways or other unforeseen events. For example, there have been traffic accidents involving vehicles equipped with ADASs, including our NIO vehicles. Even though the actual causes of such traffic

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accidents may not be associated with the use of ADAS, they resulted in, and any future similar accidents could result in, significant negative publicity, and, in the future, could result in suspension or prohibition of vehicles equipped with ADAS and other automated driving systems, as well as regulatory investigations, recalls, systems or features modifications and related actions. In addition, to the extent accidents associated with our ADAS and other automated driving systems (once launched) occur, we could be subject to liability, government scrutiny and further regulation. Any of the foregoing could materially and adversely affect our results of operations, financial condition and growth prospects.

We may be compelled to undertake product recalls or take other actions, which could adversely affect our brand image and financial performance.

Recalls of our vehicles can cause adverse publicity, damage to our brand and liability for costs. In June 2019, we identified problems with certain batteries on ES8 vehicles following safety incidents occurred in Shanghai and other locations in China. We then voluntarily recalled 4,803 ES8s, and replaced the batteries in the NIO battery swap network equipped with the malfunctioned modules. We undertook to compensate all users who had incurred property losses as a result of incidents caused by battery quality issues. Total recall costs accrued in the second quarter of 2019 were RMB339.1 million, including RMB283.3 million recorded in cost of vehicle sales and RMB55.8 million recorded in cost of other sales, respectively. After a detailed analysis and repeated testing, our investigation on the vehicle recall concluded that the batteries used in the vehicles involved were equipped with a module specification NEV-P50, and the voltage sampling cable harness in the module may be pressed by the upper cover of the module due to improper positioning. In extreme cases, the insulation on the pressed voltage sampling cable harness may wear out and cause a short circuit, creating a safety issue. In the future, we may at various times, voluntarily or involuntarily, initiate a recall if any of our vehicles, including any systems or parts sourced from our suppliers, prove to be defective or non-compliant 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 in our target markets, as well as our business, prospects, financial condition and results of operations.

Our distribution model is different from the predominant current distribution model in the industry, which makes evaluating our business, operating results and future prospects difficult.

Our distribution model is not common in the automotive industry today. We plan to conduct vehicle sales directly to users rather than through dealerships, primarily through our mobile application, NIO Houses and NIO Spaces. Furthermore, all vehicles are generally made to order. This model of vehicle distribution is relatively new and unproven, and subjects us to substantial risk as it requires, in the aggregate, significant expenditures and provides for slower expansion of our distribution and sales systems than may be possible by utilizing the traditional dealer franchise system. For example, we will not be able to utilize long established sales channels developed through a franchise system to increase our sales volume. Moreover, we will be competing with companies with well established distribution channels. Our success will depend in large part on our ability to effectively develop our own sales channels and marketing strategies. Implementing our business model is subject to numerous significant challenges, including obtaining permits and approvals from government authorities, and we may not be successful in addressing these challenges.

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The lead time in fulfilling our orders could lead to cancelled orders. Our aim for the fulfilling speed is 21 to 28 days from the order placement date to delivery to users. If we are unable to achieve this target, our customer satisfaction could be adversely affected, harming our business and reputation.

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 electric vehicles. Demand for new vehicles in the automotive industry in general typically declines over the summer season, while sales are generally higher in the fourth quarter and springtime, especially from October to December and from March to April each year. Our limited operating history makes it difficult for us to judge the exact nature or extent of the seasonality of our business. Also, any unusually severe weather conditions in some markets may impact demand for our vehicles. Our operating results could also suffer if we do not achieve revenue consistent with our expectations for this seasonal demand because many of our expenses are based on anticipated levels of annual revenue.

We also expect our period-to-period operating results to vary based on our operating costs which we anticipate will increase significantly in future periods as we, among other things, design, develop and manufacture our electric vehicles and electric powertrain components, build and equip new manufacturing facilities to produce such components, open new NIO Houses and NIO Spaces, increase our sales and marketing activities, and increase our general and administrative functions to support our growing operations.

As a result of these factors, we believe that period-to-period comparisons of our operating results are not necessarily meaningful and that these comparisons cannot be relied upon as indicators 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 could fall substantially either suddenly or over time.

If our vehicle owners customize our vehicles or change the charging infrastructure with aftermarket products, the vehicle may not operate properly, which may create negative publicity and could harm our business.

Automobile enthusiasts may seek to “hack” our vehicles to modify their performance which could compromise vehicle safety systems. Also, customers may customize their vehicles with after-market parts that can compromise driver safety. We do not test, nor do we endorse, such changes or products. 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 vehicles 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 operating results.

We are subject to risks related to the investment in NIO China.

In February 2020, we entered into a collaboration framework agreement with the municipal government of Hefei, Anhui province, where the JAC-NIO Hefei manufacturing plant, our main manufacturing hub, is located. Subsequently from April to June 2020, we entered into definitive agreements, as amended and supplemented, or the Hefei Agreements, for investments in NIO China with a group of investors, which we refer to as the Hefei Strategic Investors in this document. Under the Hefei Agreements, the Hefei Strategic Investors agreed

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to invest an aggregate of RMB7 billion in cash into NIO Holding Co., Ltd. (previously known as NIO (Anhui) Holding Co., Ltd.), or NIO China, a legal entity wholly owned by us pre-investment. We agreed to inject our core businesses and assets in China, including vehicle research and development, supply chain, sales and services and NIO Power, or together as the Asset Consideration, valued at RMB17.77 billion in total, into NIO China, and invest RMB4.26 billion in cash into NIO China. For more information, see “Business — Certain Other Cooperation Arrangements — Hefei Strategic Investors” included elsewhere in this document.

Pursuant to the Hefei Agreements, NIO China will establish its headquarters in the Hefei Economic and Technological Development Area, or HETA, where our main manufacturing hub is located, for its business operations, research and development, sales and services, supply chain and manufacturing functions. We will collaborate with the Hefei Strategic Investors and HETA to develop NIO China’s business and to support the accelerated development of the smart electric vehicle sectors in Hefei in the future.

Subsequent to the entry into the Hefei Agreements, the cash contribution obligations of us and the Hefei Strategic Investors have all been fulfilled. In September 2020, we, through one of our wholly-owned subsidiaries, redeemed 8.612% equity interests in NIO China from one of the Hefei Strategic Investors and subscribed for certain newly increased registered capital to increase our shareholding in NIO China. In addition, in February 2021, we, through one of our wholly-owned subsidiaries, also purchased from two of the Hefei Strategic Investors an aggregate of 3.305% equity interests in NIO China for a total consideration of RMB5.5 billion and subscribed for newly increased registered capital of NIO China at a subscription price of RMB10.0 billion. In September 2021, we, through one of our wholly-owned subsidiaries, purchased from a minority strategic investor of NIO China an aggregate of 1.418% equity interests in NIO China for a total consideration of RMB2.5 billion and subscribed for newly increased registered capital of NIO China at a subscription price of RMB7.5 billion. As a result of these transactions, the registered capital of NIO China was RMB6.429 billion, and we held 92.114% controlling equity interests in NIO China. We have fulfilled all obligations due to be fulfilled under the Hefei Agreements as of the Latest Practicable Date.

In connection with this investment, NIO China granted certain minority shareholders’ rights to the Hefei Strategic Investors, including, among others, the right of first refusal, co-sale right, preemptive right, anti-dilution right, redemption right, liquidation preference and conditional drag-along right. You would not enjoy these preferential rights or treatment through investing in our ADSs and the underlying ordinary shares. Exercise of these preferential rights by the Hefei Strategic Investors may also adversely affect your investment in our Company.

In particular, the Hefei Strategic Investors may require us to redeem the shares of NIO China they hold under various circumstances, at a redemption price equal to the total amount of the investment price of the Hefei Strategic Investors plus an investment income calculated at a compound rate of 8.5% per annum upon the occurrence of certain events. The events leading to Hefei Strategic Investors’ exercise of their redemption rights include, but are not limited to, the following: (A) NIO China’s failure to submit an application for the qualified initial public offering within 48 months, or failure to complete the qualified initial public offering within 60 months, following receipt of the first instalment of investment; (B) significant concealment, misleading, false statement or suspected fraud of NIO China in the process of information disclosure for the Hefei investment; (C) false or fraudulent capital contribution or withdrawal of our capital contribution to NIO China; (D) material integrity problems of the core management team of NIO China; (E) major changes in the main business of NIO China; (F) resignation of more than half of the core management team within two years prior to the date of submission of the application for the qualified initial public offering; and (G) change of

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control in NIO China. If any of the triggering events of redemption occurs, we will need substantial capital to redeem the shares of NIO China held by the Hefei Strategic Investors, and the value of your investment in our Company will be negatively affected. In particular, if NIO China fails to apply for the qualified initial public offering in July 2024, which is 48 months following the Hefei Strategic Investors' payment of the first installment, or if NIO China fails to complete the qualified initial public offering in July 2025, which is 60 months following the Hefei Strategic Investors' payment of the first installment, the Hefei Strategic Investors may request us to redeem the equity interest in NIO China then held by them. Assuming we still hold 92.114% controlling equity interests in NIO China in July 2024 or July 2025, the amount of redemption consideration, calculated based on a compound rate of 8.5% per annum, will be approximately RMB4,019.0 million or RMB4,360.6 million, respectively. As the deadline for NIO China to file for a qualified initial public offering is July 2024, we do not have specific plans for the initial public offering of NIO China as of the date of this document. In addition, if we pursue the initial public offering of NIO China, we will be subject to various requirements under the Listing Rules of the Stock Exchange and relevant practice notes, including, among others, the requirement in the level of operations and assets of the remaining business in our company following the spin-off to maintain listing status, the approval of the Stock Exchange and shareholder approval. As a result, the application for and the completion of the qualified initial public offering are subject to substantial uncertainties. If we do not have adequate cash available or cannot obtain additional financing, or our use of cash is restricted by applicable law, regulations or agreements governing our current or future indebtedness, we may not be able to redeem shares of NIO China when required under the Hefei Shareholders Agreement, which would constitute an event of default under the Hefei Shareholders Agreement and subject us to liabilities.

In addition, before NIO China completes its potential qualified initial public offering, without the prior written consent of the Hefei Strategic Investors, we may not directly or indirectly transfer, pledge or otherwise dispose of NIO China's shares to a third party that may result in our shareholding in NIO China falling below 60%. Without the prior written consent of the Hefei Strategic Investors, we have the right to directly or indirectly transfer, pledge or otherwise dispose of no more than 15% of NIO China's shares.

Because we have injected the core businesses and assets into NIO China, the Hefei Strategic Investors will have senior claims over the assets of NIO China compared to NIO China's other shareholders (i.e., our other subsidiaries) when a liquidation event of NIO China occurs. As a result, holders of our Class A ordinary shares and ADSs will be structurally subordinated to the Hefei Strategic Investors, which may negatively affect the value of the investment of ADS holders and holders of Class A ordinary shares in our company. We may not have sufficient funding to repay our existing debts. Pursuant to the articles of association of NIO China and the shareholders agreement among the shareholders of NIO China, all corporate matters can be approved by shareholders holding majority of or more than 2/3 of the total equity interests in NIO China, provided that if the shareholders intend to terminate the operations of NIO China early, unanimous voting of the shareholders is required for the dissolution and liquidation of NIO China. As a result, we essentially control the daily operation of and substantially all of the corporate matters of NIO China. Notwithstanding this, the Hefei Strategic Investors have voting rights with respect to various significant corporate matters of NIO China and its consolidated entities, such as change in NIO China's corporate structure, change of its core business and amendment to its articles of association, which may limit our ability to make certain major corporate decisions with regard to NIO China. Any of the foregoing could materially adversely affect your investment in our Class A ordinary shares and ADSs.

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

We will need significant capital to, among other things, conduct research and development and expand our production capacity as well as roll out our power and servicing network and our NIO Houses and NIO Spaces. 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 our capital expenditures to continue to be significant in the foreseeable future as we expand our business, and that our level of capital expenditures will be significantly affected by user demand for our products and services. The fact that we have a limited operating history means we have limited historical data on the demand for our products and services. As a result, our future capital requirements may be uncertain and actual capital requirements may be different from those we currently anticipate. We plan to seek equity or debt financing to finance a portion of our capital expenditures. Such financing might not be available to us in a timely manner or on terms that are acceptable, or at all. Our substantial amount of currently outstanding indebtedness may also affect our ability to obtain financing in a timely manner and on reasonable terms.

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. If we are unable to raise sufficient funds, we will have to significantly reduce our spending, delay or cancel our planned activities or substantially change our corporate structure. We might not be able to obtain any funding, and we might not have sufficient resources to conduct our business as projected, both of which could mean that we would be forced to curtail or discontinue our operations.

In addition, our future capital needs and other business reasons could require us to issue additional equity or debt securities or obtain a credit facility. The sale of additional equity or equity-linked securities could dilute our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations or our ability to pay dividends to our shareholders.

Failure of information security and privacy concerns could subject us to penalties, damage our reputation and brand, and harm our business and results of operations.

We face significant challenges with respect to information security and privacy, including the storage, transmission and sharing of confidential information. We transmit and store confidential and private information of our vehicle buyers, such as personal information, including names, accounts, user IDs and passwords, and payment or transaction related information.

We are required by PRC law to ensure the confidentiality, integrity, availability and authenticity of the information of our users, customers and distributors, which is also essential to maintaining their confidence in our vehicles and services. We have adopted strict information security policies and deployed advanced measures to implement the policies, including, among others, advanced encryption technologies. However, advances in technology, an increased level of sophistication and diversity of our products and services, an increased level of expertise of hackers, new discoveries in the field of cryptography or others can still result in a compromise or breach of the measures that we use. If we are unable to protect our systems, and hence the information stored in our systems, from unauthorized access, use,

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disclosure, disruption, modification or destruction, such problems or security breaches could cause a loss, give rise to our liabilities to the owners of confidential information or even subject us to fines and penalties. In addition, complying with various laws and regulations could cause us to incur substantial costs or require us to change our business practices, including our data practices, in a manner adverse to our business.

In addition, we may need to comply with increasingly complex and rigorous regulatory standards enacted to protect business and personal data in the U.S., Europe and elsewhere. For example, the European Union adopted the General Data Protection Regulation, or the GDPR, which became effective on May 25, 2018. The GDPR imposes additional obligations on companies regarding the handling of personal data and provides certain individual privacy rights to persons whose data is stored. Compliance with existing, proposed and recently enacted laws (including implementation of the privacy and process enhancements called for under GDPR) and regulations can be costly; any failure to comply with these regulatory standards could subject us to legal and reputational risks.

We generally comply with industry standards and are subject to the terms of our own privacy policies. Compliance with any additional laws could be expensive, and may place restrictions on the conduct of our business and the manner in which we interact with our customers. Any failure to comply with applicable regulations could also result in regulatory enforcement actions against us, and misuse of or failure to secure personal information could also result in violation of data privacy laws and regulations, proceedings against us by governmental entities or others, damage to our reputation and credibility and could have a negative impact on revenues and profits.

Significant capital and other resources may be required to protect against information security breaches or to alleviate problems caused by such breaches or to comply with our privacy policies or privacy-related legal obligations. The resources required may increase over time as the methods used by hackers and others engaged in online criminal activities are increasingly sophisticated and constantly evolving. Any failure or perceived failure by us to prevent information security breaches or to comply with privacy policies or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other customer data, could cause our customers to lose trust in us and could expose us to legal claims. Any perception by the public that online transactions or the privacy of user information are becoming increasingly unsafe or vulnerable to attacks could inhibit the growth of online retail and other online services generally, which may reduce the number of orders we receive.

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

For the initial owner of the ES8, the ES6, the EC6, the ET7 and the ET5 in China, in addition to the warranty required under the relevant PRC law, we also provide (i) a bumper-to-bumper three-year or 120,000-kilometer warranty, (ii) for critical EV components (battery, electric motors, power electric unit and vehicle control unit) an eight-year or 120,000-kilometer warranty, and (iii) a two-year or 50,000 kilometer warranty covering vehicle repair, replacement and refund, we also provide an extended warranty, subject to certain conditions. For the initial owner of the ES8 in Europe, we provide an extended warranty subject to certain conditions, in addition to the warranty required under the applicable laws and regulations. Our warranty program is similar to other auto company's warranty programs intended to cover all parts and labor to repair defects in material or workmanship in the body, chassis, suspension, interior, electric system, battery, electric powertrain and brake system. We plan to record and adjust warranty reserves based on changes in estimated costs and actual warranty costs.

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However, because we did not start making delivery of the ES8 until June 2018, of the ES6 until June 2019 and of the EC6 until September of 2020, and will not start making deliveries of the ET7 until March 2022, and of the ET5 until September 2022, we have little experience with warranty claims regarding our vehicles or with estimating warranty reserves. As of September 30, 2021, we had warranty reserves in respect of our vehicles of RMB1,677.9 million. We cannot assure you that such reserves will be sufficient to cover future claims. We could, in the future, become subject to a significant and unexpected warranty claims, resulting in significant expenses, which would in turn materially and adversely affect our results of operations, financial condition and prospects.

We may need to defend ourselves against patent or trademark infringement claims, 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 vehicles or components, which could make it more difficult for us to operate our business. From time to time, we may receive communications from holders of patents or trademarks regarding their proprietary rights. Companies holding patents or other intellectual property rights may bring suits alleging infringement of such rights or otherwise assert their rights and urge us to take licenses. Our applications and uses of trademarks relating to our design, software or artificial intelligence technologies could be found to infringe upon existing trademark ownership and rights. In addition, if we are determined to have infringed upon a third party's intellectual property rights, we may be required to do one or more of the following:

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

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

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

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

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

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

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

As of December 31, 2021, we had 2,843 issued patents and 1,801 patent applications pending. For our pending application, we cannot assure you that we will be granted patents pursuant to our pending applications. Even if our patent applications succeed and we are issued patents in accordance with them, it is still uncertain whether these patents will be contested, circumvented or invalidated in the future. In addition, the rights granted under any issued patents may not provide us with meaningful protection or competitive advantages. The claims under any patents that issue from our patent applications may not be broad enough to prevent others from developing technologies that are similar or that achieve results similar to ours. The intellectual property rights of others could also bar us from licensing and exploiting any patents that issue from our pending applications. Numerous patents and pending patent applications owned by others exist in the fields in which we have developed and are developing our technology. These patents and patent applications might have priority over our patent applications and could subject our patent applications to invalidation. Finally, in addition to those who may claim priority, any of our existing or pending patents may also be challenged by others on the basis that they are otherwise invalid or unenforceable.

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

We have limited liability insurance coverage for our products and business operations. A successful liability claim against us due to injuries suffered by our users 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 costs to us and diversion of our resources.

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We have a significant amount of debt, including our convertible senior notes, that are senior in capital structure and cash flow, respectively, to our shareholders. Satisfying the obligations relating to our debt could adversely affect the amount or timing of distributions to our shareholders or result in dilution.

As of September 30, 2021, we had RMB9,826.6 million (US\$1,525.1 million) in total long-term borrowings outstanding, consisting primarily of (i) our 4.50% convertible senior notes due 2024; (ii) our convertible senior notes due 2022 issued in September 2019 to an affiliate of Tencent Holdings Limited; (iii) our 0.00% convertible senior notes due 2026 and 0.50% convertible senior notes due 2027 and (iv) our long-term bank debt, excluding the current portions of (i) and (iv) that are due within one year from September 30, 2021. Meanwhile, as of September 30, 2021, we had RMB6,872.8 million (US\$1,066.6 million) in total short-term borrowings including the current portions of long-term borrowings.

In January 2019, we issued US\$750 million aggregate principal amount of 4.50% convertible senior notes due 2024, or the 2024 Notes. The 2024 Notes are unsecured debt and are not redeemable by us prior to the maturity date except for certain changes in tax law. In accordance with the indenture governing the 2024 Notes, or the 2024 Notes Indenture, holders of the 2024 Notes may require us to purchase all or any portion of their notes on February 1, 2022 at a repurchase price equal to 100% of the principal amount of the 2024 Notes to be repurchased, plus accrued and unpaid interest. Such repurchase right offer expired on January 28, 2022. None of the noteholders exercised their repurchase right, and no Notes were surrendered for repurchase. Holders of the 2024 Notes may also require us, upon a fundamental change (as defined in the 2024 Notes Indenture), to repurchase for cash all or part of their 2024 Notes at a fundamental change repurchase price equal to 100% of the principal amount of the 2024 Notes to be repurchased, plus accrued and unpaid interest. In connection with the issuance of the 2024 Notes, we entered into capped call transactions and zero-strike call option transactions. Shortly after the pricing of the 2026 Notes and the 2027 Notes in January 2021, we entered into separate and individually privately negotiated agreements with certain holders of the 2024 Notes to exchange approximately US\$581.7 million principal amount of the outstanding 2024 Notes for ADSs (each, a “**2024 Notes Exchange**” and collectively, the “**2024 Notes Exchanges**”). The 2024 Notes Exchanges closed on January 15, 2021. In connection with the 2024 Notes Exchanges, we also entered into agreements with certain financial institutions that are parties to our existing capped call transactions (which we had entered into in February 2019 in connection with the issuance of the 2024 Notes) shortly after the pricing of the 2026 Notes and the 2027 Notes to terminate a portion of the relevant existing capped call transactions in a notional amount corresponding to the portion of the principal amount of such 2024 Notes exchanged. In connection with such terminations of the existing capped call transactions, we received deliveries of ADSs in such amounts as specified pursuant to such termination agreements on January 15, 2021.

In September 2019, each of an affiliate of Tencent Holdings Limited and Mr. Bin Li, our founder, chairman of the board of directors and chief executive officer, subscribed for US\$100 million principal amount of convertible notes, each in two equally split tranches, collectively the Affiliate Notes. The Affiliate Notes issued in the first tranche matured in 360 days from the issuance date, bore no interest, and required us to pay a premium at 2% of the principal amount at maturity. The Affiliate Notes issued in the second tranche will mature in three years from the issuance date, bear no interest, and require us to pay a premium at 6% of the principal amount at maturity. The 360-day Affiliate Notes are convertible into our Class A ordinary shares (or ADSs) at a conversion price of US\$2.98 per ADS at the holder’s option from the 15th day immediately prior to maturity, and the three-year Affiliate Notes are convertible into our Class A ordinary shares (or ADSs) at a conversion price of US\$3.12 per ADS at the holder’s option from the first anniversary of the issuance date. The holders of the three-year Affiliate

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Notes will have the right to require us to repurchase for cash all of the convertible notes or any portion thereof on February 1, 2022. As of December 31, 2020, the 360-day Affiliate Notes issued to each of an affiliate of Tencent Holdings Limited and Mr. Bin Li have been converted to Class A ordinary shares and the three-year Affiliate Notes issued to the wholly owned company of Mr. Bin Li have been converted to ADSs.

In February and March 2020, we issued and sold convertible notes in an aggregate principal amount of US\$435 million due 2021, or the 2021 Notes, to several unaffiliated Asia based investment funds. The 2021 Notes bore zero interest. The holders of the 2021 Notes issued in February 2020 have the right to convert either all or part of the principal amount of the 2021 Notes into our Class A ordinary shares (or ADSs), prior to maturity and (a) from the date that is six months after the issuance date, at a conversion price of US\$3.07 per ADS, or (b) upon the completion of a bona fide issuance of equity securities of our company for fundraising purposes, at the conversion price derived from such equity financing. The holders of the 2021 Notes issued in March 2020 have the right to convert either all or part of the principal amount of the 2021 Notes into our Class A ordinary shares (or ADSs), prior to maturity and from September 5, 2020, at a conversion price of US\$3.50 per ADS, subject to certain adjustments. As of December 31, 2020, all of the 2021 Notes have been converted to ADSs.

In January 2021, we issued US\$750 million aggregate principal amount of 0.00% convertible senior notes due 2026, or the 2026 Notes, and US\$750 million aggregate principal amount of 0.50% convertible senior notes due 2027, or the 2027 Notes. The 2026 Notes and the 2027 Notes are unsecured debt. Prior to August 1, 2025, in the case of the 2026 Notes, and August 1, 2026, in the case of the 2027 Notes, the 2026 Notes and the 2027 Notes, as applicable, will be convertible at the option of the holders only upon satisfaction of certain conditions and during certain periods. Holders may convert their 2026 Notes or 2027 Notes, as applicable, at their option at any time on or after August 1, 2025, in the case of the 2026 Notes, or August 1, 2026, in the case of the 2027 Notes, until the close of business on the second scheduled trading day immediately preceding the relevant maturity date. Upon conversion, we will pay or deliver to such converting holders, as the case may be, cash, ADSs, or a combination of cash and ADSs, at our election. The initial conversion rate of the 2026 Notes is 10.7458 ADSs per US\$1,000 principal amount of such 2026 Notes. The initial conversion rate of the 2027 Notes is 10.7458 ADSs per US\$1,000 principal amount of such 2027 Notes. The relevant conversion rate for such series of the 2026 Notes and the 2027 Notes is subject to adjustment upon the occurrence of certain events. Holders of the 2026 Notes and the 2027 Notes may require us to repurchase all or part of their 2026 Notes and 2027 Notes for cash on February 1, 2024, in the case of the 2026 Notes, and February 1, 2025, in the case of the 2027 Notes, or in the event of certain fundamental changes, at a repurchase price equal to 100% of the principal amount of the 2026 Notes or the 2027 Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the relevant repurchase date. In addition, on or after February 6, 2024, in the case of the 2026 Notes, and February 6, 2025, in the case of the 2027 Notes, until the 20th scheduled trading day immediately prior to the relevant maturity date, we may redeem the 2026 Notes or the 2027 Notes, as applicable for cash subject to certain conditions, at a redemption price equal to 100% of the principal amount of the 2026 Notes or the 2027 Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the relevant optional redemption date. Furthermore, we may redeem all but not part of the 2026 Notes or the 2027 Notes in the event of certain changes in the tax laws.

Satisfying the obligations of all these indebtedness and interest liabilities could adversely affect the amount or timing of any distributions to our shareholders. We may choose to satisfy, repurchase, or refinance any of these liabilities through public or private equity or debt financings if we deem such financings available on favorable terms. If we do not have adequate cash available or cannot obtain additional financing, or our use of cash is restricted by

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applicable law, regulations or agreements governing our current or future indebtedness, we may not be able to repurchase any of these notes when required under the respective transaction documents, which would constitute an event of default under the respective transaction documents. An event of default could also lead to a default under other agreements governing our current and future indebtedness, and if the repayment of such other indebtedness were accelerated, we may not have sufficient funds to repay the indebtedness and repurchase any of these notes or make cash payments upon conversion of any of these notes. In addition, the holders of any of these notes may convert their notes to a number of our ADSs in accordance with the respective transaction documents. Any conversion will result in immediate dilution to the ownership interests of existing shareholders and such dilution could be material. Lastly, we are exposed to interest rate risk related to our portfolio of investments in debt securities and the debt that we have issued. Among other things, some of our bank loans carry floating interest, and increases in interest rates would result in a decrease in the fair value of our outstanding debt. In the event that we incur a decrease in the fair value of our outstanding debt, our financial performance will be adversely affected.

We may seek to obtain future financing through the issuance of debt or equity, which may have an adverse effect on our shareholders or may otherwise adversely affect our business.

If we raise funds through the issuance of additional equity or debt, including convertible debt or debt secured by some or all of our assets, holders of any debt securities or preferred shares issued will have rights, preferences and privileges senior to those of holders of our ordinary shares in the event of liquidation. The terms of the convertible notes we issued do not restrict our ability to issue additional debt. If additional debt is issued, there is a possibility that once all senior claims are settled, there may be no assets remaining to pay out to the holders of ordinary shares. In addition, if we raise funds through the issuance of additional equity, whether through private placements or public offerings, such an issuance would dilute ownership of our current shareholders that do not participate in the issuance. If we are unable to obtain any needed additional funding, we may be required to reduce the scope of, delay, or eliminate some or all of, our planned research, development, manufacturing and marketing activities, any of which could materially harm our business.

Furthermore, the terms of any additional debt securities we may issue in the future may impose restrictions on our operations, which may include limiting our ability to incur additional indebtedness, pay dividends on or repurchase our share capital, or make certain acquisitions or investments. In addition, we may be subject to covenants requiring us to satisfy certain financial tests and ratios, and our ability to satisfy such covenants may be affected by events outside of our control.

The terms of the convertible notes we issued could delay or prevent an attempt to take over our company.

The terms of the 2024 Notes, Affiliate Notes, 2026 Notes and 2027 Notes require us to repurchase the respective Notes in the event of a fundamental change. A takeover of our company would constitute a fundamental change. This could have the effect of delaying or preventing a takeover of our company that may otherwise be beneficial to our shareholders.

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

We have entered into and may in the future enter into strategic alliances, including joint ventures or minority equity investments, with various third parties to further our business purpose from time to time. These alliances could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the third party and

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increased expenses in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these strategic third parties suffers negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party.

In addition, we may acquire additional assets, products, technologies or businesses that are complementary to our existing business. In addition to possible shareholder approval, we may have to obtain approvals and licenses from relevant government authorities for the acquisitions and to comply with any applicable PRC laws and regulations, which could result in increased delay and costs, and may derail our business strategy if we fail to do so. Furthermore, past and future acquisitions and the subsequent integration of new assets and businesses into our own require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our operations. Acquired assets or businesses may not generate the financial results we expect. Acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the costs of identifying and consummating acquisitions may be significant.

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

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

- managing 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;
- implementing and enhancing administrative infrastructure, systems and processes; and
- addressing new markets and potentially unforeseen challenges as they arise.

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

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

We adopted share incentive plans in 2015, 2016, 2017 and 2018, which we refer to as the 2015 Plan, the 2016 Plan, the 2017 Plan and the 2018 Plan, respectively, in this document, for the purpose of granting share-based compensation awards to employees, directors and consultants to incentivize their performance and align their interests with ours. The 2018 Plan became

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effective as of January 1, 2019. We recognize expenses in our consolidated statement of income in accordance with U.S. GAAP. Under our share incentive plans, we are authorized to grant options and other types of awards. Under the 2015 Plan, the 2016 Plan and the 2017 Plan, the maximum numbers of Class A ordinary shares which may be issued pursuant to all awards are 46,264,378, 18,000,000 and 33,000,000, respectively. Under the 2018 Plan, a maximum number of 23,000,000 Class A ordinary shares may be issued pursuant to all awards. This amount should automatically increase each year by the number of shares representing 1.5% of the then total issued and outstanding share capital of our company as of the end of each preceding year. As of September 30, 2021, awards to purchase an aggregate amount of 82,935,686 Class A ordinary shares under the 2015 Plan, the 2016 Plan, the 2017 Plan and the 2018 Plan had been granted and were outstanding, excluding awards that were forfeited or cancelled after the relevant grant dates. As of September 30, 2021, our unrecognized share-based compensation expenses related to the stock option and restricted shares amounted to RMB2,727.0 million.

We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

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

If we do not appropriately maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, we may be unable to accurately report our financial results and the market price of our ADSs may be adversely affected.

We are subject to reporting obligations under the U.S. securities laws. The SEC, as required under Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company to include a management report on such company's internal control over financial reporting in its document, which contains management's assessment of the effectiveness of the company's internal control over financial reporting. We were subject to such requirement starting from the fiscal year 2019. In addition, an independent registered public accounting firm must attest to and report on the effectiveness of the company's internal control over financial reporting.

In connection with the preparation and external audit of our consolidated financial statements as of and for the year ended December 31, 2019, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting and concluded that our internal control over financial reporting was ineffective as of December 31, 2019. The material weakness identified was that we do not have sufficient competent financial reporting and accounting personnel with an appropriate understanding of U.S. GAAP to (i) design and implement formal period-end financial reporting policies and procedures to address complex U.S. GAAP technical accounting issues and (ii) prepare and review our consolidated financial statements and related disclosures in accordance with U.S. GAAP and the financial reporting requirements set forth by the SEC.

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Following the identification of the material weakness, we have taken measures to remedy the material weakness. Our management has concluded that our internal control over financial reporting was effective as of December 31, 2020 after the remediation. In addition, our independent registered public accounting firm has audited the effectiveness of our internal control over financial reporting as of December 31, 2020.

In the future, our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report with adverse opinion if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us.

If we fail to implement and maintain an effective internal control environment, we could suffer material misstatements in our consolidated financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our listed securities. Furthermore, we may need to incur additional costs and use additional management and other resources as our business and operations further expand or in an effort to remediate any significant control deficiencies that may be identified in the future. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions.

If our suppliers fail to use ethical business practices and comply with applicable laws and regulations, our brand image could be harmed due to negative publicity.

Our core values, which include developing high quality electric vehicles while operating with integrity, are an important component of our brand image, which makes our reputation sensitive to allegations of unethical business practices. We do not control our independent suppliers or their business practices. Accordingly, we cannot guarantee their compliance with ethical business practices, such as environmental responsibilities, fair wage practices, and compliance with child labor laws, among others. A lack of demonstrated compliance could lead us to seek alternative suppliers, which could increase our costs and result in delayed delivery of our products, product shortages or other disruptions of our operations.

Violation of labor or other laws by our suppliers or the divergence of an independent supplier's labor or other practices from those generally accepted as ethical in the markets in which we do business could also attract negative publicity for us and our brand. This could diminish the value of our brand image and reduce demand for our electric vehicles if, as a result of such violation, we were to attract negative publicity. If we, or other players in our industry, encounter similar problems in the future, it could harm our brand image, business, prospects, results of operations and financial condition.

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

We and JAC have invested and expect to continue to invest significantly in what we believe is state of the art tooling, machinery and other manufacturing equipment for the product lines where the vehicles are manufactured, and we depreciate the cost of such equipment over their expected useful lives. However, manufacturing technology may evolve rapidly, and we or JAC

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may decide to update our manufacturing process with advanced equipment more quickly than expected. Moreover, as our engineering and manufacturing expertise and efficiency increase, we or JAC may be able to manufacture our products using less of our installed equipment. The useful life of any equipment that would be retired early as a result would be shortened, causing the depreciation on such equipment to be accelerated, and to the extent we own such equipment, our results of operations could be negatively impacted. Furthermore, under the renewal joint manufacturing arrangement we entered into with JAC and Jianglai in May 2021, we agreed to pay JAC the asset depreciation and amortization with regard to the assets JAC invested and to invest for the manufacture of NIO models as actually incurred, payable monthly and subject to adjustment annually. An increased amount of investment made by JAC into the manufacturing plant will lead to an increased cost in asset depreciation and amortization, which could negatively affect our results of operations and financial conditions.

The construction and operation of our manufacturing facilities are subject to regulatory approvals or filings and may be subject to changes, delays, cost overruns or may not produce expected benefits.

In 2017, we signed a framework agreement with the Shanghai Jiading government and its authorized investment entity to build and develop our own manufacturing facility in Jiading, Shanghai. In 2019, we agreed with the related contractual parties to cease construction of this planned manufacturing facility and terminate this development project. Pursuant to the Measures for the Access Administration of Road Motor Vehicle Manufacturing Enterprises and Their Products (《道路機動車輛生產企業及產品准入管理辦法》), which was promulgated by the MIIT on November 27, 2018 and came into effect on June 1, 2019, road motor vehicle research and development and design enterprises are encouraged to cooperate with road motor vehicle manufacturing enterprises. Qualified research and development and design enterprises are allowed to apply for the access for road motor vehicle manufacturing enterprises and their products by leveraging the manufacturing enterprises' production capacity. In addition, in 2019, based on our 2018 vehicle delivery results of 11,348 vehicles and vehicle demand forecasts at the time, we considered the then annual production capacity of JAC-NIO manufacturing plant of 120,000 units to be sufficient in the two to three years following 2019. The actual deliveries of vehicles in 2019, 2020 and 2021 were 20,565, 43,728 and 91,429, respectively, which showed a significant growth trend while proved to fall within the maximum manufacturing capacity of JAC-NIO manufacturing plant at the time. As a result of both the new government policies giving certainty for the joint manufacturing model, and the sufficiency of manufacturing capacity at JAC-NIO plant at the time, we made a strategic decision to cease the construction of our own manufacturing facility in Jiading.

In February 2020, we entered into a collaboration framework agreement with the municipal government of Hefei, Anhui province, where our main manufacturing hub is located. Subsequently from April to June 2020, we entered into definitive agreements, as amended and supplemented, for investments in NIO China. Pursuant to the definitive agreements, we will collaborate with the Hefei Strategic Investors and HETA to develop NIO China's business and to support the accelerated development of the smart electric vehicle sectors in Hefei in the future. In February 2021, we, through NIO China, entered into a further collaboration framework agreement with the municipal government of Hefei, Anhui province, pursuant to which the Hefei government and NIO China agreed in principle to jointly build a world-class industrial campus to support the development and innovations of the smart electric vehicle industry and related supply chains led by NIO China. In addition, the Hefei government and its associated parties plan to re-invest their returns from the equity investments in NIO China to support the further cooperation in Hefei.

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Under PRC law, construction projects are subject to broad and strict government supervision and approval procedures, including but not limited to project approvals and filings, construction land and project planning approvals, environment protection approvals, pollution discharge permits, work safety approvals, fire protection approvals, and the completion of inspection and acceptance by relevant authorities. Some of the construction projects being carried out by us are undergoing necessary approval procedures as required by law. As a result, the relevant entities operating such construction projects may be subject to administrative uncertainty, and construction projects in question may be subject to fines or the suspension of use of such projects. Failure to complete the construction projects on schedule and within budget, and failure to obtain necessary approvals or any incompliance with relevant government supervision could have a material adverse impact on our operations, and we may not be able to find commercially reasonable alternatives.

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

The batteries that we produce make use of lithium-ion cells. On rare occasions, lithium-ion cells can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials as well as other lithium-ion cells. In June 2019, certain safety incidents resulting from the batteries on ES8 vehicles occurred in Shanghai and other locations in China. We then voluntarily recalled 4,803 ES8s, and replaced the batteries in the NIO battery swap network equipped with the malfunctioned modules. While we have designed the battery to passively contain any single cell's release of energy without spreading to neighboring cells, and have taken measures to enhance the safety of our battery designs, a field or testing failure of our vehicles or other batteries that we produce could occur in the future, which could subject us 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-ion cells for automotive applications or any future incident involving lithium-ion cells such as a vehicle or other fire, even if such incident does not involve our vehicles, could seriously harm our business.

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

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

We aim to provide our users with an innovative suite of services through our mobile application. In addition, our in-car services depend, to a certain extent, on connectivity. 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 other adverse effects, fire, terrorist attacks, natural disasters, power loss, telecommunications failures, computer viruses, computer denial of service attacks or other attempts to harm our systems. Our data centers are also subject to break-ins, sabotage, and intentional acts of vandalism, and potential disruptions. Some of our systems are not fully redundant, and our disaster recovery planning cannot account for all eventualities. Any

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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, anti-bribery, anti-money laundering, financial and economic sanctions 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, anti-money laundering, financial and economic sanctions and similar laws and regulations in various jurisdictions in which we conduct activities, including the U.S. Foreign Corrupt Practices Act, or FCPA, the U.K. Bribery Act 2010, and other anti-corruption laws and regulations. The FCPA and the U.K. Bribery Act 2010 prohibit us and our officers, directors, employees and business partners acting on our behalf, including agents, from corruptly offering, promising, authorizing or providing anything of value to a “foreign official” for the purposes of influencing official decisions or obtaining or retaining business or otherwise obtaining favorable treatment. The FCPA also requires companies to make and keep books, records and accounts that accurately reflect transactions and dispositions of assets and to maintain a system of adequate internal accounting controls. The U.K. Bribery Act also prohibits non-governmental “commercial” bribery and soliciting or accepting bribes. A violation of these laws or regulations could adversely affect our business, results of operations, financial condition and reputation.

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

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

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

Our vehicles contain complex information technology systems. For example, our vehicles are designed with built-in data connectivity to accept and install periodic remote updates from us to improve or update the functionality of our vehicles. We have designed, implemented and tested security measures intended to prevent unauthorized access to our information technology networks, our vehicles and their systems. However, hackers may attempt in the future, to gain unauthorized access to modify, alter and use such networks, vehicles and systems to gain

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control of, or to change, our vehicles' functionality, user interface and performance characteristics, or to gain access to data stored in or generated by the vehicle. Vulnerabilities could be identified in the future and our remediation efforts may not be successful. Any unauthorized access to or control of our vehicles or their systems or any loss of data could result in legal claims or proceedings. In addition, regardless of their veracity, reports of unauthorized access to our vehicles, their systems or data, as well as other factors that may result in the perception that our vehicles, their systems or data are capable of being "hacked," could negatively affect our brand and harm our business, prospects, financial condition and operating results.

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. In recent years, there have been outbreaks of epidemics in China and globally. Our business operations could be disrupted if any of our employees are suspected of having epidemics, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our results of operations could be adversely affected to the extent that the outbreak harms the Chinese economy in general.

We are also vulnerable to natural disasters and other calamities. Our vehicles production, sales and delivery and our service operations and capacities could be materially and adversely affected by natural disasters and other calamities in the areas where we operate and where our vehicles are sold to. For example, in July 2021, our deliveries of vehicles and power services were interrupted due to the flood in Henan province and the typhoon in Shanghai and several other neighboring cities. Although we have servers that are hosted in an offsite location, our backup system does not capture data on a real-time basis and we may be unable to recover certain data in the event of a server failure. We cannot assure you that any backup systems will be adequate to protect us from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. Any of the foregoing events may give rise to interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide services on our platform.

Our revenues and financial results may be adversely affected by any economic slowdown in China as well as globally.

The success of our business ultimately depends on consumer spending. We derive substantially all of our revenues from China. As a result, our revenues and financial results are impacted to a significant extent by economic conditions in China and globally. The global macroeconomic environment is facing numerous challenges. The growth rate of the Chinese economy has gradually slowed down since 2010 and the trend may continue. Any slowdown could significantly reduce domestic commerce in China, including through the internet generally and through us. In addition, 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. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade

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policies, treaties, government regulations and tariffs. In addition, the COVID-19 pandemic has negatively impacted the economies of China, the United States and numerous other countries around the world, and is expected to result in a severe global recession. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

Sales of high-end and luxury consumer products, such as our performance electric vehicles, depend in part on discretionary consumer spending and are even more exposed to adverse changes in general economic conditions. In response to their perceived uncertainty in economic conditions, consumers might delay, reduce or cancel purchases of our electric vehicles and our results of operations may be materially and adversely affected.

Shutdowns of the U.S. federal government could materially impair our business and financial condition.

Development of our product candidates and/or regulatory approval may be delayed for reasons beyond our control. For example, over the last several years the U.S. government has shut down several times and certain regulatory agencies, such as the SEC, have had to furlough critical SEC and other government employees and stop critical activities. In our operations as a public company, future government shutdowns could impact our ability to access the public markets, such as delaying the declaration of effectiveness of registration statements and obtaining necessary capital to properly capitalize and continue our operations.

Rising international political tension, including changes in U.S. and international trade policies, particularly with regard to China, may adversely impact our business and operating results.

The U.S. government has made statements and taken certain actions that may lead to potential changes to U.S. and international trade policies towards China. In January 2020, the “Phase One” agreement was signed between the United States and China on trade matters. However, it remains unclear what additional actions, if any, will be taken by the U.S. or other governments with respect to international trade agreements, the imposition of tariffs on goods imported into the U.S., tax policy related to international commerce, or other trade matters. While cross-border business may not currently be an area of our focus, any unfavorable government policies on international trade, such as capital controls or tariffs, may affect the demand for our products and services, impact the competitive position of our products or prevent us from selling products in certain countries. Moreover, many of the recent policy updates in the U.S., including the Clean Network project initiated by the U.S. Department of State in August 2020 and the Entity List regime maintained and regularly updated by the U.S. Bureau of Industry and Security, may have unforeseen implications for our business. If any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated or, in particular, if the U.S. government takes retaliatory trade actions due to the recent U.S.-China trade tension, such changes could have an adverse effect on our business, financial condition and results of operations.

Additionally, the United States and various foreign governments have imposed controls, export license requirements and restrictions on the import or export of technologies and products (or voiced the intention to do so), especially related to semiconductor chips, AI and other high-tech areas, which may have a negative impact on our business, financial condition and results of operations. For instance, India banned a large number of apps in 2020 out of national security concerns, many of which are China-based apps, escalating regional political and trade tensions.

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We import chipsets from the U.S., and apply U.S. origin technology for our business operations. As advised by our legal counsels and based on careful assessment, as of the date of this document, there is no restriction in exporting these goods or providing these services from the U.S. As a result, we believe there is no material impact of Sino-U.S. trade restrictions on our operations as of the date of this document.

Recent disruptions in the financial markets and economic conditions could affect our ability to raise capital.

In recent years, the United States and global economies suffered dramatic downturns as the result of a deterioration in the credit markets and related financial crisis as well as a variety of other factors including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. The United States and certain foreign governments have taken unprecedented actions in an attempt to address and rectify these extreme market and economic conditions by providing liquidity and stability to the financial markets. If the actions taken by these governments are not successful, the return of adverse economic conditions may cause a significant impact on our ability to raise capital, if needed, on a timely basis and on acceptable terms or at all.

There are uncertainties relating to our users trust arrangement involving a portion of our chairman's shareholding in our company.

In conjunction with our pursuit of being a user enterprise and with the goal of building a deeper connection between NIO and our users, Mr. Bin Li, our founder, chairman of the board of directors and chief executive officer, transferred certain of his ordinary shares to NIO Users Trust after the completion of the initial public offering of our ADSs on the New York Stock Exchange in September 2018. Currently, NIO Users Trust holds 16,967,776 Class A ordinary shares and 33,032,224 Class C ordinary shares through a holding company controlled by it. Mr. Li continues to retain the voting rights of these shares. In 2019, our user committee adopted the NIO Users Trust Charter by way of voting, and established a User Council to generally discuss and give advice on the management and the operation of NIO Users Trust. In this way, our users have the opportunity to discuss and propose the use of the economic benefits from the shares in NIO Users Trust, which is intended to be composed mainly of the dividends from the shares that it holds future interests accrued from and investment returns generated by cash assets to be held under the trust, and proceeds from the pledging of such shares from time to time, through the User Council consisting of members of our user community elected by our users. The User Council helps coordinate user activity in our community, and the current second User Council has decided to focus their work on user care, industry-oriented communities, public welfare and environmental protection in 2021. See “Business — User Development and User Community — NIO Users Trust” for further details about NIO Users Trust.

The current NIO Users Trust Charter provides certain mechanisms for the User Council to discuss the management and supervision of the operations of NIO Users Trust. There is no assurance that such current mechanisms for managing the operations of NIO Users Trust we have adopted are to the satisfaction of all of our users, or that such mechanisms will be carried out in the way it was intended. The User Council may not be able to achieve its intended work focus or carry out their work effectively and efficiently as the power to give instructions to the trustee vests with the settlor, protector and investment advisor of the trust. Furthermore, the accounting implications to us of the arrangement of NIO Users Trust cannot presently be ascertained.

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

Several shareholder class action lawsuits have been filed against us and certain of our directors and officers. See “Business — Legal Proceedings and Compliance” for more details. 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 will continue to be a target for lawsuits in the future, including class action lawsuits brought by shareholders. There can be no assurance that we will be able to prevail in our defense or reverse any unfavorable judgment on appeal, 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 have a material adverse effect on our business, financial condition, results of operation, cash flows and reputation. In addition, there can be no assurance that our insurance carriers will cover all or part of the defense costs, or any liabilities that may arise from these matters. The litigation process may utilize a significant portion of our cash resources and divert management’s attention from the day-to-day operations of our company, all of which could harm our business. We also may be subject to claims for indemnification related to these matters, and we cannot predict the impact that indemnification claims may have on our business or financial results.

RISKS RELATED TO OUR CORPORATE STRUCTURE

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

Foreign ownership of certain areas of businesses is subject to restrictions under current PRC laws and regulations. For example, foreign investors are not allowed to own more than 50% of the equity interests in a value-added telecommunication service provider (other than for e-commerce, domestic multi-parties communications, storage and forwarding categories, call centers) pursuant to the 2021 Negative List.

We are a Cayman Islands exempted company and our PRC subsidiaries are considered foreign-invested enterprises. To comply with the applicable PRC laws and regulations, we had planned to conduct certain operations that were then subject to restrictions on foreign investment in China through Shanghai NIO Energy Automobile Co., Ltd., or NIO New Energy. NIO Co., Ltd. owns 50% equity interests in NIO New Energy. Our founders Bin Li and Lihong Qin, through holding equity interests in Shanghai Anbin Technology Co., Ltd. indirectly own 40% and 10%, respectively, of the equity interests in NIO New Energy. With respect to the 50% equity interests of NIO New Energy indirectly held by the founders, we had entered into a series of contractual arrangements with Shanghai Anbin Technology Co., Ltd., or Shanghai Anbin, and its shareholders, which enabled us to (i) ultimately exercise effective control over such 50% equity interests of NIO New Energy, (ii) receive 50% of substantially all of the economic benefits and bear the obligation to absorb 50% of substantially all of the losses of NIO New Energy, and (iii) have an exclusive option to purchase all or part of the equity interests in Shanghai Anbin when and to the extent permitted by PRC laws, as a result of which we indirectly owned all or part of such 50% equity interests in NIO New Energy. Because of the ownership of 50% equity interests of NIO New Energy and these contractual arrangements, we were the primary beneficiary of NIO New Energy and hence consolidated its financial results as our variable interest entity under U.S. GAAP. On March 31, 2021, NIO Co., Ltd., or

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Shanghai NIO, and Shanghai Anbin Technology Co., Ltd., or Shanghai Anbin, and each shareholder of Shanghai Anbin entered into a termination agreement pursuant to which each of the contractual agreements among Shanghai NIO, Shanghai Anbin and its shareholders terminated as of the date of the agreement. In addition, we have also entered into a series of contractual arrangements with Beijing NIO Network Technology Co., Ltd., or Beijing NIO, and its shareholders that enable us to hold all the required Internet content provision service, or the ICP, and related licenses in China. For a detailed description of these contractual arrangements, see “Contractual Arrangements.”

In the opinion of Han Kun Law Offices, our PRC Legal Adviser, (i) the ownership structures of NIO Co., Ltd. and our variable interest entity in China do not result in any violation of PRC laws and regulations currently in effect; and (ii) the contractual arrangements between our subsidiary NIO Co., Ltd., our variable interest entity and its shareholders governed by PRC laws will not result in any violation of PRC laws or regulations currently in effect. However, we have been advised by our PRC Legal Adviser that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules, and there can be no assurance that the PRC regulatory authorities will take a view that is consistent with the opinion of our PRC Legal Adviser. See “Regulatory Overview — Regulations on Foreign Investment in China” and “— Risks Related to Doing Business in China — Our business may be significantly affected by the newly enacted Foreign Investment Law.” It is uncertain whether any new PRC laws or regulations relating to variable interest entity structures will be adopted or, if adopted, what they would provide.

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

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

Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would in turn materially and adversely affect our business, financial condition and results of operations. If any of these occurrences results in our inability to direct the activities of our variable interest entity that most significantly impact their

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economic performance, and/or our failure to receive the economic benefits from our variable interest entity, we may not be able to consolidate the entities in our consolidated financial statements in accordance with U.S. GAAP.

We rely on contractual arrangements with our variable interest entity and its shareholders to exercise control over our business, which may not be as effective as direct ownership in providing operational control.

We have relied on contractual arrangements with Shanghai Anbin and its shareholders to conduct a portion of our operations in China. On March 31, 2021, the contractual agreements with Shanghai Anbin and its shareholders were terminated. See “Contractual Arrangements” for more information. We have relied and expect to continue to rely on contractual arrangements with Beijing NIO and its shareholders to conduct a portion of our operations in China. For a description of these contractual arrangements, see Contractual Arrangements.” The shareholders of Beijing NIO may not act in the best interests of our company or may not perform their obligations under these contracts. If we had direct ownership of our variable interest entity, or VIE, we would be able to exercise our rights as a shareholder to control our VIE to exercise rights of shareholders to effect changes in the board of directors of our VIE, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the contractual arrangements, we would rely on legal remedies under PRC law for breach of contract in the event that Beijing NIO and its shareholders did not perform their obligations under the contracts. These legal remedies may not be as effective as direct ownership in providing us with control over Beijing NIO.

If Beijing NIO or its shareholders fail to perform their obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements, and rely on legal remedies under PRC laws, including contractual remedies, which may not be sufficient or effective. All of the agreements under our contractual arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from these contractual arrangements will be resolved through arbitration in China. However, the legal framework and system in China, particularly those relating to arbitration proceedings, are not as developed as in some other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC laws, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in the PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. If we are unable to enforce these contractual arrangements, or if we suffer significant delay or face other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our variable interest entity, and our ability to conduct our business may be negatively affected. See “— Risks Related to Doing Business in China — Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.”

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Our ability to enforce the equity pledge agreements between us and our PRC variable interest entity's shareholders may be subject to limitations based on PRC laws and regulations.

Pursuant to the equity pledge agreements between Shanghai Anbin and Beijing NIO, our current and past variable interest entities, and NIO Co., Ltd., our PRC subsidiary, and the respective shareholders of Shanghai Anbin and Beijing NIO, each shareholder of Shanghai Anbin and Beijing NIO agrees to pledge its equity interests in Shanghai Anbin and Beijing NIO to our subsidiary to secure Shanghai Anbin and Beijing NIO's performance of its obligations under the relevant contractual arrangements. The equity interest pledges of shareholders of each of Beijing NIO and Shanghai Anbin under relevant equity pledge agreements have been registered with the relevant local branch of State Administration for Market Regulation, or the SAMR. In addition, in the registration forms of the local branch of the SAMR for the pledges over the equity interests under the equity pledge agreements, the aggregate amount of registered equity interests pledged to NIO Co., Ltd. represents 100% of the registered capital of Shanghai Anbin and Beijing NIO. On March 31, 2021, equity pledge agreements among Shanghai NIO, Shanghai Anbin and its shareholders were terminated, and the deregistration of the equity interest pledges of shareholders of Shanghai Anbin under its equity pledge agreements that were previously registered with the relevant local branch of the SAMR was completed. See "Contractual Arrangements" for more information.

The equity pledge agreements with our variable interest entity's shareholders provide that the pledged equity interests shall constitute continuing security for any and all of the indebtedness, obligations and liabilities under all of the principal service agreements and the scope of pledge shall not be limited by the amount of the registered capital of that variable interest entity. However, a PRC court may take the position that the amount listed on the equity pledge registration forms represents the full amount of the collateral that has been registered and perfected. If this is the case, the obligations that are supposed to be secured in the equity pledge agreements in excess of the amount listed on the equity pledge registration forms could be determined by the PRC court as unsecured debt, which typically takes last priority among creditors.

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

Our founders, Bin Li and Lihong Qin, own 80% and 20%, respectively, of the equity interests in our variable interest entities, Shanghai Anbin and Beijing NIO. On March 31, 2021, the contractual agreements with Shanghai Anbin and its shareholders were terminated. See "Contractual Arrangements" for more information. As shareholders of Beijing NIO, they may have potential conflicts of interest with us. These shareholders may breach, or cause our variable interest entity to breach, or refuse to renew, the existing contractual arrangements we have with them and our variable interest entity, which would have a material and adverse effect on our ability to effectively control our variable interest entity and receive economic benefits from it. For example, the shareholders may be able to cause our agreements with Beijing NIO to be performed in a manner adverse to us by, among other things, failing to remit payments due under the contractual arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise, any or all of these shareholders will act in the best interests of our company or such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our company. Each of Bin Li and Lihong Qin is also a director and executive officer of our company. We rely on Bin Li and Lihong Qin to abide by the laws of the Cayman Islands and China, which provide that directors owe a fiduciary duty to the company that requires them to act in good faith and in what they believe to be the best interests

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of the company and not to use their position for personal gain. There is currently no specific and clear guidance under PRC laws that addresses any conflict between PRC laws and the laws of Cayman Islands in respect of any conflict relating to corporate governance. If we cannot resolve any conflict of interest or dispute between us and the shareholders of Beijing NIO, 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 contractual arrangements with our current and past variable interest entities may be subject to scrutiny by the PRC tax authorities and they may determine that we or our current or past variable interest entities owe additional taxes, which could negatively affect our financial condition.

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year when the transactions are conducted. The PRC Enterprise Income Tax Law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its related parties to the relevant tax authorities. The tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arm's length principles. We may face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements between NIO Co., Ltd., our subsidiary in China, Shanghai Anbin and Beijing NIO, our current and past variable interest entities in China, and Shanghai Anbin and Beijing NIO's shareholders were not entered into on an arm's length basis in such a way as to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, and adjust Shanghai Anbin and Beijing NIO's income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by Shanghai Anbin and Beijing NIO for PRC tax purposes, which could in turn increase their tax liabilities without reducing NIO Co., Ltd.'s tax expenses. On March 31, 2021, the contractual agreements with Shanghai Anbin and its shareholders were terminated. See "Contractual Arrangements" for more information. However, we may face the material and adverse tax consequences described above with respect to our contractual agreements with Shanghai Anbin and its shareholders when such agreements were effective. In addition, if NIO Co., Ltd. requests the shareholders of Beijing NIO to transfer their equity interests in NIO Co., Ltd. at nominal or no value pursuant to the contractual agreements, such transfer could be viewed as a gift and subject NIO Co., Ltd. to PRC income tax. Furthermore, the PRC tax authorities may impose late payment fees and other penalties on Beijing NIO for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and adversely affected if either of our current and past variable interest entities' tax liabilities increase or if either is required to pay late payment fees and other penalties.

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

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

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involuntary liquidation proceedings, unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

Divestitures of businesses and assets may have a material and adverse effect on our business and financial condition.

We may undertake in the future, partial or complete divestitures or other disposal transactions in connection with certain of our businesses and assets, particularly ones that are not closely related to our core focus areas or might require excessive resources or financial capital, to help our company meet its objectives. These decisions are largely based on our management's assessment of the business models and likelihood of success of these businesses. However, our judgment could be inaccurate, and we may not achieve the desired strategic and financial benefits from these transactions. Our financial results could be adversely affected by the impact from the loss of earnings and corporate overhead contribution/allocation associated with divested businesses.

Dispositions may also involve continued financial involvement in the divested business, such as through guarantees, indemnities or other financial obligations. Under these arrangements, performance by the divested businesses or other conditions outside of our control could affect our future financial results. We may also be exposed to negative publicity as a result of the potential misconception that the divested business is still part of our consolidated group. On the other hand, we cannot assure you that the divesting business would not pursue opportunities to provide services to our competitors or other opportunities that would conflict with our interests. If any conflicts of interest that may arise between the divesting business and us cannot be resolved in our favor, our business, financial condition, results of operations could be materially and adversely affected.

Furthermore, reducing or eliminating our ownership interests in these businesses might negatively affect our operations, prospects, or long-term value. We may lose access to resources or know-how that would have been useful in the development of our own business. Our ability to diversify or expand our existing businesses or to move into new areas of business may be reduced, and we may have to modify our business strategy to focus more exclusively on areas of business where we already possess the necessary expertise. We may sell our interests too early, and thus forego gains that we otherwise would have received had we not sold. Selecting businesses to dispose of or spin off, finding buyers for them (or the equity interests in them to be sold) and negotiating prices for what may be relatively illiquid ownership interests with no easily ascertainable fair market value will also require significant attention from our management and may divert resources from our existing business, which in turn could have an adverse effect on our business operations.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements in Paragraph 3(b) of Practice Note 15 to the Hong Kong Listing Rules such that we are able to list a subsidiary entity on the Hong Kong Stock Exchange within three years of the Listing. While we currently do not have any plan with respect to any spin-off listing on the Hong Kong Stock Exchange, we may consider a spin-off listing on the Hong Kong Stock Exchange for one or more of our businesses within the three year period subsequent to the Listing. The waiver granted by the Hong Kong Stock Exchange is conditional upon us confirming to the Hong Kong Stock Exchange in advance of any spin-off that it would not render our Company incapable of fulfilling the eligibility requirements under Rule 19C.05 of the Hong Kong Listing Rules based on the financial information of the entity

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or entities to be spun-off at the time of the Company's Listing (calculated cumulatively if more than one entity is spun-off). For additional information, see "Waivers and Exemptions — Three-year Restriction on Spin-offs."

RISKS RELATED TO DOING BUSINESS IN CHINA

Given that the PCAOB is unable to inspect or fully investigate auditors located in China, our ADSs may be delisted under the Holding Foreign Companies Accountable Act. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections deprives our investors of the benefits of such inspections.

The Holding Foreign Companies Accountable Act, or the HFCA Act, was enacted on December 18, 2020. The HFCA Act states if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange or in the over the counter trading market in the U.S. On November 5, 2021, the SEC approved the PCAOB rule that provides a framework for the PCAOB to determine whether it is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction. The rule states that the PCAOB will make these determinations promptly. On December 16, 2021, PCAOB issued a report on its determinations that it is unable to inspect or investigate completely PCAOB-registered public accounting firm headquartered in the mainland of China and Hong Kong because of positions taken by PRC authorities in those jurisdictions. Our auditor is subject to such PCAOB determination.

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this document, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Since our auditor is located in the mainland of China, a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities, our auditor is currently not inspected by the PCAOB.

On December 2, 2021, the SEC adopted final amendments implementing the disclosure and submission requirements of the HFCA Act. Under the final amendments establish the SEC's procedures for determining whether a registrant is a "Commission-Identified Issuer" under the HFCA Act, and prohibiting the trading of Commission-Identified Issuer's securities. The earliest that the SEC could identify a Commission-Identified Issuer would be after companies file annual reports for the fiscal year ended December 31, 2021. Pursuant to the HFCA Act and the SEC and PCAOB rules, if we have been identified as a Commission-Identified Issuer for three consecutive years after we file our annual report for the fiscal year ended December 31, 2021, our shares or ADSs may be delisted or prohibited from trading on a national securities exchange or over-the-counter. On June 22, 2021, the U.S. Senate passed a bill which, if passed by the U.S. House of Representatives and signed into law, would reduce the number of consecutive non-inspection years required for triggering the prohibitions under the HFCA Act from three years to two. The earliest time that we could be delisted or prohibited from being traded would be 2024 after we file the annual report on Form 20-F for the fiscal year ending December 31, 2023, assuming the number of consecutive non-inspection years required for triggering the prohibitions under the HFCA Act is three pursuant to the HFCA Act and the SEC and PCAOB rules.

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On February 4, 2022, the U.S. House of Representatives passed the America Competes Act of 2022 which includes the exact same amendments as the bill passed by the Senate. The America Competes Act however includes a broader range of legislation not related to the HFCAA in response to the U.S. Innovation and Competition Act passed by the Senate in 2021. The U.S. House of Representatives and U.S. Senate will need to agree on amendments to these respective bills to align the legislation and pass their amended bills before the President can sign into law. If the number of consecutive non-inspection years required for triggering the prohibitions under the HFCA Act is reduced from three years to two, then our shares and ADSs could be prohibited from trading in the United States as early as 2023.

Such delisting 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 and the value of your investment. In addition, it would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition and prospects.

The PCAOB's inability to conduct inspections in China prevents it from fully evaluating the audits and quality control procedures of our independent registered public accounting firm. As a result, we and investors in our ordinary shares are deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our independent registered public accounting firm's audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections, which could cause investors and potential investors in our stock to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

In May 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC and the PRC Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by the PCAOB in the PRC or by the CSRC or the PRC Ministry of Finance in the United States. The PCAOB continues to be in discussions with the CSRC and the PRC Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with the PCAOB and audit Chinese companies that trade on U.S. exchanges.

Proceedings instituted by the SEC against the “big four” PRC-based accounting firms, including our independent registered public accounting firm, could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act.

In late 2012, the SEC commenced administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act against the Chinese affiliates of the “big four” accounting firms (including our auditors). The Rule 102(e) proceedings initiated by the SEC relate to these firms' inability to produce documents, including audit work papers, in response to the request of the SEC pursuant to Section 106 of the Sarbanes-Oxley Act, as the auditors located in the PRC are not in a position lawfully to produce documents directly to the SEC because of restrictions under PRC law and specific directives issued by the China Securities Regulatory Commission, or the CSRC. The issues raised by the proceedings are not specific to our auditors or to us, but affect equally all audit firms based in China and all China-based businesses with securities listed in the United States.

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In January 2014, the administrative judge reached an initial decision, or the Initial Decision, that the Chinese affiliates of “big four” accounting firms should be barred from practicing before the SEC for six months. Thereafter, the accounting firms filed a petition for review of the Initial Decision, prompting the SEC commissioners to review the Initial Decision, determine whether there had been any violation and, if so, determine the appropriate remedy to be placed on these audit firms.

In February 2015, the Chinese affiliates of the “big four” accounting firms (including our auditors) each agreed to censure and pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC and audit U.S. listed companies. The settlement requires the firms to follow detailed procedures and to seek to provide the SEC with access to the Chinese firms’ audit documents via the CSRC. If they failed to meet the specified criteria during a period of four years starting from the settlement date, the SEC retained authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. Under the terms of the settlement, the underlying proceeding against the four China-based accounting firms was deemed dismissed with prejudice four years after entry of the settlement. The four-year mark occurred on February 6, 2019. While we cannot predict if the SEC will further challenge the four China-based accounting firms’ compliance with U.S. law in connection with U.S. regulatory requests for audit work papers or if the results of such a challenge would result in the SEC imposing penalties such as suspensions. If additional remedial measures are imposed on the Chinese affiliates of the “big four” accounting firms, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

In the event the Chinese affiliates of the “big four” become subject to additional legal challenges by the SEC or PCAOB, depending upon the final outcome, listed companies in the United States 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 Securities Exchange Act of 1934, as amended, or the Securities Exchange Act, and could result in delisting. Moreover, any negative news about the proceedings against these audit firms may cause investor uncertainty regarding China-based, United States-listed companies and the market price of our shares may be adversely affected. If our independent registered public accounting firm were denied, temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our financial statements, our financial statements could be determined to not be in compliance with the requirements of the Exchange Act.

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

Substantially all of our revenues are expected to be derived in China in the near future and most of our operations, including all of our manufacturing, is conducted in China. Accordingly, our results of operations, financial condition and prospects are influenced by economic, political and legal developments in China. China’s economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. The PRC government exercises significant control over China’s economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. While the PRC economy has experienced significant growth over the past decades, that growth has been uneven across different regions and between economic sectors and may not continue, as evidenced by the slowing of the growth of the

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Chinese economy since 2012. Any adverse changes in economic conditions in China, in the policies of the Chinese government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, leading to reduction in demand for our services and solutions and adversely affect our competitive position.

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

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

Our PRC subsidiaries are foreign-invested enterprises and are subject to laws and regulations applicable to foreign-invested enterprises as well as various Chinese laws and regulations generally applicable to companies incorporated in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties.

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

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

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law, which has become effective on January 1, 2020 and replaced the trio of existing laws regulating foreign investment in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, together with their implementation rules and ancillary regulations. Since the Foreign Investment Law is newly enacted, uncertainties still exist in relation to its interpretation and implementation. The Foreign Investment Law does not explicitly classify whether variable interest entities that are controlled via contractual arrangements would be deemed as foreign invested enterprises if they are ultimately "controlled" by foreign investors. However, it has a catch-all provision under definition of "foreign investment" to include investments made by foreign investors in China through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions to provide for contractual arrangements as a form of foreign investment. There can be no assurance that our contractual arrangements will not be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations.

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The Foreign Investment Law grants national treatment to foreign invested entities, except for those foreign invested entities that operate in industries deemed to be either “restricted” or “prohibited” in the “negative list” to be published. Because the “negative list” has yet been published, it is unclear as to whether it will differ from the 2021 Negative List currently in effect. The Foreign Investment Law provides that only foreign invested entities operating in foreign restricted or prohibited industries will require entry clearance and other approvals that are not required by PRC domestic entities or foreign invested entities operating in other industries. In the event that our variable interest entity through which we operate our business is not treated as domestic investment and our operations carried out through such variable interest entity are classified in the “restricted” or “prohibited” industry in the “negative list” under the Foreign Investment Law, such contractual arrangements may be deemed as invalid and illegal, and we may be required to unwind such contractual arrangements and/or dispose of such business.

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

The approval of or filing with the CSRC or other PRC government authorities may be required in connection with this Listing and our future capital raising activities under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or filing.

The M&A Rules requires an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC persons or entities to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and this Listing may ultimately require approval of the CSRC. If the CSRC approval is required, it is uncertain whether we can or how long it will take us to obtain the approval and, even if we obtain such CSRC approval, such CSRC approval could be rescinded. Any failure to obtain or delay in obtaining the CSRC approval for this Listing if such approval is required, or a rescission of such CSRC approval is obtained by us, would subject us to sanctions imposed by the CSRC or other PRC regulatory authorities, which could include fines and penalties on our operations in the PRC, restrictions or limitations on our ability to pay dividends outside of the PRC, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

Recently, the relevant PRC government authorities issued the Opinions, which called for the enhanced administration and supervision of overseas-listed China-based companies (中概股公司), proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities. As of the Latest Practicable Date, due to the lack of further clarifications or detailed rules and regulations, there are still uncertainties regarding the interpretation and implementation of the Opinions, including on China-based companies with a VIE structure. In addition, we cannot guarantee that new rules or regulations promulgated in the future pursuant to the Opinions will not impose any additional requirement on us. If it is

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determined that we are subject to any CSRC approval, filing, other governmental authorisation or requirements for this Listing or future capital raising activities, we may fail to obtain such approval or meet such requirements in a timely manner or at all, or completion could be rescinded. Any failure to obtain or delay in obtaining such approval or completing such procedures for this Listing or future capital raising activities, or a rescission of any such approval obtained by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities. These regulatory authorities may impose fines and penalties on our operations in the PRC, limit our ability to pay dividends outside of the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of the proceeds from this Listing or future capital raising activities into the PRC, or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the proceeds of our shares.

On December 24, 2021, the CSRC released the *Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments)* (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) (the “**Draft Administration Provisions**”) and the *Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments)* (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (the “**Draft Filing Measures**”), both of which had a comment period that expired on January 23, 2022. The Draft Administrative Provisions and the Draft Filing Measures regulate the system, filing management and other related rules with respect to direct or indirect overseas issuance of listed and traded securities by “domestic enterprises.” Assuming the Draft Administration Regulations and the Draft Filing Measures become effective in their current forms, any of our offerings in the future may be subject to the filing with the CSRC. If we cannot complete such filing in a timely manner, our offerings may be materially effected. See “Regulatory Overview — M&A Rules and Overseas Listing.”

The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt this Listing or future capital raising activities before settlement and delivery of the proceeds hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for this Listing or future capital raising activities, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, and the proceeds of the shares.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulations on internet-related business, automotive businesses and other business carried out by our PRC subsidiaries.

We operate in the automotive and internet industry, both of which are extensively regulated by the PRC government. For example, the PRC government imposes foreign ownership restrictions and licensing and permit requirements for companies in the internet industry. See “Regulatory Overview — Regulations on Foreign Investment in China” and “Regulations on Value-added Telecommunications Services.” Manufacturing of our vehicles is subject to extensive regulations in China. See “Regulatory Overview — Regulations and Approvals Covering the Manufacturing of New Energy Vehicles.” These laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions

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or omissions may be deemed to be in violation of applicable laws and regulations and furthermore, we cannot assure you that we have complied or will be able to comply with all applicable laws at all times. Consequently, we could face the risks of being subject to governmental investigations, orders by the competent authorities for rectification, administrative penalties or other legal proceedings.

Currently we rely on the contractual arrangements with Beijing NIO, our variable interest entity, to hold an ICP license, and separately own the relevant domain names and trademarks in connection with our internet services and operate our website and mobile application through NIO Co., Ltd. Our internet services may be treated as a value-added telecommunications business. If so, we may be required to transfer the domain names, trademark and the operations of the internet services from NIO Co., Ltd. to Beijing NIO, and we may also be subject to administrative penalties. Further, any challenge to the validity of these arrangements may significantly disrupt our business, subject us to sanctions, compromise enforceability of our contractual arrangements, or have other harmful effects on us. It is uncertain if Beijing NIO or NIO Co., Ltd. will be required to obtain a separate operating license for certain services carried out by us through our mobile application in addition to the valued-added telecommunications business operating licenses for internet content provision services, and if Beijing NIO will be required to supplement our current ICP license in the future.

In addition, our mobile applications are also regulated by the Administrative Provisions on Mobile Internet Applications Information Services, or the APP Provisions, promulgated by the Cyberspace Administration of China, or the CAC, on June 28, 2016 and effective on August 1, 2016. According to the APP Provisions, the providers of mobile applications shall not create, copy, publish or distribute information and content that is prohibited by laws and regulations. However, we cannot assure that all the information or content displayed on, retrieved from or linked to our mobile applications complies with the requirements of the APP Provisions at all times. If our mobile applications were found to be violating the APP Provisions, we may be subject to administrative penalties, including warning, service suspension or removal of our mobile applications from the relevant mobile application store, which may materially and adversely affect our business and operating results.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the internet industry, particularly the policies relating to value-added telecommunications services, have created substantial uncertainties regarding the legality of existing and future foreign investments in the businesses and activities of internet businesses in China, including our business.

Several PRC regulatory authorities, such as the SAMR, the NDRC, the MIIT, and the MOFCOM, oversee different aspects of our operations, and we are required to obtain a wide range of government approvals, licenses, permits and registrations in connection with our operations. For example, certain filings must be made by automobile dealers through the information system for the national automobile circulation operated by the relevant commerce department within 90 days after the receipt of a business license. Furthermore, the NEV industry is relatively new in China, and the PRC government has not adopted a clear regulatory framework to regulate the industry. As some of the laws, rules and regulations that we may be subject to were primarily enacted with a view toward application to ICE vehicles, or are relatively new, there is significant uncertainty regarding their interpretation and application with respect to our business. For example, it remains unclear under PRC laws whether our charging vans need to be registered with related local traffic management authorities or obtain transportation operation licenses for their services, and whether we would be required to obtain any particular permit or license to be qualified to provide our charging services in cooperation

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with third-party charging stations. In addition, the PRC government may enact new laws and regulations that require additional licenses, permits, approvals and/or registrations for the operation of any of our existing or future business. As a result, we cannot assure you that we have all the permits, licenses, registrations, approvals and/or business license covering the sufficient scope of business required for our business or that we will be able to obtain, maintain or renew permits, licenses, registrations, approvals and/or business license covering sufficient scope of business in a timely manner or at all.

The PRC government’s significant oversight and discretion over our business operation could result in a material adverse change in our operations and the value of our ADSs.

We conduct our business primarily through our PRC subsidiaries and our variable interest entities. Our operations in China are governed by PRC laws and regulations. The PRC government has significant oversight and discretion over the conduct of our business, and it may influence our operations, which could result in a material adverse change in our operation, and our ordinary shares and ADSs may decline in value or become worthless. Also, the PRC government has recently indicated an intent to exert more oversight and control over offerings that are conducted overseas and foreign investment in China-based issuers. Any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. In addition, implementation of industry-wide regulations directly targeting our operations could cause the value of our securities to significantly decline. Therefore, investors of our company and our business face potential uncertainty from actions taken by the PRC government affecting our business.

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

We are a holding company, and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their accumulated after-tax profits upon satisfaction of relevant statutory conditions and procedures, if any, determined in accordance with Chinese accounting standards and regulations. In addition, each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital. As of September 30, 2021, most of our PRC subsidiaries and our variable interest entity had not made appropriations to statutory reserves as our PRC subsidiaries and our variable interest entity reported accumulated loss. For a detailed discussion of applicable PRC regulations governing distribution of dividends, see “Regulatory Overview — Regulations on Dividend Distribution.” Additionally, if our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends or make other distributions to us. Furthermore, the PRC tax authorities may require our subsidiaries to adjust their taxable income under the contractual arrangements they currently have in place with our variable interest entity in a manner that would materially and adversely affect their ability to pay dividends and other distributions to us. See “— Risks Related to Our Corporate Structure—Our contractual arrangements with our current and past variable interest entities may be subject to scrutiny by the PRC tax authorities and they may determine that we or our current and past variable interest entities owe additional taxes, which could negatively affect our financial condition.” In

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addition, the incurrence of indebtedness by our PRC subsidiaries could result in operating and financing covenants and undertakings to creditors that would restrict the ability of our PRC subsidiaries to pay dividends to us.

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

Increases in labor costs and enforcement of stricter labor laws and regulations in the PRC 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 those who pay for our services, 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, limitation with respect to utilization of labor dispatching, applying for foreigner work permits, labor protection and labor condition and paying various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law and its implementation rules, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employee’s probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the PRC Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

Companies registered and operating in China are required under the PRC Social Insurance Law (latest amended in 2018) and the Regulations on the Administration of Housing Funds (latest amended in 2019) to, apply for social insurance registration and housing fund deposit registration within 30 days of their establishment, and to pay for their employees different social insurance including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to the extent required by law. However, certain of our PRC subsidiaries and VIE that do not hire any employees and are not a party to any employment agreement, have not applied for and obtained such registration, and instead of paying the social insurance payment on their own for their employees, certain of our PRC subsidiaries and VIE use third-party agencies to pay in the name of such agency. We could be subject to orders by the competent labor authorities for rectification and failure to comply with the orders may further subject us to administrative fines.

As the interpretation and implementation of labor-related laws and regulations are still evolving, our employment practices may violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. We cannot assure you that we have complied or will be able to comply with all labor-related law and regulations including those relating to obligations to make social insurance payments and contribute to the

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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.

Furthermore, in order to control labor costs, we conducted a series of organizational restructuring to cut headcount in 2019, which we believe has negatively affected our reputation, brand image and our ability to retain the remaining qualified staff and skilled employees. We could undertake an organizational restructuring again in the future, the occurrence of which will pose negative implications on our competitive position, cost us qualified employees and subject us to potential employment lawsuits. Any of the above would negatively affect our business, financial condition and results of operations.

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

The conversion of RMB into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. The value of RMB against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. We cannot assure you that RMB 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 RMB and the U.S. dollar in the future.

Any significant appreciation or depreciation of RMB may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. For example, to the extent that we need to convert U.S. dollars we receive into RMB to pay our operating expenses, appreciation of RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, a significant depreciation of RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our ADSs.

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

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

Under PRC laws and regulations, we are permitted to utilize the proceeds of any financing outside China to fund our PRC subsidiaries by making loans to or additional capital contributions to our PRC subsidiaries, subject to applicable government registration, statutory limitations on amount and approval requirements. For more details, see "Regulatory Overview — Regulations on Foreign Exchange." These PRC laws and regulations may significantly limit our ability to use Renminbi converted from the net proceeds of any financing outside China to

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fund the establishment of new entities in China by our PRC subsidiaries, to invest in or acquire any other PRC companies through our PRC subsidiaries, or to establish new variable interest entities in China. Moreover, we cannot assure you that we will be able to complete the necessary registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we received or expect to receive from our offshore offerings and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

On December 26, 2017, the NDRC issued the *Management Rules for Overseas Investment by Enterprises*, or Order 11. On February 11, 2018, the *Catalog on Overseas Investment in Sensitive Industries (2018 Edition)*, or the Sensitive Industries List was promulgated. Overseas investment governed by Order 11 refers to the investment activities conducted by an enterprise located in the territory of China either directly or via an overseas enterprise under its control through making investment with assets and equities or providing financing or guarantees in order to obtain overseas ownership, control, management rights and other related interests, and overseas investment by a PRC individual through overseas enterprises under his/her control is also subject to Order 11. According to Order 11, before being conducted, any overseas investment in a sensitive industry or any direct investment by a Chinese enterprise in a non-sensitive industry but with an investment amount over US\$300 million requires approval from, or filing with, the NDRC, and for those non-sensitive investments indirectly by Chinese investors (including PRC individuals) with investment amounts over US\$300 million need to be reported. However, uncertainties remain with respect to the interpretation and application of Order 11, we are not sure whether our using of proceeds will be subject to Order 11. If we fail to obtain the approval, complete the filing or report our overseas investment with our proceeds (as the case may be) in a timely manner provided that Order 11 is applicable, we may be forced to suspend or cease our investment, or be subject to penalties or other liabilities, which could materially and adversely affect our business, financial condition and prospects.

Governmental control of currency conversion may limit our ability to utilize our revenues effectively.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, approval from or registration with appropriate governmental authorities is required where Renminbi is to be converted into a foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. See “Regulatory Overview — Regulations on Foreign Exchange.”

Since 2016, the PRC government has tightened its foreign exchange policies again and stepped up scrutiny of major outbound capital movement. More restrictions and a substantial vetting process have been put in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may also restrict access in the future to foreign currencies for current account transactions, at its discretion. We receive substantially all of our revenues in RMB. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

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

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

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

However, we may not be informed of the identities of all the PRC residents or entities holding direct or indirect interests in our company, nor can we compel our beneficial owners to comply with SAFE registration requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents or entities have complied with, and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations. Failure by such shareholders or beneficial owners to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our PRC subsidiaries' ability to make distributions or pay dividends to us or affect our ownership structure, which could adversely affect our business and prospects.

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

A number of PRC laws and regulations have established procedures and requirements that could make merger and acquisition activities in China by foreign investors more time-consuming and complex. In addition to the Anti-Monopoly Law itself, these include the Rules on Acquisition of Domestic Enterprises by Foreign Investors, or the M&A Rules, adopted by six PRC governmental and regulatory agencies in 2006 and amended in 2009, and the Rules of the Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the Security Review Rules, promulgated in 2011. These laws and regulations impose requirements in some instances 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. In addition, the Anti-Monopoly Law requires that the MOFCOM be notified in advance of any concentration of undertaking if certain thresholds are triggered. Moreover, the Security Review Rules 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 prohibit any attempt to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the

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relevant 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.

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

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

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

Our PRC subsidiaries currently benefit from a number of preferential tax treatments. For example, our subsidiary, NIO Co., Ltd., is entitled to enjoy, after completing certain application formalities, a 15% preferential enterprise income tax from 2018 as it has been qualified as a “High New Technology Enterprise” under the PRC Enterprise Income Tax Law and related regulations. The discontinuation of any of the preferential income tax treatment that we currently enjoy could have a material and adverse effect on our result of operations and financial condition. We cannot assure you that we will be able to maintain or lower our current effective tax rate in the future.

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

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

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a PRC resident enterprise. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. In 2009, the SAT issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those

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controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we will be subject to the enterprise income tax on our global income at the rate of 25% and we will be required to comply with PRC enterprise income tax reporting obligations. In addition, we may be required to withhold a 10% withholding tax from interest or dividends we pay to our shareholders that are non-PRC resident enterprises, including the holders of our ADSs. In addition, non-PRC resident enterprise shareholders (including our ADS holders) may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of our ADSs or ordinary shares, if such income is treated as sourced from within the PRC. Furthermore, if PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, interest or dividends paid to our non-PRC individual shareholders (including our ADS holders) and any gain realized on the transfer of the ADSs or ordinary shares by such holders may be subject to PRC tax at a rate of 20% (which, in the case of interest or dividends, may be withheld at source by us), if such gains are deemed to be from PRC sources. These rates may be reduced by an applicable tax treaty, but it is unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise.

We may not be able to obtain certain benefits under relevant tax treaties on dividends paid by our PRC subsidiaries to us through our Hong Kong subsidiary.

We are a holding company incorporated under the laws of the Cayman Islands and as such rely on dividends and other distributions on equity from our PRC subsidiaries to satisfy part of our liquidity requirements. Pursuant to the PRC Enterprise Income Tax Law, a withholding tax rate of 10% currently applies to dividends paid by a PRC "resident enterprise" to a foreign enterprise investor, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for preferential tax treatment. Pursuant to the *Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income*, such withholding tax rate may be lowered to 5% if a Hong Kong resident enterprise owns no less than 25% of a PRC enterprise. Furthermore, the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Treaties, which became effective in January 2020, require non-resident enterprises to determine whether they are qualified to enjoy the preferential tax treatment under the tax treaties and file relevant report and materials with the tax authorities. There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations. See "Financial Information — Taxation — PRC." As of December 31, 2021, most of our subsidiaries and variable interest entity located in the PRC reported accumulated

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loss and therefore they had no retained earnings for offshore distribution. In the future, we intend to re-invest all earnings, if any, generated from our PRC subsidiaries for the operation and expansion of our business in China. Should our tax policy change to allow for offshore distribution of our earnings, we would be subject to a significant withholding tax. Our determination regarding our qualification to enjoy the preferential tax treatment could be challenged by the relevant tax authority and we may not be able to complete the necessary filings with the relevant tax authority and enjoy the preferential withholding tax rate of 5% under the arrangement with respect to dividends to be paid by our PRC subsidiaries to our Hong Kong subsidiary.

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

In February 2015, the SAT issued the *Circular on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises*, or Circular 7. Circular 7 extends its tax jurisdiction to not only indirect transfers but also transactions involving transfer of other taxable assets, through the offshore transfer of a foreign intermediate holding company. In addition, Circular 7 provides certain criteria on how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. Circular 7 also brings challenges to both the foreign transferor and transferee (or other person who is obligated to pay for the transfer) of the taxable assets. Where a non-resident enterprise conducts an “indirect transfer” by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. On October 17, 2017, the SAT issued *Circular on Issues of Tax Withholding regarding Non-PRC Resident Enterprise Income Tax*, or Circular 37, which came into effect on December 1, 2017 and was amended on June 15, 2018. Circular 37 further clarifies the practice and procedure of the withholding of nonresident enterprise income tax.

We face uncertainties on the reporting and consequences of future private equity financing transactions, share exchanges or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises. The PRC tax authorities may pursue such non-PRC resident enterprises with respect to a filing or the transferees with respect to withholding obligations, and request our PRC subsidiaries to assist in the filing. As a result, we and non-PRC resident enterprises in such transactions may become at risk of being subject to filing obligations or being taxed under Circular 7 and Circular 37, and may be required to expend valuable resources to comply with them or to establish that we and our non-PRC resident enterprises should not be taxed under these regulations, which may have a material adverse effect on our financial condition and results of operations.

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

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

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

Our leased property interest or entitlement to other facilities or assets may be defective or subject to lien and our right to lease, own or use the properties affected by such defects or lien challenged, which could cause significant disruption to our business.

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

Some of the ownership certificates or other similar proof of certain leased properties have not been provided to us by the relevant lessors. Therefore, we cannot assure you that such lessors are entitled to lease the relevant real properties to us. If the lessors are not entitled to lease the real properties to us and the owners of such real properties decline to ratify the lease agreements between us and the respective lessors, we may not be able to enforce our rights to lease such properties under the respective lease agreements against the owners. If our lease agreements are claimed as null and void by third parties who are the real owners of such leased real properties, we could be required to vacate the properties, in the event of which we could

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only initiate the claim against the lessors under relevant lease agreements for indemnities for their breach of the relevant leasing agreements. In addition, we may not be able to renew our existing lease agreements before their expiration dates, in which case we may be required to vacate the properties. We cannot assure you that suitable alternative locations are readily available on commercially reasonable terms, or at all, and if we are unable to relocate our operations in a timely manner, our operations may be adversely affected.

Some of our PRC subsidiaries have incurred or will incur indebtedness and may, in connection therewith, create mortgage, pledge or other lien over substantive operating assets, facilities or equity interests of certain PRC subsidiaries as guarantee to their repayment of indebtedness or as counter guarantee to third-party guarantors which provide guarantee to our PRC subsidiaries' repayment of indebtedness. In the event that the relevant PRC subsidiaries fail to perform their repayment obligations or such guarantors perform their guarantee obligations, claims may be raised to our substantive operating assets, facilities or equity interests of the PRC subsidiaries in question. If we cannot continue to own or use such assets, facilities or equity interests, our operation may be adversely affected.

RISKS RELATED TO OUR SHARES, OUR ADS AND THE LISTING

As a company applying for listing under Chapter 19C, we adopt different practices as to certain matters as compared with many other companies listed on the Hong Kong Stock Exchange.

As we are applying for a listing under Chapter 19C of the Hong Kong Listing Rules, we will not be subject to certain provisions of the Hong Kong Listing Rules pursuant to Rule 19C.11, including, among others, rules on notifiable transactions, connected transactions, share option schemes, content of financial statements as well as certain other continuing obligations. In addition, in connection with the Listing, we have applied for a number of waivers and/or exemptions from strict compliance with the Hong Kong Listing Rules, the Takeovers Codes and the SFO. As a result, we will adopt different practices as to those matters as compared with other companies listed on the Hong Kong Stock Exchange that do not enjoy those exemptions or waivers. For additional information, see "Waivers and Exemptions."

Our Articles of Association are specific to us and include certain provisions that may be different from the requirements under the Hong Kong Listing Rules and common practices in Hong Kong.

In particular, in our amended Articles of Associations to be put forth in the First AGM, we refer to Relevant Period as the period commencing from the date on which any of the Shares first become secondary listed on the Hong Kong Stock Exchange to and including the date immediately before the day which the secondary listing is withdrawn from the Hong Kong Stock Exchange. For example, in order to comply with applicable Listing Rules, during the Relevant Period, (i) NIO Users Trust will not have any director nomination right; (ii) our Company shall have only one class of shares with enhanced or weighted voting rights; (iii) our Directors shall not have the power to, amongst others, authorize share split or designate a new share class with enhanced or weighted voting rights; and (iv) certain restrictions on the WVR structure of the Company under Chapter 8A of the Hong Kong Listing Rules shall be applicable, such as, amongst others, no further increase in the proportion of WVR shares, that only a director or a director holding vehicle is permitted to hold WVR shares and automatic conversion of WVR shares into Class A ordinary shares under certain circumstances.

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Notwithstanding the above and at anytime after the Relevant Period, the provisions which are subject to the Relevant Period will continue to apply in the circumstances where the Company has a change of listing status on the Hong Kong Stock Exchange other than in the case where the secondary listing of the Company is withdrawn from the Hong Kong Stock Exchange pursuant to the applicable Hong Kong Listing Rules.

Given certain shareholder protection under the Hong Kong Listing Rules will only be applicable during the Relevant Period, our investors may be afforded less protection after the Relevant Period under our amended Articles of Association to be adopted in the First AGM as compared with other companies secondary listed in Hong Kong.

We may only cease to be secondary listed under Chapter 19C of the Listing Rules under one of the following situations:

- withdrawal, in the case where we are primary listed on another stock exchange and voluntarily withdraw our secondary listing on the Hong Kong Stock Exchange;
- migration of the majority of trading to the Hong Kong Stock Exchange's markets, in the case where the majority of trading in our listed shares migrates to the Hong Kong Stock Exchange's markets on a permanent basis;
- primary conversion, i.e., our voluntary conversion to a dual-primary listing on the Hong Kong Stock Exchange;
- overseas de-listing, where our shares or depositary receipts issued on our shares cease to be listed on the stock exchange which we are primary listed;
- if the Hong Kong Stock Exchange cancels the listing of our securities; and
- if the SFC directs the Hong Kong Stock Exchange to cancel the listing of our securities.

The scenarios under which we may cease to be secondary listed on the Hong Kong Stock Exchange are subject to the changing market conditions, our listing or de-listing in other jurisdictions, our compliance with the listing rules of the Hong Kong Stock Exchange and other factors beyond our control. As a result, there are substantial uncertainties relating to applicability of the shareholders' rights and protection under the aforementioned provisions of our amended Articles of Association particularly in the case where the Company de-lists from the Hong Kong Stock Exchange.

As we are seeking a listing under Chapter 19C as a Non-Grandfathered Greater China Issuer, our Articles of Association must comply with the requirements set out in Appendix 3 to the Hong Kong Listing Rules unless waived by the Hong Kong Stock Exchange. We will put forth resolutions to our shareholders at our first general meeting to be convened on or before August 31, 2022 to amend certain provisions of our Articles in order to comply with the Hong Kong Listing Rules.

Furthermore, if 55% or more of the total worldwide trading volume, by dollar value, of our Class A ordinary shares and ADSs over our most recent fiscal year takes place on the Hong Kong Stock Exchange, the Hong Kong Stock Exchange will regard us as having a dual primary listing in Hong Kong and we will no longer enjoy certain exemptions or waivers from strict

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compliance with the requirements under the Hong Kong Listing Rules, the Takeovers Codes and the SFO, which could result in us having to amend our corporate structure and Articles of Association and we may incur of incremental compliance costs.

If we change the listing venue of our securities, including delisting from either of New York Stock Exchange and Hong Kong Stock Exchange, you may lose the shareholder protection mechanisms afforded under the regulatory regimes of the applicable securities exchange.

As a company listed on New York Stock Exchange and Hong Kong Stock Exchange, we are subject to various listing standards and requirements that are aimed at protecting your rights as shareholders of our company, subject to certain permitted exceptions applicable to foreign companies. For example, after our listing on the Hong Kong Stock Exchange, our memorandum and articles of association requires that there should only be one class of shares with enhanced voting rights, and that certain Reserved Matters are required to be voted on a one vote per share basis at the general meetings. In the event that we reduce the number of shares in issue, the holders of WVR shares shall reduce their voting rights in the Company proportionately through a conversion of a portion of their Class C shares or otherwise. Please see “Waiver and Exemptions — Requirements Relating to the Articles of Association of the Company” and “Share Capital — Weighted Voting Rights Structure” for more examples. If we choose to change the listing venue of our securities, including delisting from either exchanges, you may lose the shareholder protection mechanisms afforded under the regulatory regimes of the applicable securities exchange. In particular, various factors will be taken into consideration by the Company in relation to the circumstances under which it may be considered not desirable or viable for the shares to remain listed on a certain stock exchange, such as the then regulatory environment of the listing venue, whether the additional compliance burden arisen by remaining listed in a particular stock exchange will be unduly burdensome for the Company to further its interest, realise its vision or implementing certain business plans.

The trading prices of our ADSs have fluctuated and may be, and the trading price of our Class A ordinary shares can be, volatile, which could result in substantial losses to investors.

The trading price of our ADSs has been volatile and has ranged from a low of US\$2.11 to a high of US\$57.20 between January 1, 2020 and December 31, 2020. The trading price of our Class A ordinary shares, likewise, can be volatile for similar or different reasons. The market price for our Class A ordinary shares and/or ADSs may continue to be volatile and subject to wide fluctuations in response to factors including, but not limited to, the following:

- actual or anticipated fluctuations in our quarterly results of operations and cash flows;
- changes in financial estimates by securities research analysts;
- conditions in automotive markets;
- changes in the operating performance or market valuations of other automotive companies;
- announcements by us or our competitors of new products, acquisitions, strategic partnerships, joint ventures or capital commitments;
- addition or departure of key personnel;
- fluctuations of exchange rates between RMB and the U.S. dollar;

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- litigation, government investigation or other legal or regulatory proceeding;
- release of lock-up and other transfer restrictions on our Class A ordinary shares or ADSs, issuance of ADSs or ordinary shares upon conversion of the convertible notes we issued, or any ordinary shares or sales of additional ADSs;
- any actual or alleged illegal acts of our shareholders or management;
- any share repurchase program; and
- general economic or political conditions in China or elsewhere in the world.

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

In addition, the stock market in general, and the market prices for companies with operations in China in particular, have experienced volatility that often has been unrelated to the operating performance of such companies. The securities of some China-based companies that have listed their securities in the United States have experienced significant volatility since their initial public offerings in recent years, including, in some cases, substantial declines in the trading prices of their securities. The trading performances of these companies' securities after their offerings may affect the attitudes of investors towards Chinese companies listed in the United States in general, 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 other 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 engaged in any inappropriate activities. In particular, the global financial crisis and the ensuing economic recessions in many countries have contributed and may continue to contribute to extreme volatility in the global stock markets. These broad market and industry fluctuations may adversely affect the market price of our Class A ordinary shares and/or ADSs. Volatility or a lack of positive performance in our Class A ordinary shares and/or ADSs price may also adversely affect our ability to retain key employees, most of whom have been granted options or other equity incentives.

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

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

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Our triple-class voting structure will limit the holders of our Class A ordinary shares and ADSs to influence corporate matters, provide certain shareholders of ours with substantial influence and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.

We have adopted a triple-class voting structure such that our ordinary shares consist of Class A ordinary shares, Class B ordinary shares and Class C ordinary shares. Holders of Class A ordinary shares, Class B ordinary shares and Class C ordinary shares have the same rights other than voting and conversion rights. Each holder of our Class A ordinary shares is entitled to one vote per share, each holder of our Class B ordinary shares (all of which shall have been converted to Class A ordinary shares upon Listing pursuant to the conversion notice delivered by the relevant shareholders) is entitled to four votes per share and each holder of our Class C ordinary shares is entitled to eight votes per share on all matters submitted to them for a vote. Our Class A ordinary shares, Class B ordinary shares and Class C ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law. Each Class B ordinary share or Class C ordinary share is convertible into one Class A ordinary share, whereas Class A ordinary shares are not convertible into Class B ordinary shares or Class C ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares or Class C ordinary shares by a holder thereof to any person or entity which is not an affiliate of such holder, such Class B ordinary shares or Class C ordinary shares are automatically and immediately converted into the equal number of Class A ordinary shares.

As of the date of this document, Mr. Bin Li, our founder, chairman and chief executive officer, together with his affiliates, beneficially own all of our issued Class C ordinary shares. The Tencent entities beneficially owned all of our issued Class B ordinary shares, all of which shall have been converted to Class A ordinary shares upon Listing pursuant to the conversion notice delivered by the affiliates of Tencent Holdings, namely, Image Frame Investment (HK) Limited and Mount Putuo Investment Limited. Due to the disparate voting powers associated with our triple classes of ordinary shares, Mr. Li has considerable influence over important corporate matters. As of the Latest Practicable Date, Mr. Li beneficially owned 39.0% of the aggregate voting power of our company through mobike Global Ltd. and Originalwish Limited, companies wholly owned by Mr. Li, and through NIO Users Limited, a holding company ultimately controlled by Mr. Li, whereas Tencent entities beneficially owned 17.4% of the aggregate voting power of our company through Mount Putuo Investment Limited, Image Frame Investment (HK) Limited, Huang River Investment Limited and a wholly-owned subsidiary of Tencent Holding limited. All of the Class B ordinary shares held by the affiliates of Tencent Holdings shall have been converted to Class A ordinary shares upon Listing pursuant to the conversion notice delivered by the affiliates of Tencent Holdings. Mr. Li has considerable influence over matters requiring shareholder approval, including electing directors and approving material mergers, acquisitions or other business combination transactions. This concentrated control will limit the ability of the holders of our Class A ordinary shares and ADSs to influence corporate matters and could also discourage others from pursuing any potential merger, takeover or other change of control transaction, which could have the effect of depriving the holders of our Class A ordinary shares and our ADSs of the opportunity to sell their shares at a premium over the prevailing market price. Moreover, Mr. Li may increase the concentration of his voting power and/or share ownership in the future, which may, among other consequences, decrease the liquidity in our Class A ordinary shares and ADSs.

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Techniques employed by short sellers may drive down the market price of our ADSs.

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

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

We may be the subject of unfavorable allegations made by short sellers in the future. Any such allegations may be followed by periods of instability in the market price of our common shares and ADSs and negative publicity. If and when we become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we could have to expend a significant amount of resources to investigate such allegations and/or defend ourselves. While we would strongly defend against any such short seller attacks, we may be constrained in the manner in which we can proceed against the relevant short seller by principles of freedom of speech, applicable federal or state law or issues of commercial confidentiality. Such a situation could be costly and time-consuming and could distract our management from growing our business. Even if such allegations are ultimately proven to be groundless, allegations against us could severely impact our business operations and shareholders' equity, and the value of any investment in our ADSs could be greatly reduced or rendered worthless.

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

Sales of substantial amounts of our Class A ordinary shares and/or ADSs in the public market, or the perception that these sales could occur, could adversely affect the market price of our Class A ordinary shares and/or ADSs and could materially impair our ability to raise capital through equity offerings in the future. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our Class A ordinary shares and/or ADSs. In addition, certain holders of our existing shares are entitled to certain registration rights, including demand registration rights, piggyback registration rights, and Form F-3 or Form S-3 registration rights. Registration of these shares under the Securities Act of 1933, or the Securities Act, would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered shares in the public market, or the perception that such sales could occur, could cause the price of our Class A ordinary shares and/or ADSs to decline.

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

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our Class A ordinary shares and/or 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 our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return to ADS holders will likely depend entirely upon any future price appreciation of our Class A ordinary shares and/or ADSs. There is no guarantee that our Class A ordinary shares and/or ADSs will appreciate in value or even maintain the price at which Class A ordinary shares and/or ADS holders purchased the Class A ordinary shares and/or ADSs. Our Class A ordinary shares and/or ADS holders may not realize a return on their investment in our Class A ordinary shares and/or ADSs and they may even lose their entire investment in our Class A ordinary shares and/or ADSs.

The capped call and zero-strike call transactions may affect the value of our ADSs.

On January 30, 2019, in connection with the pricing of the 2024 Notes, we entered into capped call transactions with one or more of the initial purchasers and/or their respective affiliates and/or other financial institutions, or the Capped Call Option Counterparties. We entered into additional capped call transactions with the Capped Call Option Counterparties on February 15, 2019 and February 26, 2019, respectively. We used a portion of the net proceeds of the 2024 Notes to pay the cost of such transactions. The cap price of these capped call transactions is initially US\$14.92 per ADS, representing a premium of approximately 100% to the closing price on the New York Stock Exchange, or NYSE, of our ADSs on January 30, 2019, which was US\$7.46 per ADS, and is subject to adjustment under the terms of the capped call transactions. As part of establishing their initial hedges of the capped call transactions, the Capped Call Option Counterparties or their respective affiliates expect to trade the ADSs and/or enter into various derivative transactions with respect to our ADSs concurrently with, or shortly after, the pricing of the 2024 Notes. This activity could increase (or reduce the size of any decrease in) the market price of the ADSs or the 2024 Notes at that time. However, if any such capped call transactions fail to become effective, the Capped Call Option Counterparties may unwind their hedge positions with respect to the ADSs, which could adversely affect the market price of the ADSs. In addition, the Capped Call Option Counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivative transactions with respect to the ADSs, the 2024 Notes or our other securities and/or by purchasing or selling the ADSs, the 2024 Notes or our other securities in secondary market transactions following the pricing of the 2024 Notes and prior to the maturity of the 2024 Notes (and are likely to do so following any conversion of the 2024 Notes, if we exercise the relevant election under the capped call transactions, or repurchase of the 2024 Notes by us). This activity could also cause or avoid an increase or a decrease in the market price of our ADSs.

On January 30, 2019, in connection with the pricing of the 2024 Notes, we also entered into privately negotiated zero-strike call option transactions with one or more of the initial purchasers or their respective affiliates, or the Zero-Strike Call Option Counterparties, and

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used a portion of the net proceeds of the 2024 Notes to pay the aggregate premium under such transactions. Pursuant to the zero-strike call option transactions, we purchased, in the aggregate, approximately 26.8 million ADSs, with delivery thereof (subject to adjustment) by the respective Zero-Strike Call Option Counterparties at settlement shortly after the scheduled maturity date of the 2024 Notes, subject to the ability of each Zero-Strike Call Option Counterparty to elect to settle all or a portion of the respective zero-strike option transaction early. Facilitating investors' hedge positions by entering into the zero-strike call option transactions, particularly if investors purchase the ADSs on or around the day of the pricing of the 2024 Notes, could increase (or reduce the size of any decrease in) the market price of the ADSs. However, if any zero-strike call option transactions fail to become effective, the respective Zero-Strike Call Option Counterparties may unwind their hedge positions with respect to the ADSs, which could adversely affect the market price of the ADSs. In addition, the Zero-Strike Call Option Counterparties or their respective affiliates may modify their respective hedge positions by entering into or unwinding one or more derivative transactions with respect to the ADSs, the 2024 Notes or our other securities and/or by purchasing or selling the ADSs, the 2024 Notes or our other securities in secondary market transactions at any time, including following the pricing of the 2024 Notes and prior to the maturity of the 2024 Notes. This activity could also cause or avoid an increase or a decrease in the market price of the ADSs.

Shortly after the pricing of the 2026 Notes and 2027 Notes in January 2021, we entered into separate and individually privately negotiated agreements with certain holders of our outstanding 2024 Notes to exchange approximately US\$581.7 million principal amount of the outstanding 2024 Notes for our ADSs (each, a "2024 Notes Exchange" and collectively, the "2024 Notes Exchanges"). The 2024 Notes Exchanges closed on January 15, 2021. In connection with the 2024 Notes Exchanges, we also entered into agreements with certain financial institutions that are parties to our existing capped call transactions we entered into in connection with the issuance of the 2024 Notes shortly after the pricing of the 2026 Notes and 2027 Notes to terminate a portion of the relevant existing capped call transactions in a notional amount corresponding to the portion of the principal amount of such 2024 Notes exchanged. In connection with such terminations of the existing capped call transactions, we received deliveries of the ADSs in such amounts as specified pursuant to such termination agreements on January 15, 2021. The remaining capped call transactions are subject to the same risks as described above. Shortly after the consummation of the 2024 Notes Exchanges, we also terminated a portion of the zero-strike call option transactions (which we had entered into in February 2019 in connection with the issuance of the 2024 Notes).

We are subject to counterparty risk with respect to the capped call and the zero-strike call transactions.

The counterparties to the capped call transactions and the zero-strike call transactions we entered into in connection with the issuance of the 2024 Notes are financial institutions or affiliates of financial institutions, and we are subject to the risk that each of these counterparties may default or otherwise fail to perform, or may exercise certain rights to terminate, their obligations under the capped call transactions or the zero-strike call transactions, as the case may be. Our exposure to the credit risk of the counterparties under the capped call transactions and the zero-strike call transactions will not be secured by any collateral. If any such counterparty becomes subject to bankruptcy or other insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under our transactions with them. In each case, our exposure will depend on many factors. Generally, the increase in our exposure will be positively correlated to the increase in the market price and in the volatility of our ADSs. In addition, as a result of a default or other failure to perform, or a termination of obligations, by any counterparty to the

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capped call transactions or zero-strike call transactions, we may suffer more dilution than we currently anticipate with respect to our ADSs and the underlying Class A ordinary shares. We can provide no assurances as to the financial stability or viability of any option counterparty under the capped call transactions or the zero-strike call transactions.

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

A non-U.S. corporation, such as our company, will be classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income; or (ii) 50% or more of the value of its assets (generally determined on the basis of a quarterly average) during such year is attributable to assets that produce or are held for the production of passive income.

Although the law in this regard is not entirely clear, we treat our VIE as being owned by us for U.S. federal income tax purposes because we control their management decisions and are entitled to substantially all of the economic benefits associated with these entities, and as a result, we consolidate their results of operations in our consolidated U.S. GAAP financial statements. If it were determined, however, that we do not own the VIE for U.S. federal income tax purposes, we may be treated as a PFIC for the current taxable year and any subsequent taxable year.

Assuming that we are the owner of our VIE for U.S. federal income tax purposes, and based upon our current and expected income and assets, we do not expect to be a PFIC for the current taxable year or the foreseeable future. While we do not expect to be or become a PFIC in the current or foreseeable taxable years, no assurance can be given in this regard because the determination of whether we will be or become a PFIC is a factual determination made annually that will depend, in part, upon the nature and composition of our income and assets. Fluctuations in the market price of our ADSs or Class A ordinary shares may cause us to be classified as a PFIC for the current or future taxable years because the value of our assets for purposes of the asset test, including the value of our goodwill and other unbooked intangibles, may be determined by reference to the market price of our ADSs or Class A ordinary shares, which may be volatile. Furthermore, the composition of our income and assets may also be affected by how, and how quickly, we use our liquid assets. If we were to be or become a PFIC for any taxable year during which a U.S. holder holds our ADSs or Class A ordinary shares, certain adverse U.S. federal income tax consequences could apply to such U.S. holders.

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

Our twelfth amended and restated memorandum and articles of association contain provisions that have the potential to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders 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. Our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion

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rights, voting rights, rights and terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares, in the form of ADS or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our Class A ordinary shares and/or ADSs may fall and the voting and other rights of the holders of our Class A ordinary shares and ADSs may be materially and adversely affected.

Our shareholders may face difficulties in protecting their interests, and ability to protect their rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.

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

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

As a Cayman Islands company listed on the New York Stock Exchange, we are subject to the NYSE corporate governance listing standards. However, the NYSE corporate governance listing standards permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NYSE corporate governance listing standards.

Pursuant to Sections 303A.01, 303A.04, 303A.05, 303A.07 and 302.00 of the New York Stock Exchange Listed Company Manual, a company listed on the New York Stock Exchange must have a majority of independent directors, a nominating and corporate governance committee composed entirely of independent directors, a compensation committee composed entirely of independent directors and an audit committee with a minimum of three members, and must hold an annual shareholders' meeting during each fiscal year. We currently follow our home country practice in lieu of these requirements. We may also continue to rely on these and other

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exemptions available to foreign private issuers in the future, and to the extent that we choose to do so in the future, our shareholders may be afforded less protection than they otherwise would under the NYSE corporate governance listing standards applicable to U.S. domestic issuers. As a result, you may not be afforded the same protections or information, which would be made available to you, were you investing in a United States domestic issuer.

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

Shareholder claims or regulatory investigations that are common in the United States generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the United States may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigations or evidence collection activities within the territory of the PRC. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability of an overseas securities regulator to directly conduct investigations or evidence collection activities within China may further increase difficulties faced by you in protecting your interests.

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

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

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

If any of the holders or beneficial owners of ADSs bring a claim against us or the depositary in connection with matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, such 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

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against us and/or the depositary, lead to increased costs to bring a claim, limited access to information and other imbalances of resources between such holder and us, or limit such holder's ability to bring a claim in a judicial forum that such holder finds favorable. If a lawsuit is brought against us and/or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in any such action.

Nevertheless, if this jury trial waiver provision is not enforced, to the extent a court action proceeds, it would proceed under the terms of the deposit agreement with a jury trial. No condition, stipulation or provision of the deposit agreement or ADSs shall relieve us or the depositary from our respective obligations to comply with the Securities Act and the Exchange Act nor serve as a waiver by any holder or beneficial owner of ADSs of compliance with the U.S. federal securities laws and the rules and regulations promulgated thereunder.

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

We are a Cayman Islands exempted company and the majority of our assets are located outside of the United States. The most significant portion of our operations are conducted in China. In addition, a majority of our current directors and officers are nationals and residents of countries other than the United States. Substantially all of the assets of these persons may be located outside the United States. As a result, it may be difficult or impossible for our shareholders to bring an action against us or against these individuals in the United States in the event that such shareholders believe that their rights have been infringed under the U.S. federal securities laws or otherwise. Even if such shareholders are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render them unable to enforce a judgment against our assets or the assets of our directors and officers.

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

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

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

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis through press releases, distributed pursuant to the rules and regulations of the New York Stock Exchange. Press releases relating to financial results and material events will also be furnished to the SEC

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on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely than that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.

The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and they may not be able to exercise their right to vote their Class A ordinary shares.

Holders of our ADSs will only be able to exercise the voting rights with respect to the underlying Class A ordinary shares in accordance with the provisions of the deposit agreement, dated as of September 11, 2018 by and among NIO Inc., Deutsche Bank Trust Company Americas, as ADS depository, and the holders and beneficial owners of the ADSs issued thereunder and the deposit agreement for restricted securities, dated as of February 4, 2019 by and among NIO Inc., Deutsche Bank Trust Company Americas, as depository, and the holders and beneficial owners of the restricted ADSs issued thereunder (each, as the context requires and applicable to a particular ADS holder, the “deposit agreement”). Under the deposit agreement, ADS holders must vote by giving voting instructions to the depository. If we ask for instructions of ADS holders, then upon receipt of such voting instructions, the depository will try to vote the underlying Class A ordinary shares in accordance with these instructions. If we do not instruct the depository to ask for instructions of ADS holders, the depository may still vote in accordance with instructions given by holders of ADSs, but it is not required to do so. ADS holders will not be able to directly exercise their right to vote with respect to the underlying shares unless they withdraw the shares. When a general meeting is convened, an ADS holder may not receive sufficient advance notice to withdraw the shares underlying his or her ADSs to allow such holder to vote with respect to any specific matter. If we ask for instructions of holders of ADSs, the depository will notify ADS holders of the upcoming vote and will arrange to deliver our voting materials to ADS holders. We have agreed to give the depository at least 30 days’ prior notice of shareholders’ meetings. Nevertheless, we cannot assure you that ADS holders will receive the voting materials in time to ensure that ADS holders can instruct the depository to vote their shares. In addition, the depository and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out ADS holders’ voting instructions. This means that an ADS holder may not be able to exercise the right to vote and may have no legal remedy if the shares underlying his or her ADSs are not voted as such holder requested.

The depository for our ADSs will give us a discretionary proxy to vote our Class A ordinary shares underlying the ADSs if the holders of such ADSs do not vote at shareholders’ meetings, except in limited circumstances, which could adversely affect the interests of our ADS holders.

Under the deposit agreement for the ADSs, if any holder of the ADSs does not vote, the depository will give us a discretionary proxy to vote our Class A ordinary shares underlying such ADSs at shareholders’ meetings unless:

- we have failed to timely provide the depository with notice of meeting and related voting materials;
- we have instructed the depository that we do not wish a discretionary proxy to be given;
- we have informed the depository that there is substantial opposition as to a matter to be voted on at the meeting;

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- a matter to be voted on at the meeting would have a material adverse impact on shareholders; or
- the voting at the meeting is to be made on a show of hands.

The effect of this discretionary proxy is that if any such holder of the ADSs does not vote at shareholders' meetings, such holder cannot prevent our Class A ordinary shares underlying such 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.

An ADS holder's right to pursue claims against the depositary is limited by the terms of the deposit agreement.

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 may only be instituted in a state or federal court in New York, New York, and a holder of our ADSs, will have irrevocably waived any objection which such holder 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. However, there is uncertainty as to whether a court would enforce this exclusive jurisdiction provision. Furthermore, investors cannot waive compliance with the U.S. federal securities laws and rules and regulations promulgated thereunder.

The depositary may, in its sole discretion, require that any dispute or difference arising from the relationship created by the deposit agreement be referred to and finally settled by an arbitration conducted under the terms described in the deposit agreement, although the arbitration provisions do not preclude an ADS holder from pursuing claims under the Securities Act or the Exchange Act in state or federal courts. Furthermore, if an ADS holder is unsuccessful in such arbitration, such holder may be responsible for the fees of the arbitrator and other costs incurred by the parties in connection with such arbitration pursuant to the deposit agreement. Also, we may amend or terminate the deposit agreement without the consent of any ADS holder. If an ADS holder continues to hold its ADSs after an amendment to the deposit agreement, such holder agrees to be bound by the deposit agreement as amended.

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

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

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distribution of ADSs, Class A ordinary shares, rights or anything else to holders of ADSs. This means that our ADS holders may not receive distributions we make on our Class A ordinary shares or any value for them if it is illegal or impractical for us to make them available to the ADS holders. These restrictions may cause a material decline in the value of our ADSs.

Our ADS holders may experience dilution of their holdings due to inability to participate in rights offerings.

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

We may need additional capital, and the sale of additional Class A ordinary shares and/or ADSs or other equity securities could result in additional dilution to our shareholders, and the incurrence of additional indebtedness could increase our debt service obligations.

We may require additional cash resources due to changed business conditions, strategic acquisitions or other future developments. If these resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain additional credit facilities. The sale of additional equity and equity-linked securities could result in additional dilution to our shareholders. The sale of substantial amounts of our Class A ordinary shares and/or ADSs (including upon conversion of our convertible notes) could dilute the interests of our shareholders and ADS holders and adversely impact the market price of our Class A ordinary shares and/or ADSs. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing 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.

Future sales or issuances, or perceived future sales or issuances, of substantial amounts of our ordinary shares or ADSs could adversely affect the price of our Class A ordinary shares and/or ADS.

If our existing shareholders sell, or are perceived as intending to sell, substantial amounts of our ordinary shares or ADSs, including those issued upon the exercise of our outstanding stock options, the market price of our Class A ordinary shares and/or ADSs could fall. Such sales, or perceived potential sales, by our existing shareholders might make it more difficult for us to issue new equity or equity-related securities in the future at a time and place we deem appropriate. Shares held by our existing shareholders may be sold in the public market in the future subject to the restrictions contained in Rule 144 and Rule 701 under the Securities Act and the applicable lock-up agreements. If any existing shareholder or shareholders sell a substantial amount of ordinary shares after the expiration of the applicable lock-up periods, the prevailing market price for our Class A ordinary shares and/or ADSs could be adversely affected.

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In addition, certain of our shareholders or their transferees and assignees will have the right to cause us to register the sale of their shares under the Securities Act upon the occurrence of certain circumstances. Registration of these shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration.

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

We incur increased costs as a result of being a public company.

As a public company, we incur significant accounting, legal and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC and the New York Stock Exchange, have detailed requirements concerning corporate governance practices of public companies, including Section 404 of the Sarbanes-Oxley Act relating to internal controls over financial reporting. We expect these rules and regulations applicable to public companies to increase our accounting, legal and financial compliance costs and to make certain corporate activities more time-consuming and costly. Our management will be required to devote substantial time and attention to our public company reporting obligations and other compliance matters. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. Our reporting and other compliance obligations as a public company may place a strain on our management, operational and financial resources and systems for the foreseeable future.

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

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

Upon the Listing, we will be subject to Hong Kong and NYSE listing and regulatory requirements concurrently. The Hong Kong Stock Exchange and 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

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a result of these differences, the trading prices of our Class A ordinary shares and our ADSs may not be the same, even allowing for currency differences. Fluctuations in the price of our ADSs due to circumstances peculiar to the U.S. capital markets could materially and adversely affect the price of our Class A ordinary shares, or vice versa. Certain events having significant negative impact specifically on the U.S. capital markets may result in a decline in the trading price of our Class A ordinary shares notwithstanding that such event may not impact the trading prices of securities listed in Hong Kong generally or to the same extent, or vice versa. Because of the different characteristics of the U.S. and Hong Kong capital markets, the historical market prices of our ADSs may not be indicative of the trading performance of our Class A ordinary shares after the Listing.

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 NYSE. Subject to compliance with U.S. securities law and the terms of the Deposit Agreement, holders of our Class A ordinary shares may deposit Class A ordinary shares with the depository in exchange for the issuance of our ADSs. Any holder of ADSs may also surrender ADSs and withdraw the underlying Class A ordinary shares represented by the ADSs pursuant to the terms of the Deposit Agreement for trading on the Hong Kong Stock Exchange. In the event that a substantial number of Class A ordinary shares are deposited with the depository in exchange for ADSs or vice versa, the liquidity and trading price of our Class A ordinary shares on the Hong Kong Stock Exchange and our ADSs on NYSE may be adversely affected.

The time required for the exchange between Class A ordinary shares and ADSs might be longer than expected and investor 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 for 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 for Class A ordinary shares into ADSs (and vice versa) will be completed in accordance with the timelines that investors may anticipate. Furthermore, the depository for the ADSs is entitled to charge holders fees for various services including 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, distributions of securities other than ADSs and annual service fees. 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.

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

Following the completion of the Listing, we cannot assure you that an active trading market for our Class A ordinary shares on the Hong Kong Stock Exchange will develop or be sustained. The trading price or liquidity for our ADSs on the NYSE might not be indicative of those of our Class A ordinary shares on the Hong Kong Stock Exchange following the

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completion of the Listing. If an active trading market of our Class A ordinary shares on the Hong Kong Stock Exchange does not develop or is not sustained after the Listing, the market price and liquidity of our Class A ordinary shares could be materially and adversely affected.

In 2014, the Hong Kong, Shanghai and Shenzhen Stock Exchanges collaborated to create an inter-exchange trading mechanism called Stock Connect that allows international and mainland Chinese investors to trade eligible equity securities listed in each other's markets through the trading and clearing facilities of their home exchange. Stock Connect currently covers over 2,000 equity securities trading in the Hong Kong, Shanghai and Shenzhen markets. Stock Connect allows mainland Chinese investors to trade directly in eligible equity securities listed on the Hong Kong Stock Exchange, known as Southbound Trading; without Stock Connect, mainland Chinese investors would not otherwise have a direct and established means of engaging in Southbound Trading. In October 2019, the Shanghai and Shenzhen Stock Exchanges separately announced their amended implementation rules in connection with Southbound Trading to include shares of WVR companies to be traded through Stock Connect. However, since these rules are relatively new, there remains uncertainty as to the implementation details, especially with respect to shares of those companies with a secondary listing on the Hong Kong Stock Exchange. It is unclear whether and when the Class A ordinary shares of our Company, a WVR company with a secondary listing in Hong Kong upon the Listing, will be eligible to be traded through Stock Connect, if at all. The ineligibility or any delay of our Class A ordinary shares for trading through Stock Connect will affect mainland Chinese investors' ability to trade our Class A ordinary shares and therefore may limit the liquidity of the trading of our Class A ordinary shares on the Hong Kong Stock Exchange.

Throughout the Bridging Period, the Designated Dealer and the Alternate Designated Dealer intend to implement certain bridging and liquidity arrangements as set out in the section headed "Market Arrangements to Facilitate Dealings in Hong Kong — Proposed Bridging Arrangements." While such arrangements are expected to contribute towards liquidity to meet demand for our Class A ordinary shares in Hong Kong and to maintain an orderly market, investors should be aware that such bridging and liquidity arrangements are subject to the Designated Dealer's and the Alternate Designated Dealer's ability to obtain sufficient numbers of our Class A ordinary shares to meet demand. There is no guarantee that such bridging and liquidity arrangements will attain and/or maintain liquidity in our Class A Ordinary Shares at any particular level on the Hong Kong Stock Exchange, nor is there any assurance that the price of our Class A Ordinary Shares in Hong Kong will not exhibit significant volatility.

We also cannot guarantee you that the price at which our Class A Ordinary Shares are traded on the Hong Kong Stock Exchange will be substantially the same as or similar to the price at which our ADSs are traded on the NYSE or that any particular volume of our Class A Ordinary Shares will trade on the Hong Kong Stock Exchange. The bridging and liquidity arrangements being implemented in connection with the Listing are not equivalent to the price stabilization activities which may be undertaken in connection with an initial public offering. The bridging and liquidity arrangements will terminate and cease to continue beyond the Bridging Period. Accordingly, there may be volatility in the Hong Kong market after the Bridging Period.

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

In connection with the Listing, we will establish a branch register of members in Hong Kong, or the Hong Kong share register. Our Class A ordinary shares that are traded on the Hong Kong Stock Exchange, including those that may be converted from ADSs, will be registered on the Hong Kong share register, and the trading of these Class A ordinary 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 intend to move a portion of our issued Class A ordinary shares from our register of members maintained in the Cayman Islands to our Hong Kong share register.

Under the Hong Kong Stamp Duty Ordinance, any person who effects any sale or purchase of Hong Kong stock, defined as stock the transfer of which is required to be registered in Hong Kong, is required to pay Hong Kong stamp duty. The stamp duty is currently set at a total rate of 0.26% of the greater of the consideration for, or the value of, shares transferred, with 0.13% payable by each of the buyer and the seller. See “Information About the Listing — Dealings and Settlement of Class A ordinary shares in Hong Kong.”

To the best of our knowledge, Hong Kong stamp duty has not been levied in practice on the trading or conversion of ADSs of companies that are listed in both the United States and Hong Kong and that have maintained all or a portion of their ordinary shares, including ordinary 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 ordinary 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.

INFORMATION ABOUT THIS DOCUMENT AND THE INTRODUCTION

DIRECTORS' RESPONSIBILITY STATEMENT

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

NO CHANGE IN THE NATURE OF OUR BUSINESS

No change in the nature of our business is contemplated immediately following the Introduction.

COMMENCEMENT OF DEALINGS IN OUR CLASS A ORDINARY SHARES

We expect that dealings in our Class A ordinary shares on the Hong Kong Stock Exchange will commence on March 10, 2022. The Class A ordinary shares will be traded in board lots of 10 Class A ordinary shares each. The stock code of our Class A ordinary shares will be 9866.

CLASS A ORDINARY SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors should consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, our Class A ordinary shares or ADSs or exercising any rights attaching to our Shares. We emphasize that none of our Company, the Joint Sponsors, any of our or their respective directors, officers or representatives or any other person involved in the Introduction accepts responsibility for any tax effects or liabilities resulting from the subscription, purchase, holding or disposing of, or dealing in, our Class A ordinary shares or ADSs or the exercise of any rights attaching to our Class A ordinary shares.

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REGISTER OF MEMBERS AND STAMP DUTY

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

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 currently 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 intend to move a portion of our issued ordinary shares from our Cayman share register to our Hong Kong Share Registrar. 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 “Risk Factors — Risks Related to Our Shares, Our ADS and the Listing — There is uncertainty as to whether Hong Kong stamp duty will apply to the trading or conversion of our ADSs following the Listing.”

EXCHANGE RATE CONVERSION

Our reporting currency is the Renminbi. This document contains translations of financial data in Renminbi amounts into U.S. dollars at specific rates solely for the convenience of the reader. Unless otherwise stated, all translations of financial data in Renminbi into U.S. dollars and from U.S. dollars into Renminbi in this document were made at a rate of RMB6.4434 to US\$1.00, the exchange rate on September 30, 2021 set forth in the H.10 statistical release of the Federal Reserve Board.

No representation is made that any amounts in RMB or US\$ were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

ROUNDING

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

If there is any inconsistency between the English document and its Chinese translation, the English document shall prevail, provided that if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this document and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities or enterprises are provided for identification purposes only.

INFORMATION ABOUT THIS DOCUMENT AND THE INTRODUCTION

THE LISTING

We have applied for a listing of our Class A ordinary shares on the Main Board by way of Introduction under Chapter 19C (Secondary Listings of Qualifying Issuers) as well as Chapter 8A (Weighted Voting Rights).

We have a track record of good regulatory compliance of at least two full financial years on the NYSE as required by Rule 19C.04 of the Hong Kong Listing Rules for the purposes of our Listing.

We have applied to the Listing Committee for the listing of, and permission to deal in, our Class A ordinary shares in issue pursuant to the Introduction, the Class A ordinary shares to be issued pursuant to the Stock Incentive Plans, including pursuant to the exercise of options or other awards that have been or may be granted from time to time and the Class A ordinary shares to be issued on the conversion of convertible notes and after the conversion of our Class B ordinary shares or Class C ordinary shares into Class A ordinary shares.

Our ADSs are currently listed and traded on the NYSE. Other than the foregoing, no part of our Shares or loan capital is listed on or traded on any other stock exchange and no such listing or permission to list is being or proposed to be sought. Shares will be registered on the Hong Kong Share Registrar in order to enable them to be traded on the Hong Kong Stock Exchange.

SGX-ST LISTING APPLICATION

Our Company has applied for secondary listing by way of introduction on the Main Board of SGX-ST, and the application was undergoing review by SGX-ST as of the Latest Practicable Date. We expect to be listed on SGX-ST after the Listing Date conditioning upon obtaining all requisite regulatory approvals and satisfying all applicable listing requirements. We will make definitive plans of such listing and keep our shareholders informed of the status of the proposed listing on SGX-ST to the extent possible. Upon listing on SGX-ST, our Company will be required to comply with the listing rules (where applicable) and other regulatory regimes of the Hong Kong Stock Exchange, SGX-ST and the NYSE, unless otherwise agreed by the relevant regulators, and our Company has no intention to facilitate the fungibility of the Shares listed on the Hong Kong Stock Exchange and SGX-ST.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES

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

OWNERSHIP OF ADSS

An owner may hold ADSs either (1) directly (a) by having an American Depositary Receipt, or ADR, which is a certificate evidencing a specific number of ADSs, registered in his or her name, or (b) by holding ADSs in the direct registration system or “DRS”, or (2) indirectly through his or her broker or other financial institution. If the owner holds ADSs directly, he or she is an ADS holder. This description assumes the owner holds their ADSs directly. ADSs will be issued through DRS, unless the owner specifically requests certificated ADRs. If the owner holds the ADSs indirectly, he or she must rely on the procedures of their broker or other

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financial institution to assert the rights of ADS holders. Such owners should consult with his or her broker or financial institution to find out what those procedures are. The DRS is a system administered by The Depository Trust Company, or DTC, pursuant to which the depository may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depository to the ADS holders entitled thereto.

DEALINGS AND SETTLEMENT OF CLASS A ORDINARY SHARES IN HONG KONG

Our Class A ordinary shares will trade on the Hong Kong Stock Exchange in board lots of 10 ordinary shares. Dealings in our Class A ordinary shares on the Hong Kong Stock Exchange will be conducted in Hong Kong dollars.

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

- Hong Kong Stock Exchange trading fee of 0.005% of the consideration of the transaction, charged to each of the buyer and seller;
- SFC transaction levy of 0.0027% of the consideration of the transaction, charged to each of the buyer and seller;
- FRC transaction levy of 0.00015% of the consideration of the transaction, charged to each of the buyer and seller;
- trading tariff of HK\$0.50 on each and every purchase or sale transaction. The decision on whether or not to pass the trading tariff onto investors is at the discretion of brokers;
- transfer deed stamp duty of HK\$5.00 per transfer deed (if applicable), payable by the seller;
- ad valorem stamp duty at a total rate of 0.26% of the value of the transaction, with 0.13% payable by each of the buyer and the seller;
- stock settlement fee, which is currently 0.002% of the gross transaction value, subject to a minimum fee of HK\$2.00 and a maximum fee of HK\$100.00 per side per trade;
- brokerage commission, which is freely negotiable with the broker (other than brokerage commissions for IPO transactions which are currently set at 1% of the subscription or purchase price and will be payable by the person subscribing for or purchasing the securities); and
- the Hong Kong Share Registrar will charge between HK\$2.50 to HK\$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of ordinary shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong.

Investors must settle their trades executed on the Hong Kong Stock Exchange through their brokers directly or through custodians. For an investor who has deposited his or her Class A ordinary shares in his or her designated CCASS participant's stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the General Rules of CCASS

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and CCASS Operational Procedures in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his or her broker or custodian before the settlement date.

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

In connection with the Introduction, we have established a branch register of members in Hong Kong, or the Hong Kong share register, which will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members, or the Cayman share register, will continue to be maintained by our Principal Share Registrar, Maples Fund Services (Cayman) Limited in the Cayman Islands.

Our ADSs

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

ADSs may be held either:

- directly (a) by having an American Depositary Receipt (ADR), which is a certificate evidencing a specific number of ADSs, registered in the holder's name, or (b) by holding uncertificated ADSs in the direct registration system; or
- indirectly, through the holder's broker or other financial institution.

The depositary for our ADSs is Deutsche Bank Trust Company Americas, whose office is located at 60 Wall Street, New York, NY 10005, USA.

Converting Class A Ordinary Shares trading in Hong Kong into ADSs

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

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

- If Class A ordinary shares have been deposited with CCASS, the investor must transfer Class A ordinary shares to the depositary's account with the custodian within CCASS by following the CCASS procedures for transfer and submit and deliver a duly completed and signed letter of transmittal to the custodian via his or her broker.
- If Class A ordinary shares are held outside CCASS, the investor must arrange to deposit his or her Class A ordinary shares into CCASS for delivery to the depositary's account with the custodian within CCASS, submit and deliver a duly completed and signed letter of transmittal to the custodian via his or her broker.

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- Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all cases to the terms of the deposit agreement, the depository will issue the corresponding number of ADSs in the name(s) requested by an investor and will deliver the ADSs to the designated DTC account of the person(s) designated by an investor or his or her broker.

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

Converting ADSs to Class A Ordinary Shares trading in Hong Kong

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

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

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

- To withdraw Class A ordinary shares from our ADS program, an investor who holds ADSs may turn in such ADSs at the office of the depository (and the applicable ADR(s) if the ADSs are held in certificated form), and send an instruction to cancel such ADSs to the depository. Such instructions must have a Medallion signature guarantee.
- Upon payment or net of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all cases to the terms of the deposit agreement, the depository will instruct the custodian to deliver Class A ordinary shares underlying the canceled ADSs to the CCASS account designated by an investor.
- If an investor prefers to receive Class A ordinary shares outside CCASS, he or she must receive ordinary shares in CCASS first and then arrange for withdrawal from CCASS. Investors can then obtain a transfer form signed by HKSCC Nominees Limited (as the transferor) and register Class A ordinary shares in their own names with the Hong Kong Share Registrar.

For Class A ordinary shares to be received in CCASS, under normal circumstances, the above steps generally require two business days, provided that the investor has provided timely and complete instructions. For Class A ordinary shares to be received outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. The investor will be unable to trade the Class A ordinary shares on the Hong Kong Stock Exchange until the procedures are completed.

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Temporary delays may arise. For example, the transfer books of the depositary may from time to time be closed to ADS cancellations. In addition, completion of the above steps and procedures is subject to there being a sufficient number of Class A ordinary shares on the Hong Kong share register to facilitate a withdrawal from the ADS program directly into the CCASS system. We are not under any obligation to maintain or increase the number of Class A ordinary shares on the Hong Kong share register to facilitate such withdrawals.

Depositary Requirements

Before the depositary issues ADSs or permits withdrawal of Class A ordinary shares, the depositary may require:

- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with procedures it may establish, from time to time, consistent with the deposit agreement, including, but not limited to, completion and presentation of transfer documents.

The depositary may refuse to deliver, transfer, or register issuances, transfers and cancellations of ADSs generally when the transfer books of the depositary or our Hong Kong or Cayman Share Registrar are closed or at any time if the depositary or we determine it advisable to do so, subject to such refusal complying with U.S. federal securities laws.

All costs attributable to the transfer of Class A ordinary shares to effect a withdrawal from or deposit of Class A ordinary shares into our ADS program will be borne by the investor requesting the transfer. In particular, holders of Class A ordinary shares and ADSs should note that the Hong Kong Share Registrar will charge between HK\$2.50 to HK\$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of Class A ordinary shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong. In addition, holders of Class A ordinary shares and ADSs must pay up to US\$5.00 (or less) per 100 ADSs for each issuance of ADSs and each cancellation of ADSs, as the case may be, in connection with the deposit of Class A ordinary shares into, or withdrawal of ordinary shares from, our ADS program.

SUMMARY OF EXEMPTIONS AS A FOREIGN PRIVATE ISSUER IN THE U.S.

As required by Rule 19C.14 of the Hong Kong Listing Rules, set forth below is a summary of the exemptions from obligations under U.S. securities laws and NYSE rules that we enjoy as a foreign private issuer in the U.S.

Exemptions from NYSE rules

Foreign private issuers are exempted from certain corporate governance requirements of NYSE. Foreign private issuers are permitted to follow home country practice, i.e., for us, the practice of the Cayman Islands, in lieu of such corporate governance requirements, as long as they disclose any significant ways in which their corporate governance practices differ from those required under the NYSE listing standards and explain the basis for the conclusion that the exemption is applicable. Specifically, we currently follow our home country practice that does not require us to:

- have a majority of independent directors;

INFORMATION ABOUT THIS DOCUMENT AND THE INTRODUCTION

- have a nominating and corporate governance committee and a compensation committee each composed entirely of independent directors;
- have an audit committee with a minimum of three members; and
- hold an annual meeting of shareholders no later than one year after the end of each fiscal year.

There are no other significant differences between our corporate governance practices and those followed by U.S. domestic companies under the NYSE Rules. However, we undertake that we will (i) hold an annual general meeting every year after the Listing and (ii) put forth a resolution at the upcoming annual general meeting to be convened on or before August 31, 2022 (the “**First AGM**”) to amend our Articles of Association to provide for an annual general meeting every year, even though there may not be any resolutions to be approved by the shareholders at such meetings. See “Waivers and Exemptions — Requirements Relating to the Articles of Association of the Company” for further details.

Exemptions from SEC rules and regulations under U.S. federal securities laws

Foreign private issuers are exempted from Regulation FD under the U.S. Exchange Act. Regulation FD provides that when a domestic U.S. issuer, or someone acting on its behalf, discloses material nonpublic information to certain persons (including securities analysts, other securities market professionals, and holders of the issuer’s securities who could reasonably be expected to trade on the basis of the information), it must make simultaneous public disclosure of that information (in the case of intentional disclosure) or prompt public disclosure (in the case of non-intentional disclosure). However, the SEC expects foreign private issuers to conduct themselves in accordance with the basic principles underlying Regulation FD.

Section 16 of the U.S. Exchange Act does not apply to foreign private issuers. Therefore, directors, executive officers and 10% beneficial owners of foreign private issuers are not required to file Forms 3, 4 and 5 with the SEC, and are not required to disgorge to the issuer any profits realized from any non-exempt purchase and sale, or non-exempt sale and purchase, of the issuer’s equity securities or security-based swap agreements within a period of less than six months.

Foreign private issuers are exempt from the SEC’s rules prescribing the furnishing and content of proxy statements under the U.S. Exchange Act, which specify the procedures and required documentation for soliciting shareholder votes. Accordingly, foreign private issuers are not required to disclose certain information in their annual proxy statements, such as whether the work of any compensation consultant has played any role in determining or recommending the form or amount of executive and director compensation has raised a conflict of interest, and, if so, the nature of the conflict and how it is being addressed.

Foreign private issuers are also not required under the U.S. Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as domestic U.S. issuers with securities registered under the U.S. Exchange Act. As a result, our shareholders may be afforded less protection than they would under the U.S. Exchange Act rules applicable to domestic U.S. issuers. Unlike domestic U.S. issuers, foreign private issuers are not required to file quarterly reports (including quarterly financial information) on Form 10-Q. They also are not required to use Form 8-K for current reports, and instead furnish (not file) current reports on Form 6-K with the SEC.

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Annual reports on Form 10-K by domestic U.S. issuers are due within 60, 75, or 90 days after the end of the issuer's fiscal year, depending on whether the company is a "large accelerated filer," a "accelerated filer," or a "non-accelerated filer." By contrast, the deadline for foreign private issuers to file annual reports on Form 20-F is four months after the end of their fiscal year covered by the annual reports.

COMPLIANCE ADVISOR

We have appointed Guotai Junan Capital Limited as our compliance advisor, or the Compliance Advisor, upon listing of our Class A ordinary shares on the Hong Kong Stock Exchange pursuant to Rule 8A.33 of the Hong Kong Listing Rules. Pursuant to Rule 3A.23 and 8A.34 of the Hong Kong Listing Rules, the Compliance Advisor will provide advice to us when consulted by us in the following circumstances:

- before the publication of any regulatory announcement, circular, or financial report;
- where the business activities, development or results of our Company deviate from any forecast, estimate or other information in this document;
- where the Hong Kong Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of our Class A ordinary shares or any other matters in accordance with Rule 13.10 of the Hong Kong Listing Rules;
- our WVR structure;
- transactions in which any beneficiary of weighted voting rights in the Company has an interest; and
- where there is a potential conflict of interest between the Company, its subsidiary and/or Shareholders (considered as a group) on one hand and any beneficiary of weighted voting rights in the Company on the other.

The term of appointment of the Compliance Advisor shall commence on the Listing Date. Pursuant to Rule 8A.33 of the Listing Rules, the Company is required to engage a compliance advisor on a permanent basis.

WAIVERS AND EXEMPTIONS

In preparation for the Introduction, the Company has sought the following waivers and exemptions from strict compliance with the relevant provisions of the Hong Kong Listing Rules and the SFO and have applied for a ruling under the Takeovers Codes:

| Rules | Subject matter |
|--|---|
| Rule 2.07A of the Hong Kong Listing Rules | Printed Corporate Communications |
| Rule 4.04(1) of the Hong Kong Listing Rules | Disclosure Requirements Relating to the Accountant's Report |
| Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules | Investments after the Track Record Period |
| Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules | Disclosure Requirements Relating to the Accountant's Report |
| Rule 8A.12 of the Hong Kong Listing Rules | Minimum Economic Interest at Listing |
| Rule 8A.44 and Appendix 3 to the Hong Kong Listing Rules | Requirements Relating to the Articles of Association of the Company |
| Rule 9.09(b) of the Hong Kong Listing Rules | Dealings in Shares prior to Listing |
| Rule 13.25B of the Hong Kong Listing Rules | Monthly Return |
| Rule 13.46(2)(b) of the Hong Kong Listing Rules | Laying 2021 Annual Financial Statements Before Members at an Annual General Meeting Within Six Months After the End of Financial Year |
| Paragraphs 13 and 26 of Appendix 1A to the Hong Kong Listing Rules | Particulars of any Commissions, Discounts and Brokerages and Alterations of Capital |
| Paragraph 27 of Appendix 1A of the Hong Kong Listing Rules | |
| Paragraph 28(1)(b)(i), (ii) and (v) of Appendix 1A to the Hong Kong Listing Rules | Disclosure Requirements in respect of Suppliers |
| Paragraph 29(1) of Appendix 1A to the Hong Kong Listing Rules | Disclosure of Information on Subsidiaries Whose Profits or Assets Make Material Contribution to the Company |
| Paragraph 32 of Appendix 1A to the Hong Kong Listing Rules and Guidance Letter HKEX-GL37-12 | Timing Requirement of Liquidity Disclosure |
| Paragraphs 33(2), 33(3), 46(2), 46(3) of Appendix 1A to the Hong Kong Listing Rules | Disclosure Requirements of the Remuneration of Directors and Five Individuals Whose Emoluments Were Highest |
| Section 4.1 of the Introduction to the Takeovers Codes | Not a public company in Hong Kong under Takeovers Code |
| Part XV of the SFO | Disclosure of interests under Part XV of SFO |
| Paragraphs 41(4) and 45 of Appendix 1A to and Practice Note 5 of the Hong Kong Listing Rules | Disclosure of Interests Information |

WAIVERS AND EXEMPTIONS

PRINTED CORPORATE COMMUNICATIONS

Rule 2.07A of the Hong Kong Listing Rules provides that a listed issuer may send or otherwise make available to the relevant holders of its securities any corporate communication by electronic means, provided that either the listed issuer has previously received from each of the relevant holders of its securities an express, positive confirmation in writing or the shareholders of the listed issuer have resolved in a general meeting that the listed issuer may send or supply corporate communications to shareholders by making them available on the listed issuer's own website or the listed issuer's constitutional documents contain provision to that effect, and certain conditions are satisfied.

The Company's ADSs have been listed on the NYSE since September 2018. The Company has a diverse shareholder base with ADS holders globally.

The Company does not currently produce or send out any corporate communications to its shareholders or holders of ADSs in printed form unless requested or in limited circumstances. The Company publicly files or furnishes various corporate communications with the SEC which are posted on the SEC's website. The Company's annual reports on Form 20-F and current reports on Form 6-K are also available free of charge on its website as soon as reasonably practicable after they are filed with or furnished to the SEC. Further, the Company will post its proxy materials and notices to its shareholders and holders of ADSs on a publicly accessible website. Those documents will also be available on the Company's website.

Given the Company's diverse shareholder base and the potential number of countries in which its shareholders are located, the Company considers that it would not be practicable for the Company to send printed copies of all its corporate communications to all of its shareholders. Further, the Company considers that it would also not be practicable for the Company to approach its existing shareholders individually to seek confirmation from them of their wish to receive corporate communications in electronic form, or to provide them with the right to request corporate communications in printed form instead.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 2.07A of the Hong Kong Listing Rules on the conditions that the Company will:

- (a) issue all future corporate communications as required by the Hong Kong Listing Rules on its own website in English and Chinese, and on the Hong Kong Stock Exchange's website in English and Chinese;
- (b) provide printed copies of proxy materials in English and Chinese to its shareholders at no costs upon request; and
- (c) ensure that the "Investor Relations" page of its website (<http://ir.nio.com>) will direct investors to all of its future filings with the Hong Kong Stock Exchange.

WAIVER IN RELATION TO RULE 4.04(1) OF THE LISTING RULES

According to Rule 4.04(1) of the Listing Rules, the Accountants' Report contained in this document must include, inter alia, the results of our Group in respect of each of the three financial years immediately preceding the issue of this document or such shorter period as may be acceptable to the Stock Exchange.

WAIVERS AND EXEMPTIONS

The Accountants' Report for each of the three years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 has been prepared and set out in Appendix I to this document.

Our Directors confirm that there has been no material adverse change to the financial and trading positions or prospects of the Company based on the trading results of the Company between October 1, 2021 and December 31, 2021.

Pursuant to the relevant requirement set out above, our Company is required to produce three full years of audited accounts for the years ended December 31, 2019, 2020 and 2021. As such, an application was made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver was granted by the Stock Exchange on the conditions that:

- (a) this document will be issued on or before February 28, 2022 and shares of our Company must be listed on the Stock Exchange on or before March 31, 2022 (i.e. three months after the latest financial year end of our Company); and
- (b) this document contains loss estimate for the year ended December 31, 2021 (in compliance with Rules 11.17 to 11.19 of the Listing Rules) and the statement from our Directors that after performing all due diligence work which they consider appropriate, there is no material and adverse change to our financial and trading positions or prospects since September 30, 2021.

The application to Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules was made on the grounds, among others, that strict compliance with the above requirement would be unduly burdensome and the waiver would not prejudice the interest of the investing public as:

- (a) there would not be sufficient time for our Company and the Reporting Accountant to finalize the audited financial statements for the year ended December 31, 2021 for inclusion in this document. If the financial information for the year ended December 31, 2021 is required to be audited, our Company and the Reporting Accountant would have to carry out substantial work to prepare, update and finalize the Accountants' Report and this document and the relevant sections of this document will need to be updated to cover such additional period within short period of time and will lead to the delay of the current timetable for the Introduction;
- (b) our Directors and the Joint Sponsors confirm that after performing sufficient due diligence work, up to the date of this document, there has been no material adverse change to our financial and trading positions or prospects since September 30, 2021 up to the date of this document and there has been no event which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this document and the loss estimate for the year ended December 31, 2021 since September 30, 2021 as set out in Appendix III to this document; and

our Company is of the view that the Accountants' Report covering the three financial years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 (in compliance with Rules 11.17 to 11.19 of the Listing Rules) included in this document, together with the loss estimate for the year ended December 31, 2021, will provide the potential investors with adequate and reasonably up-to-date information of the circumstances to form a view on the track record and earnings trend of our Company; and our Directors and the Joint Sponsors confirm that all information which is necessary for the investing public to make an

WAIVERS AND EXEMPTIONS

informed assessment of our business, assets and liabilities, financial position, trading position, management and prospects has been included in this document. Further, our Company will comply with Rule 13.46(2) of the Listing Rules in respect of the publication of annual report for the year ended December 31, 2021. Therefore, the waiver would not prejudice the interest of the investing public.

INVESTMENTS AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules, the accountant's report to be included in a listing document must include the income statements and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited accounts have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

Investments since the Track Record Period

Since the Track Record Period and up to the Latest Practicable Date, the Company has made or proposed to make minority investments (the "Investments") in a few companies in the ordinary and usual course of business to further its strategic objectives, the details of which are set out below:

| <u>Targets⁽¹⁾⁽³⁾</u> | <u>Consideration⁽²⁾</u> (approximately RMB million) | <u>Percentage of shareholding/equity interest⁽²⁾</u> | <u>Principal business activities</u> |
|-----------------------------------|--|---|--|
| Entity A | 330 | 33.3% | Investment fund |
| Entity B ⁽⁶⁾ | 300 | 10.0% | Investment fund |
| Entity C | 5 | 2.0% | Automobile research and consulting |
| Entity D ⁽⁴⁾ | 5 | 24.3% | Asset management |
| Entity E ⁽⁵⁾ | 45 | 52.4% | Asset management |
| Entity F ⁽⁶⁾ | 14 | 45.0% | Asset management |

Notes:

- (1) Given that the Company has not yet entered into legally binding agreements for certain of the above Investments as at the Latest Practicable Date, the terms and information set out above might be subject to further changes.
- (2) The approximate percentage of shareholding/equity interest represents the Company's total pro forma shareholding in each of the Investments after the completion of the disclosed transaction.
- (3) Save for Entities B, D, E & F, to the best of our directors' knowledge, information and belief having made all reasonable enquiry, none of the core connected persons at the level of the Company is a controlling shareholder of the target in each Investments.
- (4) Mr. Bin Li, our founder, chairman and chief executive officer, is a controlling shareholder of a company which has approximately 31.24% equity interest in Entity D.

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- (5) The financial statements of Entity E will not be expected to be consolidated with that of the Group upon the completion of the proposed investment given that the Company does not have any control over the decision making of Entity E and represents a minority in the board of directors. Separately, Mr. Bin Li is a controlling shareholder of a company which indirectly controls Entity E. For the avoidance of doubt, Mr. Bin Li does not have any direct shareholding in Entity E.
- (6) Mr. Bin Li is a controlling shareholder of a company which indirectly controls Entity F and Entity F is the general partner of Entity B. For the avoidance of doubt, Mr. Bin Li does not have any direct shareholding in Entity B or Entity F.

The Company confirms that the investment amount for the Investments are the result of commercial arm's length negotiations, based on factors including market dynamics, a mutually agreed valuation and/or capital need of the relevant entities' operation.

Our directors believe that the Investments will complement the Group's businesses and support the growth of its business by diversifying its investment and business portfolio. Therefore, the Investments are expected to create synergies, strengthen and support our long-term business development. Accordingly, our directors believe that the Investments, if consummated, will be fair and reasonable and in the interests of the Shareholders as a whole. The consideration for the Investments, if consummated, will be satisfied by the Group's own source of funds.

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

Ordinary and usual course of business

The Company confirms that it makes strategic equity investments in sectors relating to its business as part of its ordinary and usual course of business. The Company has a history of making minority investments and have conducted a number of minority investments during the Track Record Period.

The percentage ratios of each Investment are all less than 5% by reference to the most recent fiscal year of the Company's Track Record Period.

The relevant percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules for each of the Investments are all significantly less than 5% by reference to the most recent fiscal year of the Track Record Period. The Company does not believe that the Investments are subject to aggregation under Rule 14.22 of the Hong Kong Listing Rules, because (i) each of the Investments involves the acquisition of interests in a different company and (ii) the Investments were entered into, or are expected to be entered into, with different counterparties.

Accordingly, the Company believes that the Investments have not resulted in, or are not expected to result in, any significant changes to the Company's financial position since September 30, 2021, and all information that is reasonably necessary for the potential investors to make an informed assessment of the Company's activities or financial position has been included in this document. As such, the Company considers that a waiver from compliance with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would not prejudice the interests of the investors.

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The Company is not able to exercise any control over the underlying company or business

The Company confirms that: (i) it only holds and/or will only hold a non-controlling interest in the Investments and does not control any of their boards of directors, and expects this to remain the case for any subsequent Investments; and (ii) the Company is also not involved in the day to day management of these Investments and only enjoys minority strategic shareholder rights. The minority rights given to the Company are generally commensurate to its status as a minority shareholder and are for the protection of its interests as a minority stakeholder in the Investments. These rights are neither intended, nor sufficient to compel or require the relevant companies to prepare or to disclose in this document audited financial statements for the purposes of compliance with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules. These disclosures are also not required pursuant to applicable U.S. securities laws. It could be prejudicial and potentially harmful to the Company's portfolio relationships and commercial interests to make such disclosures. In addition, as all of these portfolio companies are private, disclosing this information could harm their interests and bring them into an unfavorable competitive position. Accordingly, as the Company does not expect the Investments to result in any material changes to its financial position after the Track Record Period, the Company does not believe the non-disclosure of the required information pursuant to Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would prejudice the interest of the investors.

Alternative disclosure of the Investments in the listing document

The Company has provided alternative information about the Investments in this document. Such information includes that which would be required for a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules that the Company's directors consider to be material, including, for example, descriptions of the relevant entities' principal business activities, the investment amounts, and a statement as to whether the core connected persons at the level of the Company is a controlling shareholder of the relevant entities. The Company has however excluded disclosure on the names of certain targets in connection with the Investments given that (i) the Company has entered into confidentiality agreements with these entities and does not have consent for such disclosure and/or (ii) the Company has not yet entered into legally binding agreements with respect to the Investments as of the Latest Practicable Date, having also considered the competitive nature of the industries in which the Company operates and the uncertainties underlying the final outcome of the Investments. The Company considers that it is commercially sensitive to disclose the identities of the companies the Company invested in or propose to invest in as such information may enable the Company's competitors to anticipate the Company's investment strategy. Since each of the relevant percentage ratios of each of the Investments is less than 5% by reference to the most recent fiscal year of the Track Record Period, the Company believes the current disclosure is adequate for potential investors to form an informed assessment of the Company.

DISCLOSURE REQUIREMENTS RELATING TO THE ACCOUNTANT'S REPORT

Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules set out certain historical financial information to be included in a listing document that is not required to be disclosed under U.S. GAAP, including in particular:

- (a) balance sheet at a company level;
- (b) aging analysis of accounts receivables;
- (c) aging analysis of accounts payables; and

WAIVERS AND EXEMPTIONS

- (d) adjustments made to show profits of all periods in accordance with the relevant accounting standards in relation to the last fiscal year reported on.

In accordance with U.S. GAAP, the Company has applied the modified retrospective method to account for the impact of the adoption of certain new accounting standards in the Track Record Period. Under the modified retrospective method adopted by our Group, comparative periods in the latest consolidated financial statements are not retrospectively adjusted.

During the Track Record Period, the Company adopted, among other new accounting standards that did not have a material impact on our consolidated financial statements, Accounting Standards Update 2016-13 “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”, or ASC Topic 326, and “Accounting Standards Update 2016-02 “Leases” (Topic 842),” including certain transitional guidance and subsequent amendments, or ASC 842. The relevant accounting policies upon the adoption of these new accounting standards are disclosed in the “Accountant’s Report” in Appendix I to this document.

ASC Topic 326 was adopted on January 1, 2020 using the modified retrospective approach with a cumulative-effect increase of approximately RMB23.0 million recorded in accumulated deficit on January 1, 2020. The new standard amends previously issued guidance regarding the impairment of financial instruments by creating an impairment model that is based on expected losses rather than incurred losses. The adoption of ASC Topic 326 had no significant impact on our Group’s financial position and performance.

ASC 842 was adopted on January 1, 2019 using the additional transition method by applying the new lease standard to all leases existing as of January 1, 2019, the date of initial application, and no adjustments were made to the comparative periods. Adoption of the new lease standard resulted 1) recognition of right-of-use assets of RMB2,023.8 million and lease liabilities of RMB2,102.2 million for operating leases on the consolidated balance sheet; 2) recognition of right-of-use assets of RMB5.6 million and lease liabilities of RMB7.7 million for finance leases on the consolidated balance sheet, as of 1 January 2019. There was no adjustment to the beginning accumulated deficit on January 1, 2019.

This document includes the following alternative disclosures:

- (a) for certain new accounting standards that came into effect during the Track Record Period, the accounting policies as well as the impact of adoption, if any, to the beginning accumulated deficit of initial application (i.e., January 1, 2019 and 2020) has been disclosed in the “Accountant’s Report” in Appendix I to this document in accordance with the relevant requirements under U.S. GAAP; and
- (b) disclosure of the relevant accounting policies adopted for the Track Record Period in the “Accountant’s Report” in Appendix I to this document.

As this document has included the above alternative disclosures and the current disclosure in the this document contains all information which is necessary for the investors to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of the Group, the Company believes that it would be of no material value to the Hong Kong investors and be unduly burdensome for the Accountant’s Report in Appendix I to this document to include certain required information pursuant to Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules and that the non-disclosure of such information will not prejudice the interests of investors.

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The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 4.04(3)(a), 4.05(2) and 4.13 of the Hong Kong Listing Rules, to the extent not strictly met by the current disclosure in this document.

MINIMUM ECONOMIC INTEREST AT LISTING

Rule 8A.12 of the Hong Kong Listing Rules requires that the beneficiaries of weighted voting rights must beneficially own collectively at least 10% of the underlying economic interest in the applicant's total issued share capital at the time of its initial listing.

The Note to Rule 8A.12 further stipulates that the Stock Exchange may be prepared to accept a lower minimum shareholding percentage, on a case by case basis, if the lower underlying economic interest still represents a very large amount in absolute dollar terms (for example if the applicant has an expected market capitalization of over HK\$80 billion at the time of its initial listing) taking into account such other factors about the applicant as the Exchange may in its discretion, consider appropriate.

In the Stock Exchange's Consultation Paper: A Listing Regime for Companies from Emerging and Innovative Sectors published in February 2018, the Stock Exchange stated in paragraph 116 that the rationale for the requirement contained in Listing Rule 8A.12 is to "help ensure that, at the time of its initial listing, the economic interest in the company held by all WVR beneficiaries, as a group, is large enough, in dollar terms, to align their combined interests to some extent with those of other shareholders." On this basis, the Note to Rule 8A.12 implies a minimum economic interest, in dollar terms, of HK\$8 billion at the time of the initial listing.

As of November 30, 2021, the total market capitalization of the Company was approximately US\$67.5 billion (or HK\$526.3 billion), which is approximately 6.6 times of the HK\$80 billion expected market capitalization provided under the Note to 8A.12.

Immediately following the completion of the Introduction, assuming no additional Shares are issued under the Stock Incentive Plans and between the Latest Practicable Date and the Listing, based on closing price of US\$24.1 as of February 11, 2022, we expect to have a market capitalization of US\$40.2 billion (or HK\$313.4 billion), which is approximately 3.9 times of HK\$80 billion as provided under the Note to Rule 8A.12. Mr. Bin Li is expected to beneficially own approximately 9.9% of the underlying economic interest in our issued share capital upon the Listing, representing approximately HK\$31.8 billion in absolute dollar terms, which is approximately 3.9 times of HK\$8 billion.

The Note to Rule 8A.12 also provides that the Exchange will take into account such other factors about the applicant as the Exchange may in its discretion, consider appropriate. Mr. Bin Li, our WVR beneficiary and the founder, largest shareholder, chairman and chief executive officer of the Company, has demonstrated an unfailing commitment and played a pivotal role in leading the Company since its founding in 2014. Mr. Bin Li has dedicated his time over the past decade towards building the Company, and as such, Mr. Li's personal interests are fully aligned with those of the Company and other shareholders.

We have applied to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 8A.12 of the Hong Kong Listing Rules on the conditions that:

- (a) the Company will have an expected market capitalization that significantly exceeds HK\$80 billion at the time of the Listing;

WAIVERS AND EXEMPTIONS

- (b) Mr. Bin Li will beneficially own approximately 9.9% of the underlying economic interest in the Company's total issued share capital at the time of the Listing; and
- (c) the Company has made appropriate disclosure of such lower economic interest percentage of Mr. Bin Li in this document.

REQUIREMENTS RELATING TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

Rule 19C.02A(1)(b) of the Hong Kong Listing Rules provides that the Hong Kong Stock Exchange may refuse a listing if in its opinion the overseas issuer's primary listing is or is to be on an exchange that cannot provide the shareholder protection standards that are at least equivalent to those provided in Hong Kong. Pursuant to Appendix 3 to the Hong Kong Listing Rules, an issuer must demonstrate how the domestic laws, rules and regulations to which it is subject and its constitutional documents, in combination, provide the shareholder protection standards set out in Appendix 3 to the Hong Kong Listing Rules.

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

The Company's Articles do not comply with some of the Listing Rules Articles Requirements, namely, (i) paragraphs 14(1), 14(2), 14(4), 15, 17 and 20 of Appendix 3 to the Hong Kong Listing Rules and (ii) Rules 8A.07, 8A.09, 8A.13 to 8A.19, 8A.21 to 8A.24, 8A.26 to 8A.35 and 8A.37 to 8A.41 of the Hong Kong Listing Rules (together, the "**Unmet Listing Rules Articles Requirements**"). The Company will seek shareholders' approval to incorporate the Unmet Listing Rules Articles Requirements into its Articles in the First AGM.

Details of how the Unmet Listing Rules Articles Requirements will be incorporated into the Company's Articles are set out below:

- (1) That, where any shareholder is, under the Hong Kong Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted (paragraph 14(4) of Appendix 3);
- (2) If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied only with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question or with the sanction of a resolution passed at a separate general meeting of the holders of the shares of that class by members holding shares representing three-fourths in nominal value of the shares present in person or by proxy and voting at such meeting. To every such separate general meeting the provisions of the Company's articles relating to general meetings shall mutatis mutandis apply, but the quorum provisions relevant to any such meeting may be varied (paragraph 15 of Appendix 3);

WAIVERS AND EXEMPTIONS

- (3) Any annual general meeting must be called by written notice of at least 21 days, and that any other general meeting (including an extraordinary general meeting) must be called by written notice of at least 14 days. (paragraph 14(2) of Appendix 3);
- (4) That the appointment, removal and remuneration of auditors must be approved by a majority of the issuer's members or other body that is independent of the board of directors (paragraph 17 of Appendix 3);
- (5) The branch register of members in Hong Kong shall be open for inspection by members but the Company may close the register in terms equivalent to section 632 of the Companies Ordinance (paragraph 20 of Appendix 3);
- (6) An annual general meeting shall be held in each financial year and the audited accounts shall be sent to members at the same time as the notice of annual general meeting (paragraph 14(1) of Appendix 3);
- (7) A WVR structure must attach weighted voting rights only to a class of an issuer's equity securities and confer on a beneficiary enhanced voting power on resolutions tabled at the issuer's general meetings only. In all other respects, the rights attached to a class of equity securities conferring weighted voting rights must otherwise be the same as the rights attached to the issuer's listed ordinary shares (Rule 8A.07 of the Hong Kong Listing Rules);
- (8) The Company shall not take any action (including the issue or repurchase of shares of any class) that would result in (a) the aggregate number of votes entitled to be cast by all holders of Class A ordinary shares (for the avoidance of doubt, excluding those who are also holders of WVR shares) present at a general meeting to be less than 10% of the votes entitled to be cast by all members at a general meeting; or (b) an increase in the proportion of WVR shares to the total number of shares in issue (Rules 8A.09 and 8A.13 of the Hong Kong Listing Rules);
- (9) No further WVR shares shall be issued by the Company, except with the prior approval of the Hong Kong Stock Exchange and pursuant to (a) an offer to subscribe for shares made to all the members pro rata (apart from fractional entitlements) to their existing holdings; (b) a pro rata issue of shares to all the members by way of scrip dividends; or (c) pursuant to a share subdivision or other similar capital reorganization; provided that, each member shall be entitled to subscribe for (in a pro rata offer) or be issued (in an issue of shares by way of scrip dividends) shares in the same class as the shares then held by him, notwithstanding article 16 of the Company's existing Articles; and further provided that the proposed allotment or issuance will not result in an increase in the proportion of WVR shares in issue, so that:
 - (i) if, under a pro rata offer, any holder of WVR shares does not take up any part of the WVR shares or the rights thereto offered to him, such untaken shares (or rights) shall only be transferred to another person on the basis that such transferred rights will only entitle the transferee to an equivalent number of Class A ordinary shares; and
 - (ii) to the extent that rights to Class A ordinary shares in a pro rata offer are not taken up in their entirety, the number of WVR shares that shall be allotted, issued or granted in such pro rata offer shall be reduced proportionately. (Rule 8A.14 of the Hong Kong Listing Rules);

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- (10) If the Company reduces the number of its shares in issue (e.g. through a purchase of its own shares) the WVR beneficiary must reduce their weighted voting rights in the Company proportionately (for example through conversion of a proportion of their shareholding with those rights into shares without those rights), if the reduction in the number of shares in issue (which, for the purpose of this article, excludes all of the treasury shares) would otherwise result in an increase in the proportion of the Company's shares that carry weighted voting rights (Rule 8A.15 of the Hong Kong Listing Rules);
- (11) The Company must not change the terms of the WVR shares to increase the number of votes to which each WVR share is entitled (Rule 8A.16 of the Hong Kong Listing Rules);
- (12) WVR shares shall only be held by a director or a limited partnership, trust, private company or other vehicle wholly owned or wholly controlled by a director ("**Director Holding Vehicle**"). Subject to the Hong Kong Listing Rules or other applicable laws or regulations, each WVR share shall be automatically converted into one Class A ordinary share upon the occurrence of any of the following events:
- (i) the decease of the holder of such WVR share (or, where the holder is a Director Holding Vehicle, the decease of the director holding or controlling such Director Holding Vehicle);
 - (ii) the holder of such WVR share ceasing to be a director or a Director Holding Vehicle for any reason;
 - (iii) the holder of such WVR share (or, where the holder is a Director Holding Vehicle, the director holding or controlling such Director Holding Vehicle) being deemed by the Hong Kong Stock Exchange to be incapacitated for the purpose of performing his duties as a director; or
 - (iv) the holder of such WVR share (or, where the holder is a Director Holding Vehicle, the director holding or controlling such Director Holding Vehicle) being deemed by the Hong Kong Stock Exchange to no longer meet the requirements of a director set out in the Hong Kong Listing Rules;

The weighted voting rights attached to a beneficiary's shares must cease upon transfer to another person of the beneficial ownership of, or economic interest in those shares or the control over the voting rights attached to them (through voting proxies or otherwise). A limited partnership, trust, private company or other vehicle may hold shares carrying weighted voting rights on behalf of a beneficiary of weighted voting rights provided that such an arrangement does not result in a circumvention of rule 8A.18(1). The Hong Kong Stock Exchange would not consider a lien, pledge, charge or other encumbrance on shares carrying weighted voting rights to be a transfer for the purpose of rule 8A.18 on condition that this does not result in the transfer of the legal title or beneficial ownership of those shares or the voting rights attached to them (through voting proxies or otherwise). The Hong Kong Stock Exchange would consider a transfer to have occurred under rule 8A.18 if a beneficiary of weighted voting rights and a non-WVR shareholder(s) enter into any

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arrangement or understanding to the extent that this resulted in a transfer of weighted voting rights from the beneficiary of those weighted voting rights to the non-WVR shareholder (Rules 8A.17, 8A.18(1), 8A.18(2) and 8A.19 of the Listing Rules);

If a vehicle holding shares carrying weighted voting rights in a listed issuer on behalf of a beneficiary no longer complies with rule 8A.18(2), the beneficiary's weighted voting rights in the listed issuer must cease. The issuer and beneficiary must notify the Hong Kong Stock Exchange as soon as practicable with details of the non-compliance;

- (13) Any conversion of WVR shares into Class A ordinary shares pursuant to these Articles shall be effected by the re-designation of each WVR share into one Class A ordinary share (Rule 8A.21 of the Hong Kong Listing Rules);
- (14) A listed issuer's WVR structure must cease when none of the beneficiaries of the weighted voting rights at the time of the issuer's initial listing have beneficial ownership of shares carrying weighted voting rights (Rule 8A.22 of the Hong Kong Listing Rules);
- (15) Non-WVR shareholders must be able to convene an extraordinary general meeting and add resolutions to the meeting agenda. The minimum stake required to do so must not be higher than 10% of the voting rights on a one vote per share basis in the share capital of the listed issuer (Rule 8A.23 of the Hong Kong Listing Rules);
- (16) Notwithstanding any provisions in the Company's Articles to the contrary, each Class A ordinary share and Class C 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:
 - (i) any amendment to the Company's Memorandum or Articles, including the variation of the rights attached to any class of shares;
 - (ii) the appointment or removal of any independent non-executive director;
 - (iii) the appointment or removal of the auditors; or
 - (iv) the voluntary winding-up of the Company (Rule 8A.24 of the Hong Kong Listing Rules);
- (17) The director nomination right of NIO Users Trust shall cease to be effective, and shall only be restored when the Company is no longer listed on the Hong Kong Stock Exchange (Rule 8A.18 of the Hong Kong Listing Rules);
- (18) The role of an independent non-executive director shall include, but is not limited to:
 - (i) participating in board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
 - (ii) taking the lead where potential conflicts of interests arise;

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- (iii) serving on the audit, remuneration, nomination and other governance committees, if invited; and
- (iv) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting;

The independent non-executive directors shall give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of the members; and

The independent non-executive directors shall make a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments (Rule 8A.26 of the Hong Kong Listing Rules);

- (19) The board shall establish a nominating and corporate governance committee, which shall perform the following duties:
- (i) review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the Company's corporate strategy;
 - (ii) identify individuals suitably qualified to become directors and select or make recommendations to the board on the selection of individuals nominated for directorships;
 - (iii) assess the independence of independent non-executive directors; and
 - (iv) make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive officer of the Company.

The nominating and corporate governance committee should make available its terms of reference explaining its role and the authority delegated to it by the board by including them on the Hong Kong Stock Exchange's website and the Company's website.

The Company should provide the nominating and corporate governance committee sufficient resources to perform its duties. Where necessary, the nominating and corporate governance committee should seek independent professional advice, at the Company's expense, to perform its responsibilities.

Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:

- (i) the process used for identifying the individual and why the board believes the individual should be elected and the reasons why it considers the individual to be independent;

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- (ii) if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the board believes the individual would still be able to devote sufficient time to the board;
 - (iii) the perspectives, skills and experience that the individual can bring to the board; and
 - (iv) how the individual contributes to diversity of the board (Rule 8A.27 of the Hong Kong Listing Rules);
- (20) The nominating and corporate governance committee shall comprise entirely of independent non-executive directors, one of whom shall act as its chairman (Rules 8A.28 and 8A.31 of the Hong Kong Listing Rules);
- (21) The independent non-executive directors shall be subject to retirement by rotation at least once every three years. Independent non-executive directors are eligible for re-appointment at the end of the three year term (Rule 8A.29 of the Hong Kong Listing Rules);
- (22) The nominating and corporate governance committee shall also perform the following duties:
- (i) develop and review the Company's policies and practices on corporate governance and make recommendations to the board;
 - (ii) review and monitor the training and continuous professional development of directors and senior management;
 - (iii) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
 - (iv) develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
 - (v) review the Company's compliance with the code and disclosure in the Corporate Governance Report;
 - (vi) review and monitor whether the Company is operated and managed for the benefit of all of its members;
 - (vii) confirm, on an annual basis, that each holder of WVR shares (or where a holder is a Director Holding Vehicle, the person holding or controlling such vehicle) has been a director throughout the year and that none of the events set out in Rule 8A.17 of the Hong Kong Listing Rules have occurred during the relevant financial year;
 - (viii) confirm, on an annual basis, that each holder of WVR shares (or where a holder is a Director Holding Vehicle, the person holding or controlling such vehicle) has complied with rules 8A.14, 8A.15, 8A.18 and 8A.24 throughout the year;

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- (ix) review and monitor the management of conflicts of interests and make a recommendation to the board on any matter where there is a potential conflict of interest between the Company, a subsidiary of the Company and/or holders of Class A ordinary shares (considered as a group) on the one hand, and any holder of WVR shares on the other;
 - (x) review and monitor all risks related to the Company's weighted voting rights structure, including connected transactions between the Company and/or a subsidiary of the Company on one hand and any beneficiary of weighted voting rights on the other and make a recommendation to the board on any such transaction;
 - (xi) make a recommendation to the board as to the appointment or removal of the compliance adviser;
 - (xii) seek to ensure effective and on-going communication between the Company and its members, particularly with regards to the requirements of Rule 8A.35 of the Hong Kong Listing Rules;
 - (xiii) report on the work of the nominating and corporate governance committee on at least a half yearly and annual basis covering all areas of its charter in respect of corporate governance matters; and
 - (xiv) disclose, on a comply or explain basis, its recommendations to the board in respect of matters in sub-paragraphs (ix) to (xi) above in the report referred to in sub-paragraph (xiii) above (Rule 8A.30 of the Hong Kong Listing Rules);
- (23) The Corporate Governance Report produced by the Company pursuant to the Hong Kong Listing Rules shall include a summary of the work of the nominating and corporate governance committee, with regards to its charter on corporate governance matters, for the accounting period covered by both the half-yearly and annual report and disclose any significant subsequent events for the period up to the date of publication of the half-yearly and annual report, to the extent possible. (Rule 8A.32 of the Hong Kong Listing Rules);
- (24) Rule 3A.19 is modified to require an issuer with a WVR structure to appoint a Compliance Adviser on a permanent basis commencing on the date of the issuer's initial listing (Rule 8A.33 of the Hong Kong Listing Rules);
- (25) The board shall consult with, and if necessary, seek advice from the compliance adviser, on a timely and ongoing basis, on any matters related to:
- (i) the weighted voting rights structure of the Company;
 - (ii) transactions in which the holders of WVR shares have an interest; and
 - (iii) where there is a potential conflict of interest between the Company, a subsidiary of the Company and/or holders of Class A ordinary shares (considered as a group) on the one hand, and any holder of WVR shares on the other (Rule 8A.34 of the Hong Kong Listing Rules);

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- (26) The Company shall comply with the provisions of Appendix 14 of the Hong Kong Listing Rules regarding communication with shareholders or members of the Company (Rule 8A.35 of the Hong Kong Listing Rules);
- (27) The Company shall include the words “A company controlled through weighted voting rights” or such language as may be specified by the Hong Kong Stock Exchange from time to time on the front page of all its listing documents, periodic financial reports, circulars, notifications and announcements required by the Hong Kong Listing Rules, and describe its weighted voting rights structure, the rationale of such structure and the associated risks for the members prominently in its listing documents and periodic financial reports. This statement shall inform prospective investors of the potential risks of investing in the Company and that they should make the decision to invest only after due and careful consideration (Rule 8A.37 of the Hong Kong Listing Rules);
- (28) The documents of or evidencing title for the listed equity securities of an issuer with a WVR structure must prominently include the warning “A company controlled through weighted voting rights” (Rule 8A.38 of the Hong Kong Listing Rules);
- (29) The Company shall, in its listing documents and its interim and annual reports:
- (i) identify the holders of WVR shares (and, where a holder is a Director Holding Vehicle, the director holding or controlling such vehicle) (Rule 8A.39 of the Hong Kong Listing Rules);
 - (ii) disclose the impact of a potential conversion of WVR shares into Class A ordinary shares on its share capital (Rule 8A.40 of the Hong Kong Listing Rules); and
 - (iii) disclose all circumstances in which the weighted voting rights attached to the WVR shares shall cease (Rule 8A.41 of the Hong Kong Listing Rules).

In addition, to further enhance its shareholder protection measures, the Company will at the First AGM propose to its shareholders to amend its Articles to (i) require a general meeting postponed by the directors to be postponed to a specific date, time and place (the “**GM Postponement Requirement**”), and (ii) remove the shareholding structure of Class B ordinary shares and provisions related to Class B ordinary shares (the “**Class B Removal Requirement**”, together with the Unmet Listing Rules Articles Requirements and the GM Postponement Requirement, the “**Unmet Articles Requirements**”).

Applicability of the Relevant Period

Furthermore, in the proposed Articles to be put forth at the First AGM, we refer to the period commencing from the date on which any of the Shares first become secondary listed on the Hong Kong Stock Exchange to and including the date immediately before the day which the secondary listing is withdrawn from the Hong Kong Stock Exchange as the relevant period (the “**Relevant Period**”). During the Relevant Period, (i) NIO Users Trust will not have any director nomination right; (ii) our Company shall have only one class of shares with enhanced or weighted voting rights; (iii) our Directors shall not have the power to, amongst others, authorize share split or designate a new share class with enhanced or weighted voting rights; and (iv) certain restrictions on the WVR structure of the Company under Chapter 8A of the

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Hong Kong Listing Rules shall be applicable, such as, amongst others, no further increase in the proportion of WVR shares, that only a director or a director holding vehicle is permitted to hold WVR shares and automatic conversion of WVR shares into Class A ordinary shares under certain circumstances.

Notwithstanding the above and at anytime after the Relevant Period, the provisions which are subject to the Relevant Period will continue to apply in the circumstances where the Company has a change of listing status on the Hong Kong Stock Exchange other than in the case where the secondary listing of the Company is withdrawn from the Hong Kong Stock Exchange pursuant to the applicable Hong Kong Listing Rules.

Given certain shareholder protection under the Hong Kong Listing Rules will only be applicable during the Relevant Period, our investors may be afforded less protection after the Relevant Period under our amended Articles of Association to be adopted in the First AGM as compared with other companies secondary listed in Hong Kong. For further details, see “Risk Factors – Risks Related to Our Shares, Our ADS and the Listing”.

The Company undertakes to make available in our annual and interim reports a summary of the relevant provisions and implications in the event where the secondary listing of the Company is withdrawn from the Hong Kong Stock Exchange pursuant to the applicable Hong Kong Listing Rules, similar to the disclosure in this document to keep our shareholders informed.

Class meeting and full shareholders’ meeting

As advised by the Company’s legal adviser as to Cayman Islands laws, subsequent to the conversion of all of the Class B ordinary shares to Class A ordinary shares upon the completion of the Introduction pursuant to the conversion notice delivered by the affiliates of Tencent Holdings such that there will no longer be any issued Class B ordinary shares as of the First AGM date, the incorporation of the following Unmet Articles Requirements will require (a) approvals of both holders of Class A ordinary shares and holders of Class C ordinary shares in separate class meetings at the First AGM in accordance with article 17 of the Company’s Articles because these requirements would vary the rights attached to Class A and Class C ordinary shares: Rules 8A.09, 8A.13, 8A.14, 8A.15, 8A.16, 8A.17, 8A.18(1), 8A.18(2), 8A.19, 8A.21, 8A.22, 8A.23 and 8A.24 of the Hong Kong Listing Rules – a resolution to incorporate these Unmet Articles Requirements (the “**Class-based Resolution**”) will need to be approved at the separate class meetings of holders of Class A ordinary shares (the “**Class A Meeting**”) and of Class C ordinary shares (the “**Class C Meeting**”). The quorum for the Class A and Class C Meetings will be one-third in nominal or par value amount of the issued Shares of the respective Class A and Class C ordinary shares in accordance with article 17 of the Company’s Articles. The Class-based Resolution requires approval by holders of two-thirds of the voting rights of those present and voting in person or by proxy for Class A ordinary shares and Class C ordinary shares, respectively, on a one share one vote basis pursuant to article 17 of the Company’s Articles.

If the Class-based Resolution is passed at both the Class A and Class C Meetings, at the full shareholders’ meeting where all shareholders may vote as a single class (the “**Full Shareholders’ Meeting**”), the shareholders will be asked to vote on the Class-based Resolution and another resolution to incorporate into the Company’s Articles the Unmet Articles Requirements not covered by the Class-based Resolution (the “**Non-class-based Resolution**”). The quorum for the Full Shareholders’ Meeting will be members controlling one-third of all votes attaching to all issued and outstanding Shares of the Company pursuant to article 65 of the Company’s Articles. At the Full Shareholders’ Meeting, each of the

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Class-based Resolution and the Non-class-based Resolution will require approval by members holding two-thirds of the voting rights of those present and voting in person or by proxy in accordance with article 159 of the Company's Articles.

If the Class-based Resolution is not approved at either the Class A or Class C Meeting, then the shareholders at the Full Shareholders' Meeting will only be asked to vote on the Non-class-based Resolution.

Furthermore, for other exceptions or amendments that are not covered in the Amended Articles, if any at all, the Company will first seek an extension of the such exemption from the Stock Exchange before proceeding with tabling the relevant resolutions at the general meetings.

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

- a. at the First AGM, the Company will put forth: (i) the Class-based Resolution at the Class A Meeting and the Class C Meeting; and (ii) the Class-based Resolution (if adopted at the Class A and Class C Meetings) and the Non-class-based Resolution at the Full Shareholders' Meeting (together, the "**Proposed Resolutions**") to amend its Articles to comply with the Unmet Articles Requirements;
- b. each of the WVR beneficiary, Directors and executive officers of the Company and the affiliates of Tencent Holdings Limited (the "**Tencent Entities**") will, prior to the Listing, irrevocably undertake to the Company to be present at the First AGM (whether in person or by proxy) and any general meeting that may be convened upon Listing and before the First AGM, and to vote in favor of the Proposed Resolutions;
- c. if any of the Proposed Resolutions are not passed at the First AGM, until they are all approved by the shareholders, the Company will continue to put forth the Proposed Resolutions that have not been passed at each subsequent annual general meeting, and each of the WVR beneficiary, Directors and executive officers of the Company and the Tencent Entities will, prior to the Listing, irrevocably undertake to continue to be present and vote in favor of such Proposed Resolutions at such a meeting;
- d. the Company will issue a press release announcing its support publicly for the Proposed Resolutions each year after the Listing until all the Proposed Resolutions are adopted;
- e. the Company will, prior to the Listing, irrevocably undertake to the Hong Kong Stock Exchange that it will comply with the Unmet Articles Requirements in full (the "**Undertaking for Interim Compliance**") upon the Listing and before its existing Articles are formally amended to incorporate the Unmet Articles Requirements, except for:
 - i. the note to paragraph 14(1) of Appendix 3 to the extent that the Company is required to hold an annual general meeting within six months from the end of the financial year, due to reasons as set out in "— Laying 2021 Annual Financial Statements Before Members at an Annual General Meeting Within Six Months After the End of Financial Year" in this section below, provided that the Company will hold its First AGM on or before August 31, 2022;

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- ii. paragraph 15 of Appendix 3 such that, prior to the Company's Articles being amended, the threshold for passing a resolution in a separate class meeting will be approved by holders of two-thirds of the voting rights of those present and voting in person or by proxy at the general meeting as per article 17 of the Company's Articles. This exception is to facilitate the approval process for passing the Proposed Resolutions in the First AGM or each of the subsequent annual general meeting (as applicable), with the aim to enhance the Company's shareholder protection measures as soon as practicable. For the avoidance of doubt, the exception for paragraph 15 of Appendix 3 is only applicable to the passing of the Proposed Resolutions, the Company shall irrevocably undertake to comply with paragraph 15 of Appendix 3 for passing any resolution in a separate class meeting (other than the Proposed Resolutions) under the Undertaking for Interim Compliance; and
 - iii. Rules 8A.24(1) and (2) and paragraph 16 of Appendix 3 such that, prior to the Company's articles being amended, the threshold for passing a special resolution for amendments to the Company's Articles will be approved by members holding two-thirds of the voting rights of those present and voting in person or by proxy at the general meeting in accordance with article 159 of the Company's Articles. This exception is to facilitate the approval process for passing the Proposed Resolutions in the First AGM or each of the subsequent annual general meeting (as applicable), with the aim to enhance the Company's shareholder protection measures as soon as practicable. For the avoidance of doubt, the exception for Rules 8A.24(1) and (2) and paragraph 16 of Appendix 3 is only applicable to the passing of the Proposed Resolutions, the Company shall irrevocably undertake to comply with Rules 8A.24(1) and (2) and paragraph 16 of Appendix 3 for passing any special resolution (other than the Proposed Resolutions) under the Undertaking for Interim Compliance;
- f. the WVR beneficiary will, prior to the Listing, irrevocably undertake to the Company that:
- (i) he will procure the Company to give effect to the Undertaking for Interim Compliance upon the Listing and before its existing Articles are formally amended; and
 - (ii) in the event any Class C ordinary shares is to be transferred to an affiliate (as defined in the Articles) of the WVR Beneficiary that is not a Director Holding Vehicle after the Listing but before its existing Articles are formally amended, he will convert such Class C ordinary shares into Class A ordinary shares by delivering a written notice to the Company in accordance with the Articles and only transfer the resultant Class A ordinary shares to such affiliate; and
 - (iii) he will procure Originalwish Limited, mobike Global Ltd. and NIO Users Limited to, prior to the Listing, deliver a written conversion notice to the Company in accordance with the existing Articles of the Company that all of the Class C ordinary shares each of them holds shall be converted to Class A ordinary shares on a one-for-one basis immediately upon any event listed in Rule 8A.17 of the Listing Rules, and any voluntary or involuntary transfer of legal title to or beneficial ownership of any such Class C ordinary shares (e.g.

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upon or as a result of foreclosure of share pledge), occurring after the Listing and before the Articles are formally amended, and that such conversion notice shall expire immediately upon the proposed Article amendments are formally adopted; and

- g. the Company remains listed on the NYSE.

The Company and the WVR beneficiary acknowledged and agreed in the relevant undertakings that the undertakings are intended to confer a benefit on all the existing and future shareholders of the Company.

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

Assuming no additional Shares are issued under the Stock Incentive Plans and between the Latest Practicable Date and the Listing, the WVR beneficiary will, immediately upon the completion of the Introduction, beneficially own in aggregate 148,500,000 Class C ordinary shares and 16,967,776 Class A ordinary shares representing (a) 100% of the total voting rights of holders of the Class C ordinary shares voting as a separate class, (b) approximately 1.1% of the total voting rights of holders of the Class A ordinary shares voting as a separate class, and (c) approximately 44.5% of total voting rights in the Company.

Accordingly, although our WVR beneficiary's undertakings to be present at the First AGM (whether in person or by proxy) will be able to ensure a quorum at the Class C Meeting and the Full Shareholders' Meeting, there is no assurance that a quorum will be formed at the Class A Meeting. If no quorum is formed at the Class A Meeting, it cannot be convened. Furthermore, despite our WVR beneficiary's undertakings to vote in favor of the Proposed Resolutions to ensure that they will be adopted at the Class A Meeting and the Full Shareholders' Meeting, there is no guarantee that the Class-based Resolution will be passed at the Class A Meeting. It is uncertain as to whether the Class-based Resolution will be approved with sufficient support from our shareholders at the Class A Meeting.

After the Listing, the Company will in its annual reports confirm whether it has, in the preceding financial year, complied with the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules to the extent required by Chapter 8A of the Hong Kong Listing Rules.

DEALINGS IN SHARES PRIOR TO LISTING

According to Rule 9.09(b) of the Hong Kong Listing Rules, there must be no dealing in the securities of a new applicant for which listing is sought by any core connected person of the issuer from four clear business days before the expected hearing date until listing is granted (the "**Restricted Period**").

The Company had approximately 110 subsidiaries and operating entities as of December 31, 2021, and its ADSs are widely held, publicly traded and listed on the NYSE. The Company considers that it is therefore not in a position to control the investment decisions of its shareholders or the investing public in the U.S.

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Solely based on public filings with the SEC as of the Latest Practicable Date, other than Mr. Bin Li (the Company's Controlling Shareholder, executive Director and Chief Executive Officer), holding the relevant shares through Originalwish Limited and mobike Global Ltd. (companies wholly-owned by Mr. Bin Li) and NIO Users Limited (a holding company controlled by the NIO Users Trust, a trust controlled by Mr. Bin Li), and the Tencent entities, there are no shareholders who controlled more than 10% of the voting rights of the Company.

For a company whose securities are listed and traded in the U.S., the Company notes that it is a common practice for substantial shareholders and corporate insiders, including directors, executives and other members of management, to set up trading plans that meet the requirements of Rule 10b5-1 under the U.S. Exchange Act (the "**Rule 10b5-1 Plan(s)**") to buy or sell the company's securities. A Rule 10b5-1 Plan is a written plan, set up with a broker, to trade securities that (a) is entered into at a time when the person trading the securities is not aware of any material non-public information; (b) specifies the amount of securities to be purchased or sold and the price at which and the date on which the securities were to be purchased or sold; and (c) does not allow the person trading the securities to exercise any subsequent influence over how, when, or whether to effect purchases or sales. Persons who trade securities pursuant to a Rule 10b5-1 Plan have an affirmative defense against insider trading allegations under U.S. securities law.

On the basis of the above, the Company considers that the following categories of persons (collectively, the "**Permitted Persons**") should not be subject to the dealing restrictions set out in Rule 9.09(b) of the Hong Kong Listing Rules:

- (a) Mr. Bin Li, the Company's Controlling Shareholder, founder, chairman and chief executive officer, and the entities controlled by him, namely Originalwish Limited, mobike Global Ltd. and NIO Users Limited, in respect of their dealings pursuant to Rule 10b5-1 Plans that have been set up prior to the Restricted Period ("**Category 1**");
- (b) the Company's directors and chief executives other than Mr. Bin Li, and the directors and chief executives of its Major Subsidiaries, and their close associates, in respect of (i) their respective use of the Shares as security (including, for the avoidance of doubt, using their respective shares as security in connection with entering into financing transactions during the Restricted Period as well as satisfying any requirements to top-up security under the terms of financing transactions entered into prior to the Restricted Period), provided that there will be no change in the beneficial ownership of the Shares at the time of entering into any such transactions during the Restricted Period and (ii) their respective dealings pursuant to Rule 10b5-1 Plans that they have set up prior to the Restricted Period ("**Category 2**");
- (c) directors, chief executives and substantial shareholders of the Company's non-Major Subsidiaries and their close associates ("**Category 3**"); and
- (d) any other person (whether or not an existing Shareholder) who may, as a result of dealings, become the Company's substantial shareholder and who is not its director or chief executive, or a director or chief executive of the Company's subsidiaries, or their close associates ("**Category 4**").

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For the avoidance of doubt:

- (a) as the foreclosure, enforcement or exercise of other rights by the lenders in respect of a security interest over the Shares (including, for the avoidance of doubt, any security interest created pursuant to any top-up of security) will be subject to the terms of the financing transaction underlying such security and not within the control of the pledgor, any change in the beneficial owner of the Shares during the Restricted Period resulting from the foreclosure, enforcement or exercise of other rights by the lenders in respect of such security interest will not be subject to Rule 9.09(b) of the Hong Kong Listing Rules;
- (b) persons in Category 1 and Category 2 who (i) use their respective Shares other than as described in this section headed “Dealings in the Shares prior to Listing” or (ii) who are not dealing in the Company’s securities according to Rule 10b5-1 Plans set up before the Restricted Period are subject to the restrictions under Rule 9.09(b) of the Hong Kong Listing Rules; and
- (c) none of the persons under Category 2 had pledged the Shares as security as at September 30, 2021 nor as at the Latest Practicable Date.

The Company believes, subject to the conditions set forth in sub-paragraph (c) below, the dealings in the Company’s securities by its core connected persons will not prejudice the interests of the potential investors of the Company and align with the principles in the Hong Kong Stock Exchange’s Guidance Letter HKEX-GL42-12.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 9.09(b) of the Hong Kong Listing Rules to be granted on the following conditions:

- (a) Where Categories 1 and 2 of the Permitted Persons who entered into Rule 10b5-1 Plans have no discretion over dealings in the Company’s ADSs after the plans have been entered into. Where Category 2 of the Permitted Persons use the Shares as security, other than those set out in the waiver above, there will be no change in the beneficial ownership of the Shares at the time of entering into the relevant transactions during the Restricted Period;
- (b) Categories 3 and 4 of the Permitted Persons do not have any influence over the Introduction and do not possess any non-public inside information of the Company given that such persons are not in a position with access to information that is considered material to the Company taken as a whole. Given the large number of the Company’s subsidiaries and its vast ADS holder base, the Company and its management do not have effective control over the investment decisions of Categories 3 and 4 of the Permitted Persons in its ADSs;
- (c) the Company will promptly release any inside information to the public in the United States and Hong Kong in accordance with the relevant laws and regulations of the U.S. and Hong Kong. Accordingly, the Permitted Persons (other than Category 1 and Category 2 persons) are not in possession of any non-public inside information of which the Company is aware;

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- (d) the Company will notify the Hong Kong Stock Exchange of any breaches of the dealing restrictions by any of its core connected persons during the Restricted Period when it becomes aware of the same other than dealings by the core connected persons who are Permitted Persons within the permitted scopes set out above; and
- (e) prior to the Listing Date, other than within the permitted scopes set out above, the Company's directors and chief executive and the directors and chief executives of its Major Subsidiaries and their close associates will not deal in the Shares or the ADSs during the Restricted Period provided that such prohibited dealing in the Shares shall not include the granting, vesting, payment or exercise (as applicable) of incentive and non-statutory options, restricted shares, dividend equivalents, and share payments under the Group's share incentive plans.

The Company believes that the circumstances relating to this waiver align with those set out in the Hong Kong Stock Exchange's Guidance Letter HKEX-GL42-12 and the grant of this waiver will not prejudice the interests of potential investors.

MONTHLY RETURN

Rule 13.25B of the Hong Kong Listing Rules requires a listed issuer to publish a monthly return in relation to movements in its equity securities, debt securities and any other securitized instruments, as applicable, during the period to which the monthly return relates.

According to the note to Rule 13.25B of the Hong Kong Listing Rules, this common waiver is subject to the condition that the issuer can meet one of the following three conditions:

- (a) it has received a relevant partial exemption from Part XV of the SFO; or
- (b) it publishes a "next day disclosure return" in strict compliance with Rule 13.25A of the Hong Kong Listing Rules; or
- (c) it is subject to overseas laws or regulations that have a similar effect to Rule 13.25B of the Hong Kong Listing Rules and any differences are not material to shareholder protection.

The Company has obtained a relevant partial exemption from strict compliance with Part XV of the SFO. The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the continuing obligations under Rule 13.25B of the Hong Kong Listing Rules. The Company will disclose information about share repurchases, if any, in the Company's annual reports on Form 20-F which are furnished or filed with the SEC and will also disclose such information, if material, in the Company's quarterly earnings releases in accordance with applicable U.S. rules and regulations.

LAYING 2021 ANNUAL FINANCIAL STATEMENTS BEFORE MEMBERS AT AN ANNUAL GENERAL MEETING WITHIN SIX MONTHS AFTER THE END OF FINANCIAL YEAR

Rule 13.46(2)(b) of the Hong Kong Listing Rules requires an overseas issuer to lay its annual financial statements before its members at its annual general meeting within the period of six months after the end of the financial year or accounting reference period to which the annual financial statements relate.

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Note 2 to Rule 13.46(2)(b) of the Hong Kong Listing Rules provides that if an issuer has significant interests outside of Hong Kong it may apply for an extension of the six-month period.

The Company was incorporated in the Cayman Islands and is primary listed on NYSE, and accordingly, the Company is an issuer with significant interests outside of Hong Kong. The Company has obtained a ruling from the SFC that the Company should not be considered a public company in Hong Kong within the meaning of Section 4.2 of the Introduction on the Takeovers Codes.

The upcoming general meeting will be the first time that the Company will hold an annual general meeting (the “**First AGM**”) after its secondary listing in Hong Kong and the Company expects to hold the First AGM by no later than August 31, 2022.

The First AGM will be the first time that the Company will hold a general meeting after the Listing and the first time that it needs to attend to a shareholder base in a different geography. Moreover, our Company has applied for secondary listing by way of introduction on the Main Board of SGX-ST, and the application was undergoing review by SGX-ST as of the Latest Practicable Date. We expect to be listed on SGX-ST after the Listing Date conditioning upon obtaining all requisite regulatory approvals and satisfying all applicable listing requirements. We will make definitive plans of such listing and keep our shareholders informed of the status of the proposed listing on SGX-ST to the extent possible. In the case where the Company also becomes listed in Singapore before the end of the second quarter of 2022, the Company will also have to attend to a shareholder base from an additional geography for its First AGM.

The Company has not historically held any general meeting with shareholders in both the U.S. and Hong Kong, nor in Singapore. The procedure for convening the Company’s first AGM as a company with a dual listing in the U.S. and Hong Kong, and potentially also in Singapore is burdensome and requires global coordination among various parties, including, amongst others, the principal and Hong Kong Share Registrars of the Company, the ADS depository bank and Hong Kong Securities Clearing Company Limited. This procedure would require the Company (a public company primarily listed in the U.S. with a highly fragmented and diverse shareholder base), with the help of its ADS depository bank, to gather the mailing details of all the securities holders, prepare and print the AGM notice and proxy forms, and mail physical copies to, and collect vote cards from, securities holders and ADS holders. Typically, this will take more than two months for the Company (and the relevant parties) to organize, including complying with various timing requirements in the U.S. (such as notifying the SEC of the record date and there typically being at least 30 days between record date for a general meeting) and Hong Kong (such as giving at least 14 days’ notice to shareholders). Since this would be the Company’s first time convening a general meeting with both U.S. and Hong Kong (and potentially Singapore) shareholders following the Listing, and the Company would also need to put forth resolutions to amend its Articles, additional time, manpower and costs will have to be budgeted to take into account novel issues arising from the Company and the various parties involved. The Company would face great difficulty if it were to convene an AGM within the period specified under Rule 13.46(2)(b) of the Hong Kong Listing Rules.

Furthermore, the Company is planning to file its annual report for the year ended December 31, 2021 on Form 20-F with the SEC in April 2022, and the annual report will also be published on the website of the Hong Kong Stock Exchange concurrently, which will include the audited financial information for the year ended December 31, 2021 and other financial disclosure. Therefore, upon the publishing of the annual report in April 2022, the Company will have provided its shareholders with all of the information required under Rule 13.46(2)(b) of the Hong Kong Listing Rules as early as in April 2022. Accordingly, the laying of annual accounts

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for the fiscal year ended December 31, 2021 at an AGM within six months after the end of the financial year, that is, on or before June 30, 2022, as required under Rule 13.46(2)(b) of the Hong Kong Listing Rules, would not provide shareholders and potential investors with additional material information not already contained in the annual report. Given that all the information required under Rule 13.46(2) shall be included in the annual report, which will be made available to its existing shareholders and potential investors, the Company's shareholders would not be unfairly prejudiced by the Company laying its annual financial accounts in an AGM not within six months from the end of the fiscal year ended December 31, 2021.

The Company notes that (a) Appendix 16 does not apply to the Company pursuant to Rule 19C.11 of the Hong Kong Listing Rule, (b) Appendix 14 does not apply to the Company pursuant to Rule 19C.11 of the Hong Kong Listing Rule, and (c) it will not be a breach of the Company's constitutional documents, laws and regulations of its place of incorporation or other regulatory requirements as a result of not distributing annual reports and accounts in the manner prescribed by Rule 13.46(2)(a) of the Hong Kong Listing Rule.

The Company expects to hold its First AGM for 2021 no later than August 31, 2022. For completeness, the Company expects to hold an annual general meeting within six months after the end of its financial year beginning with the annual general meeting for 2022.

Section 302 of the NYSE Listed Company Manual requires that each company listing common stock or voting preferred stock and their equivalents are required to hold an annual shareholders' meeting for the holders of such securities during each fiscal year, and each company has twelve months from the end of the fiscal year to hold an annual shareholders' meeting. There is no requirement under the NYSE rules to hold an AGM within the period of six months after the end of financial year or accounting reference period to which the annual financial statements relate.

The Company's Cayman Islands counsel confirmed that (a) the Cayman Companies Act does not require the Company to follow or comply with the requirement under the Hong Kong Listing Rules to hold an AGM by June 30, 2022 to lay before members annual financial statements for the financial year ended December 31, 2021; and (b) the Company's not holding an AGM by June 30, 2022 will not breach any law, public rule or regulation applicable to the Company currently in force in the Cayman Islands and the Articles. On the basis of the above, the Company confirms that, having consulted its legal advisers, not holding an annual general meeting by the Company before June 30, 2022 does not contravene the relevant requirements under the NYSE rules, U.S. securities laws, laws of the Cayman Islands or the Company's Articles.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 13.46(2)(b) of the Hong Kong Listing Rules with respect to the requirement to lay the Company's annual financial statements for the year ended December 31, 2021 before its members at an AGM within six months after the financial year ended December 31, 2021, subject to the condition that the Company lay such annual financial statements before its members at the First AGM before August 31, 2022.

PARTICULARS OF ANY COMMISSIONS, DISCOUNTS AND BROKERAGES AND ALTERATIONS OF CAPITAL

Paragraphs 13 and 26 of Part A of Appendix 1 to the Hong Kong Listing Rules require the listing document to include the particulars of any commissions, discounts, brokerages or other special terms granted within two years immediately preceding the issue of the listing document

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in connection with the issue or sale of any capital of any member of the group and the particulars of any alterations of capital of any member of the group within two years immediately preceding the issue of the listing document.

The Company has identified 28 entities as its Major Subsidiaries. For further details, see the section headed “History – Corporate Structure – Major Subsidiaries” in this document. The Company had approximately 110 subsidiaries and operating entities as of December 31, 2021. The Company believes that it would be unduly burdensome for the Company to disclose this information in respect of its non-Major Subsidiaries as the Company would have to incur additional costs and devote additional resources in compiling and verifying the relevant information for such disclosure, which would not be material or meaningful to investors. The non-disclosure of such information will not prejudice the interests of investors.

The Major Subsidiaries include all significant operating subsidiaries under the financial threshold of Regulation S-X in the U.S. (i.e. contributing more than 10% of the Group’s total assets and income) and subsidiaries that are material to the Group’s business operations (including those that hold major intellectual properties) and are representative of the Company’s business (including those that hold major assets and intellectual property rights). None of the non-Major Subsidiaries is individually material to us in terms of its contribution to our Company’s total net revenues, total net income or total assets or holds any major assets and intellectual property rights.

By way of illustration, the aggregate revenue of the Major Subsidiaries accounted for more than 90% of the total revenues of the Group for the year ended December 31, 2018, 2019 and 2020, and for the nine months ended September 30, 2021, respectively, and the total assets of the Major Subsidiaries represented approximately 79%, 69%, 50% and 80% of the total assets of the Group as at December 31, 2018, 2019 and 2020, and at September 30, 2021, respectively. As such, the Company has disclosed the particulars of the changes in its share capital and the Major Subsidiaries in the section headed “Statutory and General Information – Further Information About Us” in Appendix V to this document, and particulars of the commissions, discounts, brokerage fee and authorized debentures in respect of the Major Subsidiaries and the Company are set out in the section headed “Statutory and General Information – Other Information – Miscellaneous” of Appendix V to this document.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from the requirements under paragraphs 13 and 26 of Part A of Appendix 1 to the Hong Kong Listing Rules, to the extent not strictly met by the current disclosure in this document.

DISCLOSURE REQUIREMENTS OF OPTIONS

Paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules requires the Company to set out in this document particulars of any capital of any member of the group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee.

In relation to the Company, the only options over the capital or debentures are (a) those issued under the Company’s stock incentive plans adopted in 2015, 2016, 2017 and 2018, respectively (the “**Stock Incentive Plans**”), which are not subject to Chapter 17 of the Hong Kong Listing Rules pursuant to Rule 19C.11 of the Hong Kong Listing Rules; and (b) the convertible senior notes described in the section below “– Convertible Senior Notes.”

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Stock Incentive Plans

Details of the Stock Incentive Plans are disclosed in the section headed “Directors and Senior Management – Compensation – Stock Incentive Plans” in this document. The disclosure is substantially the same as those in the Company’s 20-F filings and comply with applicable U.S. laws and regulations. The current disclosure in this document is therefore not in strict compliance with the requirements under Paragraph 27 of Part A of Appendix 1. The Company is not required to monitor or disclose the number of grantees under its share incentive plans, but expects that there are a large number of grantees in view of the size of the Group’s business operations and the fact that it had, as of December 31, 2021, more than 15,200 employees. The Company believes that strict compliance with such requirements would be unduly burdensome, unnecessary and/or inappropriate for the Company, and would not be material or meaningful to Hong Kong investors. It would require considerable amount of time and management attention for the Company to begin to collate all the content required under paragraph 27 of Part A of Appendix 1 to the Hong Kong Listing Rules. This creates a significant increase in cost and time for information compliance, disclosure preparation and publication. Moreover, the Company would be required to seek and obtain consent from each of the grantees, in order to fully comply with personal data privacy laws and principles, which would also be significantly time consuming and administratively burdensome and costly. The Company has a history of disclosing substantive details of its share incentive schemes in compliance with applicable U.S. laws and regulations. There is already sufficient information for investors to make an informed assessment of the Company. The non-disclosure of such information will not prejudice the interests of investors.

Pursuant to the Stock Incentive Plans, the maximum numbers of Class A ordinary shares which may be issued for the options granted were 72,271,757 as of September 30, 2021, representing approximately 4.54% of the Company’s issued and outstanding Shares as of September 30, 2021.

Convertible Senior Notes

In February 2019, the Company issued convertible senior notes in an aggregate principal amount of US\$750 million due 2024 with an interest rate of 4.50% per annum (the “**2024 Notes**”). The 2024 Notes are unsecured debt and are not redeemable by the Company prior to the maturity date except for certain changes in tax law. The holders of the 2024 Notes may convert their notes to a number of our ADSs at their option at any time prior to the close of business on the second business day immediately preceding the maturity date pursuant to the 2024 Notes indenture. The 2024 Notes that are converted in connection with a make-whole fundamental change (as defined in the 2024 Notes Indenture) may be entitled to an increase in the conversion rate for such 2024 Notes. Huang River Investment Limited subscribed for US\$30 million aggregate principal amount of the 2024 Notes.

In January 2021, the Company issued convertible senior notes in aggregate principal amount of US\$750 million due 2026 with an interest rate of 0.00% per annum (the “**2026 Notes**”), and convertible senior notes in aggregate principal amount of US\$750 million with an interest rate of 0.50% due 2027 (the “**2027 Notes**”, together with the 2026 Notes, the “**Convertible Notes**”). Holders may convert their 2026 Notes or 2027 Notes, as applicable, at their option at any time on or after August 1, 2025, in the case of the 2026 Notes, or August 1, 2026, in the case of the 2027 Notes, until the close of business on the second scheduled trading day immediately preceding the relevant maturity date. Upon conversion, the Company will pay or deliver to such converting holders, as the case may be, cash, ADSs, or a combination of cash and ADSs, at our election. The initial conversion rate of the 2026 Notes is 10.7458 ADSs per

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US\$1,000 principal amount of such 2026 Notes. The initial conversion rate of the 2027 Notes is 10.7458 ADSs per US\$1,000 principal amount of such 2027 Notes. The relevant conversion rate for such series of the 2026 Notes and the 2027 Notes is subject to adjustment upon the occurrence of certain events.

The convertible notes were placed to institutional investors in private placements and were broadly marketed to professional investors. As the convertible notes are transferable and can be traded via brokers without a centralized registrar that keeps track of the current holders of the Convertible Notes on an ongoing basis, the Company is not in a position to confirm who hold these debt instruments at any point in time – it would be unduly burdensome for the Company to ascertain information relating to the names and addresses of the holders of the convertible notes.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Paragraph 27 of Part A of Appendix 1 to the extent not strictly met by the current disclosure in this document.

DISCLOSURE REQUIREMENTS IN RESPECT OF SUPPLIERS

Paragraphs 28(1)(b)(i) and (ii) of Appendix 1A to the Hong Kong Listing Rules require the listing document to include a statement of the percentage of purchases attributable to the group's largest supplier and a statement of the percentage of purchases attributable to the group's five largest suppliers combined, respectively.

Paragraph 28(1)(b)(v) of Appendix 1A to the Hong Kong Listing Rules requires the listing document to include a statement of the interest of any of the directors, their close associates; or any shareholder (which to the knowledge of the directors owns more than 5% of the number of issued shares of the issuer) in the group's top five suppliers. Sub-paragraph (vi) further provides that in the event that the percentage which would fall to be disclosed under sub-paragraphs (i), (ii) and (v) above is less than 30, a statement of that fact shall be given and the information required in sub-paragraphs (i), (ii) and (v) (in respect of suppliers) may be omitted.

Rule 19.36(1) of the Hong Kong Listing Rules provides that certain disclosure requirements under Parts A and B of Appendix 1 to the Hong Kong Listing Rules may be inappropriate and allows such requirements to be appropriately adapted so that equivalent information is given.

Percentages of the Company's purchases from its largest supplier and from its top five suppliers

The Company believes that the specific percentage figures required to be disclosed by Paragraphs 28(1)(b)(i) and (ii) of Appendix 1A to the Hong Kong Listing Rules are commercially sensitive and could be exploited by its competitors. The Company has not publicly disclosed the information strictly required by Paragraphs 28(1)(b)(i) and (ii) of Appendix 1A to the Hong Kong Listing Rules in its SEC filings, nor is it required to do so under U.S. laws and regulations. The Company has however disclosed in the section headed "Business – Customers and Suppliers" in this document that its five largest suppliers accounted for less than 35% of its purchases for each of the three years ended December 31, 2018, 2019 and 2020 and for the nine months ended September 30, 2021, and none of them individually accounted for more than 25% of its purchases for the year ended December 31, 2020 or for the nine months ended September 30, 2021. More specifically, the largest supplier accounted for 14%, 13%, 16% and 21% of its total purchase for 2018, 2019, 2020 and the nine months ended September 30, 2021, respectively, whereas each of the rest of the top five suppliers only

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account for 2% to 6% of the Company's total purchase for each year or period. For further information on the major suppliers of the Company, see "Business — Supply Chain, Manufacturing and Quality Assurance — Supply Chain" in this document. Furthermore, the Company has never publicly disclosed such information nor is it required to do so under the applicable U.S. laws and regulations. The Company, taking into account that it is seeking a secondary listing on the Hong Kong Stock Exchange, believes that the current disclosure in this document provides sufficient information to investors to make an informed assessment of the Company's business.

Statement of interests in the Company's top five suppliers

The Company's five largest suppliers accounted for less than 35% of its purchases for each of the years ended December 31, 2018, 2019 and 2020 and for the nine months ended September 30, 2021; and none of them individually accounted for more than 25% of its purchases for the year ended December 31, 2020 and for the nine months ended September 30, 2021.

As an NYSE-listed company, the Company is not in a position to compel its public shareholders who own more than 5% in its issued shares based on public filings to disclose to the Company (in this case, the Tencent Entities and Baillie Gifford & Co) their shareholding interests in its top five suppliers during the Track Record Period. It would also be unduly burdensome for these public shareholders of the Company to ascertain their shareholding interests in the Company's top five suppliers, because the disclosure requirements under Paragraph 28(1)(b)(v) of Appendix 1A to the Hong Kong Listing Rules are not subject to any materiality or de minimis exemptions or "safe harbors" provisions. The same difficulties would apply to the Company's directors who are otherwise required to disclose their, and their close associates', shareholding interests in the Company's top five suppliers. As of the Latest Practicable Date, based on publicly available information, none of the Company's directors and their close associates or the Company's Controlling Shareholders, held a 5% or more shareholding interest in the Company's top five suppliers.

In addition, the Company does not believe that the information strictly required by Paragraph 28(1)(b)(v) of Appendix 1A to the Hong Kong Listing Rules would provide any additional meaningful information to investors given that it will not in any event be subject to the connected transaction requirements under Chapter 14A of the Hong Kong Listing Rules, and details of its related party transactions are disclosed in the section headed "Related Party Transactions" in this document.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Paragraphs 28(1)(b)(i), (ii) and (v) of Appendix 1A to the Hong Kong Listing Rules in respect of the Company's suppliers, to the extent not strictly met by the current disclosure in this document.

DISCLOSURE OF INFORMATION ON SUBSIDIARIES WHOSE PROFITS OR ASSETS MAKE MATERIAL CONTRIBUTIONS TO THE COMPANY

Paragraph 29(1) of Part A of Appendix 1 to the Hong Kong Listing Rules requires the listing document to include information in relation to the name, date and country of incorporation, the public or private status and the general nature of the business, the issued capital and the proportion thereof held or intended to be held, of every company the whole of the capital of which or a substantial proportion thereof is held or intended to be held by the Company, or whose profits or assets make, or will make, a material contribution to the figures in the accountant's report or the next published accounts.

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The Company believes that it would be unduly burdensome for the Company to procure this information for the reasons as set out in this section headed “Particulars of any Commissions, Discounts and Brokerages and Alterations of Capital” above. The non-disclosure of such information will not prejudice the interests of investors. As such, only the particulars in relation to the Major Subsidiaries are set out in this document under the sections headed “History and Corporate Structure – Major Subsidiaries” and “Statutory and General Information – Further Information About Us” in Appendix V to this document, which should be sufficient for potential investors to make an informed assessment of the Company in their investment decisions.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under paragraph 29(1) of Part A of Appendix 1 to the Hong Kong Listing Rules, to the extent not strictly met by the current disclosure in this document.

TIMING REQUIREMENT OF LIQUIDITY DISCLOSURE

Paragraph 32 of Part A of Appendix 1 to the Listing Rules requires a listing document to include a statement (or an appropriate negative statement) of a new applicant’s indebtedness as at a specified most recent practicable date (the “**Most Recent Practicable Date**”), and a commentary on its liquidity, financial resources and capital structure (together, the “**Liquidity Disclosure**”).

In accordance with Hong Kong Stock Exchange’s Guidance Letter HKEX-GL37-12 (“**GL37-12**”), the Hong Kong Stock Exchange normally expects that the Most Recent Practicable Date for the Liquidity Disclosure, including, among other things, commentary on liquidity and financial resources such as net current assets (liabilities) position and management discussion on this position, in a listing document to be dated no more than two calendar months before: (a) the date of the application proof of the listing document and (b) the final date of the listing document.

As this document is expected to be published in February 2022, the Company would otherwise be required to make the relevant indebtedness and liquidity disclosures no earlier than December 2021 pursuant to GL37-12. This document includes an accountant’s report incorporating the audited consolidated financial information of the Group for the each of the three years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021. We have also included liquidity and indebtedness disclosures as at November 30, 2021.

Under applicable U.S. regulations and NYSE rules, we are required to announce quarterly results, and in light of such experiences, it would be unduly burdensome for us to prepare similar liquidity and indebtedness disclosure on a consolidated basis dated no more than two calendar months before the final date of this document. We had, as of December 31, 2021, more than 100 subsidiaries located in multiple jurisdictions, including China, the U.S. and across Europe, each of which results in additional time required to prepare the Liquidity Disclosure. It is also noted that in light of the severity of the ongoing COVID-19 pandemic, there remain restrictions of varying degrees in force relevant jurisdictions to combat the COVID-19 pandemic, which further delay work to prepare the Liquidity Disclosure.

In any event, if there are any material changes to such disclosures, the Company would be required to make an announcement pursuant to U.S. regulations and NYSE rules and disclose relevant material facts in this document pursuant to the Hong Kong Listing Rules.

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In the event that there is no material change to such disclosures, any similar disclosures made pursuant to GL37- 12 would not give additional meaningful information to investors.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the timing requirement for the Liquidity Disclosure in this document under GL37-12, such that the reported date of indebtedness and liquidity information in this document will not exceed the requirement under GL37- 12 by one calendar month (i.e. the time gap between the reported date of the Company's indebtedness and liquidity information and the date of this document would be no more than three calendar months).

DISCLOSURE REQUIREMENTS OF THE REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WHOSE EMOLUMENTS WERE HIGHEST

Paragraph 33(2) of Part A of Appendix 1 to the Hong Kong Listing Rules requires the listing document to include information in respect of directors' emoluments during the three financial years ended December 31, 2017, 2018 and 2019. Paragraph 46(2) of Part A of Appendix 1 to the Hong Kong Listing Rules requires the listing document to include the aggregate of the remuneration paid and benefits in kind granted to the directors of the issuer in respect of the last completed financial year, and Paragraph 46(3) of Part A of Appendix 1 to the Hong Kong Listing Rules requires information in relation to an estimate of the aggregate remuneration and benefits in kind payable to directors in respect of the current financial year to be set out in the listing document.

Paragraph 33(3) of Part A of Appendix 1 to the Hong Kong Listing Rules requires the listing document to include information with respect to the five individuals whose emoluments were highest in the group for the year if one or more individuals whose emoluments were the highest have not been included under paragraph 33(2) of Part A of Appendix 1 to the Hong Kong Listing Rules.

The aggregate fees, salaries and benefits paid and accrued to its directors and executive officers as a group are disclosed in the section headed "Directors and Senior Management – Compensation" in this document. The Company confirms that the current disclosure complies with U.S. annual reporting requirements and is in line with the Company's disclosure in its annual reports on Form 20-F.

The Company believes that additional disclosure required by Paragraphs 33(2), 33(3), 46(2) and 46(3) of Part A of Appendix 1 to the Hong Kong Listing Rules would be unduly burdensome and would not provide additional meaningful disclosure for potential Hong Kong investors.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Paragraphs 33(2), 33(3), 46(2) and 46(3) of Part A of Appendix 1 to the Hong Kong Listing Rules, to the extent not strictly met by the current disclosure in this document.

NOT A PUBLIC COMPANY IN HONG KONG UNDER THE TAKEOVERS CODE

Section 4.1 of the Introduction to Takeovers Codes provides that the Takeovers Codes apply to takeovers, mergers and share buy-backs affecting, among others, public companies in Hong Kong and companies with a primary listing in Hong Kong. In order to determine whether a company is a "public company in Hong Kong", Section 4.2 of the Takeovers Code provides that the Executive will consider all the circumstances and apply an economic or commercial test, taking into account primarily the number of Hong Kong shareholders and the extent of share

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trading in Hong Kong and other factors including (i) the location of its head office and place of central management; (ii) the location of its business and assets, including such factors as registration under companies legislation and tax status; and (iii) the existence or absence of protection available to Hong Kong shareholders given by any statute or code regulating takeovers, mergers and share repurchases outside Hong Kong.

The Company has applied for, and the SFC has granted, a ruling that the Company is not a “public company in Hong Kong” for the purposes of the Takeovers Codes. Therefore, the Takeovers Codes do not apply to the Company. In the event that the bulk of trading in the Company’s Shares migrates to Hong Kong such that the Company would be treated as having a dual-primary listing pursuant to Rule 19C.13 of the Hong Kong Listing Rules, the Takeovers Codes will apply to the Company.

DISCLOSURE OF INTERESTS UNDER PART XV OF THE SFO

Part XV of the SFO imposes duties of disclosure of interests in Shares. Under the U.S. Exchange Act, which the Company is subject to, any person (including directors and officers of the company concerned) who acquires beneficial ownership, as determined in accordance with the rules and regulations of the SEC and which includes the power to direct the voting or the disposition of the securities, of more than 5% of a class of equity securities registered under Section 12 of the U.S. Exchange Act must file beneficial owner reports with the SEC, and such person must promptly report any material change in the information provided (including any acquisition or disposition of 1% or more of the class of equity securities concerned), unless exceptions apply. Therefore, compliance with Part XV of the SFO would subject the Company’s corporate insiders to a second level of reporting, which would be unduly burdensome to them, would result in additional costs and would not be meaningful, since the statutory disclosure of interest obligations under the U.S. Exchange Act that apply to the Company and its corporate insiders would provide its investors with sufficient information relating to the shareholding interests of its significant shareholders.

The Company has applied for, and the SFC has granted, a partial exemption under section 309(2) of the SFO to the Company, its substantial shareholders, directors and chief executive from strict compliance with the provisions of Part XV of the SFO (other than Divisions 5, 11 and 12 of part IV of the SFO) on the conditions that (i) the bulk of trading in the Shares is not considered to have migrated to Hong Kong on a permanent basis in accordance with Rule 19C.13 of the Listing Rules; (ii) all the disclosures of interests filed with the SEC are also filed with the Hong Kong Stock Exchange as soon as practicable, which will then publish such disclosures in the same manner as disclosures made under Part XV of the SFO; and (iii) the Company will advise the SFC if there is any material change to any of the information which has been provided to the SFC, including any significant changes to the disclosure requirements in the U.S. and any significant changes in the volume of the Company’s worldwide share turnover that takes place on the Hong Kong Stock Exchange. This exemption may be reconsidered by the SFC in the event there is a material change in information provided to the SFC.

DISCLOSURE OF INTERESTS INFORMATION

Part XV of the SFO imposes duties of disclosure of interests in shares. Practice Note 5 and paragraphs 41(4) and 45 of Part A of Appendix 1 to the Hong Kong Listing Rules require the disclosure of interests information in respect of shareholders’ and directors’ interests in this document.

WAIVERS AND EXEMPTIONS

The U.S. Exchange Act and the rules and regulations promulgated thereunder require disclosure of interests by shareholders that are broadly equivalent to Part XV of the SFO. Relevant disclosure in respect of the substantial shareholder's interests can be found in the section headed "Major Shareholders" in this document.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Practice Note 5 and Paragraphs 41(4) and 45 of Part A of Appendix 1 to the Hong Kong Listing Rules is to be granted on the following conditions:

- (a) the SFC granting the Company, its substantial shareholders, directors and chief executive a partial exemption from strict compliance with Part XV of the SFO;
- (b) the Company undertaking to file with the Hong Kong Stock Exchange, as soon as practicable, any declaration of shareholding and securities transactions filed with the SEC; and
- (c) the Company undertaking to disclose in present and future listing documents any shareholding interests as disclosed in an SEC filing and the relationship between its directors, officers, members of committees and their relationship to any controlling shareholders.

DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

DIRECTORS

| Name | | Address | I.D. issuing countries/ territories |
|-----------------------|-----|--|--|
| Bin Li | 李斌 | Room 901, Door 2, Building 8, Yard 166, South Xiangshan Road, Shijingshan District, Beijing, PRC | China |
| Lihong Qin | 秦力洪 | Room 1401, No. 82, Lane 1980, Luoxiu Road, Minhang District, Shanghai, PRC | China |
| James Gordon Mitchell | N/A | Flat 1, 29/F, Block A, Nicholson Tower, No. 8 Wong Nai Chung Gap Road, Hong Kong | United Kingdom |
| Hai Wu | 吳海 | Cathy View, 1-307, No. 1, Guantang East Road, Chaoyang District, Beijing, PRC | China |
| Denny Ting Bun Lee | 李廷斌 | No. 4 Dianthus Road, Yau Yat Chuen, Kowloon, Hong Kong | Hong Kong, China |
| Yu Long | 龍宇 | Room L0701, 6/F, West Tower, No. 5 Xinyuan South Road, Chaoyang District, Beijing, PRC | China |

Further information about the directors and other senior management members are set out in the section headed “Directors and Senior Management” in this document.

DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

PARTIES INVOLVED IN THE INTRODUCTION

Joint Sponsors

Morgan Stanley Asia Limited

Level 46, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Credit Suisse (Hong Kong) Limited

Level 88, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

China International Capital Corporation Hong Kong Securities Limited

29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Our Legal Advisers

As to Hong Kong and U.S. laws:

Skadden, Arps, Slate, Meagher & Flom and affiliates

42nd Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC laws:

Han Kun Law Offices

33/F, HKRI Center Two
HKRI Taikoo Hui, 288 Shimen Road (No. 1)
Shanghai
People's Republic of China

As to Cayman Islands laws:

Maples and Calder (Hong Kong) LLP

26th Floor, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

**Legal Advisers to the
Joint Sponsors**

As to Hong Kong and U.S. laws:

Simpson Thacher & Bartlett
35th Floor, ICBC Tower
3 Garden Road, Central
Hong Kong

As to PRC laws:

Commerce & Finance Law Offices
12-14th Floor, China World Office 2
No. 1 Jianguomenwai Avenue, Beijing
People's Republic of China

**Auditor and Reporting
Accountant**

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

Industry Consultant

Frost & Sullivan International Limited
1706, One Exchange Square
8 Connaught Place
Hong Kong

CORPORATE INFORMATION

| | |
|---|---|
| Registered Office | Maples Corporate Services Limited PO Box 309, Uglan House Grand Cayman, KY1-1104 Cayman Islands |
| Principal Executive Offices of Main Operations | Building 20, No. 56 AnTuo Road Anting Town, Jiading District Shanghai 201804 People's Republic of China |
| Address in Hong Kong | Room 1901, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong |
| Company's Website | <u>http://ir.nio.com/</u> (The information on the website does not form part of this document) |
| Authorized Representatives | Rui Chen (Director, Capital Markets and Investor Relations) 7th Floor, Building 23 1999 Yishan Road Minhang, Shanghai People's Republic of China |
| Audit Committee | Denny Ting Bun Lee (<i>Chairperson</i>) Hai Wu |
| Compensation Committee | Hai Wu (<i>Chairperson</i>) Denny Ting Bun Lee Bin Li |
| Nominating and Corporate Governance Committee | Yu Long (<i>Chairperson</i>) Denny Ting Bun Lee Hai Wu |
| Cayman Islands Principal Share Registrar | Maples Corporate Services Limited PO Box 309, Uglan House Grand Cayman, KY1-1104 Cayman Islands |
| Hong Kong Share Registrar | Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong |

CORPORATE INFORMATION

Compliance Advisor

Guotai Junan Capital Limited

27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Principal Banks

China Merchants Bank

19/F, China Merchants Bank Tower
No. 7088 Shennan Boulevard
Shenzhen, Guangdong
China

J.P. Morgan Chase Bank, N.A.

Hong Kong Branch

27/F, Chater House
8 Connaught Road Central, Central
Hong Kong

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

Our Company is a holding company incorporated in the Cayman Islands on November 28, 2014, as an exempted company with limited liability, and we changed our name to NIO Inc. in July 2017. We conduct our business globally through our subsidiaries and variable interest entity.

KEY MILESTONES

Our key business milestones are summarized below:

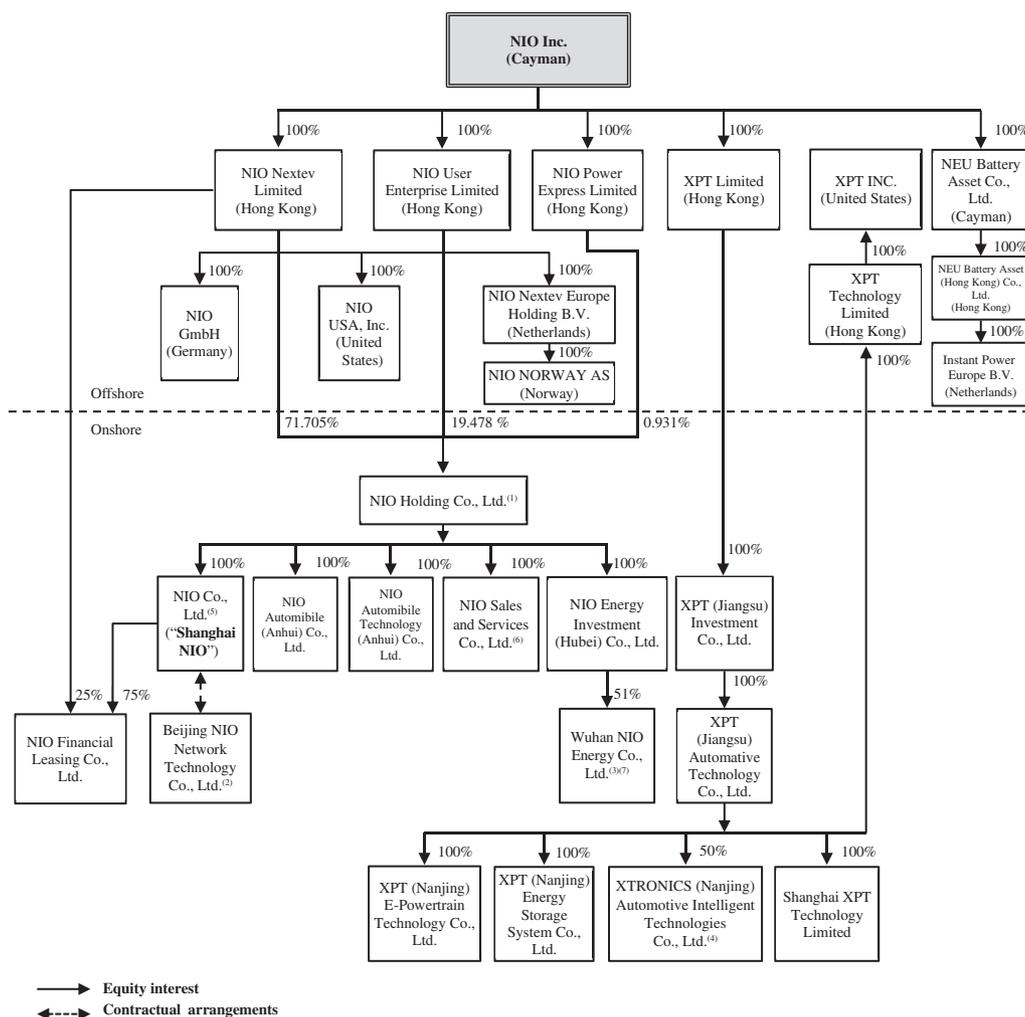
| Date | Event |
|-------------|--|
| 2015 | We established presence in Hong Kong, China, Germany and the U.S. |
| 2016 | We introduced the EP9 supercar, which was then the fastest electric vehicle, setting the Nurburgring Nordschleife all-electric vehicle lap record. |
| 2017 | In March, we showcased EVE at Austin, Texas. In April, we further unveiled our first volume manufactured electric vehicle, the ES8, and showcased EP9 at Shanghai. In May, our EP9 supercar broke the record for the fastest lap for an electric vehicle around the Nurburgring in Germany. In December, we launched the ES8, a seven-seater flagship premium smart electric SUV, and began taking orders for the ES8. |
| 2018 | In June, we began making deliveries of the seven-seater ES8 in China. On September 12, our ADSs commenced trading on the NYSE. In December, we launched the award-winning ES6, a five-seater high-performance premium smart electric SUV. |
| 2019 | In March, we began making deliveries of the six-seater ES8 in China. In June, we began making deliveries of the ES6 in China. In December, we launched our third volume manufactured electric vehicle, the EC6, a five-seater premium smart electric coupe SUV, and the all-new ES8 with more than 180 product improvements. |
| 2020 | In April, we entered into definitive agreements with Hefei Strategic Investors, pursuant to which the Hefei Strategic Investors would invest an aggregate of RMB7 billion in cash into the legal entity of NIO China. In April, we began making deliveries of all-new ES8 in China. In August, we introduced the Battery as a Service, or BaaS, which allows users to purchase electric vehicles without batteries and subscribe for the usage of batteries separately. In September, we began making deliveries of the EC6 in China. |
| 2021 | In January, we launched ET7, our flagship premium smart electric sedan. In September, we launched and began making deliveries of the ES8 in Norway. In December, we launched ET5, our mid-size premium smart electric sedan. |

HISTORY AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

Our Corporate Structure

For illustrative purposes, we summarize our corporate group structure in the diagram below, including our principal subsidiaries and consolidated affiliated entities as of the Latest Practicable Date:



Notes:

- (1) NIO Holding Co., Ltd. is owned 71.705%, 19.478%, 4.079%, 2.447%, 0.816%, 0.931% and 0.544% by NIO Nextev Limited, NIO User Enterprise Limited, Hefei Jianheng New Energy Vehicle Investment Fund Partnership (Limited Partnership), Advanced Manufacturing Industry Phase II Investment Fund (Limited Partnership), Anhui Sanzhong Yichuang Industrial Development Fund Co., Ltd., NIO Power Express Limited and Anhui Jintong New Energy Vehicle Phase II Fund Partnership (Limited Partnership), respectively.
- (2) Mr. Bin Li and Mr. Lihong Qin hold 80% and 20% equity interests, respectively, in Beijing NIO. Mr. Bin Li is also our founder, the chairman of our board of directors and our chief executive officer. Mr. Lihong Qin is a director of our Company.
- (3) Wuhan NIO Energy Co., Ltd. is owned 51% and 49% by NIO Energy Investment (Hubei) Co., Ltd. and Hubei Science Technology Investment Group Co., Ltd., respectively.
- (4) XTRONICS (Nanjing) Automotive Intelligent Technologies Co., Ltd. is owned 50%, 33.41% and 16.59% by XPT (Jiangsu) Automotive Technology Co., Ltd., Wistron Info Comm (Kunshan) Co., Ltd. and Xtronics Innovation Ltd., respectively.

HISTORY AND CORPORATE STRUCTURE

- (5) NIO Co., Ltd. has one subsidiary.
- (6) NIO Sales and Services Co., Ltd. has 56 subsidiaries.
- (7) Wuhan NIO Energy Co., Ltd. has 23 subsidiaries.

Major Subsidiaries and Operating Entities

As of December 31, 2021, we conducted our business operations across approximately 110 subsidiaries and operating entities, twenty-eight of which are our Major Subsidiaries. Their principal business activities and dates of establishment are shown below:

| Name of company | Principal business activities | Date and jurisdiction of establishment |
|--|--|--|
| NIO Nextev Limited (formerly known as Nextev Limited) | Investment Holding | February 3, 2015, Hong Kong |
| NIO GmbH (formerly known as Nextev GmbH) | Design and technology development | May 20, 2015, Germany |
| NIO Holding Co., Ltd. (formerly known as NIO (Anhui) Holding Co., Ltd.) | Headquarter and technology development | November 28, 2017, PRC |
| NIO Co., Ltd. (formerly known as Nextev Co., Ltd.) | Headquarter and technology development | May 7, 2015, PRC |
| NIO USA, Inc. (formerly known as NEXTEV USA, Inc.) | Technology development | July 21, 2015, the United States |
| XPT Limited | Investment holding | December 2, 2015, Hong Kong |
| XPT Technology Limited | Investment holding | April 14, 2016, Hong Kong |
| XPT Inc. | Technology development | April 4, 2016, the United States |
| XPT (Jiangsu) Investment Co., Ltd. | Investment holding | May 16, 2016, PRC |
| Shanghai XPT Technology Limited | Technology development | May 17, 2016, PRC |

HISTORY AND CORPORATE STRUCTURE

| <u>Name of company</u> | <u>Principal business activities</u> | <u>Date and jurisdiction of establishment</u> |
|--|---|---|
| XPT (Nanjing) E-Powertrain Technology Co., Ltd. | Manufacturing of E-Powertrain | July 6, 2016, PRC |
| XPT (Nanjing) Energy Storage System Co., Ltd. | Manufacturing of battery | October 20, 2016, PRC |
| NIO Power Express Limited (formerly known as Nextev Power Express Limited) | Investment holding | January 4, 2017, Hong Kong |
| NIO User Enterprise Limited (formerly known as Nextev User Enterprise Limited) | Investment Holding | February 22, 2017, Hong Kong |
| NIO Sales and Services Co., Ltd. (formerly known as Shanghai NIO Sales and Services Co., Ltd.) | Investment holding and sales and after sales management | March 24, 2017, PRC |
| NIO Energy Investment (Hubei) Co., Ltd. | Investment holding | April 10, 2017, PRC |
| Wuhan NIO Energy Co., Ltd. | Investment Holding | May 27, 2017, PRC |
| XTRONICS (Nanjing) Automotive Intelligent Technologies Co., Ltd. | Manufacturing of components | June 15, 2017, PRC |
| XPT (Jiangsu) Automotive Technology Co., Ltd. | Investment holding | May 4, 2018, PRC |
| NIO Automobile (Anhui) Co., Ltd. | Industrialization and technology development | August 19, 2020, PRC |
| NIO Automobile Technology (Anhui) Co., Ltd. | Design and technology development | August 19, 2020, PRC |
| NIO Financial Leasing Co., Ltd. | Financial leasing | August 15, 2018, PRC |

HISTORY AND CORPORATE STRUCTURE

| Name of company | Principal business activities | Date and jurisdiction of establishment |
|--|---|--|
| Beijing NIO Network Technology Co., Ltd. | VIE for holding ICP license and Surveying and Mapping Qualification Certificate | July 5, 2017, PRC |
| NIO Norway AS | Investment holding and sales and after sales management | January 15, 2021, Norway |
| NEU Battery Asset Co., Ltd. | Investment holding | June 8, 2021, Cayman Islands |
| NEU Battery Asset (Hong Kong) Co., Limited | Investment holding | July 2, 2021, Hong Kong |
| Instant Power Europe B.V. | Battery subscription service | June 9, 2021, Netherlands |
| NIO Nextev Europe Holding B.V. | Investment holding | December 4, 2020, Netherlands |

Major Acquisition and Disposal

We have not conducted any major acquisition or disposal during the Track Record Period.

Investment by Hefei Strategic Investors

We incurred net losses historically, and had negative cash flows from operating activities until early 2020. Despite the outbreak of COVID-19 and the fact that our cash balance in January 2020 was not adequate to provide the required working capital liquidity for our continuous operations, the municipal government of Hefei, Anhui Province, where the Company's main manufacturing hub is located, had extensive discussions with us. In February 2020, we entered into a collaboration framework agreement with the municipal government of Hefei. Meanwhile, a group of investors ("**Hefei Strategic Investors**") had due diligence over our business operations, and subsequently from April to June 2020, we entered into definitive agreements (the "**Hefei Agreements**"), as amended and supplemented, for investments in NIO Holding Co., Ltd. ("**NIO China**") with Hefei Strategic Investors. Under the Hefei Agreements, the Hefei Strategic Investors agreed to invest an aggregate of RMB7 billion in cash into NIO China, a legal entity wholly owned by us pre-investment. We agreed to inject our core businesses and assets in China, including vehicle research and development, supply chain, sales and services and NIO Power (together, the "**Asset Consideration**"), valued at RMB17.77 billion in total, into NIO China, and invest RMB4.26 billion in cash into NIO China.

Subsequent to the entry into the Hefei Agreements, the cash contribution obligations of us and the Hefei Strategic Investors have all been fulfilled and we have exercised our redemption right and capital increase right, pursuant to which in September 2020, we, through one of our wholly-owned subsidiaries, redeemed 8.612% equity interests in NIO China from one of the Hefei Strategic Investors and subscribed for certain newly increased registered capital to increase our shareholding in NIO China. In addition, in February 2021, we, through one of our wholly-owned subsidiaries, purchased from two of the Hefei Strategic Investors an aggregate of 3.305% equity interests in NIO China and subscribed for certain newly increased registered

HISTORY AND CORPORATE STRUCTURE

capital of NIO China. In September 2021, we, through one of our wholly-owned subsidiaries, purchased from a minority strategic investor of NIO China an aggregate of 1.418% equity interests in NIO China for a total consideration of RMB2.5 billion and subscribed for newly increased registered capital of NIO China at a subscription price of RMB7.5 billion. As a result of these transactions, as of the Latest Practicable Date, the registered capital of NIO China is RMB6.429 billion, and we hold 92.114% controlling equity interests in NIO China.

For further information, please see “Business — Certain Other Cooperation Agreements — Hefei Strategic Investors.”

Contractual Arrangements

Historically, we had two sets of contractual agreements with two VIEs, Beijing NIO and Shanghai Anbin Technology Co., Ltd. (“**Shanghai Anbin**”), and their respective shareholders, namely, Mr. Bin Li and Mr. Lihong Qin, each owned as to 80% and 20% of the shares of each of the VIEs.

On March 31, 2021, Shanghai NIO, Shanghai Anbin and each shareholder of Shanghai Anbin entered into a termination agreement pursuant to which each of the contractual agreements among Shanghai NIO, Shanghai Anbin and its then shareholders terminated as of the date of the agreement and after which date we no longer have effective control over Shanghai Anbin, no longer receive any economic benefits of Shanghai Anbin, no longer have an exclusive option to purchase all or part of the equity interests in Shanghai Anbin when and to the extent permitted by the PRC law, and no longer consolidate the financial results of Shanghai Anbin and its subsidiaries as our variable interest entity under U.S. GAAP. On the same day, equity pledge agreements among Shanghai NIO, Shanghai Anbin and its then shareholders were terminated, and the deregistration of the equity interest pledges of shareholders of Shanghai Anbin under the relevant equity pledge agreements that were previously registered with the relevant local branch of the SAMR was completed.

We had originally established Shanghai Anbin and its subsidiaries, including Shanghai NIO New Energy Automobile Co., Ltd. (“**NIO New Energy**”), with the plan to build our own manufacturing plant in Shanghai. We have since decided not to carry out this plan. We terminated the contractual agreements with Shanghai Anbin and its shareholders and wound down NIO New Energy as none of Shanghai Anbin or its subsidiaries currently engage in any material business activities or carry any material assets.

During the Track Record Period, Shanghai Anbin did not have any significant operations, nor any material assets or liabilities in history.

For more information on Beijing NIO, please see “Contractual Arrangements.”

HISTORY AND CORPORATE STRUCTURE

Listing on the NYSE

On September 12, 2018 we listed our ADSs on the NYSE under the symbol “NIO”. Since the date of our listing on the NYSE and up to the Latest Practicable Date, our directors confirm that we had no instances of non-compliance with the rules of the NYSE in any material respects and to the best knowledge of our directors having made all reasonable enquiries, there is no matter that should be brought to investors’ attention in relation to our compliance record on the NYSE.

We believe that the Listing on the Hong Kong Stock Exchange will present us with an opportunity to further expand our investor base and broaden our access to capital markets.

SAFE Registration

The SAFE promulgated the SAFE Circular 37 in July 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. According to SAFE Circular 13, 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 2015.

Mr. Bin Li and Mr. Lihong Qin have completed their initial SAFE registrations prior to our listing on the NYSE.

CONTRACTUAL ARRANGEMENTS

BACKGROUND

We are a pioneer and a leading company in the premium smart electric vehicle market. We design, develop, jointly manufacture, and sell premium smart electric vehicles, driving innovations in autonomous driving, digital technologies, electric powertrains and batteries. See “Business.” We are considered to be engaged in the value-added telecommunications services (the “**Relevant Business**”) as a result of the operations of our business. We conduct the Relevant Business through Beijing NIO. Pursuant to applicable PRC laws and regulations, foreign investors are restricted to conduct internet information services value added telecommunications services (except for electronic commerce, domestic multi-party communication, store-and-forward, and call center). A summary of our business that is subject to foreign investment restriction in accordance with the 2021 Negative List is set out below:

| Categories | Our Business |
|--|---|
| Restricted Value-added telecommunications services | The principal business of Beijing NIO involves internet information services, which falls within the scope of value-added telecommunications services. According to the 2021 Negative List, foreign investors are not allowed to hold more than 50% equity interests in any enterprise engaging in value-added telecommunications services. |

For further details of the limitations on foreign ownership in PRC companies conducting business involving value-added telecommunications services under applicable PRC laws and regulations, see “Regulatory Overview — Regulations on Foreign Investment in China.”

Beijing NIO operates NIO app, through which the Company provides internet information services, such as certain commercial information, communication community, goods as well as real-time location information on the Company’s swapping and charging network, the network of public chargers with data synchronized to the Company’s cloud-based network (collectively, the “**Power Map**”). Accordingly, among other requirements, the operation of Power Map by Beijing NIO involves both (a) value-added telecommunication services and (b) internet mapping services and therefore requires both internet content provision (“**ICP**”) licence and the Surveying and Mapping Qualification Certificate. Furthermore, Beijing NIO conducts R&D for the development of the NIO app enabled by ICP services which is impossible to separate its R&D work from ICP related functions, all of which necessarily depend on the sharing of information, technologies, intellectual property rights, human resources and know-hows as one unit. It will not be operationally and commercially sensible to artificially separate these two services by creating two entities to hold each license.

As advised by our PRC Legal Adviser, the business of internet information services fall within the scope of “value-added telecommunication service” under the Telecommunications Regulations, where foreign investors are not allowed to hold more than 50% equity interests in any enterprise conducting such business.

CONTRACTUAL ARRANGEMENTS

In addition, the Company and our PRC Legal Adviser conducted a verbal consultation with the relevant government authority, the MIIT, in January 2022. The officer of MIIT confirmed that, considering the case of the Company, we would not practically be granted an ICP license even if we meet the Qualification Requirements (as defined below).

As a result of the foregoing, a series of Contractual Arrangements have been entered into by Shanghai NIO, Beijing NIO and its shareholders, namely Mr. Bin Li and Mr. Lihong Qin (the “**Registered Shareholders**”), through which we have obtained control over the operations of, and enjoy all economic benefits of Beijing NIO since April 2018.

The Contractual Arrangements currently in effect for Beijing NIO were entered into on April 12, 2021, whereby Shanghai NIO has acquired effective control over Beijing NIO, and has become entitled to all the economic benefits derived from its respective operations.

For the year ended December 31, 2020 and the nine months ended September 30, 2021, the revenue generated from Beijing NIO accounted for less than 0.1% of the Group’s net revenue for the year.

QUALIFICATION REQUIREMENTS UNDER THE FITE REGULATIONS

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “FITE Regulations”), which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, including Internet content provision services. In addition, the main foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience and a proven good track record in operating value-added telecommunications businesses (the “Qualification Requirements”). Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. The MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide, among other things, the applicant’s annual reports for the past three years, satisfactory proof of the Qualification Requirements and business development plan. The guidance memorandum does not provide any further guidance on the proof, record or document required to support the proof satisfying the Qualification Requirements. Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirement.

As advised by our PRC Legal Adviser, (i) no applicable PRC laws, regulations or rules have provided clear guidance or interpretation on the Qualification Requirements; and (ii) foreign investor’s fulfillment of the Qualification Requirements remains ultimately subject to substantive examination of the MIIT.

CONTRACTUAL ARRANGEMENTS

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have been gradually building up our track record of overseas telecommunications business operation for the purposes of being qualified, as early as possible, to acquire the entire equity interests in Beijing NIO when the relevant PRC laws and regulations allow foreign investors to invest and to directly hold equity interest in enterprises which engage in the value-added telecommunications business in China. We are in the process of expanding our overseas telecommunications business through our overseas subsidiaries. We have taken the following measures to meet the Qualification Requirements:

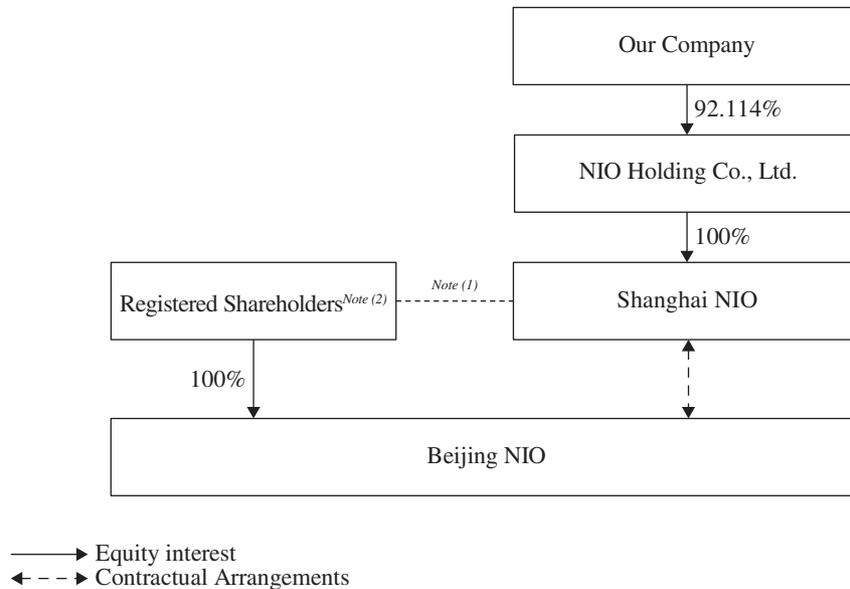
- (i) we have registered a number of global top-level domain names (including “www.nio.io”) outside of the PRC, and have constructed an English website that will help potential overseas users to better understand the Company’s services and businesses;
- (ii) we have registered trademarks and pending trademark applications in the United States, Europe and other overseas jurisdictions for the promotion of the Company’s businesses and products overseas;
- (iii) we have established subsidiaries in Hong Kong, Germany, the United States, the United Kingdom and other overseas jurisdictions for the purpose of, amongst others, promoting the Company’s services and businesses, entering into business contracts with offshore counterparties and registering and holding overseas intellectual properties; and
- (iv) through the aforementioned offshore subsidiaries, we have been exploring business opportunities in overseas markets.

According to a verbal consultation conducted by our PRC Legal Advisor with the officer who is a manager from the Information and Communication Development Department (“ICDD”) of MIIT, the MIIT officer confirmed that the steps undertaken by us as described above are helpful to fulfill the Qualification Requirements. Our PRC Legal Advisor confirms that, as the ICDD of the MIIT is responsible for approving applications from foreign investors for the permits in connection with the operation of internet information services, such department is a competent authority and the officer interviewed is of the appropriate ranking to provide the confirmation stated above. Hence, subject to the discretion of the competent authority, our PRC Legal Advisor takes the view that the above steps are reasonable and appropriate in relation to the Qualification Requirements as we will be able to gain experience in providing value-added telecommunication services in overseas markets.

CONTRACTUAL ARRANGEMENTS

OUR CONTRACTUAL ARRANGEMENTS

The diagram below illustrates the relationships among the entities under the Contractual Arrangements:



Notes:

- (1) Each of Mr. Bin Li and Mr. Lihong Qin executed, respectively, an exclusive option agreement, equity pledge agreement and power of attorney in favor of Shanghai NIO. See the section headed “— Our Contractual Arrangements” for details.
- (2) Mr. Bin Li and Mr. Lihong Qin hold 80% and 20% equity interests in Beijing NIO, respectively. Mr. Bin Li is our controlling shareholder, our founder, the chairman of our board of directors and our chief executive officer. Mr. Lihong Qin is also a director and executive officer of our Company.

SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

Exclusive Business Cooperation Agreements

Under the exclusive business cooperation agreements dated April 19, 2018 and April 12, 2021, respectively, between the Shanghai NIO and Beijing NIO (the “**Exclusive Business Cooperation Agreements**”), pursuant to which, in exchange for a monthly service fee, Beijing NIO agreed to engage the Shanghai NIO as its exclusive provider of technical support, consultation and other services, including the following services:

- (i) the use of any relevant software legally owned by the Shanghai NIO;
- (ii) development, maintenance and updating of software in respect of the Beijing NIO’s business;

CONTRACTUAL ARRANGEMENTS

- (iii) design, installation, daily management, maintenance and updating of network systems, hardware and database design;
- (iv) providing technical support and staff training services to relevant employees of Beijing NIO;
- (v) providing assistance in consultancy, collection and research of technology and market information (excluding market research business that wholly foreign owned enterprises are prohibited from conducting under the laws of mainland China);
- (vi) providing business management consultation;
- (vii) providing marketing and promotional services;
- (viii) developing and testing new products;
- (ix) leasing of equipment or properties; and
- (x) other relevant services requested by Beijing NIO from time to time to the extent permitted under the laws of mainland China.

Under the Exclusive Business Cooperation Agreements, the service fee shall consist of 100% of the total consolidated profit of the Beijing NIO, after the deduction of any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, Shanghai NIO may adjust the scope and amount of services fees according to mainland China tax law and tax practices, and Beijing NIO will accept such adjustments. Shanghai NIO shall calculate the service fee on a monthly basis and issue a corresponding invoice to Beijing NIO. Notwithstanding the payment arrangements in the Exclusive Business Cooperation Agreements, Shanghai NIO may adjust the payment time and payment method, and Beijing NIO will accept any such adjustment.

In addition, absent the prior written consent of Shanghai NIO, during the term of the Exclusive Business Cooperation Agreements, with respect to the services subject to the Exclusive Business Cooperation Agreements and other matters, Beijing NIO shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish cooperation relationships similar to that formed by the Exclusive Business Cooperation Agreements with any third party. Shanghai NIO may appoint other parties, who may enter into certain agreements with Beijing NIO, to provide Beijing NIO with the services under the Exclusive Business Cooperation Agreements.

The Exclusive Business Cooperation Agreements also provide that Shanghai NIO has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by Beijing NIO during the performance of the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreements shall remain effective unless terminated (a) in accordance with the provisions of the Exclusive Business Cooperation Agreements; (b) in writing by the Shanghai NIO; or (c) renewal of the expired business period of either Shanghai NIO or Beijing NIO is denied by relevant government authorities, at which time the Exclusive Business Cooperation Agreements will terminate upon termination of that business period.

CONTRACTUAL ARRANGEMENTS

Exclusive Option Agreements

Under the exclusive option agreements (the “**Exclusive Option Agreements**”) dated April 19, 2018 and April 12, 2021, among Shanghai NIO, Beijing NIO and the Registered Shareholders, respectively, Shanghai NIO has the rights to require the Registered Shareholders to transfer any or all their equity interests in Beijing NIO to Shanghai NIO and/or a third party designated by it, in whole or in part at any time and from time to time, for considerations equivalent to the respectively outstanding loans owed to the Registered Shareholders (or part of the loan amounts in proportion to the equity interests being transferred) or, if applicable, for a nominal price, unless the relevant government authorities or the mainland China laws request that another amount be used as the purchase price, in which case the purchase price shall be the lowest amount under such request.

Beijing NIO and the Registered Shareholders, among other things, have covenanted that:

- (i) without the prior written consent of Shanghai NIO, they shall not in any manner supplement, change or amend the constitutional documents of Beijing NIO, increase or decrease their registered capital, or change the structure of their registered capital in other manner;
- (ii) they shall maintain Beijing NIO’s corporate existence in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits by prudently and effectively operating their business and handling their affairs;
- (iii) without the prior written consent of Shanghai NIO, they shall not at any time following the signing of the Exclusive Option Agreements sell, transfer, pledge or dispose of in any manner any material assets of the Beijing NIO or legal or beneficial interest in the material business or revenues of the Beijing NIO, or allow the encumbrance thereon of any security interest;
- (iv) without the prior written consent of Shanghai NIO, Beijing NIO shall not incur, inherit, guarantee or assume any debt, except for debts incurred in the ordinary course of business other than payables incurred by a loan;
- (v) Beijing NIO shall always operate all of their businesses during the ordinary course of business to maintain their asset value and refrain from any action/omission that may adversely affect the Beijing NIO’s operating status and asset value;
- (vi) without the prior written consent of Shanghai NIO, they shall not cause Beijing NIO to execute any material contract, except the contracts executed in the ordinary course of business;
- (vii) without the prior written consent of Shanghai NIO, they shall not cause Beijing NIO to provide any person with any loan or credit;
- (viii) they shall provide Shanghai NIO with information on Beijing NIO’s business operations and financial condition at the request of Shanghai NIO;
- (ix) if requested by Shanghai NIO, they shall procure and maintain insurance in respect of Beijing NIO’ assets and business from an insurance carrier acceptable to Shanghai NIO, at an amount and type of coverage typical for companies that operate similar businesses;

CONTRACTUAL ARRANGEMENTS

- (x) without the prior written consent of Shanghai NIO, they shall not cause or permit Beijing NIO to merge, consolidate with, acquire or invest in any person;
- (xi) they shall immediately notify Shanghai NIO of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Beijing NIO' assets, business or revenue;
- (xii) to maintain the ownership by Beijing NIO of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;
- (xiii) without the prior written consent of Shanghai NIO, Beijing NIO shall not in any manner distribute dividends to its shareholders, provided that upon the written request of Shanghai NIO, Beijing NIO shall immediately distribute all distributable profits to its shareholders;
- (xiv) at the request of Shanghai NIO, they shall appoint any persons designated by Shanghai NIO as the directors and/or senior management of Beijing NIO; and
- (xv) unless otherwise mandatorily required by mainland China laws, Beijing NIO shall not be dissolved or liquidated without prior written consent by Shanghai NIO.

In addition, the Registered Shareholders, among other things, have covenanted that:

- (i) without the written consent of Shanghai NIO, they shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in Beijing NIO, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreements and the interests prescribed in the Powers of Attorney, and procure the shareholders' meeting and the board of directors of Beijing NIO not to approve such matters;
- (ii) for each exercise of the equity purchase option, to cause the shareholders' meeting of Beijing NIO to vote on the approval of the transfer of equity interests and any other action requested by Shanghai NIO;
- (iii) they shall relinquish the pre-emptive right (if any) he/she is entitled to in relation to the transfer of equity interest by any other shareholders to Beijing NIO and give consent to the execution by each other shareholder of Beijing NIO with Shanghai NIO and Beijing NIO exclusive option agreements, equity pledge agreements and powers of attorney similar to the Exclusive Option Agreements, the Equity Pledge Agreements and the Powers of Attorney, and accept not to take any action in conflict with such documents executed by the other shareholders (if any); and
- (iv) each of the Registered Shareholders will transfer to Shanghai NIO or its appointee(s) by way of gift any profit or dividend in accordance with the mainland China law.

The Registered Shareholders have also undertaken that, subject to the relevant laws and regulations, they will return to Shanghai NIO any consideration they receive in the event that Shanghai NIO exercise the options under the Exclusive Option Agreements to acquire the equity interests in Beijing NIO.

CONTRACTUAL ARRANGEMENTS

The Exclusive Option Agreements shall remain effective unless terminated in the event that the entire equity interests held by the Registered Shareholders in Beijing NIO have been transferred to Shanghai NIO or its appointee(s).

Equity Pledge Agreements

Under the equity pledge agreements dated April 19, 2018 and April 12, 2021, respectively, entered into between Shanghai NIO, the Registered Shareholders and Beijing NIO (the “Equity Pledge Agreements”), the Registered Shareholders agreed to pledge all their respective equity interests in Beijing NIO that they own, including any interest or dividend paid for the shares, to Shanghai NIO as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts.

The pledge in respect of Beijing NIO takes effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the Registered Shareholders and Beijing NIO under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders and Beijing NIO under the relevant Contractual Arrangements have been fully paid.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreements), Shanghai NIO shall have the right to require Beijing NIO’s shareholders (i.e. the Registered Shareholders) to immediately pay any amount payable by Beijing NIO under the Exclusive Business Cooperation Agreement, repay any loans and pay any other due payments, and Shanghai NIO shall have the right to exercise all such rights as a secured party under any applicable mainland China law and the Equity Pledge Agreements, including without limitations, being paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interest upon written notice to the Registered Shareholders.

The registration of the Equity Pledge Agreements as required by the relevant laws and regulations has been completed in accordance with the terms of the Equity Pledge Agreements and the PRC laws and regulations.

Powers of Attorney

The Registered Shareholders have executed powers of attorney dated April 19, 2018 and April 12, 2021, respectively, (the “**Powers of Attorney**”). Under the Powers of Attorney, the Registered Shareholders irrevocably appointed Shanghai NIO and their designated persons (including but not limited to Directors and their successors and liquidators replacing the Directors but excluding those non-independent or who may give rise to conflict of interests) as their attorneys-in-fact to exercise on their behalf, and agreed and undertook not to exercise without such attorneys-in-fact’s prior written consent, any and all right that they have in respect of their equity interests in Beijing NIO, including without limitation:

- (i) to convene and attend shareholders’ meetings of Beijing NIO;
- (ii) to file documents with the relevant companies registry;
- (iii) to exercise all shareholder’s rights and shareholder’s voting rights in accordance with law and the constitutional documents of Beijing NIO, including but not limited to the sale, transfer, pledge or disposal of any or all of the equity interests in Beijing NIO;

CONTRACTUAL ARRANGEMENTS

- (iv) to execute any and all written resolutions and meeting minutes and to approve the amendments to the articles of associations in the name and on behalf of such shareholder; and
- (v) to nominate or appoint the legal representatives, directors, supervisors, general manager and other senior management of Beijing NIO.

Further, the Powers of Attorney shall remain effective for so long as each shareholder holds equity interest in Beijing NIO.

Loan Agreements

Shanghai NIO and the Registered Shareholders entered into loan agreements dated April 19, 2018 and April 12, 2021, respectively, (the “**Loan Agreements**”), pursuant to which Shanghai NIO agreed to provide loans to the Registered Shareholders, to be used exclusively as investment in Beijing NIO. The loans must not be used for any other purposes without the relevant lender’s prior written consent.

The term of each loan commences from the date of the agreement and ends on the date the lender exercises its exclusive call option under the relevant Exclusive Option Agreement, or when certain defined termination events occur, such as if the lender sends a written notice demanding repayment to the borrower, or upon the default of the borrower, whichever is earlier.

After the lender exercises his exclusive call option, the borrower may repay the loan by transferring all of its equity interest in Beijing NIO to the lender, or a person or entity nominated by the lender, and use the proceeds of such transfer as repayment of the loan. If the proceeds of such transfer is equal to or less than the principal of the loan under the relevant Loan Agreement, the loan is considered interest-free. If the proceeds of such transfer is higher than the principal of the loan under the relevant Loan Agreement, any surplus is considered interest for the loan under the relevant Loan Agreement.

Other Key Terms of the Contractual Arrangements

A description of other key terms that apply to the applicable agreements under the Contractual Arrangements is set out below:

Arrangements to Protect our Group’s Interests in the Event of Death, Bankruptcy or Divorce of the Registered Shareholders

Each of the Registered Shareholders has confirmed to the effect that (i) his/her spouse does not have the right to claim any interests in Beijing NIO (together with any other interests therein) or exert influence on the day-to-day management of the Principal VIE; and (ii) in the event of his/her death, incapacity, divorce or any other event which causes his/her inability to exercise his/her rights as a shareholder of Beijing NIO, he/her will take necessary actions to safeguard his/her interests in Beijing NIO (together with any other interests therein) and his/her successors (including his/her spouse) will not claim any interests in Beijing NIO (together with any other interests therein) to the effect that the Registered Shareholders’ interests in Beijing NIO shall not be affected.

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The spouse of each of the Registered Shareholders, where applicable, has signed an undertaking (the “**Spouse Undertakings**”) to the effect that (i) the respective Registered Shareholder’s interests in Beijing NIO (together with any other interests therein) do not fall within the scope of communal properties, and (ii) he/she has no right to or control over such interests of the respective Registered Shareholder and will not have any claim on such interests.

As advised by our PRC Legal Adviser, the Contractual Arrangements provide protection to the Group even in the event of loss of capacity, death, bankruptcy (if applicable), marriage or divorce of the Registered Shareholders; and the loss of capacity, death, bankruptcy (if applicable), marriage or divorce of the Registered Shareholders would not affect the validity of the Contractual Arrangements against the successors of such Registered Shareholders.

Dispute Resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the Shanghai International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be confidential and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of Beijing NIO or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of Beijing NIO; any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the mainland China and the places where the principal assets of Shanghai NIO and Beijing NIO are located for interim remedies or injunctive relief.

In connection with the dispute resolution method as set out in the Contractual Arrangements and the practical consequences, we are advised by our PRC Legal Adviser that:

- (a) a tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Beijing NIO pursuant to current PRC laws and regulations; and
- (b) interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; therefore, in the event we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over the Beijing NIO.

As a result of the above, in the event that Beijing NIO or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over Beijing NIO and conduct our business could be materially and adversely affected. See “Risk Factors — Risks Related to Our Corporate Structure — The shareholders of our variable interest entity may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition” for details.

Conflict of Interest

Each of the Registered Shareholders has given his or her irrevocable undertakings in the Powers of Attorney, which address potential conflicts of interests that may arise in connection with the Contractual Arrangements. See “— Powers of Attorney.”

CONTRACTUAL ARRANGEMENTS

Loss Sharing

Under the relevant mainland China laws and regulations, neither our Company nor Shanghai NIO is legally required to share the losses of, or provide financial support to Beijing NIO. Further, Beijing NIO is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Shanghai NIO intends to continuously provide to or assist Beijing NIO in obtaining financial support when deemed necessary. In addition, given that our Group conducts certain portion of its business operations in mainland China through Beijing NIO, which hold the requisite mainland China operational licenses and approvals, and that its financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if Beijing NIO suffers losses.

However, as provided in the Exclusive Option Agreements, without the prior written consent of Shanghai NIO, Beijing NIO shall not, among others, (i) sell, transfer, pledge or dispose of in any manner any of its material assets; (ii) execute any material contract, except those entered into in the ordinary course of business; (iii) provide any loan, credit or guarantees in any form to any third party, or allow any third party create any other security interest on its assets or equity; (iv) incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business; (v) enter into any consolidation or merger with any third party, or being acquired by or invest in any third party; and (vi) increase or reduce its registered capital, or alter the structure of the registered capital in any other way. Therefore, due to the relevant restrictive provisions in the agreements, the potential adverse effect on Shanghai NIO and our Company in the event of any loss suffered from Beijing NIO can be limited to a certain extent.

Liquidation

Pursuant to the Exclusive Option Agreements, in the event of a mandatory liquidation required by the mainland China laws, the Registered Shareholders shall give the proceeds they received from liquidation as a gift to Shanghai NIO or its respective designee(s) to the extent permitted by the mainland China laws.

Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Our Confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating its business through our consolidated affiliated entities under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

We believe that the Contractual Arrangements are narrowly tailored and such arrangements are only used to enable our Group to combine the financial results of our consolidated affiliated entities which engage or will engage in the operation of the Relevant Business, which are subject to foreign investment restriction in accordance with applicable PRC laws and regulations.

CONTRACTUAL ARRANGEMENTS

Our PRC Legal Adviser is of the opinion that:

- (i) each of the agreements comprising the Contractual Arrangements is legal, valid and binding on the parties thereto, enforceable under applicable PRC laws and regulations, except that (a) the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets or award injunctive relief and/or order the winding up of Beijing NIO, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal or in appropriate cases, while under PRC laws and regulations, an arbitral body has no power to grant injunctive relief or to order an entity to wind up, and the aforesaid interim remedies granted by competent courts may not be recognizable or enforceable in the PRC; and (b) the Contractual Arrangements provide that the Registered Shareholders undertake to appoint committees designated by Shanghai NIO as the liquidation committee upon the winding up of Beijing NIO to manage its assets; however, in the event of a mandatory liquidation required by PRC laws and regulations, these provisions may not be enforceable;
- (ii) each of the agreements comprising the Contractual Arrangements does not violate the provisions of the articles of associations of Shanghai NIO and Beijing NIO, respectively; and
- (iii) no approval or authorization from the PRC governmental authorities are required for entering into and the performance of the Contractual Arrangements except that (a) the pledge of any equity interest in Beijing NIO for the benefit of Shanghai NIO is subject to registration requirements with the relevant governmental authority which has been duly completed; and (b) the exercise of any exclusive option rights by Shanghai NIO under the exclusive option agreements may subject to the approval, filing or registration requirements with the relevant authorities under the then prevailing PRC laws and regulations.

Based on the advice from our PRC Legal Adviser, our directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations, and except for the relevant clauses as described in the paragraph headed “Dispute Resolution” and “Liquidation” in this section, each of the agreements under the Contractual Arrangements is enforceable under the PRC laws and regulations.

We are aware of a Supreme People’s Court ruling (the “**Supreme People’s Court Ruling**”) made in October 2012 and two arbitral decisions from the Shanghai International Economic and Trade Arbitration Commission made in 2010 and 2012 which invalidated certain contractual arrangements for the reason that the entry into of such agreements with the intention of circumventing foreign investment restrictions in the PRC contravene the prohibition against “concealing an illegitimate purpose under the guise of legitimate acts” set out in Article 52 of the PRC Contract Law (《中華人民共和國合同法》) and the General Principles of the PRC Civil Law (《中華人民共和國民法通則》). It has been further reported that these court rulings and arbitral decisions may increase (i) the possibility of the PRC courts and/or arbitration panels taking similar actions against contractual arrangements commonly adopted by foreign investors to engage in restricted or prohibited businesses in the PRC; and (ii) the incentive for the registered shareholders under such contractual arrangements to renege on their contractual obligations.

CONTRACTUAL ARRANGEMENTS

Pursuant to Article 52 of the PRC Contract Law, a contract is void, among other circumstances, where an illegitimate purpose is concealed under the guise of legitimate acts; our PRC Legal Adviser is of the view that the agreements under the Contractual Arrangements would not be deemed as “concealing illegal intentions with a lawful form” under Article 52 of the PRC Contract Law for the following reasons: (a) the parties to the Contractual Arrangements have the right to enter into contracts in accordance with their own wishes and no person may illegally interfere with such right; and (b) the purpose of the Contractual Arrangements is not to conceal illegal intentions, but to pass the economic interests received by our Consolidated Affiliated Entities to our Company.

Furthermore, the PRC Civil Code (《中華人民共和國民法典》) came into effect on January 1, 2021 and the PRC Contract Law and the General Principles of the PRC Civil Law were repealed simultaneously. The PRC Civil Code no longer specifies the “concealing illegal intentions with a lawful form” as the statutory circumstances of a void contract but stipulates certain circumstances which will lead to the invalidation of civil juristic acts, including but not limited to a civil juristic act performed by a person having no capacity for civil conducts, a civil juristic act performed by the actor and the counterparty based on false expression of intention, a civil juristic act violates the mandatory provisions of laws and administrative regulations, a civil juristic act violates of public order and morals, etc. The provisions on the validity of civil juristic acts also apply to the validity of contracts. Our PRC Legal Adviser is of the view that the Contractual Arrangements would not fall within the above circumstances which will lead such arrangements as invalid civil juristic act under the PRC Civil Code. However, our PRC Legal Adviser also advised that as there are substantial uncertainties regarding the interpretation and application of the PRC laws, rules and regulations, there can be no assurance that the relevant PRC government would ultimately take a view that is consistent with the above opinion of our PRC Legal Adviser.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of Financial Results of Our Consolidated Affiliated Entities

Under the exclusive business cooperation agreements, it was agreed that, in consideration of the services provided by Shanghai NIO, Beijing NIO will pay services fees to Shanghai NIO. The services fees, subject to Shanghai NIO’s adjustment, are equal to the entirety of the respective total consolidated profit of Beijing NIO (net of accumulated deficit of the consolidated affiliated entities in the previous financial years (if any), costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld). Shanghai NIO may adjust the services scopes and fees at its discretion in accordance with PRC tax law and practice as well as the needs of the working capital of our consolidated affiliated entities. Shanghai NIO also has the right to periodically receive or inspect the accounts of our consolidated affiliated entities. Accordingly, Shanghai NIO has the ability, at its sole discretion, to extract all of the economic benefit of Beijing NIO through the exclusive business cooperation agreements.

In addition, under the exclusive business cooperation agreements and the exclusive option agreements, Shanghai NIO has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of our consolidated affiliated entities as Shanghai NIO’s prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from our consolidated affiliated entities, the Registered Shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to our Company.

CONTRACTUAL ARRANGEMENTS

As a result of these Contractual Arrangements, our Company has obtained control of our consolidated affiliated entities through Shanghai NIO and, at our Company's sole discretion, can receive all of the economic interest returns generated by our consolidated affiliated entities. Accordingly, the results of operations, assets and liabilities, and cash flows of our consolidated affiliated entities are consolidated into our Company's financial statements.

Our directors consider that our Company can consolidate the financial results of our consolidated affiliated entities into our Group's financial information as if they were our Company's subsidiaries. Our Reporting Accountant, has issued an unqualified opinion on our Group's consolidated financial information as of and for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 as included in the Accountant's Report set out in Appendix I to this document.

FOREIGN INVESTMENT LAW

Background

On March 15, 2019, the Foreign Investment Law was formally passed by the thirteenth NPC and took effect on January 1, 2020. The Foreign Investment Law stipulates forms of foreign investment as below:

- foreign investors set up foreign invested enterprises in China severally or jointly with other investors;
- foreign investors acquire shares, equity, properties or other similar interests in any domestic enterprise;
- foreign investors invest in new projects in China severally or jointly with other investors; and
- foreign investors invest through any other methods under laws, administrative regulations, or provisions prescribed by the State Council.

The Foreign Investment Law stipulates that the negative list is applied in certain industry sectors. The negative list set out in the Foreign Investment Law classified the relevant prohibited and restricted industries into the catalog of prohibitions and the catalog of restrictions, respectively, according to which, the foreign investors are not allowed to invest in the areas in which the foreign investment is prohibited. Foreign investors are allowed to invest in sectors set out in the catalog of restrictions, subject to the satisfaction of certain conditions. Foreign investors are allowed to invest in any sector beyond the negative list and shall be managed on the same basis as domestic investments.

Where a foreign investor invests in the sectors specified in the catalog of prohibitions, the relevant competent departments shall order it to stop the investment activities, and dispose of the shares, properties or other necessary measures within a time limit to restore the state before the investment is implemented and the illegal income shall be confiscated (if any). Where the investment activities of a foreign investor violate the restrictive special management measures stipulated in the sectors specified in the catalog of restrictions, the relevant competent departments shall order it to make corrections and take necessary measures to meet the requirements for access to special management measures; where the offender refuses to make corrections, punishments are implemented according to the aforementioned provisions.

CONTRACTUAL ARRANGEMENTS

Impact and potential consequences of the Foreign Investment Law on the Contractual Arrangements

Our PRC Legal Adviser has advised that, since contractual arrangements are not specified as foreign investments under the Foreign Investment Law, and no relevant laws, administrative regulations or provisions of the State Council have incorporated contractual arrangements as a form of foreign investment, the Foreign Investment Law does not apply to our Contractual Arrangements, and it does not substantially change the identification of foreign investors in the field of foreign investment and the principle of recognition and treatment of our Contractual Arrangements. Therefore, each of the agreements comprising the Contractual Arrangements will not be materially affected and will continue to be legal, valid and binding on the parties if there are no changes to relevant laws and regulations in this respect. Notwithstanding the above, the Foreign Investment Law stipulates that foreign investors investing through any other methods stipulated under laws, administrative regulations or provisions of the State Council may be considered as a form of foreign investment. It is therefore possible that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment. However, as of the Latest Practicable Date, it was uncertain as to how our Contractual Arrangements will be handled.

If the Relevant Business is no longer falling within the catalog of restrictions or certain conditions and permission of foreign investment access required under the 2021 Negative List and we can legally operate our business under PRC laws and regulations, Shanghai NIO will exercise the option under the exclusive option agreements to acquire the equity interest/assets of Beijing NIO and unwind the Contractual Arrangements subject to any applicable approvals from the relevant governmental authorities, and subject to any application or approval procedures by the relevant governmental authorities.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (1) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (2) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (3) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports; and
- (4) our Company will engage external legal advisors or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Shanghai NIO and our consolidated affiliated entities to deal with specific issues or matters arising from the Contractual Arrangements.

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Introduction. The information from official government sources has not been independently verified by us, the Joint Sponsors, any of their respective directors and advisers, or any other persons or parties involved in the Introduction, and no representation is given as to its accuracy. Accordingly, the information from official government sources contained herein may not be accurate and should not be unduly relied upon.

China is the largest battery electric vehicle, or BEV, market in the world, with sales of 1.0 million units in 2020, and continues to account for more than half of global BEV sales. China's BEV sales are expected to grow at a CAGR of 43.9% from 2020 to 2025, reaching 6.2 million units, according to Frost & Sullivan. China is also the world's largest passenger vehicle market, with BEV penetration rate expected to increase from 5.0% in 2020 to 26.2% in 2025. In the first nine months of 2021, the NIO ES6, EC6 and ES8 were the top three premium battery electric SUVs as measured by sales volume in China, according to Frost & Sullivan.

OVERVIEW OF THE GLOBAL AND CHINA ELECTRIC VEHICLE MARKETS

Global electric vehicle market continues to experience high growth

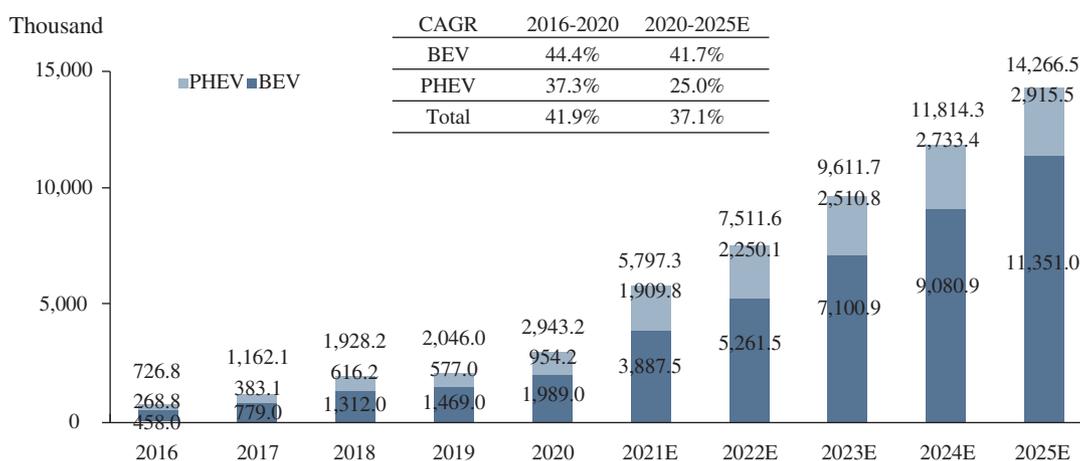
Electric vehicles include BEVs and plug-in hybrid electric vehicles, or PHEVs. A BEV is powered by batteries only with propulsion solely produced by electric motors, and results in zero tailpipe emission. A PHEV has both internal combustion engine, or ICE, and electric motors, with energy supplied from fuel and batteries, which can be charged via external power supply. For examples of BEV and PHEV models available on the market, please refer to the section headed "Competitive Landscape of China's Premium Electric Vehicle Market."

| | BEV | PHEV |
|---------------------|----------------|---------------------|
| Driving Component | Electric motor | Electric motor, ICE |
| Energy source | Battery | Battery, Fuel |
| Capacity of battery | High | Low |
| Emission | No emission | Low emission |

INDUSTRY OVERVIEW

In 2020, global electric vehicle sales were 2.9 million units and according to Frost & Sullivan, global electric vehicle sales are expected to reach 14.3 million units by 2025 at a CAGR of 37.1%. Within the electric vehicle market, the BEV segment is expected to grow at a much faster pace, increasing from 2.0 million units sold globally in 2020 to an estimated 11.4 million units in 2025, representing a CAGR of 41.7%. In the meantime, the penetration rate of BEVs in global passenger vehicle market is expected to increase from 3.4% in 2020 to 15.4% in 2025. For the first nine months of 2021, the global BEV market has been following the aforementioned trajectory, with 2.6 million units sold and representing a year-on-year growth rate of 148.4%.

Global Electric Vehicle Sales Volume, Breakdown by Type, 2016-2025E



Source: Industry Associations, Frost & Sullivan

China is the clear leader in the global BEV market

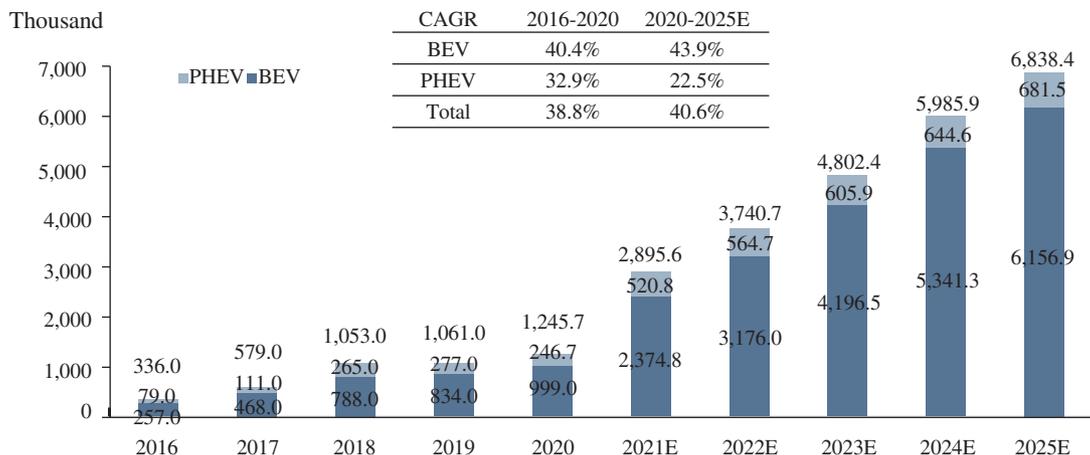
China is the world's largest passenger vehicle market as measured by sales volume. According to Frost & Sullivan, China's passenger vehicle sales volume was 20.2 million units in 2020 and is expected to increase to 23.5 million units in 2025, representing 31.9% of the sales volume in global market. The vast majority of the electric vehicle market in China is comprised of BEVs. In 2020, China had the highest share of BEVs as a percentage of electric vehicle sales at 80.2%, as compared to 67.6% for the global market. With increasing BEV sales penetration from 5.0% in 2020 to 26.2% in 2025, China's market represents the most sizable long-term market opportunity globally for BEV automakers.

China was the largest BEV market in 2020, and accounted for 50.2% of the global BEV sales, according to Frost & Sullivan. It was also one of the fastest growing BEV markets in the world, growing from 0.3 million units sold in 2016 to 1.0 million units sold in 2020 at a CAGR of 40.4%. China's BEV market is expected to continue its fast growth at a CAGR of 43.9% from 2020 to 2025, reaching sales of 6.2 million units in 2025.

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The significant growth potential for the Chinese BEV market is evidenced by the 1.7 million BEV sales recorded for the first nine months of 2021, representing a year-on-year growth rate of 229.6%, and sales penetration rate of 11.5%.

China Electric Vehicle Sales Volume, Breakdown by Type, 2016-2025E



Note: sales volume includes imported New Energy Vehicles.

Source: China Association of Automobile Manufacturers, China Passenger Cars Association, Frost & Sullivan

European and US markets

The European market represents a key geography for electric vehicle sales, with an aggregate sales volume of 1.3 million units in 2020, and is expected to grow to 4.7 million units in 2025 at a CAGR of 30.1%. Specifically, the European BEV market recorded sales of 0.7 million units in 2020, and is expected to reach 3.4 million units in 2025 at a CAGR of 37.6%. BEV penetration rate in Europe is expected to increase from 5.1% in 2020 to 19.5% in 2025, according to Frost & Sullivan.

The US electric vehicle market is expected to grow at a fast pace, from 0.3 million units in 2020 to 2.6 million units in 2025, representing a CAGR of 51.0%, according to Frost & Sullivan.

KEY DRIVERS FOR ELECTRIC VEHICLE MARKET GROWTH

Increasing environmental awareness and policy support

According to Frost & Sullivan, consumers have become increasingly concerned about the environmental impact of vehicle emissions, with preference shifting towards low or zero emission vehicles. The adoption of electric vehicles can effectively reduce emissions compared to traditional ICE vehicles.

China expects to hit peak carbon emissions before 2030 and the Chinese government aims to achieve carbon neutrality by 2060. The Chinese government has promulgated a number of policies to support the growth of New Energy Vehicles (“NEVs”), which include BEVs, and targets to achieve a 20% NEV penetration rate by 2025. China has also introduced the NEV credit and average fuel economy credit trading scheme in 2018 in order to promote the electric vehicle production. To further support NEV adoption, the national NEV subsidies and tax

INDUSTRY OVERVIEW

incentives have been extended from the end of 2020 to the end of 2022. The current 2021 subsidy policy applies to NEVs with the sale price under RMB300,000 or compatible with battery swapping technologies. Certain municipal-level regulations in China also favor BEV adoption, including lower hurdle to obtain vehicle license plates and elimination of vehicle usage restrictions for BEVs as compared to ICE vehicles. For further information on material government policies on NEVs, please refer to the section headed “Regulatory Overview — Favorable Government Policies Relating to New Energy Vehicles in the PRC.”

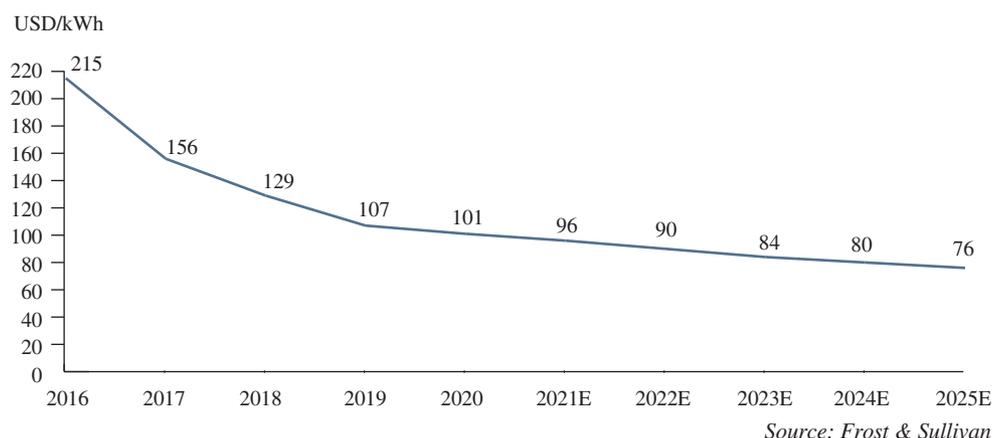
Governments around the world have also been establishing policies to promote electric vehicle adoption. The European Union aims to attain net zero emissions of greenhouse gases by 2050 and has adopted a number of supportive policies specifically for zero emission vehicles, including purchase subsidies and certain tax exemptions. The Norwegian government has set the target that by 2025 all new private vehicles, city buses and light vans are to be zero emission vehicles. The UK government has announced that it plans to end the sale of new petrol and diesel vehicles by 2030, and target all new vehicle sales being tailpipe emission free by 2035. In the United States, a presidential executive order was signed on August 5, 2021, setting a goal that 50% of all new passenger vehicles and light trucks sold in 2030 to be zero-emission vehicles, including BEVs and PHEVs. Additionally, 40 states provide tax benefits or rebates for electric vehicle purchases, and in particular, California requires that by 2035 all new passenger vehicles and trucks sold in the state are to be zero emission vehicles.

Improving battery technologies

Improvements in battery technologies have enabled rapid development in the electric vehicle sector. Continued technology developments have led to greater energy density, higher safety level and longer battery life. As an example, the energy density of battery cells was between 217 to 252 Wh/kg in 2019. As of the Latest Practicable Date, the energy densities of a number of battery cell products on the market had exceeded 300 Wh/kg, according to Frost & Sullivan. Together these improvements further enhance the user experience of electric vehicles.

Driven by greater economies of scale in battery production and technology advancements, the battery cost is expected to reduce significantly. According to Frost & Sullivan, battery cell price in China is expected to reduce from US\$101/kWh in 2020 to US\$76/kWh in 2025.

Volume-weighted Average Battery Cell Price, China, 2016-2025E



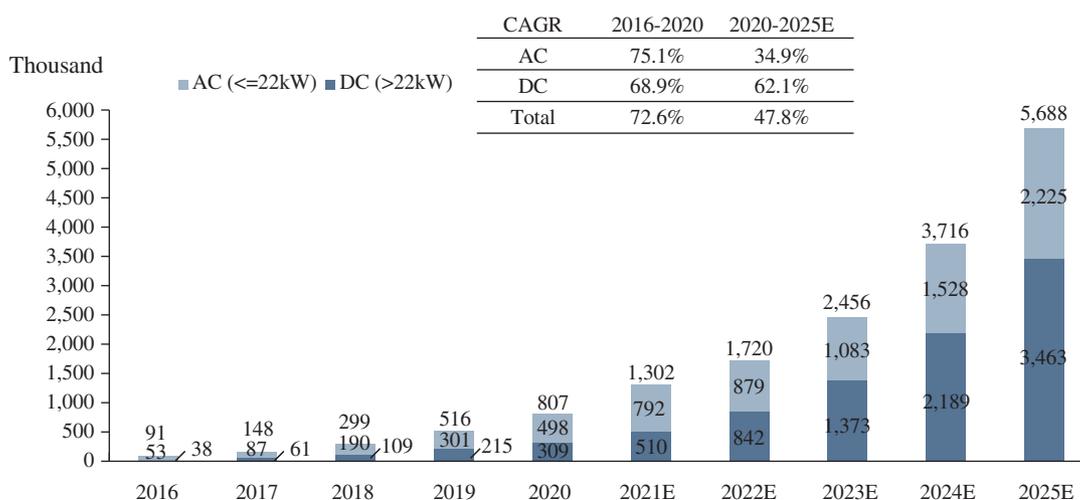
INDUSTRY OVERVIEW

According to Frost & Sullivan, battery swapping technologies facilitate the separation of vehicle and battery ownership, which allows consumers to buy the vehicle and subscribe for the battery separately. This provides a lower upfront purchase price and offers flexibility to upgrade the battery as technologies improve.

Expanding electric vehicle infrastructure

Governments around the world have been promoting the deployment of electric vehicle infrastructure, which in turn has been an important factor in consumers' increasing adoption of electric vehicles. PRC government has specifically identified charging and battery swapping infrastructure as key areas of "new infrastructure", which enjoy prioritized policy support in infrastructure build-out and deployment. In the past five years, charging network in China has seen significant growth and according to Frost & Sullivan, there were more than 0.8 million public charging piles, 38% of which were DC fast chargers at the end of 2020. To meet increasing consumer demand, the total number of public charging piles in China is expected to increase significantly to 5.7 million units by 2025, at a CAGR of 47.8%, 61% of which are DC fast chargers.

Number of Public Charging Piles in China, 2016-2025E



Source: EVCIPA, Frost & Sullivan

Meanwhile, selected automakers are deploying their own fast charging and/or battery swapping stations to further enhance their user experience.

In Europe, electric vehicle infrastructure has developed rapidly. At the end of 2020, there were approximately 0.3 million public charging piles in Europe, 13% of which were DC fast chargers. By 2025, the total number of public charging piles in Europe is expected to reach 1.2 million, with 38% being DC fast chargers, according to Frost & Sullivan.

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AUTONOMOUS DRIVING AND DIGITAL TECHNOLOGIES

Technologies and features such as advanced driver assistance systems, autonomous driving, personalized infotainment and AI-enabled human machine interface significantly enhance user experience. Increasing consumer preference for such technologies underpin the wider adoption trend going forward. The advancement of these technologies requires an increasing number of sensors, significantly more computing power and advanced software, which can be more efficiently integrated and updated over-the-air under the electrical/electronic architecture of electric vehicles.

An increasing number of automakers have rolled out ADAS features in recent years, which typically include adaptive cruise control, lane change/keeping assist, automatic emergency braking and automatic parking. The penetration rate of ADAS as a percentage of new passenger vehicle sales in China grew from 11.4% in 2016 to 38.4% in 2020. It is expected to further increase to 55.7% by 2025, according to Frost & Sullivan.

With continued advancements in hardware and software technologies, future vehicles are expected to be empowered by improving autonomous driving technologies. The autonomous driving hardware typically includes computing System-on-Chips, or SoCs, cameras, LiDARs, radars, and other sensors. According to Frost & Sullivan, driven by the consumer preferences, technological advancements, market competitions and geopolitical environment, the computing power of central processing unit chipsets are expected to gradually evolve, while the production of micro controller unit chipsets with lower computing power are expected to become increasingly localized. The autonomous driving full stack software capabilities include perception, planning and control algorithms, high-definition maps, and closed-loop data management. AD technologies are expected to enhance road safety and free up the drivers' time.

Digital technologies that are emerging and gaining momentum in the auto industry mainly include digital cockpit and digital system. Digital cockpits are trending towards: (i) personalized infotainment for every passenger with access to a wide range of content offerings; and (ii) AI-enabled advanced human machine interface, such as voice-activated control systems and driver behavior monitoring. Automakers are also strengthening the development or implementation of digital systems with the ability to complete continuous upgrades through over-the-air firmware and software updates. FOTA updates enable the upgrade of the operating firmware across the vehicle's core systems, such as digital cockpit, autonomous driving domain controller and electric powertrain. SOTA updates allow for improvements of the vehicle software, such as the onboard infotainment system.

As autonomous driving technology continues to develop, combined with the increasing adoption of digital technologies, Frost & Sullivan expects new innovative business models to emerge in the auto industry. For example, autonomous driving technology can be offered to consumers as a subscription service, where the user experience can be continuously enhanced with new technology upgrades provided through convenient over-the-air updates. Additional commercial opportunities, such as infotainment contents and features, may become viable as the driver's time in the vehicle is freed from the task of driving.

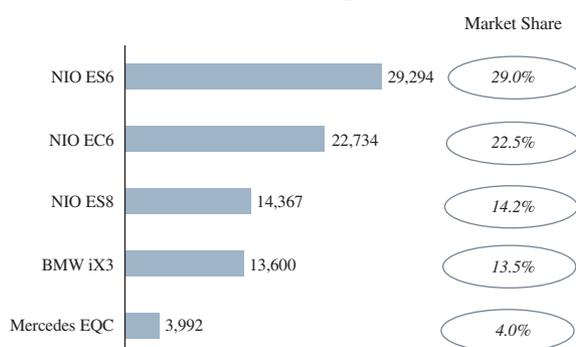
INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE OF CHINA'S PREMIUM ELECTRIC VEHICLE MARKET

The premium segment in China, as defined by vehicles priced over RMB300,000, is expected to be the fastest growing segment at a CAGR of 12.1% from 2020 to 2025, according to Frost & Sullivan.

In the first nine months of 2021, the NIO ES6, EC6 and ES8 were the top three premium battery electric SUVs as measured by sales volume in China, according to Frost & Sullivan.

Premium Battery Electric SUV Cumulative Sales Volume Ranking, China, Jan-Sep, 2021



Among premium mid-large SUVs in the market, the NIO ES8 offers advantageous acceleration, power, torque, ADAS and in-cabin AI features, as well as pricing, compared to ICE peers. At the same time, the ES8 is comparable to Tesla Model X and BMW iX in terms of performance, but enjoys a clear price advantage.

| SUV Model | NIO – ES8 (BEV) | Tesla – Model X (BEV) | BMW iX (BEV) | Audi Q7 (ICE) | Mercedes Benz GLS (ICE) |
|---|--|--|---|---------------------------------------|---------------------------------------|
| Launch Time | 2018 | 2021 | 2021 | 2021 | 2020 |
| MSRP | Start from ¥ 468,000 | ¥ 939,990 | ¥ 846,900 | ¥ 701,800 | ¥ 1,028,000 |
| Electric Motor | Front: Permanent magnet motor Rear: Induction motor | Front: Permanent magnet motor Rear: Induction motor | Front: Current-excited synchronous motor Rear: Current-excited synchronous motor | N/A | N/A |
| Acceleration time from 0 to 100km/h (s) | 4.9 | 3.9 | 4.6 | 7.1 | 6.9 |
| Peak Torque (N·m) | 725 | Not disclosed | 765 | 370 | 450 |
| Peak Power (kW) | 400 | 493 | 385 | 180 | 230 |
| NEDC Driving Range (km) | 450 (75 kWh) 580 (100 kWh) 850 (150kWh) | 560* | 665** | N/A | N/A |
| Length/Width/Height (mm) | 5,022/1,962/1,756 | 5,037/2,070/1,684 | 4,955/1,967/1,698 | 5,067/1,970/1,731 | 5,214/1,956/1,823 |
| Capacity of Battery (kWh) | 75/100/150 | 100 | 111.5 | N/A | N/A |
| Battery Swap Service | √ | × | × | N/A | N/A |
| Air Suspension | √ | √ | √ | × | √ |
| FOTA | √ | √ | Not disclosed | Not disclosed | Not disclosed |
| Sensors | 7 Cameras + 5 Radars + 12 Ultrasonic sensors | 8 Cameras + 1 Radar + 12 Ultrasonic sensors | Cameras+ Radars+ Ultrasonic sensors | Cameras + Radars + Ultrasonic sensors | Cameras + Radars + Ultrasonic sensors |
| Chipset | Mobileye Q4 (2.5 TOPS) | FSD (144 TOPS) | Not disclosed | Not disclosed | Not disclosed |
| In-Cabin AI | Speech recognition + Emotional experience + State perception | Speech recognition + State perception | Speech recognition | Speech recognition | Speech Recognition |

Notes: 1. Sensors refer to those mounted on the external body for purposes of ADAS and autonomous driving. 2. Chipset is for ADAS and autonomous driving. 3. Computing power (TOPS) of ES8 and Model X is for the full set, BMW iX full set spec is not disclosed although single chipset data is available. 4. Launch time is for the release of the new version. 5. MSRP is for the entry level model. 6. Sensors without numbers means the numbers are not available. 7. Information as of December, 2021. 8. "x" and "N/A" indicate "None" and "Not Applicable", respectively. 9. "Start from" of NIO MSRP means prices vary based on battery capacity. * Estimated ** Under CLTC standard

Source: Company Websites, Frost & Sullivan

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Compared to other premium mid-size electric SUVs, the NIO ES6 and EC6 have the best-in-class NEDC driving range, maximum power output and torque, and in-cabin AI features.

| SUV Model | NIO ES6 (BEV) | NIO EC6 (BEV) | Tesla Model Y (BEV) | BMW iX3 (BEV) | Audi e-tron (BEV) | Mercedes Benz EQC (BEV) |
|---|--|--|--|--|---|---|
| Launch Time | 2018 | 2019 | 2021 | 2021 | 2021 | 2020 |
| MSRP | Start from ¥ 358,000 | Start from ¥ 368,000 | ¥ 291,840 | ¥ 399,900 | ¥ 546,800 | ¥ 499,800 |
| Electric Motor | Front: Permanent magnet motor Rear: Permanent magnet motor | Front: Permanent magnet motor Rear: Permanent magnet motor | Rear: Permanent magnet motor | Rear: Current-excited synchronous motor | Front: Induction motor Rear: Induction motor | Front: Induction motor Rear: Induction motor |
| Acceleration time from 0 to 100km/h (s) | 5.6 | 5.4 | 6.9 | 6.8 | 3.4(0-50km/h) | 6.9 |
| Peak Torque (N·m) | 610 | 610 | 404 | 400 | 540 | 590 |
| Peak Power (kW) | 320 | 320 | 202 | 210 | 230 | 210 |
| NEDC Driving Range (km) | 465 (75 kWh) 610 (100 kWh) 900 (150 kWh) | 475 (75 kWh) 615 (100 kWh) 910 (150 kWh) | 545* | 500 | 500 | 415 |
| Length/Width/Height (mm) | 4,850/1,965/1,758 | 4,850/1,965/1,731 | 4,750/1,921/1,624 | 4,746/1,891/1,683 | 4,901/1,935/1,640 | 4,774/1,890/1,622 |
| Capacity of Battery (kWh) | 75/100/150 | 75/100/150 | 60 | 74 | 97 | Not disclosed |
| Battery Swap Service | √ | √ | x | x | x | x |
| Air Suspension | x | x | x | x | √ | x |
| FOTA | √ | √ | √ | Not disclosed | Not disclosed | Not disclosed |
| Sensors | 7 Cameras + 5 Radars + 12 Ultrasonic sensor | 7 Cameras + 5 Radars + 12 Ultrasonic sensor | 8 Cameras + 1 Radar + 12 Ultrasonic sensors | Cameras + Radars + Ultrasonic sensors | Cameras + Radars + Ultrasonic sensors | Cameras + Radars + Ultrasonic sensors |
| Chipset | Mobileye Q4 (2.5 TOPS) | Mobileye Q4 (2.5 TOPS) | FSD (144 TOPS) | Not disclosed | Not disclosed | Not disclosed |
| In-Cabin AI | Speech recognition + Emotional experience + State perception | Speech recognition + Emotional experience + State perception | Speech recognition + State perception | Speech Recognition | Speech Recognition | Speech Recognition |

Notes: 1. Sensors refer to those mounted on the external body for purposes of ADAS and autonomous driving.

2. Chipset is for ADAS and autonomous driving. 3. Computing power (TOPS) of ES6, EC6 and Model Y is for the full set, BMW iX3 full set spec is not disclosed although single chipset data is available. 4. Launch time is for the release of the new version. 5. MSRP is for the entry level model. 6. Sensors without numbers means the numbers are not available. 7. Information as of December 2021. 8. "x" and "N/A" indicate "None" and "Not Applicable", respectively. 9. "Start from" of NIO MSRP means prices vary based on battery capacity.*

Source: Company Websites, Frost & Sullivan

Estimated under CLTC standard

Among premium mid-large sedans in the market, the NIO ET7 provides superior performance, richer autonomous driving and in-cabin AI features and better pricing compared to ICE and PHEV peers. Compared to Tesla Model S, ET7 has comparable performance, offers the best-in-class computing power and sensing capabilities for autonomous driving, as well as the most advanced in-cabin AI features, while enjoying a significant price advantage.

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| Sedan Model | NIO ET7 (BEV) | Tesla Model S (BEV) | BMW 5 Series (PHEV) | Mercedes Benz E Class (PHEV) |
|---|--|--|---------------------------------------|---------------------------------------|
| Launch Time | 2021 | 2021 | 2021 | 2021 |
| MSRP | Start from ¥ 448,000 | ¥ 889,990 | ¥ 499,900 | ¥ 518,300 |
| Electric Motor | Front: Permanent magnet motor Rear: Induction motor | Front: Permanent magnet motor Rear: Induction motor | Not disclosed | Not disclosed |
| Acceleration time from 0 to 100km/h (s) | 3.8 | 3.2 | 6.7 | 6.7 |
| Peak Torque (N·m) | 850 | Not disclosed | 420 | Not disclosed |
| Peak Power (kW) | 480 | 493 | 215 | 235 |
| NEDC Driving Range (km) | 550 (75 kWh)* 705 (100 kWh)* 1000 (150 kWh)* | 652** | 95 | 120 |
| Length/Width/Height (mm) | 5,101/1,987/1,509 | 4,979/1,964/1,445 | 5,106/1,868/1,490 | 5,078/1,860/1,480 |
| Capacity of Battery (kWh) | 75/100/150 | 100 | 17.7 | 25.4 |
| Battery Swap Service | √ | × | × | × |
| Air Suspension | √ | √ | √ | √ |
| FOTA | √ | √ | Not disclosed | Not disclosed |
| Sensors | 11 Cameras + 1 LiDAR + 5 Radars + 12 Ultrasonic sensors | 8 Cameras + 1 Radar + 12 Ultrasonic sensors | Cameras + Radars + Ultrasonic sensors | Cameras + Radars + Ultrasonic sensors |
| Chipset | NVIDIA Orin (1,016 TOPS) | FSD (144 TOPS) | Not disclosed | Not disclosed |
| In-Cabin AI | Speech recognition + Emotional experience + State perception | Speech Recognition + State perception | Speech Recognition | Speech Recognition |

Notes: 1. Sensors refer to those mounted on the external body for purposes of ADAS and autonomous driving.

2. Chipset is for ADAS and autonomous driving. 3. Computing power (TOPS) of ET7 and Model S is for the full set, BMW 5 series full set spec is not disclosed although single chipset data is available.

4. Launch time is for the release of the new version. 5. MSRP is for the entry level model.

6. Sensors without numbers means the numbers are not available. 7. Information as of December 2021.

8. "x" and "N/A" indicate "None" and "Not Applicable", respectively.

9. "Start from" of NIO MSRP means prices vary based on battery capacity.

*Under CLTC standard **Estimated

Source: Company Websites, Frost & Sullivan

Among the premium mid-size sedan models in the market, the NIO ET5 offers the best-in-class acceleration performance, maximum power output and torque, computing power and sensing capabilities for autonomous driving, as well as in-cabin AI features, while maintaining a comparable price, compared to other ICE peers.

| Sedan Model | NIO-ET5 (BEV) | BMW i4*** (BEV) | BMW 3 Series (ICE) | Mercedes Benz C Class (ICE) | Audi A4L (ICE) |
|---|--|---|---------------------------------------|---------------------------------------|---------------------------------------|
| Launch Time | 2021 | N/A | 2021 | 2021 | 2021 |
| MSRP | Start from ¥ 328,000* | ¥ 426,234 | ¥ 293,900 | ¥ 325,200 | ¥ 321,800 |
| Electric Motor | Front: Induction motor Rear: Permanent magnet motor | Rear: Current-excited synchronous motor | N/A | N/A | N/A |
| Acceleration time from 0 to 100km/h (s) | 4.3 | 5.7 | 9.0 | 9.0 | 8.2 |
| Peak Torque (N·m) | 700 | 430 | 250 | 250 | 320 |
| Peak Power (kW) | 360 | 250 | 115 | 125 | 140 |
| NEDC Driving Range (km) | 550 (75 kWh) ** 700 (100 kWh) ** 1000 (150kWh) ** | 625** | N/A | N/A | N/A |
| Length/Width/Height (mm) | 4,790/1,960/1,499 | 4,785/1,852/1,856 | 4,719/1,827/1,459 | 4,882/1,820/1,456 | 4,858(4,851)/1,847/1,439 |
| Capacity of Battery (kWh) | 75/100/150 | 84 | N/A | N/A | N/A |
| Battery Swap Service | √ | × | N/A | N/A | N/A |
| Air Suspension | × | √ | × | × | × |
| FOTA | √ | Not disclosed | Not disclosed | Not disclosed | Not disclosed |
| Sensors | 11 Cameras + 1 LiDAR + 5 Radars + 12 Ultrasonic sensors | Cameras + Radars + Ultrasonic sensors | Cameras + Radars + Ultrasonic sensors | Cameras + Radars + Ultrasonic sensors | Cameras + Radars + Ultrasonic sensors |
| Chipset | NVIDIA Orin (1,016 TOPS) | Not disclosed | Not disclosed | Not disclosed | Not disclosed |
| In-Cabin AI | Speech recognition + Emotional experience + State perception | Speech recognition | Speech recognition | Speech recognition | Speech Recognition |

Notes: 1. Sensors refer to those mounted on the external body for purposes of ADAS and autonomous driving.

2. Chipset is for ADAS and autonomous driving. 3. Computing power (TOPS) of ET5 is for the fullset, BMW 3 series full set spec is not disclosed although single chipset data is available. 4. Launch time is for the release of the new version. 5. MSRP is for the entry level model. 6. Sensors without numbers means the numbers are not available. 7. Information as of December, 2021. 8. "x" and "N/A" indicate "None" and "Not Applicable", respectively. 9. "Start from" of NIO MSRP means prices vary based on battery capacity. * The whole vehicle price including battery ** Under CLTC standard *** The BMW i4 has not yet been officially launched in China, and the configuration information is based on the overseas version. Specifically, the MSRP of BMW i4 in China is converted from its Germany Euro price of EUR 59,200 to Renminbi for illustration purpose at a rate of RMB7.1999 = EUR 1.00, which is published by the European Central Bank on December 22, 2021

Source: Company Websites, Frost & Sullivan

INDUSTRY OVERVIEW

SOURCE OF INFORMATION

In connection with the Listing, we have engaged Frost & Sullivan to conduct a detailed analysis and prepare an industry report on the markets in which we operate. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We incurred a total of RMB635,000 in fees and expenses for the preparation and update of the report by Frost & Sullivan. The payment of such amount was not contingent upon our successful Listing or on the results of the report by Frost & Sullivan. Except for the report by Frost & Sullivan, we did not commission any other industry report in connection with the Listing.

We have included certain information from the report by Frost & Sullivan in this document because we believe such information facilitates an understanding of the markets in which we operate for potential investors. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing its report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources. Except as otherwise noted, all data and forecasts in this section come from the Frost & Sullivan Report. Our Directors confirm that, to the best of their knowledge, after taking reasonable care, there has been no adverse change in market information since the date of the Frost & Sullivan Report that may qualify, contradict or impact the information disclosed in this section.

In preparing its report, Frost & Sullivan relied on market information which has a variety of data sources, including external information channels and Frost & Sullivan internal database. External information channels consist of both primary and secondary research, including (i) publicly released literature materials and industry research reports; (ii) annual reports and product development information disclosed by listed companies; and (iii) industry expert interviews.

BUSINESS

OUR MISSION

Our mission is to shape a joyful lifestyle for our users.

We aim to build a community starting with smart electric vehicles to share joy and grow together with users.

OUR COMPANY

Our Chinese name, Weilai (蔚來), which means Blue Sky Coming, reflects our commitment to a more environmentally friendly future.

We are a pioneer and a leading company in the premium smart electric vehicle market. We design, develop, jointly manufacture, and sell premium smart electric vehicles, driving innovations in autonomous driving, digital technologies, electric powertrains and batteries. We differentiate ourselves through our continuous technological breakthroughs and innovations, such as our industry-leading battery swapping technologies, Battery as a Service, or BaaS, as well as our proprietary autonomous driving technologies and Autonomous Driving as a Service, or ADaaS.

We introduced the EP9 supercar in 2016, which was then the fastest electric vehicle, setting the Nurburgring Nordschleife all-electric vehicle lap record. In December 2017, we launched the ES8, which is a six- or seven-seater flagship premium smart electric SUV. Subsequently, we launched the award-winning ES6, a five-seater high-performance premium smart electric SUV, in December 2018, and the EC6, a five-seater premium smart electric coupe SUV, in December 2019, followed by the ET7, a flagship premium smart electric sedan, in January 2021. In December 2021, we launched the ET5, a mid-size premium smart electric sedan.

Our vehicles have been well-received by Chinese consumers. In the first nine months of 2021, the NIO ES6, EC6 and ES8 were the top three premium battery electric SUVs as measured by sales volume in China, according to Frost & Sullivan. In 2018, we delivered 11,348 ES8s. In 2019, we delivered 20,565 vehicles, including 9,132 ES8s and 11,433 ES6s. In 2020, we delivered 43,728 vehicles, including 10,861 ES8s, 27,945 ES6s and 4,922 EC6s. In 2021, we delivered 91,429 vehicles, which include 20,050 ES8s, 41,474 ES6s and 29,905 EC6s. As of January 31, 2022, the cumulative deliveries of the ES8, ES6 and EC6 reached 176,722 vehicles.

BUSINESS



| Model | ES8 | ES6 | EC6 | ET7* | ET5* |
|---|---------------|-----------------|--------------------|------------------------|------------------------|
| Segment | Mid-large SUV | Mid-size SUV | Mid-size coupe SUV | Mid-large sedan | Mid-size sedan |
| Wheelbase (mm) | 3,010 | 2,900 | 2,900 | 3,060 | 2,888 |
| Driving range** (km) (with 75/100/150kWh battery pack)*** | 450/580/850 | 465/610/900**** | 475/615/910**** | 550/705/1000 | 550/700/1000 |
| Acceleration time from 0 to 100km/h (s) | 4.9 | 4.7**** | 4.5**** | 3.8 | 4.3 |
| Peak Power (kW) | 400 | 400**** | 400**** | 480 | 360 |
| Maximum Torque (NM) | 725 | 725**** | 725**** | 850 | 700 |
| Autonomous driving package | NIO Pilot | NIO Pilot | NIO Pilot | NIO Autonomous Driving | NIO Autonomous Driving |
| MSRP starting from (RMB) † | 468,000 | 358,000 | 368,000 | 448,000 | 328,000 |

* ET7 and ET5 are expected to commence delivery in March and September 2022, respectively.

** Represent NEDC range for ES8, ES6 and EC6 and CLTC range for ET7 and ET5.

*** 150 kWh battery is expected to be available in the fourth quarter of 2022.

**** Represent configurations of performance versions.

† Starting price of base models, and actual price may be higher depending on configuration.

OUR KEY TECHNOLOGICAL BREAKTHROUGHS AND INNOVATIONS

Since our inception, we have continued to innovate with the goal of consistently creating the most worry-free and convenient experience for our users. We are an industry leader in battery swapping and autonomous driving technologies, according to Frost & Sullivan. Our technological breakthroughs and innovations differentiate us from our peers, creating better user experiences and enhancing our users' confidence in us.

Battery swapping and BaaS

Since our introduction of the ES8 in 2017, all of our smart electric vehicles have been equipped with proprietary battery swapping technologies, providing our users with a “chargeable, swappable, upgradable” experience. In 2020, we launched the industry-first Battery as a Service, or BaaS, an innovative model which allows users to purchase electric vehicles and subscribe for the usage of batteries separately. BaaS enables our users to benefit from lower vehicle purchase prices, flexible battery upgrade options and assurance of battery performance.

- **Battery swapping.** Supported by over 1,200 patented technologies, all of our vehicles support battery swapping. It provides our users with convenient “recharging” experiences by simply swapping the user’s battery for another one within minutes. In addition, it enables users to enjoy the benefits of battery technology advancements with upgrade options. Our Power Swap station 2.0, which began deployment in April 2021, significantly increases our service capacity by shortening the battery swapping time to under three minutes and carrying up to 13

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batteries. As of December 31, 2021, we had 777 Power Swap stations covering urban areas and expressways across 183 cities in China, through which we had completed over 5.5 million battery swaps cumulatively.

- **BaaS.** Enabled by vehicle-battery separation and battery subscription, BaaS decouples the battery price from the purchase price of a vehicle. BaaS users enjoy a lower upfront purchase price and flexible subscription options for batteries of various capacities according to their needs on a monthly or yearly basis, as well as flexibility for battery upgrades in the future. For the year ended December 31, 2021, over half of the users that we delivered vehicles to chose BaaS subscription.

Autonomous driving and ADaaS

We believe that autonomous driving is the core of smart electric vehicles and it has been our focus from day one. We are one of the first companies in China to offer enhanced ADAS capabilities. NIO Pilot, our proprietary enhanced ADAS, is now equipped with Navigate on Pilot, or NOP. NOP is able to guide a vehicle on and off ramps, overtake, merge lanes and cruise according to planned routes in highways and urban expressways, and is one of the most advanced ADAS features on any volume-manufactured vehicle, according to Frost & Sullivan. In January 2021, we announced NIO Autonomous Driving, or NAD, our next generation, proprietary full stack autonomous driving technology. We have built up the NAD capability with in-house developed perception algorithms, localization, control strategy and platform software. The technology comprises a super computing platform called NIO Adam and a super sensing system called NIO Aquila. NAD is expected to gradually cover use cases from expressways, urban roads, parking, battery swapping to other domains to deliver a safer and more relaxing autonomous driving experience for our users and is first available on the ET7. We plan to roll out NAD through a monthly subscription under Autonomous Driving as a Service, or ADaaS, in the future.

OUR USER COMMUNITY

We strive to build an integrated online and offline user community by providing holistic services and a joyful lifestyle, under which users interact with us and with each other. Our direct sales model allows us to build direct relationships with users and engage with them online through NIO app and offline through NIO Houses and NIO Spaces. We further engage our user community through NIO Day and NIO Events, as well as our lifestyle brand NIO Life.

Our in-house developed NIO app is designed to be a portal not only for selling vehicles where users can place orders for and configure all NIO vehicles, but also for vehicle control, service access and NIO Life product purchase. NIO Houses have showroom functions while serving as clubhouses for our users and their friends. NIO Spaces are mainly showrooms for our brand, vehicles and services. As of December 31, 2021, we operated 37 NIO Houses and 321 NIO Spaces across 143 cities in China.

We have fostered a NIO community with users being involved in planning, organizing, and participating in company- and user-organized events, including our annual NIO Day. As a result of strong user engagement, our users are more willing to refer friends and family to our vehicles and services. For the year ended December 31, 2021, we reached a high user referral rate of over 60%.

OUR SUPPLY CHAIN AND MANUFACTURING

Our position as a pioneer in the market has attracted many global leaders and innovative companies in the industry to work with us, creating an extensive industry alliance network that is mutually beneficial to NIO and our partners. We continuously innovate our supply chain in order to establish a more effective and diverse supply chain system. We actively cultivate partnerships with suppliers that have innovative technological capabilities and cost advantages, thereby increasing the competitiveness and innovativeness of our supply chain. Our key supplier for the 75kWh and 100kWh batteries that we currently offer is CATL. We had in the past sourced the battery cells from CATL and assembled the battery cells into 70kWh battery packs through XPT, a wholly-owned PRC subsidiary of our Company, and its affiliate. We no longer offer the 70kWh battery option, and no longer conduct the pack assembly in-house. Our key suppliers for the semiconductor chips are Mobileye and Nvidia. We have also added Qualcomm as a semiconductor chip supplier for our vehicle models.

We manufacture our vehicles through a strategic alliance with JAC at its Hefei manufacturing facility, which currently has an annual vehicle and component production capacity of 120,000 units and will be expanded to 240,000 units in the first half of 2022. Our alliance with JAC has given us great flexibility and scalability, enabling our vehicles to hit market fast with high quality assurance. In addition, we have kicked off the construction of the second manufacturing plant in Xinqiao Industrial Park in Hefei and expect to start our vehicle production in the new manufacturing plant in the third quarter of 2022.

OUR COMPETITIVE STRENGTHS

We believe the following strengths contribute to our success.

Leading brand in China's premium smart electric vehicle market

We are a pioneer in the smart electric vehicle market and have cultivated our NIO (蔚来) brand as a leading premium smart electric vehicle brand nationwide. Our premium brand continues to be one of our key differentiators and has contributed to our leading position in the premium smart electric vehicle market.

Our brand has enabled us to foster a loyal and vibrant user community starting with smart electric vehicles where we share joy and grow together with our users:

- We have built a loyal and interactive user community with the seamless intergrated online and offline platforms, consisting of over 176,000 users, their family and friends, and our brand followers as of January 31, 2022.
- We organized over 26,000 offline events for users, their family and friends in the year ended December 31, 2021.
- Driven by their passion towards the brand and the NIO user community, through our volunteer initiatives, users volunteer to promote the brand and assist with vehicle delivery in our showrooms, auto shows, delivery centers and other events. Approximately 6,000 users had participated in our volunteer initiatives as of December 31, 2021.
- We have achieved a high user referral rate of over 60% in the year ended December 31, 2021.

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We believe our NIO user community not only leads to a more joyful life for our users and their families, but also helps create a strong network effect for our business. Our online channels, including NIO app, social networks and live broadcasts and short videos on social media platforms, and offline channels, including our NIO Houses and NIO Spaces, continue to broaden and deepen our brand appeal, and solidify our leading market position.

Well positioned products in the premium smart electric vehicle market

We are strategically positioned in China's attractive and fast-growing premium smart electric vehicle segment, in which we have launched several highly successful products. According to Frost & Sullivan, China's battery electric vehicle market had reached sales of approximately one million units in 2020 and is expected to grow to approximately 6.2 million units by 2025, at a CAGR of 43.9%. Within China's electric vehicle market, the premium smart electric vehicle segment is expected to achieve the highest growth during the period from 2020 to 2025 at a CAGR of 48.1%.

As the first-to-market domestic premium smart electric vehicle brand in China, we believe we have a multi-year lead-time in product delivery, innovation, and infrastructure over our domestic and international competitors in China. Our volume manufactured vehicles, including the ES8, ES6, EC6, ET7 and ET5, are well positioned at the intersection of China's fastest growing premium and electric vehicle segments. In the first nine months of 2021, the NIO ES6, EC6 and ES8 were the top three premium battery electric SUVs as measured by sales volume in China, according to Frost & Sullivan. As of January 31, 2022, we had delivered a total of 176,722 vehicles cumulatively.

We have significant in-house vehicle design and engineering capabilities, which cover all major areas of vehicle development starting from concept to completion. Our vehicles speak a distinctive design language that is consistently embodied in all products in the NIO family. Our ES8 was the first electric vehicle in China to have an all-aluminum alloy body and chassis, featuring aerospace grade aluminum alloy, enhancing the strength, safety and performance of the vehicle. Our ES6 ranked first for vehicle design in the 2020 Automotive Brand Contest in the Exterior Premium Brand category.

We aim to deliver safe and high-quality products to our users in line with our core values and commitments. According to J.D. Power's 2019 China New Energy Vehicle Experience Index Study published in July 2019, NIO ranked the highest in quality among all electric vehicle brands, and the ES8 ranked the highest in quality among all mid-large battery electric vehicles. According to J.D. Power's 2020 China New Energy Vehicle Experience Index Study published in September 2020, NIO ranked the highest in quality among all battery electric vehicle brands, and the ES6 ranked the highest in quality among all mid-size battery electric vehicles. Based on the results released by C-IASI (China Insurance Automotive Safety Index) in January 2021, the EC6 achieved the best safety rating among all models tested by C-IASI in 2020. According to the reports published by J.D. Power in July 2021, the ES6 ranked the highest in the luxury battery electric vehicle segment in China New Energy Vehicle Initial Quality Study (NEV-IQS), while the ES8 ranked the highest in the luxury battery electric vehicle segment in China New Energy Vehicle — Automotive Performance, Execution and Layout (NEV-APEAL) Study.

Proven capabilities in proprietary software and hardware technological innovations

We have strategically focused on building in-house capabilities in software and hardware development which provide us with the flexibility to enhance our products and services on an ongoing basis and allow us to update and launch new products more rapidly.

Autonomous driving

We are one of the first companies in China to offer enhanced ADAS capabilities. Our in-house developed NIO Pilot offers enhanced ADAS and features Navigate on Pilot, or NOP, which is able to guide the vehicles on and off ramps, overtake, merge lanes and cruise according to planned routes in highways and urban expressways. According to Frost & Sullivan, NOP is one of the most advanced ADAS features equipped on any volume-manufactured vehicles. With in-house capabilities, we are able to frequently upgrade our autonomous driving capability over-the-air throughout the product lifecycle.

In January 2021, we announced our new NIO Autonomous Driving, or NAD, our next generation, proprietary full stack autonomous driving technology. We have built up the NAD capability with in-house developed perception algorithms, localization, control strategy and platform software. The technology comprises a super computing platform called NIO Adam and a super sensing system called NIO Aquila. NIO Adam's core is made up of four NVIDIA Orin SoCs, while NIO Aquila features 33 high-performance sensing units, including 11 high-resolution cameras, one ultra-long-range high-resolution LiDAR, five millimeter-wave radars and 12 ultrasonic sensors. NAD is expected to gradually cover use cases from expressways, urban roads, parking and battery swapping to other domains to deliver a safer and more relaxing autonomous driving experience for our users. We plan to gradually roll out NAD for subscription with the ADaaS in the future.

Digital technologies

Our in-house developed digital cockpit has an AI driven, scalable and flexible architecture that presents the user with an intelligent and immersive digital experience. Our in-car digital cockpit enables a unified user experience across all interior displays and advanced user interaction through our digital AI companion, NOMI, which is one of the most advanced in-car AI systems in the world, according to Frost & Sullivan. To further enhance the experience of the second living room, we plan to deliver PanoCinema, a panoramic digital cockpit featuring AR and VR technologies, to users in the future. Digital system is the foundation for us to achieve continuous upgrade, the digital platform for building our own proprietary software and algorithms and the security system for deep reassurance. We are one of the first auto companies in China that have both FOTA and SOTA capabilities.

Electric powertrain and battery

We have designed, developed and manufactured our own proprietary electric powertrains in-house. Our ES6 is the first SUV in the world equipped with a combination of a permanent magnet motor and an induction motor. Empowered by our continuous in-house innovations, we have developed different generation of electric powertrains with a suite of electric motors by applying advanced technologies, including a silicon-carbide power module.

We are committed to the research, development and innovations in battery technologies. Our battery is based on high energy density battery cells, advanced battery management system and proprietary swapping mechanism. Currently, we offer two battery options: Standard Range Battery and Long Range Battery. We jointly designed and developed the batteries with our partners. The standard range battery is a 75 kWh battery, which is equipped with advanced software and hardware systems of thermal management and SoC (State of Charge) estimation. With proprietary patents, our 100 kWh Long Range Battery features the cell-to-pack technology, realizing higher energy density. In January 2021, we announced the introduction

of the 150 kWh Ultra-long Range Battery, a next generation battery technology. We expect to release the 150 kWh battery in the fourth quarter of 2022, which is expected to deliver a CLTC range of up to 1,000 km on a single charge for certain configurations of ET7.

Innovative Battery-as-a-Service and comprehensive power solutions

We strive to make electric vehicle experience easy, joyful and holistic, and try to address all of our users' power needs. Our comprehensive suite of power solutions makes the battery in our vehicles conveniently chargeable, swappable and upgradeable.

We differentiate ourselves through our innovations with our advanced battery swapping technologies and our industry-first BaaS model.

- Our award-winning Power Swap solution is at the core of our “chargeable, swappable, upgradeable” user experience, enabled by over 1,200 patented technologies. Our Power Swap station 2.0 began deployment in April 2021. This new generation Power Swap station shortens swapping time to under three minutes and carries up to 13 batteries, which significantly increases our service capacity. As of December 31, 2021, we had 777 Power Swap stations covering urban areas and expressways across 183 cities in China, through which we have completed over 5.5 million battery swaps cumulatively.
- In August 2020, we launched our industry-first BaaS model. BaaS decouples the battery from the vehicle and allows users to subscribe for battery usage separately. BaaS enables our users to benefit from lower initial purchase prices, flexible battery upgrade options and assurance of battery performance. All users who purchase NIO vehicles can subscribe for BaaS, while continuing to enjoy existing favorable policies such as purchase tax exemptions and government subsidies for electric vehicles. For the year ended December 31, 2021, over half of the users that we delivered vehicles to chose BaaS subscription.

We offer a comprehensive and innovative suite of power solutions to address the charging and swapping needs of our users. Our power solutions include home charging called Power Home, battery swapping called Power Swap, supercharging called Power Charger, and mobile charging called Power Mobile, all of which are connected to cloud-enabled Power Cloud, which synchronizes users' power consumption information and our power network, and intelligently suggests the appropriate services, according to the users' locations and power consumption patterns. We have continued building out our swapping and charging infrastructure. As of December 31, 2021, we operated 777 Power Swap stations in 183 cities and our charging network had approximately 3,404 Power Charger piles in operation, covering 163 cities in China. In addition to our own swapping and charging network, our users had access to a network of over 450,000 public chargers as of December 31, 2021. Users can also access the real-time availability of the stations and chargers in our own network and the public network through the Power Map on our NIO app. In addition, we offer our users our One Click for Power valet service where we pick up, charge and then return the vehicle. We plan to deploy more Power Swap stations and expand our charging network to ensure consistent and optimal user experience.

User enterprise advocating a worry-free and holistic user experience

We offer a unique and holistic experience for our users and make ownership joyful and worry-free throughout the vehicle lifecycle. Through one click on NIO app, our users can access a full suite of services, including vehicle insurance through third-party insurers, repair

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and routine maintenance services, courtesy vehicle, nationwide roadside assistance, as well as an enhanced data package. As of December 31, 2021, we offered services through 54 NIO service centers and 181 authorized third party service centers in 139 cities in China.

We have built an integrated online and offline community and created a holistic experience that goes beyond the smart electric vehicle and a joyful lifestyle under which users can interact with us and with each other. Our NIO House, NIO Space and NIO app are important domains and touchpoints integral to this community. Not only serving as showrooms, but also as clubhouses providing our users with social functions, NIO House is where we continue to engage with our users after their vehicle purchase, and extend our relationships to other parts of their daily lives. NIO Space functions as an efficient sales, marketing and service outlet. As of December 31, 2021, we operated 37 NIO Houses and 321 NIO Spaces across 143 cities in China.

Working in tandem with the NIO House and NIO Space, our in-house developed NIO app houses the online venue for our community. Through our NIO app, users receive real-time information relating to their vehicles, socialize with other users and have access to NIO Life. NIO Life is our lifestyle brand, which has an online store on NIO app where users can purchase lifestyle products.

We believe the combination of NIO House, NIO Space and NIO app have enabled us to build a strong base of loyal users and reinforce our vision of building a community together with our diverse pool of users around the NIO brand and our shared values and culture. The user enterprise is reinforced further by company- and user-organized events, including our annual NIO Day, where many users choose to get involved in the planning and organizing of the event.

World-class management and global talent pool

Our success is led by a visionary management team with a unique combination of technology, internet and automotive experiences. Our founder, chairman and chief executive officer, Mr. Bin Li, is an experienced serial entrepreneur with a proven track record of building innovative businesses in the mobility and internet spaces.

Our position as a pioneer in the market and our proven track record have attracted global talent carrying expertise across many technological areas such as autonomous driving, digital technologies, vehicle design and engineering, creating a world class team. Our global footprint echoes our proposition and commitment for premium products, and enables us to deliver best-in-class results in a wide range of areas.

OUR STRATEGIES

We are pursuing the following strategies to achieve our mission:

Successfully launch future models and accelerate product iteration

The successful launches of future models are critical in capitalizing on our first mover advantage in China and capturing electric vehicle market opportunities globally. We plan to continue to launch new models in upcoming years to broaden our customer base and expand our product lineup. We intend to accelerate our product iteration process to meet the latest user preferences and to continue to drive innovation.

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Continue to focus on technological innovations

We plan to continue to develop NAD to provide our users with a safer and more relaxing autonomous driving experience in more scenarios. We intend to continue to develop next-generation digital technologies and user interface to offer an immersive mobile living experience.

We plan to continue to develop new battery technologies to reduce costs, increase the driving range of and shorten charging time for our vehicles. We also plan to further develop battery swapping technologies to enhance the service capacity and efficiency of our current systems. We are also developing our next generation electric powertrains with a higher output.

Continue to develop our power infrastructure and expand sales and service coverage

We plan to continue to develop our power infrastructure, including the expansion of our swapping and charging network. We plan to offer real-time data on the availability of more swapping stations and charging piles by uploading and synchronizing data from our own and third-party charging networks to our cloud. We plan to expand our sales and service coverage networks by building more NIO Spaces, NIO Houses, service centers and delivery centers, supported by our logistics network, to meet increasing demand from prospective users.

Create more recurring revenues during the lifetime ownership

We offer a suite of services, including ADaaS, flexible battery upgrades and after-sale services to provide more convenient and holistic experience during the lifetime ownership. These services allow us to generate recurring revenues beyond the initial vehicle purchase. Moreover, we plan to continue to strengthen user engagement through our lifestyle brand, NIO Life.

Expand internationally to benefit from rising global demand

We intend to enter international markets, starting with Europe, that offer identified growth opportunities and favorable government policies. With local consumers' preferences in mind, we plan to leverage the expertise we have developed from our operations in China to replicate our success internationally.

OUR VEHICLES

We design, develop, jointly manufacture and sell our vehicles in the premium smart electric vehicle market. We currently sell our vehicles in China and Norway and plan to expand into more global markets in the near future to capture the fast-growing EV demand.

ES8

The ES8 is a six-seater or seven-seater flagship premium smart electric SUV.

In December 2017, we launched the ES8, which is equipped with our proprietary electric powertrain featuring two 240 kW induction motors. The ES8 can accelerate from zero to 100 kph in 4.4 seconds and brake from 100 kph to a complete stop in 33.8 meters. The ES8 was awarded the five-star safety rating by C-NCAP (Chinese New Car Assessment Program) and Euro-NCAP (European New Car Assessment Program).

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In December 2019, we launched the all-new ES8 with more than 180 product improvements. With a combination of a 160 kW permanent magnet motor and a 240 kW induction motor, it can accelerate from zero to 100 kph in 4.9 seconds. With the Standard Range Battery and Long Range Battery, the all-new ES8's NEDC range reaches up to 450 km and 580 km, respectively.

The all-new ES8 offers the seven-seater version and the six-seater version with pre-subsidy starting prices of RMB468,000 and RMB476,000, respectively.

ES6

The ES6 is a five-seater high-performance premium smart electric SUV.

The ES6 is the world's first SUV equipped with a combination of a permanent magnet motor (160 kW) and an induction motor (240 kW). It can accelerate from zero to 100 kph in 4.7 seconds and brake from 100 kph to a complete stop in 33.9 meters. With the Standard Range Battery Pack and Long Range Battery Pack, the ES6's NEDC range reaches up to 465 km and 610 km, respectively.

The ES6 offers the Sporty version, the Performance version and the Signature edition with pre-subsidy starting prices of RMB358,000, RMB398,000, and RMB468,000, respectively.

EC6

The EC6 is a premium smart electric coupe SUV.

Powered by an electric powertrain of a 160 kW permanent magnet motor and a 240 kW induction motor and a 0.26 drag coefficient driven by its dynamic fastback silhouette, the EC6 is capable of accelerating from zero to 100 kph in 4.5 seconds. It also features a 2.1 square meter panoramic all-glass roof. With the Standard Range Battery and Long Range Battery, the EC6's NEDC range reaches up to 475 km and 615 km, respectively.

The EC6 offers the Sporty version, the Performance version, and the Signature edition with pre-subsidy starting prices of RMB368,000, RMB408,000 and RMB468,000, respectively.

ET7

The ET7 is a flagship premium smart electric sedan.

Boasting a high-efficiency electric powertrain featuring a front 180 kW permanent magnet motor with SiC power module and a rear 300 kW induction motor, together with a 0.208 ultra-low drag coefficient, the ET7 is designed to further improve its energy efficiency and accelerate from zero to 100 kph in 3.8 seconds and brake from 100 kph to a complete stop in 33.5 meters. The ET7 is engineered to meet both five-star Chinese and European New Car Assessment Program safety standards. It applies Karuun® renewable rattan for a green and natural experience. The ET7 features NIO's latest NAD including NIO Adam, our super computing platform, and NIO Aquila, our super sensing system. With the 150 kWh battery to be delivered in the fourth quarter of 2022, we expect the ET7 to deliver a CLTC range of up to 1,000 km on a single charge at the set configuration. We estimate to start delivery of the ET7 in March 2022. The ET7 offers Premier edition and Standard version with the pre-subsidy prices starting from RMB526,000 and RMB448,000, respectively.

ET5

The ET5 is a mid-size premium smart electric sedan.

With a 0.24 drag coefficient and a high-efficiency electric powertrain, featuring a front 150 kW induction motor and a rear 210 kW permanent magnet motor with SiC power module, the ET5 accelerates from 0 to 100 km/h in 4.3 seconds, and brakes from 100km/h to a complete stop in 33.9 meters. It is engineered for five-star Chinese and European New Car Assessment Program safety standards. The ET5 explores state-of-the-art material technologies and low-carbon and recycling materials, including Clean+ innovative sustainable materials. In addition to our latest NAD, it comes with PanoCinema with AR/VR-native design. With the Standard Range Battery, Long Range Battery, and Ultra-long Range Battery, the ET5's CLTC range reaches up to 550 km, 700 km and 1,000 km, respectively. We estimate to start delivery of the ET5 in September 2022.

The pre-subsidy price of the ET5 starts from RMB328,000.

RESEARCH AND DEVELOPMENT

We have strategically focused on building in-house capabilities in software and hardware development to control the design and development of the vehicle software and hardware architecture and the critical components that go into our products and services to deliver an optimal experience for our users. Our proprietary technologies, including battery swapping, autonomous driving, digital technologies, electric powertrain, battery and software-driven technologies, among others, differentiate us from our competitors. Our capabilities have given us greater flexibility to continually improve our current products and allow us to launch new products more rapidly. By integrating these industry-leading technologies, all our vehicles can create a relaxing, interactive, intelligent and immersive experience for our users.

Autonomous Driving

We believe that autonomous driving is the core of smart electric vehicles and it has been our focus from day one. We have gradually built up our full stack in-house autonomous driving capabilities and successfully delivered competitive products including NIO Pilot, our enhanced ADAS. We are also about to roll out our industry-leading NIO Autonomous Driving, or NAD, to our users.

We are one of the first companies in China to offer enhanced ADAS capabilities. The NIO Pilot hardware consists of 23 sensors, including a front-facing trifocal camera, four exterior surround cameras, five millimeter-wave radars, 12 ultrasonic sensors, and an interior driver monitoring camera. NIO Pilot has a built-in algorithm that leverages data across the entire vehicle fleet for fleet learning and crowd AI analysis, and runs new features under the shadow mode without materially impacting driver safety or vehicle operation. This allows us to fully test and validate the features before releasing them to the users. Our smart data management system can enable us to validate and improve algorithms using millions of miles of empirical data.

As of December 31, 2021, we have successfully rolled out many industry-leading features for NIO Pilot, including NOP (Navigate on Pilot), shiftless automatic parking assist with fusion, nearby summon, forward collision warning, automatic emergency braking, automatic high beam, auto lane change, lane departure warning, blind spot detection, front and rear cross-traffic alert, side door opening warning, and side distance indication. We plan to improve the existing features and roll out more features of the NIO Pilot going forward.

In January 2021, we announced NIO Autonomous Driving, or NAD, our next generation, proprietary full stack autonomous driving technology. We have built up the NAD capability with in-house developed perception algorithms, localization, control strategy and platform software. The technology comprises a super computing platform called NIO Adam and a super sensing system called NIO Aquila. NIO Adam's core is made up of four NVIDIA DRIVE Orin SoCs, while NIO Aquila features 33 high-performance sensing units, including 11 high-resolution cameras, one ultra-long-range high-resolution LiDAR, five millimeter-wave radars and 12 ultrasonic sensors. NAD is expected to gradually cover use cases from expressways, urban roads, parking, battery swapping to other domains to deliver a safer and more relaxing autonomous driving experience for our users. We plan to roll out NAD through a monthly subscription under ADaaS in the future.

Digital Technologies

Digital Cockpit

Our digital cockpit has an AI-driven, scalable and flexible architecture that presents users with an intelligent and immersive digital experience. The ES8, ES6 and EC6 adopts NVIDIA PARKER SoC while the ET7 and the ET5 use the 3rd Generation Qualcomm® Snapdragon™ Automotive Cockpit Platform for in-car digital cockpit. Inside our digital cockpit, NOMI, our in-car AI companion, can listen to, communicate and interact with users to build a strong emotional connection between vehicles and users. Inspired by the concept of mobile living space, we plan to deliver PanoCinema, a panoramic digital cockpit with AR and VR capabilities, to our users in the future. We have built flexibility into our digital cockpit, so that we can continue to update the NIO Operating System, or NIO OS, with new features and applications through software-over-the-air, or SOTA, updates.

At our third NIO Day, we launched our second-generation NOMI with a AMOLED full-circular display. At our fourth NIO Day, we launched our second-generation smart cockpit, boosting capabilities such as AI computing and image and media processing by a large margin. At our fifth NIO Day, we launched PanoCinema with AR and VR capabilities to further improve the in-cabin experience.

We also introduced NIO OS for European users in the second half of 2021, which provides customizations and upgrades appropriate for a broader user base.

Digital System

Digital system is the foundation for us to achieve continuous upgrade, the digital platform for building our own proprietary software and algorithms and the security system for deep reassurance.

We are one of the first auto companies in China that have both FOTA and SOTA capabilities. FOTA updates enable us to upgrade the operating firmware down to the individual programmable Electronic Control Unit level across the vehicle's core systems, such as digital cockpit, autonomous driving domain controller and electric powertrain. FOTA and SOTA technologies allow us to fix bugs and remotely install new features and services after a vehicle has already been delivered to users, reduce the cost and time of marketing new feature roll-outs and continuously improve the user experience throughout the lifecycle.

On top of our proprietary software architecture and cloud data platform, NVOS (NIO Vehicle Operating System), our vehicle digital system, has what we believe to be the industry-leading connectivity and remote service capabilities with an end-to-end security framework. It features

comprehensive connectivity capabilities, including smart antenna, 5G, UWB, Wi-Fi 6, 5.2 Bluetooth and V2X, and offers 360-degree and multi-dimensional cyber security capabilities to protect user privacy and safety. It enables a superior driver and passenger experience by syncing vehicle settings, user preferences and user accounts and offering instant remote vehicle diagnostics with respect to faults, alerts and logs to our service and maintenance team.

Utilizing our NIO Technology Platform 2.0, the NVOS will boast a common SOA (service-oriented architecture) middleware across multiple MCUs (micro-controller unit) and the gateway, providing flexibility and efficiency for vehicle software development and achieving great feature competitiveness and AI-driven user experiences.

With our globalization efforts to expand to more markets, we plan to localize connectivity services in line with different laws and regulations in various regions, including the General Data Protection Regulation.

Electric Powertrain and Battery

Electric Powertrain

Starting from our first product, we have designed, developed and manufactured our own proprietary electric powertrains in-house.

Our electric powertrains are designed specifically for NIO's vehicles, and through FOTA, we are able to continue to improve and update, and adjust according to our users' driving behavior. Enabled by in-house R&D capabilities, our dual-motor configuration offers a variety of electric motors, including 240 kW induction motor, 160 kW permanent magnet motor, 180 kW permanent magnet motor, 300 kW induction motor, 150 kW induction motor and 210 kW permanent magnet motor.

The new-generation electric powertrain will feature Silicon Carbide power modules which can minimize the switching loss compared with Insulated Gate Bipolar Transistor. It can improve supply efficiency with simpler cooling measures and reduce the size of peripheral components due to higher frequency operation.

Battery

We are committed to the research, development and innovations in battery technologies. Our batteries are based on high energy density battery cells, advanced battery management system and proprietary swapping mechanism. In particular, our battery management system provides real-time monitoring of the vehicle insulation status and features a comprehensive fault diagnosis mechanism to ensure the safety and reliability of battery use.

Currently, we offer two battery options: Standard Range Battery and Long Range Battery. We jointly designed and developed the batteries. The Standard Range Battery is a 75 kWh cell-to-pack battery with hybrid LFP/NCM cells, which is equipped with advanced software and hardware systems of thermal management and SoC (State of Charge) estimation. It can achieve better range performance in low temperature and more accurate SoC (State of Charge) estimation compared to the traditional LFP battery. With proprietary patents, the 100 kWh long range cell-to-pack battery features thermal propagation prevention, highly integrated design, all-climate thermal management and bi-directional cloud BMS. In January 2021, we announced the 150 kWh Ultra-Long Range Battery with the next generation battery technology. We plan to start delivering the 150 kWh Ultra-Long Range Battery in the fourth quarter of 2022.

Battery Swapping

Supported by over 1,200 patented technologies, all of our vehicles support battery swapping. It provides our users with best-in-class “recharging” convenience by simply swapping the user’s battery for another one. In addition, it enables users to enjoy the benefits of battery technology advancements with upgrade options. Our battery swap stations are also developed in-house, which use chassis replacement technology and apply our patented technologies to provide precise positioning, rapid disassembly, compact integration, and flexible deployment, allowing battery swap within minutes. Our Power Swap station 2.0, which began deployment in April 2021, will significantly increase our service capacity by shortening the battery swapping time to under three minutes and carrying up to 13 batteries. As of December 31, 2021, we had 777 Power Swap stations covering urban areas and expressways across 183 cities in China, through which we have completed over 5.5 million battery swaps cumulatively.

Design Capabilities and Software-driven Vehicle Technologies

We have significant in-house vehicle design and engineering capabilities, which cover all major areas of vehicle development starting from concept to completion with a special focus on software-driven technologies.

Our global design team has comprehensive design capabilities across the board, from brand, vehicles, user interface/user experience, lifestyle products to accessories. Besides having best-in-class engineering capabilities in the field of aerodynamics, handling, comfort and efficient thermal management, our team has also developed in-house software-driven vehicle technologies, such as the NIO 4D Dynamics. Utilizing NAD, HD mapping and vehicle sensing system, NIO 4D Dynamics, which is an advanced smart suspension application, achieves uncompromised comfort by proactively orchestrating the response of vehicle actuators (springs, dampers, steering and brakes) to road events and smoothening the primary and secondary body motions.

WORLDWIDE RESEARCH AND DEVELOPMENT FOOTPRINT

We have strategically located our offices in locations where we believe we will have access to the best talent. Our global R&D center for production models is located in Shanghai, our global design center is in Munich and our global R&D center for autonomous driving is located in San Jose.

Shanghai

We have vehicle engineering, smart hardware, autonomous driving, digital cockpit, digital system, product planning, NIO app, design, electric powertrain and battery teams in Shanghai. They coordinate our global R&D efforts across different regions and integrate all the technologies into our products. More than half of the patents obtained globally by us originated from our teams in Shanghai.

Beijing

We have digital cockpit, digital system, digital development and autonomous driving teams in Beijing. The focus of our Beijing research and development teams is on full stack AI technologies to power NOMI and engineering efforts to enable continuous upgrade of digital experience through FOTA. The teams are also responsible for the Internet of Vehicles including design, implementation, maintenance and support of the system.

BUSINESS

Hefei

Our teams in Hefei mainly focus on vehicle engineering, manufacturing engineering, test and quality.

Silicon Valley

Our teams in San Jose focus on innovations in the areas of autonomous driving, smart hardware, digital cockpit, and digital system, including vehicle operating system and digital security.

Munich

Our Munich office is primarily responsible for our product and brand design, focusing on vehicle interior and exterior design, user interface design, brand design and other product design.

United Kingdom

Our engineering teams in Oxford focus on computer-aided engineering and advanced vehicle engineering.

USER DEVELOPMENT AND USER COMMUNITY

We reach out to and engage with our users directly through our own online and offline platforms, including NIO app, NIO Houses and NIO Spaces, and aim to build a community where we share joy and grow together with our users.

NIO App

NIO app, our mobile application, is designed to be a portal not only for selling vehicles where users can place orders for and configure all NIO vehicles, but also for vehicle control, service access and NIO Life product purchase, and most importantly, an online platform for our user community.

NIO House and NIO Space

NIO Houses and NIO Spaces serve as the offline channels for us to reach out to and serve our users, as well as the offline platforms for NIO user community.

NIO Houses have showroom functions while serving as a clubhouse for our users and their friends. We opened our first NIO House in Beijing in November 2017. As of December 31, 2021, we had 37 NIO Houses in total, mainly in tier-one and tier-two cities in China.

NIO Spaces are mainly showrooms for our brand, vehicles and services. Compared with NIO Houses, NIO Spaces are generally smaller in scale, more delicate and sales-focused. We opened our first NIO Space in Shanghai in August 2019. As of December 31, 2021, we had 321 NIO Spaces in 142 cities in China.

NIO Day and NIO Events

Our annual NIO Day is an event jointly hosted by NIO and our users where we launch our new products and technologies and celebrate the user community.

In December 2017 in Beijing, we held our first NIO Day and launched the ES8. In December 2018 in Shanghai, we held our second NIO Day and launched the ES6. In December 2019 in Shenzhen, we held the third NIO Day and launched the EC6 and the all-new ES8. In January 2021 in Chengdu, we held the fourth NIO Day and launched the ET7. In December 2021, we held the fifth NIO Day and launched the ET5 in Suzhou. Our users have taken the lead in the planning and organization of the recent NIO Days. We believe that NIO Day gives us an opportunity to interact with our current and prospective users while providing us with more publicity and brand awareness. In addition, we organized various online and offline activities in the NIO user community, such as EP Club, NIO Summer, NIO User Volunteers and NIO User Clubs.

Formula E

We sponsor a Formula E team currently named as NIO 333, which is a racing team that competes in the Fédération Internationale de l'Automobile, or FIA, Formula E championship electric racing series. The team, previously operated by us under other names, has participated in the FIA Formula E Championship ever since its inaugural season (2014) and had won the inaugural FIA Formula E Drivers Championship title. NIO 333 Formula E team currently competes in the 2021-22 FIA Formula E World Championship with our company as its primary sponsor.

NIO Life

We have established our lifestyle brand NIO Life, which has an online store on NIO app where users can purchase NIO lifestyle products. The product categories include apparels, home and living, travel and bags, consumer electronics, car life, food and wines. Since we launched our online store in December 2016, over 5 million NIO Life items have been delivered to our users through online and offline channels as of December 31, 2021.

NIO Points

We provide users with NIO Points to encourage user engagement and positive user behavior, such as to keep a safe driving record. NIO Points are earned, among other things, through the welcome packages upon the purchase of NIO vehicles, referrals for test drives and vehicle purchases, and active engagement in the user community. NIO Points can be used, both at our online store and at our NIO Houses and some of the NIO Spaces. In addition, we have set up the Blue Point Plan, under which we help users to certify emission reductions and trade carbon credits and reward them with NIO Points in return.

NIO Users Trust

In conjunction with our pursuit of being a user enterprise and with the goal of building a deeper connection between NIO and our users, Mr. Bin Li, our founder, chairman of the board of directors and chief executive officer, transferred a certain amount of his ordinary shares to NIO Users Trust in January 2019. For more details of the powers, rights and obligations and the mechanisms for the appointment and change of, and the relationships between, the various roles under the NIO Users Trust, please refer to “Relationship with the Controlling Shareholders — Powers, Rights and Obligations in NIO Users Trust.”

BUSINESS

In 2019, our user community adopted the NIO Users Trust Charter by way of voting, and established a User Council to discuss and give advice on the management and the operation of NIO Users Trust. The NIO User Trust Charter has subsequently been amended in December 2021 and certain amendments to the NIO Users Trust Charter which are clarificatory in nature will also be put forth before the Listing to capture the prevailing operations of the User Council. NIO Users Trust Charter (as amended from time to time) provides certain governance mechanisms for the User Council to discuss the management and supervision of the operations of NIO Users Trust, including the establishment of asset management committee, proceeds management committee, and supervision and administration committee. The User Council holds meetings at least twice annually to discuss the proposed utilization of the trust assets with inputs from the dedicated committees. After deliberation, well-thought-through proposals representing the concerted effort of the representative of NIO users, are submitted to the Protector for consideration and giving instructions to the trustee. Mr. Li, as the Protector of the trust, has the power to make the final decisions after considering the recommendations from the User Council.

According to the charter, the User Council shall consist of nine User Council members including the protector of the Users Trust and eight NIO User Council members elected by the user community through the nomination platform established in the NIO App. These members are themselves NIO users that come from diverse backgrounds, including information technology, supply chain, intellectual property, automobile, travel, manufacturing, marketing, property, human resources, legal, accounting, finance and entrepreneurs, and the members are elected by the NIO users to serve as their representatives. Each of the User Council members shall have a two-year term, and the composition of the User Council will vary from time to time. The User Council helps coordinate user activities in our community and our users have the opportunity to discuss and propose the use of the economic benefits from the shares in NIO Users Trust, which is intended to be composed mainly of the dividends from the shares that it holds, future interests accrued from and investment returns generated by cash assets to be held under the trust, and proceeds from the pledging of such shares from time to time, through the User Council. According to the Articles of Association of NIO Users Trust, incomes and proceeds derived from the trust assets shall be mainly used for the following purposes: (i) environmental protection and sustainable development, (ii) NIO Users community care projects, (iii) community activities promoting common growth of Users and other necessary projects, and (iv) operational expenses of the Users Trust.

Furthermore, according to the articles of association of the Company, NIO Users Trust is entitled to nominate one director to the Board of the Company, subject to the NYSE rules and the Listing Rules of Hong Kong and the review and recommendation by the Nominating and Corporate Governance Committee of the Company for election by the Shareholders or appointment by the Board. After the Listing of our Company on the Hong Kong Stock Exchange, we will put forth certain amendments to the articles of association of the Company at the First AGM so that such director nomination right of NIO Users Trust shall cease to be effective, and shall only be restored when the Company is no longer listed on the Hong Kong Stock Exchange. For further details, please refer to “Waivers and Exemptions — Requirements Relating to the Articles of Association of the Company.”

BUSINESS

BAAS

We provide our users with the Battery as a Service, or BaaS, which decouples the battery from the vehicle and allows users to subscribe for battery usage separately.

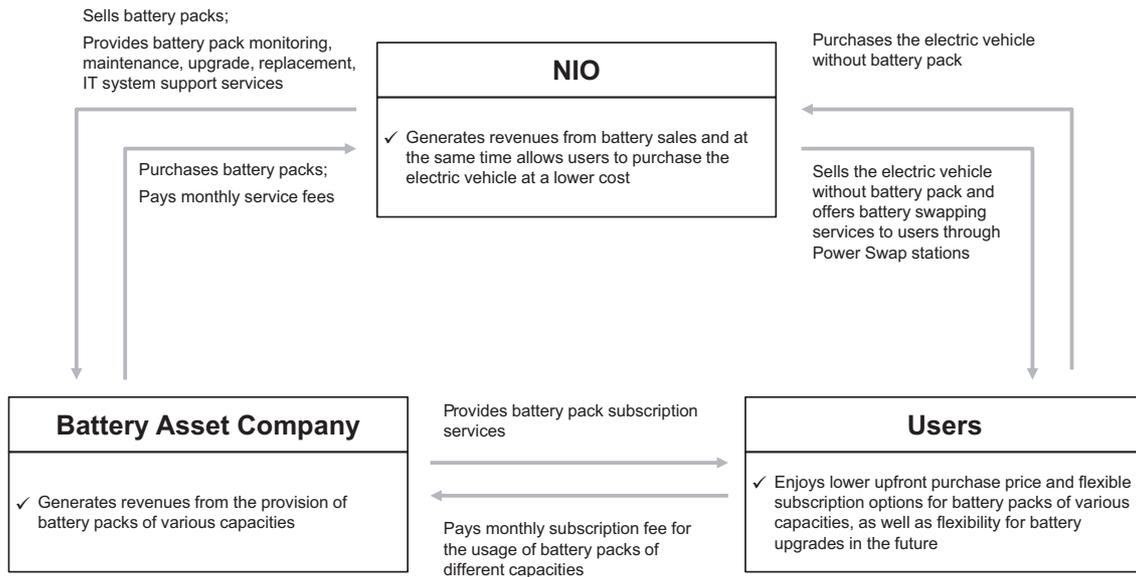
Under the BaaS, we sell a battery to the Battery Asset Company, in which we currently hold approximately 19.8% of the equity interests, and the user subscribes for the usage of the battery from the Battery Asset Company. This is a non-exclusive arrangement and we would be able to provide the BaaS through other parties and sell the batteries to other companies. If users opt to purchase a NIO vehicle and subscribe for the Standard Range Battery under BaaS, they can enjoy an RMB70,000 deduction off the original vehicle purchase price while paying a monthly subscription fee of RMB980 for the battery. If users opt to purchase a NIO vehicle and subscribe for the Long Range Battery under BaaS, they can enjoy an RMB128,000 deduction off the original vehicle purchase price while paying a monthly subscription fee of RMB1,480. In January 2021, we launched our 150 kWh Ultra-Long Range Battery with advanced technologies. NIO users are able to enjoy permanent or flexible upgrades to batteries with higher capacities or other future battery options with an additional fee as the battery technologies evolve. The subscription fee is determined through a holistic evaluation with the consideration of main factors including: (i) production cost of the battery, (ii) users' price acceptance, considering cost of alternative options to users and (iii) other financial considerations.

Our Directors are of the view that the pricing of batteries sourced from CATL and the pricing of batteries sold to the Battery Asset Company are both commercially reasonable, given that both pricings are determined on an arm's length basis through customary commercial negotiations. The pricing of batteries sold to the Battery Asset Company is based on various factors, such as the level of investment return the Battery Asset Company can generate by cooperating with our Company, taking into consideration the level of monthly BaaS subscription fee it is able to receive from our users. In addition, procurement cost of the batteries is another factor considered. The Battery Asset Company only purchases batteries from us on a back-to-back basis in accordance with the number of BaaS. In practice, we generally provide new batteries, with an expected useful life of at least eight years, on new vehicles delivered to both BaaS users and non-BaaS users.

Together with the launch of the BaaS, we entered into service agreements with the Battery Asset Company, pursuant to which we provide services to the Battery Asset Company including batteries monitoring, maintenance, upgrade, replacement, IT system support and others, with monthly service charges. Additionally, in case of any default in payment of subscription fees from users, the Battery Asset Company would require our support to track and lock down the battery subscribed by users to limit their usage. When purchasing the batteries from us, the Battery Asset Company gets to secure long-term subscribers of the BaaS model, which in turn generates stable returns over an extended period of time for the Battery Asset Company. Based on mutual agreement between our company and the Battery Asset Company, batteries owned by the Battery Asset Company and batteries owned by users are both available for swapping to all users, whether subscribed for the BaaS or not. We are capable of identifying and tracking each battery pack through our cloud system. We ensure the quality of battery swapping and subscription experience under the BaaS by providing battery operation services directly to our users. In addition, we appointed one of our management team members as the chairman of the Battery Asset Company to participate and provide guidance in the critical operational matters, and gather feedback as a shareholder through customary information rights.

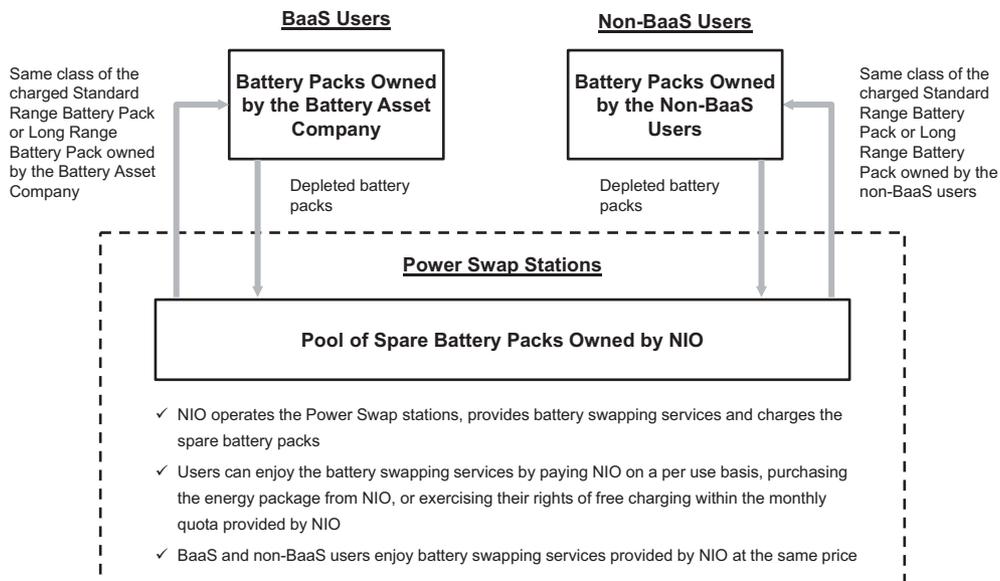
BUSINESS

The below chart sets forth how battery sales operate under the BaaS model.



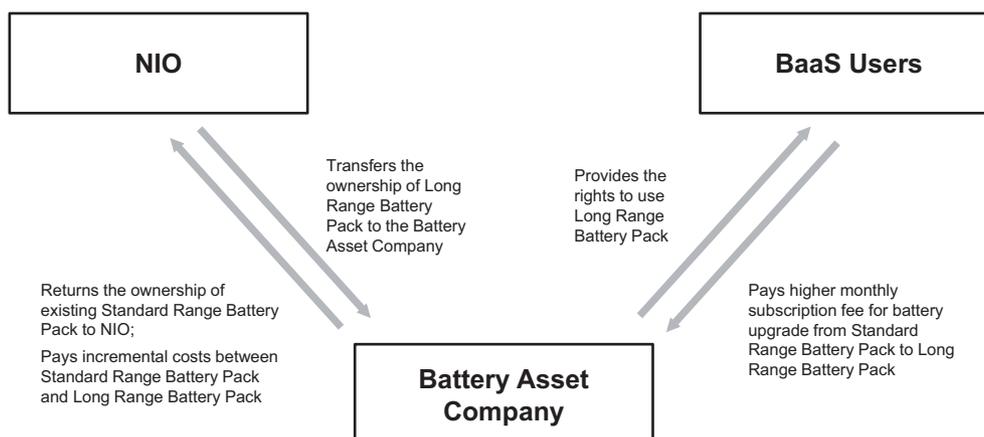
Enabled by vehicle-battery separation and battery subscription, our users enjoy a chargeable, swappable, upgradable battery usage experience. Both BaaS users and non-BaaS users are able to enjoy battery swapping services at the Power Swap stations. The “depleted” batteries swapped out of users’ vehicles will be kept physically in the Power Swap station to be charged until they are swapped on to another vehicle. During the period when this particular battery pack remains in the Power Swap station as part of our spare batteries pool, its title is deemed to be held by our Company. After completing battery swaps, the charged batteries swapped on to BaaS users’ vehicles are deemed to be owned by the Battery Asset Company, while those swapped on to non-BaaS users’ vehicles are deemed to be owned by the respective users themselves. BaaS users enjoy a lower upfront purchase price and flexible subscription options for batteries of various capacities according to their needs on a monthly or yearly basis, as well as flexibility of battery upgrades in the future. For the year ended December 31, 2021, over half of the users that we delivered vehicles to chose BaaS subscription.

The below chart sets forth how battery swapping operate in practice.



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The below chart sets forth how battery upgrade operate in practice.



By decoupling the battery from the sale of the vehicle, we are able to enhance the competitiveness of our products with lower upfront purchase cost and flexible battery subscription experience, and recognize revenue for both the sales of vehicles without batteries as well as the sales of batteries to the Battery Asset Company at the time of vehicle deliveries.

As the owner of the battery assets under the BaaS, the Battery Asset Company purchases the batteries at a lump-sum payment on a monthly basis and receive operation services from NIO, and offer battery subscription services to BaaS users. Battery Asset Company makes payment to NIO on a monthly basis based on the number of battery packs purchased during the month. In case of any default in payment of subscription fees from users, the Battery Asset Company has right to request us to track and lock down the battery subscribed by users to limit its usage, and we agreed to provide guarantee to the Battery Asset Company for the default. The maximum amount of guarantee that can be claimed by the Battery Asset Company for the users' payment default shall not be higher than the accumulated service fees we receive from the Battery Asset Company. During the Track Record Period, both service revenue and guarantee liability were immaterial. Through the arrangements under the BaaS, the Battery Asset Company can generate revenue through subscription fees and has achieved profitability. The Battery Asset Company purchases the batteries from us at the time when the vehicles are sold, and receives monthly payments from our users. The Battery Asset Company is able to achieve profitability and generate net profit when the monthly subscription fees paid by our users are larger than the cost incurred, including depreciation of battery assets, other operating costs and interest expenses, if any. For the nine months period ended September 30, 2021, the Battery Asset Company generated revenue of RMB191.7 million and net profit of RMB37.0 million. In addition, the Battery Asset Company is exploring new ways to increase the residual value of the batteries with the support of its investors, including NIO. When the batteries are deemed to be at the end of their useful life for uses on electric vehicles, the Battery Asset Company would seek to generate additional revenue by maximizing the residual value of such batteries. For example, battery cells of such batteries could be used for other purposes such as energy storage at wind or solar power stations to mitigate the intermittent nature of renewable power generation, or to be recycled to recover valuable chemical materials and be reused during the manufacturing process for batteries. Such uses would create additional revenue for the Battery Asset Company.

OUR POWER SOLUTIONS

We offer a comprehensive and innovative suite of power solutions to address the charging and swapping needs of our users. Our power solutions include home charging called Power Home, battery swapping called Power Swap, supercharging piles called Power Charger, and mobile charging called Power Mobile, all of which are connected to cloud-enabled Power Cloud, which synchronizes users' power consumption information and our power network, and intelligently suggests the appropriate services, according to the users' locations and power consumption patterns. Our users not only get to check the availability of charging and swapping resources of NIO's own network, but also have access to a network of public chargers and their real-time information through the Power Map on our NIO app. In addition, we offer our users our One Click for Power valet service where we pick up, charge and then return the vehicle. Our goal is to provide the most convenient power solutions to our users.

Power Home

Through Power Home, we install home chargers at our users' homes whenever the installation is feasible. Currently we are offering our users standard 7 kW and high-speed 20 kW smart home chargers. The first 7 kW Power Home and basic installation are included in the price of the vehicle though there may be charges in certain circumstances. The high-speed 20 kW Power Home Plus can reduce the charging time to nearly one-third and is provided at an additional cost.

Power Swap

All of our vehicles support battery swapping. Our Power Swap station 1.0 has a typical size of approximately three parking spaces and accommodates five batteries. Once a vehicle is parked in the swap station and the swap function is activated, battery swapping will take place within minutes. The Power Swap station 2.0, which began deployment in April 2021, is designed to accommodate up to 13 batteries to substantially boost the daily service capacity of the battery swap stations.

We plan to further enhance the efficiency of the battery swap stations and to strategically deploy more swap stations in selected geographical areas to ensure consistent optimal battery swap experience for our users as the number of our vehicles sold grows.

Power Charger

Through Power Charger, our supercharging piles, we provide our users a fast and reliable power solution. Users are able to locate, use and pay for the charging through our NIO app. Our Power Chargers are of a slim design and are located in parking lots and other locations easily accessible to our users, with a maximum output power of 105 kW and 250 ampere.

As of December 31, 2021, we had 3,404 Power Chargers in operation, covering 163 major cities in China. We plan to further enhance the efficiency and expand the deployment of our Power Chargers to cater to the growing user demand.

We generally rent premises to build Power Swap stations and Power Charger stations. Meanwhile, we sell Power Chargers and provide installation services to some selected third parties. In these cases, the third parties own and operate the Power Charger stations, and own or rent the premises for the Power Charger stations. We connect them to our network for our users to apply.

Power Mobile

Through Power Mobile, we provide charging services through fast charging vans with our proprietary fast-charging technologies, supplementing our swapping and charging network. Users are able to book Power Mobile services in advance through our NIO app.

As of December 31, 2021, we had 318 Power Mobile vans in operation. We regularly adjust the deployment of Power Mobile vans in China based on our user distribution and user needs and plan to improve the efficiency of these NIO Power Mobile vans to create better experiences for users.

Power Map

In addition to our own swapping and charging network, our users have access to a network of public chargers and their real-time information through the Power Map on our NIO app, which consisted of over 450,000 publicly accessible charging piles as of December 31, 2021. In order to further improve user experience, we have been working to increase the number of chargers with data synchronized to our Power Cloud.

One Click for Power

We offer our users our One Click for Power valet service. Through our NIO app, a user can have our team pick up his or her vehicle at the user's designated parking location for valet charging or swapping. The vehicle is driven to a nearby charging station or battery swap station, or a charging van is driven to the parking location. The vehicle is returned to the user once battery charging or swapping is completed. Users are able to select "immediate service" which provides the fastest charging option to meet a more urgent charging demand or "reservation service" for scheduled charging services. We aim to provide users with the most convenient charging experience by identifying the most appropriate charging solution based on the user's travel habits through cloud-based smart scheduling.

We offer our users our worry-free energy package, including 15 times of One Click for Power valet services and 1,000 kWh power quota every month, for a fixed monthly fee, which is set at RMB980 per month, or RMB10,800 per year. Users who do not purchase our energy package are able to access our One Click for Power and other power services on a pay-per-use basis.

SERVICE AND WARRANTY

Our users can access a full suite of innovative services on our NIO app, as part of our strategy of redefining the user experience. In addition to our battery swapping services, BaaS and NIO Power solutions described above, we offer our users NIO Service, primarily through our worry-free service package and worry-free insurance package. We believe our service capability is among the core competitiveness we possess.

Service

Service Network

We currently provide servicing both through NIO service centers and authorized third-party service centers, both of which provide repair, maintenance and bodywork services.

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For our NIO service centers, we have dedicated qualified technicians who receive regular professional trainings and skill tests, which ensures high-quality user services. As of December 31, 2021, we had 54 NIO service centers across 35 cities in China. For authorized third-party service centers, we have a devoted management team to carefully select and bring authorized service centers into our network, most with experience servicing high-end branded vehicles. As of December 31, 2021, we had 181 authorized service centers across 139 cities in China.

In addition to our service centers, we have deployed 220 service vans serving users' needs in different regions as of December 31, 2021.

Service Package

We offer our users a worry-free service package, which provides statutory and third-party liability and vehicle damage insurance through third-party insurers, repair and routine maintenance services, courtesy vehicles, roadside assistances and enhanced data packages, among other services with a starting price of RMB11,600 per year for new vehicles.

Users are able to arrange for vehicle services using our NIO app. At the user's request, we pick up the vehicle, arrange for maintenance and repair services, and then return the vehicle to the user once the services are done. We will also assist the user in engaging with the insurance company and provide necessary support when it is needed.

In addition to the worry-free service package, we have also started to offer a worry-free insurance package since March 1, 2020. Users can supplement their insurance with designated insurance providers, and pay RMB1,680 per year for NIO's competitive maintenance and paint-repair services, courtesy vehicles, roadside assistances, enhanced data packages and other additional services.

Auto Financing

We currently have agreements with several commercial banks in China, pursuant to which we assist users across China in acquiring financing when they purchase our vehicles. We also offer auto financing arrangements to users directly through our subsidiaries.

NIO Certified (Used Vehicle Service)

In January 2021, we launched NIO Certified, our used vehicle service, to provide high-quality services for used NIO vehicle transactions. We have developed the capabilities in the major cities in China to cover services including vehicle inspection, evaluation, acquisition and sales. If users are interested in purchasing used NIO vehicles, they can directly find the product information and place orders on our NIO app.

Warranty Policy

For an initial retail purchaser of a new NIO vehicle, we provide an extended warranty in China subject to certain conditions, including, among others, that the extended warranty only applies for the initial retail purchaser of the new vehicle and not for any subsequent buyers of the vehicle; the user must service the vehicle only with us or one of our authorized service centers; and the vehicle must not have experienced any major accident. As required under relevant PRC law, we also provide (i) a bumper-to-bumper three-year or 120,000-km warranty, (ii) for critical EV components (batteries, electric motors, power electric units and vehicle control units), an eight-year or 120,000-km warranty, and (iii) a two-year or 50,000-km warranty

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covering vehicle repair, replacement and refund. See “Risk Factors — Risks Related to Our Business and Industry — Our warranty reserves may be insufficient to cover future warranty claims which could adversely affect our financial performance.”

SUPPLY CHAIN, MANUFACTURING AND QUALITY ASSURANCE

We view the suppliers and manufacturers we work with as key partners in our vehicle development process. We aim to leverage our partners’ industry expertise to ensure that each vehicle we produce meets our strict quality standards.

Supply Chain

We work with global and local supply chain partners while the majority of our supply base is located in China, which enables us to acquire supplies more quickly and reduces the overall logistics-related cost.

We obtain systems, components, raw materials, parts, manufacturing equipment and other supplies and services from suppliers which we believe to be reputable and reliable. We follow our internal process to source suppliers taking into account quality, cost and timing. We continuously innovate our supply chain in order to establish a more effective and diverse supply chain system. We actively cultivate partnerships with suppliers that have innovative technological capabilities and cost advantages, thereby increasing the competitiveness and innovativeness of our supply chain.

Many of the components used in our vehicles are purchased from a single source. We choose to work with the limited number of key component suppliers, because we believe the key components we apply are supported by the most advanced and reliable technologies, which are supplied by a limited number of leading players in the industry, according to Frost & Sullivan. Our key components include batteries and semiconductor chips. All of our batteries are sourced from CATL. In addition, our key suppliers for the autonomous driving and digital cockpit semiconductor chips for the vehicle models delivered during the Track Record Period include Mobileye and Nvidia. We have also added Qualcomm as a semiconductor chip supplier for our vehicle models. Eventually we plan to implement a multi-source volume purchasing strategy in order to reduce our reliance on sole source suppliers. According to Frost & Sullivan, CATL is the largest battery supplier in China. Qualcomm is one of the leading semiconductor chip companies in the world. Mobileye and Nvidia are among the top players of autonomous driving and digital cockpit chipsets in the world. We have been building up our in-house R&D capabilities and diversifying our supply sources in the strategic areas. In terms of battery, we set up an in-house Battery System Department early in the development of our Company. The Battery System Department is responsible for battery design and battery management system design and development. It has successfully developed the cell-to-pack 75kWh and 100kWh battery jointly with CATL while exploring other advanced battery technologies and other potential cooperation opportunities with players in the industry. Our Directors and Senior Management are aware of the supply chain risks resulted from the concentration of our key component suppliers. With regard to semiconductor chip supply, we classify all the chipsets used in our vehicles into various groups. For the ones we do not believe we face major supply risks given that our component suppliers are able to procure sufficient volume of such chipsets, we work closely with our component suppliers to ensure sufficient supply in an efficient manner, learning from the industry’s best practices. For the ones that we have identified supply chain risks, we actively work with our component suppliers or directly with the semiconductor chip manufacturers to secure as many supplies as possible. Meanwhile, we scan the market to build up a network of potential suppliers for these semiconductor chips. Given that we primarily choose to work with credible suppliers with global coverage, and have been able to

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maintain good cooperative relationship with our suppliers, our Directors and Senior Management currently believe the likelihood of the suppliers' termination of cooperation with us or any material adverse change to our cooperative relationship with our suppliers is relatively low.

We usually enter into our standard form of agreements with our suppliers. Suppliers shall provide to us the goods and services at terms and conditions as provided under the agreements according to the pre-determined schedule. We typically pay suppliers with respect to the goods provided after receipt of goods and within 90 days upon receipt of invoices issued by suppliers. The suppliers provide quality warranty for the goods sold to us. Neither we nor the suppliers are allowed to subcontract or assign any obligations under the agreements. We typically have the right to terminate the agreement with suppliers due to our strategy or business concern by giving a six-month prior written notice to supplier. In addition, either party has the right to terminate the agreement upon a material default by the other party. We hold our suppliers to high ethical standards of code of conducts in areas such as human rights, labor conventions, environmental protection and anti-corruption, and incorporate these standards in our cooperation agreements with our suppliers.

Manufacturing

Partnership with JAC

Since 2016, Jianghuai Automobile Group Ltd., or JAC, a major state-owned automobile manufacturer in China, has been our partner for the joint manufacturing of our vehicles. JAC is an automobile enterprise with a 50-year history in automotive manufacturing of passenger and commercial vehicles that integrates R&D, production and sales of a full range of commercial vehicles, passenger vehicles and powertrains, and covers many fields such as ride hailing/sharing and financial services. JAC has in-house development, manufacturing, and testing capabilities for new energy vehicles, and is an established player in China's new energy vehicle market. We entered into an arrangement with JAC for manufacturing the ES8 for five years starting from May 2016. In April 2019 and March 2020, we entered into manufacturing cooperation agreements with JAC for the manufacturing of the ES6 and the EC6, respectively. In March 2021, we entered into definitive agreements with JAC to establish a joint venture for manufacturing management and operations, Jianglai Advanced Manufacturing Technology (Anhui) Co., Ltd., or Jianglai with a registered capital of RMB500 million where we hold 49% equity interests. In May 2021, we entered into renewed manufacturing agreements regarding the joint manufacturing of our vehicles, including ET7 and other future models, and related fee arrangements with JAC and Jianglai.

JAC currently manufactures the NIO vehicles in delivery, including the ES8, ES6 and EC6, in the Hefei JAC-NIO manufacturing plant designed and constructed for NIO vehicles. During the Track Record Period and up to the Latest Practicable Date, all of our vehicles were manufactured in the JAC-NIO manufacturing plant. However, this is a non-exclusive arrangement and we are able to undertake the manufacturing of our vehicles on our own or through other third parties. Pursuant to our original agreements with JAC with respect to the ES8, ES6 and EC6, we paid JAC for each vehicle produced on a per-vehicle basis monthly for the first three years. In addition, at the beginning of our cooperation with JAC when JAC made upfront capital expenditures, there was no guarantee provided to JAC on the number of vehicles that the plant would produce, and JAC bore considerable uncertainty as to its revenues from the manufacturing cooperation with us. Taking into consideration of the risks JAC bore, we agreed that, for the first 36 months after the start of production, which commenced on April 2018, to the extent the Hefei manufacturing plant incurred any operating losses, we would compensate JAC for such operating losses. The amount of indemnification shall be determined

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based on the audit results of operating losses of the JAC-NIO manufacturing plant prepared by an accounting firm engaged by JAC, subject to our confirmation. For the years ended December 31, 2018, 2019, 2020 and nine months ended September 30, 2021, we recorded RMB126.4 million, RMB206.7 million, RMB65.4 million and nil, respectively, in cost of sales for compensation of losses, and RMB115.4 million, RMB234.1 million, RMB466.2 million, RMB531.3 million (US\$82.5 million), respectively, in cost of sales for manufacturing and processing fees and relevant expenses.

Pursuant to the renewed joint manufacturing arrangements we entered into in May 2021, from May 2021 to May 2024, JAC will continue to manufacture the ES8, ES6, EC6, ET7 and potentially other NIO models in the pipeline. In addition, JAC will expand its vehicle and component annual production capacity to 240,000 units (calculated based on 4,000 work hours per year) in order to meet the growing demand for our vehicles, which we expect to be achieved in the first half of 2022. We will be in charge of vehicle development and engineering, supply chain management, manufacturing techniques, and quality management and assurance. We will also invest in specialized equipment, such as molds and inspection tools, for the mass production of our vehicles. Jianglai will be responsible for parts assembly and operation management. Under both the original and renewed joint manufacturing arrangements, we are in charge of vehicle development and engineering. A major difference between the original and renewed arrangements is the fee arrangement. Under the original arrangements, we paid JAC for each vehicle produced on a per-vehicle basis, and for the first 36 months after the start of production, which commenced on April 2018, to the extent the Hefei manufacturing plant incurred any operating losses, we agreed to compensate JAC for such operating losses. The fee arrangements under the renewed arrangements consist of the following: (i) asset depreciation and amortization with regard to the assets JAC invested and to invest for the manufacture of NIO models as actually incurred, payable monthly and subject to adjustment annually; (ii) vehicle production and processing fees recorded on a per-vehicle basis, payable monthly and subject to adjustment annually; (iii) certain compensatory arrangement up to a capped amount for JAC's investment into the JAC-NIO manufacturing plant, including for the land, factory and equipment; (iv) relevant tax; and (v) purchase amount of certain production materials. Pursuant to the renewed joint manufacturing arrangements, we pay JAC for the manufacturing of NIO vehicles, while JAC pays Jianglai for the part assembly services provided by Jianglai separately. In the first, second and third quarter of 2021, we delivered 20,060, 21,896 and 24,439 vehicles and recorded RMB175.3 million, RMB178.3 million and RMB177.7 million, respectively, in cost of sales for manufacturing and processing fees and relevant expenses. The JAC related manufacturing and processing fees and relevant expenses and compensation for losses on a per-vehicle basis declined substantially in the third quarter compared with that in the first and second quarter due to the lower per-vehicle cost charged under the renewed agreement with JAC. We believe the new agreements allow us to benefit from economies of scale and manufacturing efficiency improvement in the future. In the meantime, despite the lower per-vehicle cost charged under the new agreements, the new agreements allow JAC to generate increased revenue from its cooperation with our Company in light of the increasing vehicle delivery volume, which we believe promotes our long-term mutually beneficial cooperative relationship with JAC. To meet the growing user demand, we decided to further deepen our cooperation and jointly expand the capacity of JAC-NIO manufacturing plant based on our long-term partnership and our good cooperative relationship in joint manufacturing over the past few years. We believe JAC-NIO manufacturing plant is well-suited to manufacture our existing and future models, including the ES8, ES6, EC6, ET7 and potentially other NIO models in the pipeline.

Our Directors are aware of the concentration risk of our manufacturing arrangement, and the Company is actively working to mitigate the risk. According to Frost & Sullivan, joint manufacturing is common in the automotive industry. With such arrangement, OEMs can focus

on certain key aspects, such as vehicle development and engineering, supply chain management, manufacturing techniques and quality management, while the manufacturing partners can focus on parts assembly and operation management. We believe the joint manufacturing arrangement with JAC helps us, as an early-stage company, draw manufacturing experience from JAC, quickly build up the production capacity, achieve successful mass production and fast ramp up with high quality products. Our employees are part of the management team of the JAC-NIO manufacturing plant. We exercise significant control in the manufacturing partnership with JAC in order to ensure high quality standards. We conduct product development, provide supply chain systems, set production technique standards, and put in place quality management systems. We developed a manufacturing process development and simulation platform to reduce defects in process development to the extent possible. We apply the NIO lean manufacturing system in the JAC-NIO manufacturing plant to improve execution efficiency and quality. The factory is designed according to our specific requirements, process and quality standards, and currently can only support the manufacturing of NIO vehicles. In order to ensure stable manufacturing capabilities, we continue to strengthen our cooperation with JAC.

The JAC-NIO manufacturing plant has modern production facilities and techniques, and also applies environmentally friendly techniques and uses renewable energy. We place great emphasis on the environment, health and safety, or EHS, management of the factory at JAC. We have worked with JAC to establish a set of factory safety guidelines and provide EHS trainings to ensure that the factory is operating in accordance with safety regulations. In addition, we are partnering with various suppliers and academic institutions to standardize the scrap and recycle process at the factory, aiming to maximize the lifetime value of all used vehicle components and parts.

In order to meet the rapidly growing demand for our vehicles and to support the manufacturing of our future models, in addition to expanding the annual production capacity of the JAC-NIO manufacturing plant, we also plan to build a new manufacturing plant in Xinqiao Industrial Park with a designed annual production capacity of up to 300,000 units. We expect to start our vehicle production in the new manufacturing plant in the third quarter of 2022. According to Frost & Sullivan, global battery electric vehicle, or BEV, market is expected to grow at a CAGR of 42% from 2020 to 2025. China's BEV sales are expected to grow at a CAGR of 44% from 2020 to 2025, reaching 6.2 million units. Within China's electric vehicle market, the premium smart electric vehicle segment is expected to achieve the highest growth during the period from 2020 to 2025 at a CAGR of 48%. Furthermore, we plan to continue to launch new models in the upcoming years to expand our product lineup and broaden our user base. We expect to start the delivery of the ET7, our flagship premium smart electric sedan, in March 2022, and of the ET5, our mid-size premium smart electric sedan, in September 2022. We also plan to continue to expand internationally to capture the growing EV demand overseas.

Advanced Manufacturing Technology and Engineering Center

We have established our Advanced Manufacturing Technology and Engineering Center, or AMTEC, in Nanjing for the production of electric powertrains. The plant and ancillary facilities of Nanjing AMTEC Phase I have a building area of 64,133.13 square meters and mainly produce electric motors and electric drive components. The Nanjing AMTEC Phase II has a building area of 49,665.46 square meters and production facilities for electric motors. Its production lines are highly automated and flexible with advanced MES systems and AGVs, and were put into operation in June 2019.

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Quality Assurance

We aim to deliver high-quality products and services to our users in line with our core values and commitments. We believe that our quality assurance systems are the key to ensuring the delivery of high-quality products and services, and to minimize waste and to maximize efficiency. We strongly emphasize quality management across all business functions, including product development, manufacturing, partner quality management, procurement, power solutions, user experience, service and logistics. Our quality management groups are responsible for our overall quality strategy, quality systems and processes, quality culture, and general quality management implementation.

CERTAIN OTHER COOPERATION ARRANGEMENTS

Hefei Strategic Investors

On April 29, 2020, we entered into an investment agreement, or the initial investment agreement, and a shareholders agreement, or the initial shareholders agreement (collectively, the initial agreements), for investments into NIO Holding Co., Ltd. (previously known as NIO (Anhui) Holding Co., Ltd.), or NIO China, a legal entity wholly owned by us pre-investment, with Hefei City Construction and Investment Holding (Group) Co., Ltd. (“**Hefei Construction Co.**”), CMG-SDIC Capital Co., Ltd. (“**SDIC**”) and Anhui Provincial Emerging Industry Investment Co., Ltd. (“**Anhui High-tech Co.**”).

Pursuant to the initial agreements, each investor may designate a fund managed by it or a third party, as applicable, to perform the investment obligations and assume other rights and obligations under the initial agreements. Accordingly, on June 5, 2020, we entered into respective supplemental agreements I to the initial agreements with the investors and their respective designated funds, Jianheng New Energy Fund, Advanced Manufacturing Industry Investment Fund and New Energy Automobile Fund. Under the supplemental agreements I, (i) Hefei Construction Co. designated Jianheng New Energy Fund to assume all of its rights and obligations under the initial agreements, (ii) SDIC designated Advanced Manufacturing Industry Investment Fund to assume all of its rights and obligations under the initial agreements, (iii) Anhui High-tech Co. designated New Energy Automobile Fund to perform a portion of its investment obligations under the investment agreement and assume the corresponding rights and obligations under the initial agreements, and (iv) Anhui High-tech Co. will continue to perform the remaining of its investment and other obligations not assigned to New Energy Automobile Fund and enjoy its rights under the initial agreements. On June 5, 2020, NIO China updated its Industrial and Commercial Registration to reflect, among others, Jianheng New Energy Fund, Advanced Manufacturing Industry Investment Fund, Anhui High-tech Co. and New Energy Automobile Fund as NIO China’s investors. On June 18, 2020, we entered into respective supplemental agreements II with the parties to the supplemental agreements I and Anhui Provincial Sanzhong Yichuang Industry Development Fund Co., Ltd., another designated fund of Anhui High-tech Co. Under the supplemental agreements II, Anhui High-tech Co. designated Anhui Provincial Sanzhong Yichuang Industry Development Fund Co., Ltd. to assume its remaining rights and obligations under the initial agreements that had not been assigned to New Energy Automobile Fund pursuant to the supplemental agreements I.

The initial investment agreement, as amended and supplemented, is referred to as the Hefei Investment Agreement, and the initial shareholders agreement, as amended and supplemented, is referred to as the Hefei Shareholders Agreement in this document. The Hefei Investment Agreement and the Hefei Shareholders Agreement are collectively referred to as Hefei Agreements in this document, and the group of investors with whom we entered into the Hefei Agreements are referred to as the Hefei Strategic Investors in this document.

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Under the Hefei Investment Agreement, the Hefei Strategic Investors agreed to invest an aggregate of RMB7 billion in cash into NIO China. We agreed to inject our core businesses and assets in China, including vehicle research and development, supply chain, sales and services and NIO Power, or together as the Asset Consideration, into NIO China. The Asset Consideration is valued at RMB17.77 billion, as calculated based on 85% of the market value of our company (calculated based on our average ADS trading price over the thirty public trading days preceding April 21, 2020). As of the Latest Practicable Date, the injection of our core businesses and assets into NIO China had been completed. Further, we agreed to invest RMB4.26 billion in cash into NIO China. Pursuant to the Hefei Shareholders Agreement, upon the completion of the investments, we held 75.885% of controlling equity interests in NIO China, and the Hefei Strategic Investors collectively held the remaining 24.115%. In September 2020, February 2021 and September 2021, we, through one of our wholly-owned subsidiaries, purchased from certain Hefei Strategic Investors equity interests in NIO China and subscribed for newly increased registered capital of NIO China to increase our shareholding. After the completion of these transactions, as of the Latest Practicable Date, we held 92.114% controlling equity interests in NIO China.

Pursuant to the Hefei Investment Agreement, the Hefei Strategic Investors and we agreed to each inject cash into NIO China in five installments. Moreover, the Asset Consideration will be injected into NIO China in several phases, with the last phase to be injected within one year of closing, subject to certain post-closing price adjustment mechanism.

Pursuant to the Hefei Agreements, NIO China will establish its headquarters in the Hefei Economic and Technological Development Area, or the HETA, where our main manufacturing hub is located, for its business operation, research and development, sales and services, supply chain and manufacturing functions. We will collaborate with the Hefei Strategic Investors and HETA to develop NIO China's business and to support the accelerated development of the smart electric vehicle sectors in Hefei in the future. In addition, NIO China could enjoy a series of subsidies and support from HETA, including rent subsidies, financial support and preferential tax treatment, when NIO China meets certain performance criteria, such as targets for manufacturing capacity, procurement amount and vehicle sales.

Pursuant to the Hefei Shareholders Agreement, the Hefei Strategic Investors have certain minority shareholder rights, including, among others, the right of first refusal, co-sale right, preemptive right, anti-dilution right, redemption right, liquidation preference and conditional drag-along right. In particular, the following rights, among others, directly relate to obligations of NIO Inc.:

Redemption right. The Hefei Strategic Investors may require us or our Hong Kong holding vehicles to redeem all or a portion of the equity interests in NIO China held by the Hefei Strategic Investors at a redemption price of the total amount of the investment price equal to the Hefei Strategic Investors plus an investment income calculated at a compound rate of 8.5% per annum upon the occurrence of certain events. The events leading to Hefei Strategic Investors' exercise of their redemption rights include, but are not limited to, the following: (A) NIO China's failure to submit an application for the qualified initial public offering within 48 months, or failure to complete the qualified initial public offering within 60 months, following receipt of the first instalment of investment; (B) significant concealment, misleading, false statement or suspected fraud of NIO China in the process of information disclosure for the Hefei investment; (C) false, fraudulent or withdrawal of our capital contribution to NIO China; (D) material integrity problems of the core management team of NIO China; (E) major changes in the main business of NIO China; (F) resignation of more than half of the core management team within two years prior to the date of submission of the application for the qualified initial public offering; and (G) change of control in NIO China. If any of the triggering events of

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redemption occurs, we will need substantial capital to redeem the equity interests in NIO China held by the Hefei Strategic Investors. In particular, if NIO China fails to apply for the qualified initial public offering in July 2024, which is 48 months following the Hefei Strategic Investors' payment of the first installment, or if NIO China fails to complete the qualified initial public offering in July 2025, which is 60 months following the Hefei Strategic Investors' payment of the first installment, the Hefei Strategic Investors may request us to redeem the equity interest in NIO China then held by them. Assuming we still hold 92.114% controlling equity interests in NIO China in July 2024 or July 2025, the amount of redemption consideration, calculated based on a compound rate of 8.5% per annum, will be approximately RMB4,019.0 million or RMB4,360.6 million, respectively. As the deadline for NIO China to file for a qualified initial public offering is in July 2024, we do not have specific plans for the initial public offering of NIO China as of the date of this document. In order to proceed with the initial public offering of NIO China, we are subject to various requirements under the Listing Rules of the Stock Exchange and relevant practice notes, including, among others, the requirement in the level of operations and assets of the remaining business in our company following the spin-off to maintain listing status, the approval of the Stock Exchange and shareholder approval. Our Directors are of the view that in the case where the triggering events for redemption such as failure to file an application for or complete the qualified initial public offering of NIO China occur and we are required to redeem all or a portion of the equity interests in NIO China then held by the Hefei Strategic Investors, considering our expected cash position, we believe the redemption will not have a material impact on our operations and financial condition. If we proceed with the initial public offering of NIO China, following the spin-off of NIO China, we expect to continue to operate through XPT, a wholly-owned subsidiary of our Company that designs, develops and manufactures electric powertrains, battery packs and other electric drive components and also serves as the supplier of our above key components. We also expect to continue our overseas operation.

Share transfer restriction. Before NIO China completes its potential qualified initial public offering, without the prior written consent of the Hefei Strategic Investors, we may not directly or indirectly transfer, pledge or otherwise dispose of NIO China's shares to a third party that may result in our shareholding in NIO China fall below 60%. Without the prior written consent of the Hefei Strategic Investors, we have the right to directly or indirectly transfer, pledge or otherwise dispose of no more than 15% of NIO China's shares. A qualified initial public offering refers to an initial public offering approved, registered or filed with the China Securities Regulatory Commission, Shanghai Stock Exchange, Shenzhen Stock Exchange or other overseas securities issuance review agencies jointly approved by all shareholders of NIO China, and NIO China's shares are issued and listed on the stock exchange market recognized by all shareholders of NIO China.

Liquidation preference. In the event that NIO China is liquidated, the Hefei Strategic Investors are guaranteed a minimum investment return equal to the sum of their capital contribution in NIO China by the Hefei Strategic Investors plus an investment income calculated at a compound interest rate of 8.5% per annum on the basis of the total amount of their capital contribution. If the total consideration received by the Hefei Strategic Investors in such liquidation events is not sufficient to realize the guaranteed minimum investment return, we undertake to compensate separately the shortfall to the Hefei Strategic Investors in cash. Therefore, we could potentially be liable for the full amount of the minimum investment return under the Hefei Investment Agreement.

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NIO Parties' Redemption Right. Before NIO China is converted into a company limited by shares for the purpose of its qualified initial public offering, we and/or our designated third party have the right to redeem half of the shares Jianheng New Energy Fund acquired through this investment. The redemption price will be the higher of the following (a) the amount of the total paid-in capital increase price in respect of the equity interests to be purchased by us or our designated parties, plus investment income calculated at a simple interest rate of 10% per annum; and (b) the value of the equity interests to be redeemed by us or our designated parties determined based on the valuation of NIO China in the most recent round of financing.

NIO's Capital Increase right. Before December 31, 2021, we and our affiliates designated by us have the right to unilaterally subscribe for up to US\$600 million purchase price of the then newly increased registered capital of NIO China, at the same subscription price at which the Hefei Strategic Investors invested in NIO China pursuant to the Hefei Agreements.

We ensure effective control in NIO China through the following measures: (i) at the shareholder level, as of the Latest Practicable Date, we held 92.114% controlling equity interests in NIO China; (ii) at the board level, we are entitled to nominate five directors to the seven-member board of directors of NIO China; (iii) according to NIO China's shareholders' agreement, we have the power to unilaterally direct NIO China's activities that most significantly impact its economic performance, including but not limited to the rights to establish operating and financial decisions of NIO China (including budgets) in the ordinary course of business; and (iv) the Hefei Strategic Investors are only entitled to certain veto rights such as change in NIO China's corporate structure, change of its core business and amendment to its articles of association, which were not considered as participating rights and would not overcome the presumption of consolidation by us with a majority voting rights.

As a result, we are the controlling shareholder of NIO China and effectively controls NIO China.

Subsequent to the entry into the Hefei Agreements, the cash contribution obligations of us and the Hefei Strategic Investors have all been fulfilled and we have exercised our redemption right and capital increase right described above in September 2020. In particular, in connection with our exercise of our redemption right, we, through one of our wholly-owned subsidiaries, redeemed from Jianheng New Energy Fund 50% of the equity interests in NIO China then held by the Jianheng New Energy Fund in September 2020, which accounted for 8.612% equity interests in NIO China, and the total consideration we paid for such redemption was RMB511.5 million, consisting of the actual capital increase payment Jianheng New Energy Fund had made plus prorated interest accrued at an interest rate of 10% per annum. In addition, we assumed Jianheng New Energy Fund's remaining cash contribution obligation of RMB2.0 billion. In connection with our exercise of our capital increase right, we, through one of our wholly-owned subsidiaries, subscribed for newly increased registered capital of NIO China at a consideration of US\$600 million. In addition, in February 2021, we, through one of our wholly-owned subsidiaries, also purchased from two of the Hefei Strategic Investors an aggregate of 3.305% equity interests in NIO China for a total consideration of RMB5.5 billion and subscribed for newly increased registered capital of NIO China at a subscription price of RMB10.0 billion. In September 2021, we, through one of our wholly-owned subsidiaries, purchased from a minority strategic investor of NIO China an aggregate of 1.418% equity interests in NIO China for a total consideration of RMB2.5 billion and subscribed for newly increased registered capital of NIO China at a subscription price of RMB7.5 billion.

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As a result of these transactions, as of the Latest Practicable Date, the registered capital of NIO China was RMB6.429 billion, and we held 92.114% controlling equity interests in NIO China. We have fulfilled all obligations due to be fulfilled under the Hefei Agreements as of the Latest Practicable Date.

Hefei Government

On February 4, 2021, NIO China entered into a further collaboration framework agreement with the municipal government of Hefei, Anhui province, where NIO China's headquarters is located. Under the framework agreement, among other things, the Hefei government and NIO China agreed in principle to jointly build a world-class industrial campus to support the development and innovations of the smart electric vehicle industry and related supply chains led by NIO China. In addition, the Hefei government and its associated parties plan to re-invest their returns from the equity investments in NIO China to support the further cooperation in Hefei. The framework agreement is preliminary in nature, and its implementation will be subject to legally binding definitive transaction documents to be discussed and entered into further.

Battery Asset Company

In August 2020, we and Contemporary Amperex Technology Co., Limited, or CATL, Hubei Science Technology Investment Group Co., Ltd. and a subsidiary of Guotai Junan International Holdings Limited (collectively referred to as the Initial BaaS Investors in this document) jointly established Wuhan Weineng Battery Asset Co., Ltd., or the Battery Asset Company. CATL is a Chinese battery manufacturer and technology company that specializes in the manufacturing of lithium-ion batteries for electric vehicles and energy storage systems, as well as battery management systems. Hubei Science Technology Investment Group Co., Ltd. is an investment company focusing on science and technology development. Guotai Junan International Holdings Limited is a financial service company listed on the Main Board of the Hong Kong Stock Exchange that provides diversified integrated financial services. We and the Initial BaaS Investors each invested RMB200 million and held 25% equity interests in the Battery Asset Company at its establishment. In December 2020, FutureX Innovation SPC, Future ICT Opportunity Fund II LP, Qingdao Ziming Hexing Equity Investment Partnership (Limited Partnership) (青島自明和興股權投資合夥企業(有限合夥)), Shandong Weida Machinery Co., Ltd. (山東威達機械股份有限公司) and Taiping E-Commerce Service Co., Ltd. (太平金融服務有限公司) (together, the “**Series A+ Capital Increase**”) entered into an Investment Agreement with the Battery Asset Company and the Initial BaaS Investors, pursuant to which Series A+ Investors shall subscribe an aggregate of 44.44% equity interest in the Battery Asset Company at a total consideration of RMB640.0 million (“**Series A+ Capital Increase**”). Upon completion of the Series A+ Capital Increase, the shareholding structure of the Battery Asset Company was as follows:

| Shareholder | Percentage of Equity Interest(%) | Background of Shareholder |
|-------------------------------------|----------------------------------|--|
| NIO Holding Co., Ltd. (蔚來控股有限公司) | 13.89 | A PRC subsidiary of our Company; a strategic investor that specializes in the development, manufacturing and sales of NEVs |

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| Shareholder | Percentage of Equity Interest(%) | Background of Shareholder |
|--|----------------------------------|--|
| Guotai Junan Financial Product Co., Ltd. (國泰君安金融產品有限公司) | 13.89 | A Hong Kong limited company; a financial investor with rich experience in private investment and capital market investment |
| Hubei Science & Technology Investment Group Co., Ltd. (湖北省科技投資集團有限公司) | 13.89 | A PRC company; a strategic investor with investment experience in technology industry |
| Contemporary Amperex Technology Co., Limited (寧德時代新能源科技股份有限公司) | 13.89 | A PRC company; a strategic investor that specializes in the manufacturing of batteries |
| FutureX Innovation SPC | 9.26 | A Cayman Islands limited company; financial investor |
| Future ICT Opportunity Fund II LP | 4.63 | A Hong Kong limited partnership; financial investor |
| Qingdao Ziming Hexing Equity Investment Partnership (Limited Partnership) (青島自明和興股權投資合夥企業(有限合夥)) | 13.89 | A PRC limited partnership; financial investor |
| Shandong Weida Machinery Co., Ltd. (山東威達機械股份有限公司) | 10.41 | A PRC company; financial investor |
| Taiping E-Commerce Service Co., Ltd. (太平金融服務有限公司) | 6.25 | A PRC company; financial investor |

In April 2021, FutureX Innovation SPC transferred a portion of its interest in the Battery Asset Company that equals 1.85% of the total equity interest of the Battery Asset Company to Suzhou Yuanxi III Venture Capital Investment Partnership (Limited Partnership) (蘇州元晰三號創業投資合夥企業(有限合夥)) (“**Jiangsu Yuanxi**”). Furthermore, FutureX ICT Opportunity Fund II LP transferred a portion of its interest in the Battery Asset Company that equals 1.62% of the total equity interest of the Battery Asset Company to Jiangsu Yuanxi, and transferred the remaining 3.00% equity interest in the Battery Asset Company to FutureX Investment I Company Limited. Meanwhile, Wuhan Qianlong Wuyong Enterprise Management Consulting Partnership (Limited Partnership) (武漢市潛龍勿用企業管理諮詢合夥企業(有限合夥)) entered into an Investment Agreement with the Battery Asset Company, the Initial BaaS Investors, Jiangsu Yuanxi, FutureX Investment I Company Limited and the Series A+ Investors, pursuant to which Wuhan Qianlong Wuyong Enterprise Management Consulting Co., Ltd. shall subscribe for 4.76% equity interests in the Battery Asset Company at a consideration of

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RMB72.0 billion (“ESOP Capital Increase”). Upon completion of the aforementioned share transfers and the ESOP Capital Increase the shareholding structure of the Battery Asset Company was as follows:

| Shareholder | Percentage of Equity Interest(%) | Background of Shareholder |
|--|----------------------------------|--|
| NIO Holding Co., Ltd. (蔚來控股有限公司) | 13.23 | A PRC subsidiary of our Company; a strategic investor that specializes in the development, manufacturing and sales of NEVs |
| Guotai Junan Financial Product Co., Ltd. (國泰君安金融產品有限公司) | 13.23 | A Hong Kong limited company; a financial investor with rich experience in private investment and capital market investment |
| Hubei Science & Technology Investment Group Co., Ltd. (湖北省科技投資集團有限公司) | 13.23 | A PRC company; a strategic investor with investment experience in technology industry |
| Contemporary Amperex Technology Co., Limited (寧德時代新能源科技股份有限公司) | 13.23 | A PRC company; a strategic investor that specializes in the manufacturing of batteries |
| FutureX Innovation SPC (for and on behalf of Special Opportunity Fund X SP) | 7.06 | A Cayman Islands limited company; financial investor |
| FutureX Investment I Company Limited | 2.86 | A Hong Kong limited company; financial investor |
| Suzhou Yuanxi III Venture Capital Investment Partnership (Limited Partnership) (蘇州元晰三號創業投資合夥企業(有限合夥)) | 3.31 | A PRC limited partnership; financial investor |
| Qingdao Ziming Hexing Equity Investment Partnership (Limited Partnership) (青島自明和興股權投資合夥企業(有限合夥)) | 13.23 | A PRC limited partnership; financial investor |
| Shandong Weida Machinery Co., Ltd. (山東威達機械股份有限公司) | 9.92 | A PRC company; financial investor |
| Taiping E-Commerce Service Co., Ltd. (太平金融服務有限公司) | 5.95 | A PRC company; financial investor |
| Wuhan Qianlong Wuyong Enterprise Management Consulting Partnership (Limited Partnership) (武漢市潛龍勿用企業管理諮詢合夥企業(有限合夥)) | 4.76 | A PRC limited partnership; ESOP platform of the Battery Asset Company |

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In August 2021, the Battery Asset Company conducted Series B financing with an aggregated amount of RMB530.5 million. A few more financial investors invested in the Battery Asset Company, and Guotai Junan Financial Product Co., Ltd. exited. We invested an additional RMB270 million in the Battery Asset Company in connection with its Series B financing. Upon the completion of the Series B financing and as of the date of this document, the shareholding structure of the Battery Asset Company is as follows:

| Shareholder | Percentage of Equity Interest(%) | Background of Shareholder |
|---|----------------------------------|--|
| NIO Holding Co., Ltd. (蔚來控股有限公司) | 19.84 | A PRC subsidiary of our Company; a strategic investor that specializes in the development, manufacturing and sales of NEVs |
| Angel Prosperity Investment HK I Limited | 13.02 | A Hong Kong limited company; a financial investor |
| Hubei Science & Technology Investment Group Co., Ltd. (湖北省科技投資集團有限公司) | 10.91 | A PRC company; a strategic investor with investment experience in technology industry |
| Contemporary Amperex Technology Co., Limited (寧德時代新能源科技股份有限公司) | 10.91 | A PRC company; a strategic investor that specializes in the manufacturing of batteries |
| FutureX Innovation SPC (for and on behalf of Special Opportunity Fund X SP) | 5.82 | A Cayman Islands limited company; financial investor |
| FutureX Investment I Company Limited | 3.35 | A Hong Kong limited company; financial investor |
| Suzhou Yuanxi III Venture Capital Investment Partnership (Limited Partnership) (蘇州元晰三號創業投資合夥企業(有限合夥)) | 2.73 | A PRC limited partnership; financial investor |
| Qingdao Ziming Hexing Equity Investment Partnership (Limited Partnership) (青島自明和興股權投資合夥企業(有限合夥)) | 10.91 | A PRC limited partnership; financial investor |
| Shandong Weida Machinery Co., Ltd. (山東威達機械股份有限公司) | 8.18 | A PRC company; financial investor |
| Taiping E-Commerce Service Co., Ltd. (太平金融服務有限公司) | 4.91 | A PRC company; financial investor |

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| Shareholder | Percentage of Equity Interest(%) | Background of Shareholder |
|---|---|---|
| Wuhan Qianlong Wuyong Enterprise Management Consulting Partnership (Limited Partnership) (武漢市潛龍勿用企業管理諮詢合夥企業(有限合夥)) | 3.93 | A PRC limited partnership; ESOP platform of the Battery Asset Company |
| FutureX Phi Limited | 0.21 | A BVI limited company; financial investor |
| Xiamen International Trade Industry Development Equity Investment Fund Partnership (Limited Partnership) (廈門國貿產業發展股權投資基金合夥企業(有限合夥)) | 1.65 | A PRC limited partnership; financial investor |
| Wuhan Paradise Silicon Valley Hengxin Venture Capital Fund Partnership (Limited Partnership) (武漢天堂矽谷恒新創業投資基金合夥企業(有限合夥)) | 0.58 | A PRC limited partnership; financial investor |
| Hefei Paradise Silicon Valley Anbotong Hetai Equity Investment Partnership (Limited Partnership) (合肥天堂矽谷安博通和泰股權投資合夥企業(有限合夥)) | 0.66 | A PRC limited partnership; financial investor |
| Hangzhou Paradise Silicon Valley Yunpei Equity Investment Partnership (Limited Partnership) (杭州天堂矽谷雲沛股權投資合夥企業(有限合夥)) | 0.74 | A PRC limited partnership; financial investor |
| Shaoxing Keqiao Paradise Silicon Valley Lingxin Equity Investment Partnership (Limited Partnership) (紹興柯橋天堂矽谷領新股權投資合夥企業(有限合夥)) | 0.66 | A PRC limited partnership; financial investor |

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| Shareholder | Percentage of Equity Interest(%) | Background of Shareholder |
|---|---|---|
| Changjiang Guanggu New Energy Industry Investment Fund (Hubei) Partnership (Limited Partnership) (長江光谷新能產業投資基金(湖北)合夥企業(有限合夥)) | 0.99 | A PRC limited partnership; financial investor |

The Battery Asset Company is currently dedicated to purchasing and owning the assets of batteries which are subscribed by users under the BaaS and is also conducting research and development of battery-related materials and recycling technologies, and seeking to develop business opportunities with other auto companies. We and the Battery Asset Company Investors jointly provide comprehensive support to the development of the Battery Asset Company in user operations, technologies, funding and infrastructure. Given that we have a good cooperative relationship with the Battery Asset Company and its other shareholders, the reasonable internal rate of return and manageable risks to the Battery Asset Company from the current arrangement under the BaaS, our Directors believe the likelihood of the termination of our cooperation or material adverse change to our cooperative relationship with the Battery Asset Company is relatively low.

For the year ended December 31, 2020, the Battery Asset Company generated revenue of RMB5.1 million and net profit of RMB4.2 million. For the nine months period ended September 30, 2021, the Battery Asset Company generated revenue of RMB191.7 million and net profit of RMB37.0 million.

COMPETITION

Competition in the automotive industry is intense and evolving. We believe the impact of shifting user needs and expectations, favorable government policies towards new energy vehicles, expanding charging infrastructure, and technological advances in electric components are causing the industry to evolve in the direction of electric-based vehicles. We believe the primary competitive factors in our markets are:

- pricing;
- technological innovation;
- vehicle performance, quality and safety;
- service and charging options;
- user experience;
- design and styling; and
- manufacturing efficiency.

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The China automotive market is generally competitive. We have strategically entered into this market in the premium smart EV segment in which there is limited competition relative to other segments. However, we expect this segment will become more competitive in the future. We also expect that we will compete with international competitors, including Tesla. Our vehicles also compete with ICE vehicles in the premium segment. Given the quality and performance of the ES8, the ES6, the EC6, the ET7 and the ET5, and their attractive pricing, we believe that we are strategically positioned in China's premium smart electric vehicle market.

INTELLECTUAL PROPERTY

We have significant capabilities in the areas of vehicle engineering, development and design. We have developed a number of proprietary systems and technologies. We designed and developed electric powertrain in-house, which consists primarily of an electric drive system and an intelligent vehicle control system. Regarding batteries, we jointly designed and developed the 75 kWh battery and the 100 kWh NCM battery with our proprietary battery management system. As a result, our success depends, at least in part, on our ability to protect our core technology and intellectual property, including our registered patents for electric powertrain and battery technologies. To accomplish this, we rely on a combination of patents, patent applications and trade secrets, including employee and third-party nondisclosure agreements, copyright laws, trademarks, intellectual property licenses and other contractual rights to establish and protect our proprietary rights in our technology. We will actively monitor and pursue claims against unauthorized use of our intellectual property.

As of December 31, 2021, we had 2,843 issued patents and 1,801 pending patent applications, 3,625 registered trademarks and 1,592 pending trademark applications in the United States, China, Europe and other jurisdictions. As of December 31, 2021, we also held or otherwise had the legal right to use 152 registered copyrights for software or works of art and approximately 700 registered domain names, including www.nio.io. We intend to continue to file additional patent applications with respect to our technology.

CUSTOMERS AND SUPPLIERS

We have a broad base of customers, and our top five customers, including the Battery Asset Company, accounted for less than 15% of our total revenues for each of the years ended December 31, 2018, 2019 and 2020 and for the nine months ended September 30, 2021, respectively. The Company's five largest suppliers accounted for less than 35% of its purchases for each of the years ended December 31, 2018, 2019 and 2020 and for the nine months ended September 30, 2021; and none of them individually accounted for more than 25% of its purchases for the year ended December 31, 2020 or for the nine months ended September 30, 2021. As of the Latest Practicable Date, based on publicly available information, none of our directors or their close associates (as defined in the Hong Kong Listing Rules) held a 5% or more shareholding interest in our top five suppliers.

CORPORATE SOCIAL RESPONSIBILITY

We are committed to being a force for good in the aspects of environmental, social and governance ("ESG"). With the guidelines of the United Nation Global Compact Sustainable Development Goals, Global Reporting Initiative, and Greenhouse Gas Protocol, we have identified three important pillars in our ESG initiatives: Planet Positive, Social Positive and Governance.

Planet Positive

We leverage our technology, infrastructure and relationships with users and suppliers to reduce the environmental impacts of transportation. To make a positive contribution to better protect the planet, we have taken a series of measures in decarbonization, recycling, and sustainable product design. Based on ISO 14067 and PAS 2050, we have been working closely with our suppliers to calculate and assess their carbon footprint, and set reasonable carbon emission reduction targets. We design our vehicles to be environmentally- and eco-friendly, and track the product lifecycle footprint to identify more opportunities for improvement. For instance, we apply Karuun® renewable rattan on ET7 and Clean+ sustainable material on ET5. In addition, we have launched Blue Points Plan to help users certify emission reductions and trade carbon credits. To recycle materials during the manufacturing and usage process, we have adopted a series of initiatives internally and externally to recycle materials generated during the lifecycle of the vehicle, including leather, fabric, aluminium and others. For example, NIO Life launched a green-thinking product line, Blue Sky Lab, to create eco-friendly fashion products by reusing the scrap materials during the manufacturing process. Moreover, we have initiated a series of activities together with different stakeholders to protect the environment and support the broader community. In 2021, we launched Clean Parks to support nature reserves with smart EVs, build up energy infrastructure, and establish a clean and low-carbon energy cycle system. Our environmental protection efforts extend to our partners and employees. We intentionally choose partners with a strong commitment to carbon emission reduction in our collaboration with business partners. At our office, we ask our employees to be mindful of the environment when consuming office supplies.

Social Positive

At NIO, we are fully committed to be socially responsible and make positive impact on the society. By putting our users' interests first, we set high quality, safety and privacy standards for and make continuous improvements on our products and services, and aim to shape a joyful lifestyle for our users through our deep user engagement in different touch points and user activities, including NIO Day, NIO Summer, Seeds and user workshops. We are the sponsor of the Formula E Student China, a competition event where college students design and race electric racing vehicles, allowing us to nurture the young talent for the future of the automotive industry. Based on our values of honesty, care, vision and action, we offer a series of training and employee engagement activities and implement comprehensive safety measures to create a positive, safe and caring working environment, and provide diversified career development paths for our employees.

We have established various corporate social responsibility initiatives to comprehensively give back to the communities and to create value for the society. At the beginning of the COVID-19 pandemic in China, in January 2020, NIO Users Trust set aside and applied RMB5.0 million special funds for the fight against the pandemic. During the flood in Henan in July 2021, our Company donated RMB15.0 million in support of the emergency rescue operation in Henan. Our users have also been actively and regularly organizing and participating in various social benefit projects. They played and taught music in various rural primary schools, bringing the joy of music and art to children in rural areas. Our users also set up Operation Smile to help children with cleft lip and palate regain their smiles.

Governance

We have established a cross-functional working group focusing on sustainability and ESG related topics and initiatives, which is led by our senior management. The sustainability working group has established an environmental, social and governance communications and

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management mechanism, involving both internal teams and external partners, to comprehensively protect the environment, improve our corporate governance and benefit society. As a vital part of our company, our management and directors contribute their insights into the strategic decision-making process, by drawing on their own gender perspective and diversified background, including automotive, internet, real estate, consulting and more. In addition, we aim to develop a pipeline of potential female successors to the Board to further increase the percentage of female Board representatives in the coming years.

We have been continuously improving our environmental, social and governance initiatives under the guidance of our sustainability framework. We appreciate the oversight, guidance and feedback from different parties and are committed to collaborating closely with domestic and international organizations to support broader industry-wide ESG practices, to explore multi-dimensional use cases for our technologies, to empower traditional industries with our capabilities and to promote a healthier and joyful lifestyle and the long-term sustainability of our society.

RISK MANAGEMENT AND INTERNAL CONTROL

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems. We continually review the implementation of our risk management and internal control policies and procedures to enhance their effectiveness and sufficiency.

Financial reporting risk management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policy and treasury management policy. Our finance department reviews our management accounts based on such policies. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Internal control risk management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our internal control team works closely with our legal, finance and business departments to: (a) perform risk assessments and advise risk management strategies; (b) improve business process efficiency and monitor internal control effectiveness; and (c) promote risk awareness throughout our Company.

We maintain internal procedures to ensure that we have obtained all material requisite licenses, permits and approvals for our business operation, and our internal control team conduct regular reviews to monitor the status and effectiveness of those licenses and approvals. Our in-house legal department works with relevant business departments to obtain requisite governmental approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

In connection with the preparation and external audit of our consolidated financial statements as of and for the year ended December 31, 2019, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting and concluded that our internal control over financial reporting was ineffective as of December 31, 2019. The material weakness was that we did not have sufficient competent financial reporting and accounting personnel with an appropriate understanding of U.S. GAAP

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to (i) design and implement formal period-end financial reporting policies and procedures to address complex U.S. GAAP technical accounting issues and (ii) prepare and review our consolidated financial statements and related disclosures in accordance with U.S. GAAP and the financial reporting requirements set forth by the SEC.

We have implemented a number of remedial measures to address the material weakness, including (1) establishing clear roles and responsibilities for accounting and financial reporting staff to address accounting and financial reporting issues; (2) strengthening our financial reporting team by hiring additional personnel with experience in U.S. GAAP and SEC reporting from reputable accounting firms; (3) further increasing the accounting and SEC reporting acumen and accountability of our finance organization employees through training programs designed to enhance these employees' competency with respect to U.S. GAAP and SEC reporting; (4) enhancing our monitoring controls over financial reporting, including additional review by our chief financial officer, financial vice president, and other senior finance staff over the application of U.S. GAAP accounting requirements, the selection and evaluation of U.S. GAAP accounting policies, critical accounting judgments and estimates, reporting and disclosures; (5) establishing related policies and procedures to support the operation of internal controls at the entity level and process level; and (6) strengthening our internal audit function by hiring additional personnel with industry internal audit experience and experience in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act. As a result, this material weakness has been remediated as of December 31, 2020.

In preparation for the Listing, the Group has engaged an independent third party consultant (the "**Internal Control Consultant**") to perform a review over selected areas of our internal controls over financial reporting in April 2021 (the "**Internal Control Review**"). The scope of the Internal Control Review performed by the Internal Control Consultant was agreed between us, the Sponsor and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity level controls and business process level controls, including revenue and receivables, purchases and payables, inventory, tangible & intangible assets, treasury and investment, R&D and IP management, financial reporting, payroll, insurance, taxation and general controls of information technology.

The Internal Control Consultant performed the follow up reviews to review the status of the management actions taken by the Group to address the findings of the Internal Control Review (the "**Follow up Review**"). The Internal Control Consultant did not have any further recommendation in the Follow up Review. The Internal Controls Review and the Follow up Review were conducted based on information provided by the Group and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

Data and technology system risk management

We mainly collect and store data relating to the usage of our vehicles, the autonomous driving system and intelligent operating system, as well as data collected through our sales and services channels. Sufficient maintenance, storage and protection of user data and other related information is critical to our business. We dedicate significant resources to developing and implementing programs designed to protect user privacy, promote a safe environment and ensure the security of user data. We have qualified for Grade III of China's Administrative Measures for the Graded Protection of Information Security.

The user privacy policy on our platform describes our data use practices and how privacy works on our platform. Specifically, we collect personal information and data from users only with their prior consent, and we provide users with adequate notice as to the data being

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collected, undertake to manage and use the data collected in accordance with applicable laws and make reasonable efforts to prevent the unauthorized use, loss or leak of user data. We only collect data that is relevant to our business and take measures to de-sensitize user data according to the laws and regulations in the jurisdictions we operate. We then analyze such information to improve our technologies, products and services.

In addition, we use a variety of technologies to protect the data with which we are entrusted and have a team of privacy professionals dedicated to the ongoing review and monitoring of data security practices. For example, we store all user data in encrypted format and strictly limit the number of personnel who can access those servers that store user data. We generally do not share user data with our business partners. In the limited cases where absolutely necessary, we only share minimum amount of user data, and include in our agreements with business partners a strict personal data privacy and security clause. In addition, we encrypt our data transmission, especially user data transmission, using sophisticated security protocols and algorithms to ensure confidentiality. For our external interfaces, we also utilize firewalls to protect against potential attacks or unauthorized access. We segregate our internal databases and operating systems from our external-facing services and intercept unauthorized access. We back up our user data and operating data on a regular basis in separate back-up systems to minimize the risk of customer data loss or leakage. Whenever an issue is discovered, we take prompt actions to upgrade our system and mitigate any potential problems that may undermine the security of our system. We provide regular company-wide training to ensure that not only our technology, research and development employees, but also employees in business, legal and other departments of our Company are well aware of the significance of and the measures we adopt for data security. We have complied with the applicable laws and regulations on data privacy and security in all jurisdictions that we operate in all material respects during the Track Record Period and up to the date of this document.

Human resources risk management

We provide regular and specialized training tailored to the needs of our employees in different departments and compliance policies. We regularly organize internal training sessions conducted by senior employees or outside consultants.

We have in place an employee handbook and a code of business conduct and ethics approved by our board of directors which is distributed to all our employees. The handbook contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, negligence and corruption. We provide employees with resources to explain the guidelines contained in the employee handbook.

We have in place an anti-bribery and corruption policy to safeguard against any corruption within our Company. The policy explains potential bribery and corruption conduct and our anti-bribery and corruption measures. We make our internal reporting channel open and available for our staff to report any bribery and corruption acts. Any reported incidents and personnel will be investigated and appropriate measures will be taken.

Investment risk management

We invest in or acquire businesses that are complementary to our business, such as businesses that can expand our product offerings and strengthen our R&D capabilities. In order to control the risks associated with our investments, we generally request our investee companies to grant us customary investor protective rights.

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Our investment department is responsible for reviewing investment proposals made by relevant business units, and making recommendations to the board. Our finance and legal departments cooperate with the deal team on deal analysis, communication, execution, risk control and reporting. After investing in a company, our investment department monitors the deal performance on a regular basis.

Audit committee oversight

We have established an audit committee to monitor the implementation of our risk management policies across our company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations.

Our audit committee consists of Denny Ting Bun Lee and Hai Wu, both of whom are independent non-executive directors. Denny Ting Bun Lee is the chairman of our audit committee. For the professional qualifications and experiences of the members of our audit committee, see “Directors and Senior Management.”

EMPLOYEES

As of December 31, 2021, we had 15,204 full-time employees. The following table sets forth the numbers of our employees categorized by function and region as of December 31, 2021.

| | As of December 31, 2021 |
|--|--|
| China: | |
| User experience (sales and marketing and service)..... | 7,977 |
| Product and software development..... | 4,516 |
| Manufacturing..... | 991 |
| General administration..... | 1,283 |
| North America: | |
| Product and software development..... | 153 |
| Manufacturing..... | 5 |
| General administration..... | 47 |
| Europe: | |
| User experience (sales and marketing and service)..... | 55 |
| Product and software development..... | 140 |
| General administration..... | 37 |
| Total number of employees..... | 15,204 |

Our employees have set up a labor union in China according to the related Chinese labor law. To date we have not experienced any labor strike, and we consider our relationship with our employees to be good.

We provide competitive level of salary and other employee benefits to our employees. Every employee beneficially owns shares in our company. We provide employees with a wide range of benefits, including but not limited to employees’ commercial insurance, physical examinations, vocational training and holiday benefits. We aim to create a warm, safe and secure working environment for everyone.

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PROPERTIES

Currently, we own land use rights with respect to a parcel of land in Nanjing of approximately 325,217.57 square meters and the ownership with respect to the plant thereon for a term ending on March 10, 2063, which are used for the manufacture of our electric powertrains. As of December 31, 2021, we also leased a number of our facilities in various cities in China mainly for user centers, warehouses, power management centers and sales, marketing and customer service with an aggregated floor area of approximately 2,219,565 square meters. As of December 31, 2021, we leased property in North America for our North American headquarters and global software development center, and sales, marketing, light assembly, research and development center with an aggregate floor area of 386,341 square feet; we leased properties in Europe for management, engineering and storage and design headquarters with an aggregate floor area of 124,570 square feet.

INSURANCE

As of the Latest Practicable Date, we maintained all the insurance policies required by PRC laws and regulations. We consider that the coverage from the insurance policies maintained by us is in line with the industry norm. We do not have any business liability or disruption insurance to cover our operations. See “Risk Factors — Risks Related to Our Business and Industry — We have limited business insurance coverage.” During the Track Record Period and up to the Latest Practicable Date, we have not made, nor been the subject of, any material insurance claim.

LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we may be involved in legal proceedings in the ordinary course of our business. Between March and July 2019, several securities class action lawsuits were filed against us, certain of our directors and officers, our underwriters in the IPO and our process agent. Some of these actions have been withdrawn, transferred or consolidated. Currently, three securities class actions remain pending in the U.S. District Court for the Eastern District of New York (E.D.N.Y.), Supreme Court of the State of New York, New York County (N.Y. County), and Supreme Court of the State of New York, County of Kings (Kings County), respectively. In the E.D.N.Y. action, *In re NIO, Inc. Securities Litigation*, 1:19-cv-01424, the Company and other defendants filed their Motion to Dismiss on October 19, 2020. Briefing on the Motion to Dismiss was completed on December 4, 2020. Certain of the Company’s directors and officers (including Bin Li, Lihong Qin, Yaqin Zhang, Tian Cheng, Hai Wu, Xiang Li, Zhaohui Li, Xiangping Zhong), who were named as defendants in this action, joined the Company’s Motion. On August 12, 2021, the Court denied the Motion to Dismiss. The Company and other defendants submitted their respective Answers to Plaintiffs’ Complaint on October 25, 2021. In the New York county action, *In re NIO Inc. Securities Litigation*, Index No. 653422/2019, by an order dated March 23, 2021, the Court granted the plaintiffs’ motion to lift the stay in favor of the federal action. Plaintiffs subsequently filed an amended complaint on April 2, 2021. The Company and other defendants subsequently filed a Motion to Dismiss the complaint, along with a notice of appeal of the Court’s decision to lift the stay. On October 4, 2021, the Court granted the Company and other defendants’ Motion to Dismiss. Plaintiffs subsequently filed a notice of appeal to the Appellate Division of the New York State Court. Briefing has not yet commenced in either of the above appeals. In the Kings County action, *Sumit Agarwal v. NIO Inc. et al.*, Index No. 505647/2019, the complaint was filed on March 14, 2019. The judge has yet to be assigned and there has not been any material development. The plaintiffs in these cases allege, in sum and substance, that our statements in the Registration Statement and/or other public statements were false or misleading and in violation of the U.S. federal securities laws. Specifically, plaintiffs in these actions variously allege that

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NIO's Offering Documents in connection with the IPO contain false or misleading statements regarding (i) the Company's plan to build a plant in Shanghai; (ii) the quality and design of the Company's electric vehicles; (iii) the impact of reductions in government subsidies for electric vehicles on the Company's competitive advantage. We believe these claims are without merit because plaintiffs' liability theory is based on post-IPO developments that the Company did not and could not have predicted before the IPO. Moreover, the Company's Offering Documents warned investors of the precise risks that are alleged to have materialized later. These actions remain in their preliminary stages. We are currently unable to estimate the potential loss, if any, associated with the resolution of such lawsuits. We are defending the actions vigorously. See "Risk Factors — Risks relating to our Business and Industry — We and certain of our directors and officers have been named as defendants in several Shareholder class action lawsuits, which could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation" for further details.

Our PRC Legal Adviser is of the opinion that, except as disclosed in the "Risk Factors" section in this document, during the Track Record Period, our Major Subsidiaries incorporated under PRC laws have complied with relevant PRC laws and regulations currently in effect in all material respects, and obtained all material requisite licenses and approvals from relevant governmental authorities for their main business operations in the PRC, and that as at the Latest Practicable Date, these licenses and approvals remained valid and in effect to the extent required for their main business operations and that no material legal impediment to the renewal of such material licenses and approvals existed.

We were in compliance with the applicable laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date. In addition, during the Track Record Period and up to the Latest Practicable Date, we did not have any material accidents, complaints, safety issues and warranty claims relating to our vehicles.

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The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included in the Accountant’s Report in Appendix I and in “Business.” This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set out under “Risk Factors” and elsewhere in this document. We have prepared our consolidated financial statements in accordance with U.S. GAAP. Our fiscal year ends on December 31 and references to fiscal years 2018, 2019 and 2020 are to the fiscal years ended December 31, 2018, 2019 and 2020, respectively.

OVERVIEW

We are a pioneer and a leading company in the premium smart electric vehicle market. We design, develop, jointly manufacture and sell premium smart electric vehicles, driving innovations in autonomous driving, digital technologies, and electric powertrains and batteries. We differentiate ourselves through our continuous technological breakthroughs and innovations, such as our industry-leading battery swapping technologies, BaaS, as well as our proprietary autonomous driving technologies and ADaaS.

We introduced the EP9 supercar in 2016, which was then the fastest electric vehicle, setting the Nurburgring Nordschleife all-electric vehicle lap record. In December 2017, we launched the ES8, which is a six- or seven-seater flagship premium smart electric SUV. Subsequently, we launched the award-winning ES6, a five-seater high-performance premium smart electric SUV, in December 2018, and the EC6, a five-seater premium smart electric coupe SUV, in December 2019, followed by the ET7, a flagship premium smart electric sedan, in January 2021. In December 2021, we launched the ET5, a mid-size premium smart electric sedan.

In 2018, we delivered 11,348 ES8s. In 2019, we delivered 20,565 vehicles, including 9,132 ES8s and 11,433 ES6s. In 2020, we delivered 43,728 vehicles, including 10,861 ES8s, 27,945 ES6s and 4,922 EC6s. In the nine months ended September 30, 2021, we delivered 66,395 vehicles, including 14,367 ES8s, 29,294 ES6s and 22,734 EC6s. As of September 30, 2021, we had delivered a total of 142,036 vehicles. The table below sets forth delivery data relating to our vehicles for the periods indicated.

| | <u>2020 Q1</u> | <u>2020 Q2</u> | <u>2020 Q3</u> | <u>2020 Q4</u> | <u>2020 Full Year</u> | <u>2021 Q1</u> | <u>2021 Q2</u> | <u>2021 Q3</u> |
|------------------------|---------------------|----------------------|----------------------|----------------------|---------------------------|----------------------|----------------------|----------------------|
| ES8s | 195 | 2,263 | 3,530 | 4,873 | 10,861 | 4,516 | 4,433 | 5,418 |
| ES6s | 3,643 | 8,068 | 8,660 | 7,574 | 27,945 | 8,088 | 9,935 | 11,271 |
| EC6s | – | – | 16 | 4,906 | 4,922 | 7,456 | 7,528 | 7,750 |
| Total | <u>3,838</u> | <u>10,331</u> | <u>12,206</u> | <u>17,353</u> | <u>43,728</u> | <u>20,060</u> | <u>21,896</u> | <u>24,439</u> |

We recorded revenues of RMB4,951.2 million, RMB7,824.9 million and RMB16,257.9 million for the years ended December 31, 2018, 2019 and 2020, respectively, and revenues of RMB9,616.8 million and RMB26,235.7 million (US\$4,071.7 million) for the nine months ended September 30, 2020 and 2021, respectively, which mainly consisted of revenues from the sales of our vehicles, revenue from a number of embedded products and services offered together with the sale of vehicles, revenues from our services including power solutions such

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as our energy package, one-off usage of our One Click for Power services and Power Swap services, as well as revenues from monthly fees, excluding those fees for statutory and third-party liability insurance and vehicle damage insurance paid directly to third-party insurers, under our service package. We incurred net losses of RMB9,639.0 million, RMB11,295.7 million and RMB5,304.1 million in 2018, 2019 and 2020, respectively; and net losses of RMB3,915.5 million and RMB1,873.5 million (US\$290.8 million) in the nine months ended 2020 and 2021, respectively. We had negative cash flows from operating activities of RMB7,911.8 million and RMB8,721.7 million in 2018 and 2019, respectively. We had net current liabilities of RMB4,570.9 million in 2019. We had historically incurred net losses, negative cash flows from operating activities and net current liabilities, primarily because we made significant up-front investments in research and development, service network and sales and marketing to rapidly develop and expand our business at an earlier stage of our development in order to achieve long-term competitiveness. We believe it is common for start-up businesses in the NEV industry to invest significantly, record negative financial performance at an early stage and take time to introduce products and ramp up sales volume.

Since the second quarter of 2020, we had started to generate positive cash flow from operations and record net current assets. This is primarily due to the consummation of equity and debt financing, and the continuously increased number of vehicles we delivered over time, including the ES6s since June 2019, the all-new ES8s since April 2020 and the EC6s since September 2020. Except the first quarter of 2020 when our sales, manufacturing and delivery capabilities were severely affected by the COVID-19 pandemic in China, the number of vehicles we delivered showed consecutive increases for each quarter since the second quarter of 2019. The improvement in our financial performance was also attributable to the increased sales volume that led to economics of scale, driven by the enhanced recognition of our brand and products from users and our online and offline sales network expansion. In addition, we believe our continuous cost control efforts were effective in improving operating efficiency and reducing our cost and expenses as a proportion of total revenue. Moreover, the multiple financings we conducted and the strategic investments we received in 2019, 2020 and the first nine months of 2021 strengthened our balance sheet as well as our cash position.

KEY LINE ITEMS AFFECTING OUR RESULTS OF OPERATIONS

Revenues

The following table presents our revenue components by amount and as a percentage of the total revenues for the periods indicated.

| | Year Ended December 31, | | | | | | Nine Months Ended September 30, | | | | | |
|--------------------------------------|-------------------------|--------------|------------------|--------------|-------------------|--------------|---------------------------------|--------------|-------------------|------------------|--------------|--|
| | 2018 | | 2019 | | 2020 | | 2020 | | 2021 | | | |
| | RMB | % | RMB | % | RMB | % | RMB | % | RMB | US\$ | % | |
| | (in thousands) | | | | | | | | | | | |
| | (unaudited) | | | | | | | | | | | |
| Revenues: | | | | | | | | | | | | |
| Vehicle sales | 4,852,470 | 98.0 | 7,367,113 | 94.1 | 15,182,522 | 93.4 | 9,008,474 | 93.7 | 23,954,365 | 3,717,659 | 91.3 | |
| Other sales ⁽¹⁾ | 98,701 | 2.0 | 457,791 | 5.9 | 1,075,411 | 6.6 | 608,368 | 6.3 | 2,281,316 | 354,055 | 8.7 | |
| Total revenues | 4,951,171 | 100.0 | 7,824,904 | 100.0 | 16,257,933 | 100.0 | 9,616,842 | 100.0 | 26,235,681 | 4,071,714 | 100.0 | |

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Note:

(1) Other sales are comprised as below:

| | Year Ended December 31, | | | | | | Nine Months Ended September 30, | | | | | |
|------------------------------|-------------------------|------------|----------------|------------|------------------|------------|---------------------------------|------------|------------------|----------------|------------|--|
| | 2018 | | 2019 | | 2020 | | 2020 | | 2021 | | | |
| | RMB | % | RMB | % | RMB | % | RMB | % | RMB | US\$ | % | |
| | (in thousands) | | | | | | | | | | | |
| | (unaudited) | | | | | | | | | | | |
| Other sales | | | | | | | | | | | | |
| Sales of automotive | | | | | | | | | | | | |
| regulatory credits | - | - | - | - | 120,648 | 0.8 | - | - | 516,549 | 80,167 | 2.0 | |
| Sales of packages | 10,220 | 0.2 | 111,448 | 1.4 | 244,072 | 1.5 | 162,975 | 1.7 | 368,433 | 57,180 | 1.4 | |
| Battery upgrade | | | | | | | | | | | | |
| service | - | - | - | - | 5,346 | 0.0 | - | - | 270,828 | 42,032 | 1.0 | |
| Sales of charging | | | | | | | | | | | | |
| piles | 82,184 | 1.7 | 127,632 | 1.6 | 229,781 | 1.4 | 133,135 | 1.4 | 243,740 | 37,828 | 0.9 | |
| Others | 6,297 | 0.1 | 218,711 | 2.9 | 475,564 | 2.9 | 312,258 | 3.2 | 881,766 | 136,848 | 3.4 | |
| Total | 98,701 | 2.0 | 457,791 | 5.9 | 1,075,411 | 6.6 | 608,368 | 6.3 | 2,281,316 | 354,055 | 8.7 | |

We began generating revenues in June 2018, when we began making deliveries and sales of the ES8. We currently generate revenues from (i) vehicle sales, which represent revenues from sales of the ES8, the ES6 and the EC6, (ii) sales of automotive regulatory credits, (iii) battery upgrade service, which represents the battery upgrade program for providing incremental battery capacity to the users; (iv) sales of charging piles, including home chargers provided as one of the performance obligations in the contract of vehicle sales, and additional charging piles sold separately, (v) sales of packages, including the sales of our service package and energy package (including charging and battery swapping services), and (vi) other sales, which mainly consist of revenues from sales of accessories, embedded products and services offered together with vehicle sales, and others. Embedded products and services include vehicle connectivity service and extended warranty.

Revenue from sales of the ES8, the ES6 and the EC6, charging piles, battery upgrade service, automotive regulatory credits and sales of accessories are recognized when controls are transferred. For vehicle connectivity services and battery swapping service, we recognize revenue using a straight-line method. As for the extended warranty, given our limited operating history and lack of historical data, we recognize revenue over time based on a straight-line method initially, and will continue monitoring the cost pattern periodically and adjust the revenue recognition pattern to reflect the actual cost pattern as it becomes available with more data. Revenues for our energy package or service package are recognized over time on a monthly basis as our users simultaneously receive and consume the benefits of the related package and the legally enforceable term is only one month.

In January 2021, we launched the ET7, a flagship premium smart electric sedan. In December 2021, we launched the ET5, a mid-size premium smart electric sedan. Users can pre-order the ET7 and the ET5 through the NIO app and we expect to generate revenues from sales of the ET7 and the ET5 as soon as we begin making deliveries, which are expected to occur in March and September 2022, respectively.

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Cost of Sales

The following table presents our cost of sales components by amount and as a percentage of our total cost of sales for the period indicated.

| | Year Ended December 31, | | | | | | Nine Months Ended September 30, | | | | | |
|--------------------------------------|---------------------------|---------------------|---------------------------|---------------------|----------------------------|---------------------|---------------------------------|---------------------|----------------------------|---------------------------|---------------------|--|
| | 2018 | | 2019 | | 2020 | | 2020 | | 2021 | | | |
| | RMB | % | RMB | % | RMB | % | RMB | % | RMB | US\$ | % | |
| | (in thousands) | | | | | | | | | | | |
| | (unaudited) | | | | | | | | | | | |
| Cost of Sales: | | | | | | | | | | | | |
| Vehicle sales | (4,930,135) | 94.7 | (8,096,035) | 89.7 | (13,255,770) | 92.2 | (8,146,439) | 91.7 | (19,225,123) | (2,983,692) | 91.1 | |
| Other sales | (276,912) | 5.3 | (927,691) | 10.3 | (1,128,744) | 7.8 | (738,929) | 8.3 | (1,888,669) | (293,117) | 8.9 | |
| Total cost of sales | <u>(5,207,047)</u> | <u>100.0</u> | <u>(9,023,726)</u> | <u>100.0</u> | <u>(14,384,514)</u> | <u>100.0</u> | <u>(8,885,368)</u> | <u>100.0</u> | <u>(21,113,792)</u> | <u>(3,276,809)</u> | <u>100.0</u> | |

We incur cost of sales in relation to (i) vehicle sales, including, among others, purchases of raw materials, processing fee, warranty expenses and manufacturing overhead (including depreciation), and (ii) other sales, including parts and materials, labor costs, vehicle connectivity cost, and depreciation of assets that are associated with sales of service and energy packages. Cost of sales with respect to vehicle sales also includes compensation to JAC.

Gross (Loss)/Profit and Gross Margin

The following table presents our gross (loss)/profit and gross margin by components for the periods indicated.

| | Year Ended December 31, | | | Nine Months Ended September 30, | | |
|----------------------------|-------------------------|---------------------------|-------------------------|---------------------------------|-------------------------|-----------------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 | |
| | RMB | RMB | RMB | RMB | RMB | US\$ |
| | (in thousands) | | | | | |
| | (unaudited) | | | | | |
| Gross (Loss)/Profit | | | | | | |
| Vehicle sales | (77,665) | (728,922) | 1,926,752 | 862,035 | 4,729,242 | 733,967 |
| Other sales | (178,211) | (469,900) | (53,333) | (130,561) | 392,647 | 60,938 |
| Total | <u>(255,876)</u> | <u>(1,198,822)</u> | <u>1,873,419</u> | <u>731,474</u> | <u>5,121,889</u> | <u>794,905</u> |

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| | Year Ended December 31, | | | Nine Months Ended September 30, | |
|---------------------|-------------------------|---------------|--------------|------------------------------------|--------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (unaudited) | |
| Gross Margin | | | | | |
| Vehicle sales | -1.6% | -9.9% | 12.7% | 9.6% | 19.7% |
| Other sales | -180.6% | -102.6% | -5.0% | -21.5% | 17.2% |
| Total | -5.2% | -15.3% | 11.5% | 7.6% | 19.5% |

The increase of gross loss and decrease of gross margin from 2018 to 2019 was mainly due to the negative impact of battery recall costs incurred in 2019.

The increase of gross profit from 2019 to 2020 was mainly driven by the increase of vehicle delivery volume and vehicle margin. The increase of gross margin from 2019 to 2020 was mainly driven by the increase of vehicle margin in 2020, which in turn was due to the lower per unit material cost and fixed cost achieved through economies of scale as a result of vehicle delivery and production volume increase.

The increase of gross profit in the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020 was mainly driven by the increase of vehicle delivery volume and vehicle margin. The increase of gross margin in the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020 was mainly driven by the increase of vehicle margin in the nine months ended September 30, 2021, which was in turn mainly due to the economies of scale achieved as a result of vehicle production and delivery volume increase, and higher average selling price.

Operating Expenses

Research and Development Expenses

Research and development expenses consist primarily of (i) design and development expenses, which include, among others, consultation fees, outsourcing fees and expenses of testing materials and (ii) employee compensation, representing salaries, benefits and bonuses as well as share-based compensation expenses for our research and development staff. Our research and development expenses also include travel expenses, depreciation and amortization of equipment used in relation to our research and development activities, rental and related expenses with respect to laboratories and offices for research and development teams and others, which primarily consists of telecommunication expenses, office fees and freight charges.

Our research and development expenses are mainly driven by the number of our research and development employees, the stage and scale of our vehicle development and development of technology.

Selling, General and Administrative Expenses

Our selling, general and administrative expenses include (i) employee compensation, including salaries, benefits and bonuses as well as share-based compensation expenses with respect to our sales, marketing and general corporate staff, (ii) marketing and promotional expenses,

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which primarily consist of marketing and advertising costs, sponsorship fees and racing costs related to our Formula E team, (iii) rental and related expenses, which primarily consist of rental for NIO Houses, NIO Spaces and offices, (iv) professional service expenses, which consist of outsourcing fees primarily relating to human resources and IT functions, design fees paid for NIO Houses, NIO Spaces and offices and fees paid to auditors and legal counsel, (v) depreciation and amortization expenses, primarily consisting of depreciation and amortization of leasehold improvements, IT equipment and software, among others, (vi) expenses of low value consumables, primarily consisting of, among others, IT consumables, office supplies, sample fees and IT-system related licenses, (vii) traveling expenses, and (viii) other expenses, which includes telecommunication expenses, utilities and other miscellaneous expenses.

Our selling, general and administrative expenses are significantly affected by the number of our non-research and development employees, marketing and promotion activities and the expansion of our sales and after-sales network, including NIO Houses, NIO Spaces and other leased properties.

Interest Income

Interest income primarily consists of interest earned on cash deposits and short-term investment in banks.

Interest Expense

Interest expense consists of interest expense with respect to our indebtedness.

Share of Losses of Equity Investees

Share of losses of equity investees primarily consists of our share of the losses, net of shares of gains of our affiliates in which, as of September 30, 2021, we held 9.5% to 51.0% equity interest. Our equity interest is accounted for using the equity method since we exercise significant influence but do not own a majority equity interest in or control those investees. For affiliates in which we held equity interest less than 20%, we can exercise significant influence over investees through participation and voting right in the board of directors.

Other Income/(Loss), Net

Other income or loss primarily consist of gains or losses we incur based on movements between the U.S. dollar and the Renminbi. We have historically held a significant portion of our cash and cash equivalents in U.S. dollars, while we have incurred a significant portion of our expenses in RMB. Other income also includes income from reimbursement from depository bank.

Income Tax Expense

Income tax expense primarily consists of current income tax expense, mainly attributable to intra-group income earned by our German, UK, Hong Kong and PRC subsidiaries which are eliminated upon consolidation but were subject to tax in accordance with applicable tax law.

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IMPACT OF COVID-19 ON OUR OPERATIONS

The majority of our revenues are derived from sales of our vehicles in China. Our results of operations and financial condition in 2020 have been affected by the spread of COVID-19. The COVID-19 pandemic has impact on China's auto industry in general and the production and delivery of vehicles of our company.

In early 2020, in response to intensifying efforts to contain the spread of COVID-19, the Chinese government took a number of actions, which included extending the Chinese New Year holiday, quarantining individuals infected with or suspected of having contracted COVID-19, prohibiting residents from free travel, encouraging employees of enterprises to work remotely from home and canceling public activities, among others. The COVID-19 has also resulted in temporary closure of many corporate offices, retail stores, manufacturing facilities and factories across China. We have taken a series of measures in response to the pandemic, including, among others, remote working arrangements for our employees and temporary shutdown of some of our premises and facilities in early 2020. We have followed and are continuing to follow all legal directions and safety guidelines with respect to our premises and facilities in operation. These measures, if taken again in the future, could reduce the capacity and efficiency of our operations, which in turn could negatively affect our results of operations. Although COVID-19 has been largely controlled in China, there have been occasional outbreaks in several cities. To the extent we have service centers and vehicle delivery centers in these locations, we are susceptible to factors adversely affecting one or more of these locations as a result of COVID-19.

We have been working closely with JAC, the manufacturer of the ES8, ES6 and EC6, to resume productions and minimize the impact of COVID-19 on our manufacturing capabilities. As a result, our manufacturing and delivery capacities recovered to the level prior to the COVID-19 pandemic by the second quarter of 2020. In addition, we strive to expand our traffic channels, integrate our online and offline sales efforts and offer high-quality services to bring business and operation back to normal. We will pay close attention to the development of the COVID-19 pandemic, perform further assessment of its impact and take relevant measures to minimize the impact. Although our vehicle deliveries in the first quarter of 2020 was negatively impacted as a result of the COVID-19 pandemic, we achieved satisfactory delivery results in the rest of the year. The total number of vehicles we delivered in the last three quarters of 2020 was 39,890, showing an increase by 140.6% from the last three quarters of 2019. The total number of vehicles we delivered in the first three quarters of 2021 was 66,395, showing an increase of 151.7% from the first three quarters of 2020. We will continue to monitor and evaluate the financial impact on our financial condition, results of operations and cash flows for subsequent periods.

The extent to which COVID-19 impacts our financial position, results of operations and cash flows in the future will depend on the future developments of the pandemic, including the duration and severity of COVID-19, the extent and severity of new waves of outbreak in China and other countries, the development and progress of distribution of COVID-19 vaccine and other medical treatment and the effectiveness of such vaccine and other medical treatment, and the actions taken by government authorities to contain the outbreak, all of which are highly uncertain, unpredictable and beyond our control. In addition, our financial position, results of operations and cash flows could be adversely affected to the extent that the pandemic harms the Chinese economy in general. As of December 31, 2020 and September 30, 2021, we had cash and cash equivalents, restricted cash and short-term investments of RMB42,454.3 million and RMB46,957.0 million (US\$7,287.6 million), respectively. We believe this level of liquidity is sufficient to successfully navigate an extended period of uncertainty.

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See “Risk Factors — Risks Related to Our Business and Industry — Our business, financial condition and results of operations may be adversely affected by the COVID-19 pandemic.”

TAXATION

Cayman Islands

We are incorporated in the Cayman Islands. The Cayman Islands currently have no form of income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or, after execution, brought within the jurisdiction of the Cayman Islands.

Hong Kong

Subsidiaries incorporated in Hong Kong are subject to 8.25% profit tax on the first HKD2 million taxable income and 16.5% profit tax on the remaining taxable income generated from operations in Hong Kong. There is no withholding tax in Hong Kong on remittance of dividends.

PRC

Generally, our PRC subsidiaries are subject to enterprise income tax on their taxable income in China at a statutory rate of 25%, except for our certain PRC subsidiaries that are qualified as high and new technology enterprises under the PRC Enterprise Income Tax Law and are eligible for a preferential enterprise income tax rate of 15%. The enterprise income tax is calculated based on the entity’s global income as determined under PRC tax laws and accounting standards.

Our products and services are primarily subject to value-added tax at a rate of 13% on the vehicles and charging piles, repair and maintenance services and charging services as well as 6% on services such as research and development services, in each case less any deductible value-added tax we have already paid or born. We are also subject to surcharges on value-added tax payments in accordance with PRC law.

Dividends paid by our PRC subsidiaries in China to our Hong Kong subsidiaries will be subject to a withholding tax rate of 10%, unless the relevant Hong Kong entity satisfies all the requirements under the Double Taxation Avoidance Arrangement and receives approval from the relevant tax authority. If our Hong Kong subsidiaries satisfy all the requirements under the tax arrangement and receive approval from the relevant tax authority, then the dividends paid to the Hong Kong subsidiaries would be subject to withholding tax at the standard rate of 5%. Effective from November 1, 2015, the above-mentioned approval requirement has been abolished, but a Hong Kong entity is still required to file application package with the relevant tax authority, and settle the overdue taxes if the preferential 5% tax rate is denied based on the subsequent review of the application package by the relevant tax authority.

If NIO Inc. or any of our subsidiaries outside of China were deemed to be a “resident enterprise” under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%.

Under the PRC Enterprise Income Tax Law, research and development expenses incurred by an enterprise in the course of carrying out research and development activities that have not formed intangible assets and are included in the profit and loss account for the current year. Besides deducting the actual amount of research and development expenses incurred, an

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enterprise is allowed an additional 75% deduction of the amount in calculating its taxable income for the relevant year. For research and development expenses that have formed intangible assets, the tax amortization is based on 175% of the costs of the intangible assets.

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements have been prepared in accordance with U.S. GAAP. Significant accounting policies followed by us in the preparation of the accompanying consolidated financial statements are summarized below:

Revenue recognition

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

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

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

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

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

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

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

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sales contract and the sales of packages, which are recorded as deferred revenue and advance from customers. As of December 31, 2018, 2019, 2020 and September 30, 2021, the balances of contract liabilities from vehicle sales contracts were RMB99.1 million, RMB491.0 million, RMB1,253.6 million and RMB1,942.4 million (US\$301.5 million), respectively. As of December 31, 2018, 2019, 2020 and September 30, 2021, the balances of contract liabilities from the sales of service and energy packages were RMB32.2 million, RMB57.8 million, RMB91.5 million and RMB136.3 million (US\$21.2 million), respectively. As of December 31, 2018, 2019 and 2020 and September 30, 2021, the Company did not record any contract assets.

For the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, revenue recognised at a point in time was RMB4,939.3 million, RMB7,696.2 million, RMB15,969.4 million, RMB9,418.9 million and RMB25,755.8 million (US\$3,997.2 million), respectively, and revenue recognised over time was RMB11.9 million, RMB128.7 million, RMB288.5 million, RMB198.0 million and RMB479.9 million (US\$74.5 million), respectively. Deferred revenue mainly includes the transaction price allocated to the performance obligations that are unsatisfied, or partially satisfied, were RMB181.5 million, RMB405.3 million, RMB1,006.8 million and RMB1,837.6 million (US\$285.2 million) as of December 31, 2018, 2019 and 2020 and September 30, 2021, respectively.

We generate revenue from (i) vehicle sales, (ii) battery upgrade service, (iii) sales of charging piles, (iv) sales of packages, (v) automotive regulatory credits, and (vi) others.

Vehicle sales

We generate revenue from sales of electric vehicles, together with a number of embedded products and services through a series of contracts. We identify the users who purchase the vehicle as our customers. There are multiple distinct performance obligations explicitly stated in a series of contracts including sales of vehicles, home chargers, vehicle connectivity services, extended warranty and battery swapping service which are accounted for in accordance with ASC 606. The standard warranty provided by us is accounted for in accordance with ASC 460, Guarantees, and the estimated costs are recorded as a liability when we transfer the control of vehicle to a user.

Customers only pay the amount after deducting the government subsidies to which they are entitled for the purchase of electric vehicles. The government subsidies are applied and collected by us or JAC, from the government. The government subsidy is considered as a part of the transaction price we charge customers for the electric vehicle, as the subsidy is granted to the buyer of the electric vehicle instead of us and the buyer remains liable for such amount to us in the event the subsidies were not received by us. We or JAC applies and collects the payments on behalf of customers.

In the instance that some eligible customers select installment payment for battery, we believe such arrangement contains a significant financing component and as a result adjust the transaction price to reflect the impact of time value on the transaction price using an appropriate discount rate (i.e., the interest rates of the loan reflecting the credit risk of the borrower). Interest income resulting from a significant financing component is presented as other sales. Receivables related to the battery installment payment and auto financing programs that are expected to be repaid by customers beyond one year of the dates of the financial statements are recognized as non-current assets. 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 separately from revenue from contracts with customers.

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The Group uses a cost plus margin approach to determine the estimated standalone selling price for each individual distinct performance obligation identified, considering the Group's pricing policies and practices, and the data utilized in making pricing decisions. The overall contract price is then allocated to each distinct performance obligation based on the relative estimated standalone selling price in accordance with ASC 606. The revenue for vehicle sales and home chargers are recognized at a point in time when the control of the product is transferred to the customer. For the vehicle connectivity service and battery swapping service, the Group recognizes the revenue over time using a straight-line method for the estimated beneficial period. As for the extended warranty, given limited operating history and lack of historical data, the Group decides to recognize the revenue over time based on a straight-line method initially, and will continue monitoring the cost pattern periodically and adjust the revenue recognition pattern to reflect the actual cost pattern as it becomes available.

As the consideration for the vehicle and all embedded services are generally paid in advance, which means the payments received are prior to the transfer of goods or services by the Group, the Group records a contract liability (deferred revenue) for the allocated amount regarding those unperformed obligations.

Battery as a Service (BaaS)

The Battery as a Service (BaaS) allows users to purchase electric vehicles without batteries and subscribe for the usage of batteries separately. In PRC, under the BaaS, we sell batteries to the Battery Asset Company, an equity investee of us, on a back-to-back basis when we sell the vehicle to the BaaS users and the BaaS users subscribe for the usage of the batteries from the Battery Asset Company by paying a monthly subscription fee to the Battery Asset Company. The promise to transfer the control of batteries to the Battery Asset Company is the only performance obligation in our contract with the Battery Asset Company for the sales of batteries. We recognize revenue for vehicle (without battery) when control of the vehicle (without battery) is transferred to the BaaS users. We recognize revenue from the sales of battery packs to the Battery Asset Company when the vehicles (together with the battery packs) are delivered to the BaaS users which is the point considered then the control of the battery packs is transferred to the Battery Asset Company.

Together with sales of the batteries, we entered into service agreements with the Battery Asset Company, pursuant to which we provide services to the Battery Asset Company, including batteries monitoring, maintenance, upgrade, replacement, IT system support and others, with monthly service charges. In case of any default in payment of monthly subscription fees from users, the Battery Asset Company has the right to request us to track and lock down the battery subscribed by users to limit its usage. In addition, we agreed to provide guarantee to the Battery Asset Company for the default in payment of monthly subscription fees from users. The maximum amount of guarantee that can be claimed by the Battery Asset Company for the users' payment default shall not be higher than the accumulated service fees we receive from the Battery Asset Company.

For services provided to the Battery Asset Company, revenue is recognized over the period when services are rendered. As for financial guarantee liabilities, the provision of guarantee is linked to and associated with services rendered to the Battery Asset Company and the payment of guarantee amount is therefore accounted for as the reduction to the revenue from the Battery Asset Company.

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The fair value of the guarantee liabilities is determined by taking into consideration of the default pattern of our existing battery installment programs provided to users. At each period end, the financial liabilities are remeasured with the corresponding changes recorded as the reduction to the revenue.

As of September 30, 2021, both service revenue and guarantee liability were immaterial. In addition, as the Battery Asset Company was only established in August 2020 and the BaaS was introduced on August 20, 2020, there was a significant increase in the Battery Asset Company's contribution to our revenue from 1.3% in the year ended December 31, 2020 to 10.8% in the nine months ended September 30, 2021.

Battery swapping service

We also provide battery swapping service to both BaaS users and non-BaaS users, which provides the users with convenient "recharging" experiences by swapping the user's battery for another one. The initial users can have their batteries swapped certain times a month free of charges (i.e. monthly free-of-charge quota), as set forth in the vehicle sales contracts, or at certain charges each time after the monthly free-of-charge quota of swapping is consumed. The battery swapping service is in substance a charging service instead of non-monetary exchanges or sales of batteries as the batteries involved in such swapping are the same in capacity and very similar in performance. For performance obligation of the battery swapping service sold together with the vehicles, the Group recognizes the revenue over time using a straight-line method in the estimated beneficial period. For battery swapping out of free-of-charge quota, the Group recognizes revenue at the amount of consideration paid by users for swapping.

Practical expedients and exemptions

We follow the guidance on immaterial promises when identifying performance obligations in the vehicle sales contracts and conclude that roadside assistance and out-of-town charging services are not performance obligations considering these two services are value-added services to enhance user experience rather than critical items for vehicle driving and forecasted that usage of these two 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 conclude that the standalone fair value of roadside assistance and out-of-town charging 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 obligations if they are immaterial in the context of the contract and the relative standalone fair value individually and in aggregate is less than 3% of the contract price, namely the roadside assistance and out-of-town charging services. Related costs are recognized as incurred.

Battery upgrade service

We provide battery upgrade service to both BaaS users and non-BaaS users. The users can exchange their batteries with lower capacity for the batteries with higher capacity from us with a fixed cash consideration. The battery upgrade service is in substance the provision of incremental battery capacity to the users instead of non-monetary battery exchanges or sales of batteries. Therefore, without the BaaS model, the revenue from the battery upgrade service is recognized at the amount of cash consideration paid by users at a point in time when the service is rendered. Under the BaaS model, since the ownership of the originally installed battery belongs to the Battery Asset Company, when a user requests battery upgrade, we

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actually upgrade the battery that belongs to the Battery Asset Company with higher capacity and recognize revenue for the battery upgrade service at the amount paid by the Battery Asset Company when the battery upgrade service is rendered. BaaS users will further pay a higher monthly subscription fee to the Battery Asset Company for subscribing for the battery with higher capacity.

Sales of charging piles

In addition to the home chargers provided as one of the performance obligations in the contract of vehicle sales, we also sell charging piles to customers separately. Revenue for charging piles is recognized at a point in time when the control of the products is transferred to customers.

Sales of packages

We also sell our users two packages, service package and energy package, in exchange for cash considerations. The energy package includes battery charging and swapping services and service package includes repair and maintenance services.

The agreements for energy package and service package create legal enforceability to both parties on a monthly basis as the respective energy or service packages can be canceled at any time without any penalty. We conclude that each service provided in the energy or service package is a series and meets the stand-ready criteria and contains only one performance obligation within each package. Therefore, each service provided in the energy or service package is recognized under the same pattern over time on a monthly basis as customer simultaneously receives and consumes the benefits provided and the term of legally enforceable contract is only one month.

As the consideration for service and energy packages are generally paid in advance, which means the payments received are prior to the transfer of services by us, we record the consideration as a contract liability (advance from customers) upon receipt.

Sales of Automotive Regulatory Credits

New Energy Vehicle (“NEV”) mandate policy launched by the MIIT specifies the NEV credit targets. Given that all of our vehicles are NEVs, we are able to generate NEV credits above target. The credits earned per vehicle is dependent on various metrics such as vehicle driving range and battery energy efficiency, and is calculated based on the MIIT published formula. Excess positive NEV credits are tradable to other vehicle manufacturers through a credit management system established by the MIIT on a separately negotiated basis. We sell these credits at an agreed price to other vehicle manufacturers.

Considerations for automotive regulatory credits are typically received at the point control transfers to the customer, or in accordance with payment terms customary to the business. We recognize revenue on the sale of automotive regulatory credits at the time control of the regulatory credits is transferred to the purchasing party as other revenue in the consolidated statements of operations. Revenue from the sale of automotive regulatory credits totaled nil, nil and RMB120.6 million for the years ended December 31, 2018, 2019 and 2020, respectively. Revenue from the sale of automotive regulatory credits totaled nil and RMB516.5 million for the nine months ended September 30, 2020 and 2021, respectively.

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Others

Other revenues primarily comprise revenues generated from (i) sales of accessories, (ii) embedded products and services offered together with vehicle sales, including vehicle connectivity service and extended warranty, and (iii) others. Revenue is recognized when relevant services are rendered or control of the products is transferred.

Lease – Lessor

Revenues from finance leases are recognized using the effective yield method. Revenues from operating leases are recognized on a straight-line basis over the lease term.

Incentives

We offer a self-managed customer loyalty program points, which can be used in our online store and at NIO Houses to redeem NIO merchandise. We determine the value of each point based on estimated incremental cost. Customers and NIO fans and advocates have a variety of ways to obtain the points. The major accounting policy for its points program is described as follows:

(1) Sales of vehicles

We conclude the points offered linked to the purchase transactions of the vehicles are a material right and accordingly a separate performance obligation according to ASC 606, and should be taken into consideration when allocating the transaction price of the vehicle sales. We also estimate the probability of points redemption when performing the allocation. Since historical information does not yet exist for us to determine any potential points forfeitures and the fact that most merchandise can be redeemed without requiring a significant amount of points compared with the amount of points provided to users, 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 contract liability (deferred revenue) and revenue should be recognized when future goods or services are transferred. We will continue to monitor when and if forfeiture rate data becomes available and will apply and update the estimated forfeiture rate at each reporting period.

(2) Sales of packages

Energy package — when the customers charge their vehicles without using our charging network as tracked by our system, we will grant points to the customers based on the quantity of electricity charged. We record the value of the points as a reduction of revenue from the energy package.

Service package — we grant points to the customers when the customers accumulate miles of safe driving during the service period of the service package. We record the value of the points as a reduction of revenue from the service package.

Since historical information is limited for us to determine any potential points forfeiture and most merchandise can be redeemed without requiring a significant amount of points compared with the amount of points provided to our users, we have used an estimated forfeiture rate of zero.

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(3) *Other scenarios*

Customers or users of our mobile application can also obtain points through any other ways, such as frequent sign-ins to our mobile application and sharing articles from the application to users' own social media. We believe these points are to encourage user engagement and generate market awareness. As a result, we account for such points as selling and marketing expenses with a corresponding liability recorded under other current liabilities of our consolidated balance sheets upon the points offering. We estimate liabilities under the customer loyalty program based on cost of our merchandise that can be redeemed, and our estimate of probability of redemption. At the time of redemption, we record a reduction of inventory and other current liabilities. In certain cases where merchandise is sold for cash in addition to points, we record other revenue.

Similar to the reasons above, we estimate no points forfeiture currently and continue to assess when and if a forfeiture rate should be applied.

For the years ended December 31, 2018, 2019 and 2020, the revenue portion allocated to the points as separate performance obligation was RMB47.3 million, RMB66.3 million and RMB162.5 million, respectively, and for the nine months ended September 30, 2020 and 2021, the revenue portion allocated to the points as separate performance obligation was RMB78.7 million and RMB241.8 million (US\$37.5 million), respectively, which is recorded as contract liability (deferred revenue). For the years ended December 31, 2018, 2019 and 2020 and for the nine months ended September 30, 2020 and 2021, the total points recorded as a reduction of revenue were insignificant. For the years ended December 31, 2018, 2019 and 2020, the total points recorded as selling and marketing expenses were RMB153.1 million, RMB142.4 million and RMB78.2 million, respectively. For the nine months ended September 30, 2020 and 2021, the total points recorded as selling and marketing expenses were RMB50.1 million and RMB111.4 million (US\$17.3 million), respectively.

As of December 31, 2018, 2019, 2020 and September 30, 2021, liabilities recorded related to unredeemed points were RMB143.9 million, RMB178.7 million, RMB221.5 million and RMB383.7 million (US\$59.6 million), respectively.

Cost of Sales

Vehicle

Cost of vehicle revenue includes parts and materials, processing fee, compensation to JAC, labor costs, manufacturing overhead (including depreciation of assets associated with the production) and reserves for estimated warranty expenses. Cost of vehicle revenue also includes adjustments to warranty expense and charges to write down the carrying value of the inventory when it exceeds its estimated net realizable value and to provide for on-hand inventory that is either obsolete or in excess of forecasted demand.

Service and Other

Cost of service and other revenue includes parts and materials, labor costs, vehicle connectivity costs, and depreciation of assets that are associated with sales of service and energy packages.

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Warranty liabilities

We accrue a warranty reserve for all new vehicles sold by us, which includes our best estimate of the projected costs to repair or replace items under warranties. These estimates are based on actual claims incurred to date and an estimate of the nature, frequency and costs of future claims. These estimates are inherently uncertain given our relatively short history of sales, and changes to the historical or projected warranty experience may cause material changes to the warranty reserve when we accumulate more actual data and experience 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 revenues in the consolidated statements of comprehensive loss.

Allowance for doubtful accounts and current expected credit losses

Prior to 2020, we provided an allowance against accounts receivable when there was doubt as to the collectability of individual balances. We wrote off accounts receivable when they were deemed uncollectible. In 2016, the FASB issued ASU No. 2016-13, “Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“**ASC Topic 326**”), which amends previously issued guidance regarding the impairment of financial instruments by creating an impairment model that is based on expected losses rather than incurred losses. We adopted this ASC Topic 326 and several associated ASUs on January 1, 2020 using a modified retrospective approach with a cumulative effect recorded as increase of accumulated deficit with amount of RMB23.0 million. As of January 1, 2020, upon the adoption, the expected credit loss provision for the current and non-current assets were RMB118.9 million and RMB12.9 million, respectively.

Our trade receivable, receivables of installment payments, auto financing receivables, deposits and other receivables are within the scope of ASC Topic 326. We have identified the relevant risk characteristics of our customers and the related receivables, deposits and other receivables which include size, type of the services or the products we provide, or a combination of these characteristics. Receivables with similar risk characteristics have been grouped into pools. For each pool, we consider the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses. Other key factors that influence the expected credit loss analysis include customer demographics, payment terms offered in the normal course of business to customers, and industry-specific factors that could impact our receivables. Additionally, external data and macroeconomic factors are also considered. This is assessed at each quarter based on our specific facts and circumstances.

For the year ended December 31, 2020 and for the nine months ended September 30, 2021, we recorded RMB9.7 million and RMB38.3 million (US\$5.9 million), respectively, expected credit loss expense in selling, general and administrative expenses. As of December 31, 2020 and September 30, 2021, the expected credit loss provision for the current and non-current assets amounted to RMB64.7 million and RMB99.3 million (US\$15.4 million), respectively.

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Balance as at September 30, 2021 (in RMB thousands):

| | <u>Original amount</u> | <u>Expected credit loss rate</u> | <u>Expected credit loss provision</u> |
|--|----------------------------|--|---|
| Current assets: | | | |
| Trade and notes receivable | 3,322,076 | 1.33% | 44,165 |
| Amounts due from related parties | 1,048,656 | – | – |
| Prepayments and other current assets | 1,332,340 | 0.26% | 3,517 |
| Non-current assets: | | | |
| Other non-current assets | 4,813,221 | 1.07% | 51,633 |

Balance as at December 31, 2020 (in RMB thousands):

| | <u>Original amount</u> | <u>Expected credit loss rate</u> | <u>Expected credit loss provision</u> |
|--|----------------------------|--|---|
| Current assets: | | | |
| Trade receivable | 1,123,920 | 3.61% | 40,548 |
| Amounts due from related parties | 169,288 | – | – |
| Prepayments and other current assets | 1,422,403 | 0.29% | 4,097 |
| Non-current assets: | | | |
| Amounts due from related parties | 617 | – | – |
| Other non-current assets | 1,561,755 | 1.28% | 20,031 |

Our expected credit loss rate for trade and notes receivable decreased from 3.61% as at 31 December 2020 to 1.33% as at 30 September 2021, primarily attributable to: (i) the larger portion of auto financing receivables in trade and notes receivable with lower expected credit loss rate considering its risk characteristics and industry-specific factors; and (ii) the better forward-looking factors embedded considering the general recovery of macro-economic factors such as Gross Domestic Product and Consumer Price Index of China.

Share-based compensation

We grant restricted shares and share options to eligible employees and non-employee consultants and account for share-based compensation in accordance with ASC 718, Compensation — Stock Compensation and ASC 505-50, Equity-Based Payments to Non-Employees. There were no new grants to non-employee consultants after the effectiveness of ASU 2018-07 — Compensation — stock compensation (Topic 718) — Improvements to non-employee share-based payment accounting.

Employees' share-based compensation awards are measured at the grant date fair value of the awards and recognized as expenses (a) immediately at the grant date if no vesting conditions are required; (b) for share options or restricted shares granted with only service conditions, using the straight-line vesting method, net of estimated forfeitures, over the vesting period; (c) for share options granted with service conditions and the occurrence of an initial public offering as performance condition, cumulative share-based compensation expenses for the options that have satisfied the service condition should be recorded upon the completion of the

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initial public offering, using the graded vesting method. This performance condition was met upon completion of our initial public offering on September 12, 2018 and the associated share-based compensation expense for awards vested as of that date were recognized, or (d) for share options where the underlying share is liability within the scope of ASC 480, using the graded vesting method, net of estimated forfeitures, over the vesting period, and re-measuring the fair value of the award at each reporting period end until the award is settled.

All transactions in which goods or services are received in exchange for equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

Share-based compensation expenses for share options and restricted shares granted to non-employees are measured at fair value at the earlier of the performance commitment date or the date service is completed, and recognized over the period during which the service is provided. We apply the guidance in ASC 505-50 to measure share options and restricted shares granted to non-employees based on the then-current fair value at each reporting date.

Before the completion of our initial public offering, the fair value of the restricted shares was assessed using the income approaches/market approaches, 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 required complex and subjective judgments regarding our projected financial and operating results, our unique business risks, the liquidity of our ordinary shares and our operating history and prospects at the time the grants were made. Upon the completion of our initial public offering, the fair value of the restricted shares is based on the fair market value of the underlying ordinary shares on the date of grant. In addition, the binomial option-pricing model is used to measure the value of share options. The determination of the fair value is affected by the fair value of the ordinary shares as well as assumptions, including the expected share price volatility, actual and projected employee and non-employee share option exercise behavior, risk-free interest rates and expected dividends. The fair value of these awards was determined taking into account independent valuation advice.

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 us for accounting purposes.

Forfeitures are estimated at the time of grant and revised in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate pre-vesting options and record share-based compensation expenses only for those awards that are expected to vest.

Earnings/(Loss) per share

Basic earnings/(loss) per share is computed by dividing net income/(loss) attributable to holders of ordinary shares, considering the accretions to redemption value of the preferred shares, by the weighted average number of ordinary shares outstanding during the period using the two-class method. Under the two-class method, net income is allocated between ordinary shares and other participating securities based on their participating rights. Diluted earnings/(loss) per share is calculated by dividing net income/(loss) attributable to ordinary shareholders, as adjusted for the accretion and allocation of net income related to the preferred

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shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of shares issuable upon the conversion of the preferred shares using the if-converted method, unvested restricted shares, RSUs and ordinary shares issuable upon the exercise of outstanding share options (using the treasury stock method). Ordinary equivalent shares are not included in the denominator of the diluted earnings per share calculation when inclusion of such shares would be anti-dilutive.

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, our chief operating decision maker (“**CODM**”) has been identified as our Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. As a whole and hence, we have only one reportable segment. We do not distinguish between markets or segments for the purpose of internal reporting. As our long-lived assets are substantially located in the PRC, no geographical segments are presented.

Income taxes

Current income taxes are recorded in accordance with the regulations of the relevant tax jurisdiction. We account for income taxes under the asset and liability method in accordance with ASC 740, Income Tax. Under this method, deferred tax assets and liabilities are recognized for the tax consequences attributable to differences between carrying amounts of existing assets and liabilities in the financial statements and their respective tax basis, and operating loss 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.

We record liabilities related to uncertain tax positions when, despite our belief that our tax return positions are supportable, we believe that it is more likely than not that those positions may not be fully sustained upon review by tax authorities. Accrued interest and penalties related to unrecognized tax benefits are classified as income tax expense. We did not recognize uncertain tax positions as of December 31, 2018, 2019, 2020 and September 30, 2021.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

For a summary of recently issued accounting pronouncements, see Note 3 to the Accountant’s Report in Appendix I.

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RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated results of operations for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this document. The operating results in any year are not necessarily indicative of the results that may be expected for any future periods.

| | Year Ended December 31, | | | Nine Months Ended September 30, | | |
|--|-------------------------------|---------------------|---------------------|---------------------------------|---------------------|--------------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 | |
| | RMB | RMB | RMB | RMB | RMB | US\$ |
| | (in thousands) (unaudited) | | | | | |
| Revenues: ⁽¹⁾ | | | | | | |
| Vehicle sales | 4,852,470 | 7,367,113 | 15,182,522 | 9,008,474 | 23,954,365 | 3,717,659 |
| Other sales ⁽³⁾ | 98,701 | 457,791 | 1,075,411 | 608,368 | 2,281,316 | 354,055 |
| Total revenues | 4,951,171 | 7,824,904 | 16,257,933 | 9,616,842 | 26,235,681 | 4,071,714 |
| Cost of sales: ⁽²⁾ | | | | | | |
| Vehicle sales | (4,930,135) | (8,096,035) | (13,255,770) | (8,146,439) | (19,225,123) | (2,983,692) |
| Other sales | (276,912) | (927,691) | (1,128,744) | (738,929) | (1,888,669) | (293,117) |
| Total cost of sales | (5,207,047) | (9,023,726) | (14,384,514) | (8,885,368) | (21,113,792) | (3,276,809) |
| Gross (loss)/profit ⁽⁴⁾ | (255,876) | (1,198,822) | 1,873,419 | 731,474 | 5,121,889 | 794,905 |
| Operating expenses: ⁽²⁾ | | | | | | |
| Research and development ⁽²⁾ | (3,997,942) | (4,428,580) | (2,487,770) | (1,658,327) | (2,763,336) | (428,863) |
| Selling, general and administrative ⁽²⁾ | (5,341,790) | (5,451,787) | (3,932,271) | (2,725,465) | (4,519,883) | (701,475) |
| Other operating (loss)/income, net | - | - | (61,023) | (23,941) | 110,158 | 17,096 |
| Total operating expenses | (9,339,732) | (9,880,367) | (6,481,064) | (4,407,733) | (7,173,061) | (1,113,242) |
| Loss from operations | (9,595,608) | (11,079,189) | (4,607,645) | (3,676,259) | (2,051,172) | (318,337) |
| Interest income | 133,384 | 160,279 | 166,904 | 89,885 | 552,772 | 85,789 |
| Interest expenses | (123,643) | (370,536) | (426,015) | (332,174) | (561,473) | (87,139) |
| Share of (losses)/profits of equity investees .. | (9,722) | (64,478) | (66,030) | (32,061) | 64,207 | 9,965 |
| Other (loss)/income, net | (21,346) | 66,160 | (364,928) | 39,854 | 131,164 | 20,356 |
| Loss before income tax expenses | (9,616,935) | (11,287,764) | (5,297,714) | (3,910,755) | (1,864,502) | (289,366) |
| Income tax expense | (22,044) | (7,888) | (6,368) | (4,704) | (9,018) | (1,400) |
| Net loss ⁽⁵⁾ | (9,638,979) | (11,295,652) | (5,304,082) | (3,915,459) | (1,873,520) | (290,766) |

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| | Year Ended December 31, | | | Nine Months Ended September 30, | | |
|--|-------------------------------|---------------------|--------------------|---------------------------------|--------------------|--------------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 | |
| | RMB | RMB | RMB | RMB | RMB | US\$ |
| | (in thousands) (unaudited) | | | | | |
| Other comprehensive (loss)/income | | | | | | |
| Foreign currency translation adjustment, net of nil tax | (20,786) | (168,340) | 137,596 | 104,920 | (168,944) | (26,220) |
| Total other comprehensive (loss)/income ... | (20,786) | (168,340) | 137,596 | 104,920 | (168,944) | (26,220) |
| Total comprehensive loss | (9,659,765) | (11,463,992) | (5,166,486) | (3,810,539) | (2,042,464) | (316,986) |
| Accretion on convertible redeemable preferred shares to redemption value | (13,667,291) | - | - | - | - | - |
| Accretion on redeemable non-controlling interests to redemption value | (63,297) | (126,590) | (311,670) | (205,864) | (6,519,698) | (1,011,841) |
| Net loss attributable to non-controlling interests | 41,705 | 9,141 | 4,962 | 2,703 | 131 | 20 |
| Comprehensive loss attributable to ordinary shareholders of NIO Inc. | (23,348,648) | (11,581,441) | (5,473,194) | (4,013,700) | (8,562,031) | (1,328,807) |

Notes:

- (1) We began generating revenues in June 2018, when we began making deliveries and sales of the ES8. We currently generate revenues from vehicle sales and other sales.
- (2) Share-based compensation expenses were allocated in cost of sales and operating expenses as follows:

| | Year Ended December 31, | | | Nine Months Ended September 30, | | |
|---|-------------------------------|----------------|----------------|---------------------------------|----------------|---------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 | |
| | RMB | RMB | RMB | RMB | RMB | US\$ |
| | (in thousands) (unaudited) | | | | | |
| Cost of sales | 9,289 | 9,763 | 5,564 | 3,575 | 22,065 | 3,424 |
| Research and development expenses .. | 109,124 | 82,680 | 51,024 | 32,595 | 217,456 | 33,749 |
| Selling, general and administrative expenses | 561,055 | 241,052 | 130,506 | 90,725 | 373,928 | 58,033 |
| Total | 679,468 | 333,495 | 187,094 | 126,895 | 613,449 | 95,206 |

- (3) Other sales mainly consist of revenues from sales of our service package and energy package, battery upgrade service, automotive regulatory credits, accessories, and a number of embedded products and services offered together with vehicle sales. Embedded products and services include home chargers, vehicle connectivity service, extended warranty and battery swapping service.
- (4) We had gross profit for the first time in 2020, primarily due to the increased revenue from vehicle sales.

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- (5) The increase of net loss for the year ended December 31, 2019 compared with the year ended December 31, 2018 was mainly due to the increased gross loss from our sales of vehicles as a result of high cost of sales in the early production stage, and the increase of our research and development expenses. Research and development expenses increased in 2019 mainly due to the increase in design and development expenses, primarily due to the incurrence of incremental design and development costs for the ES6, EC6 and all-new ES8, and the increase in employee compensation as a result of increased number of our research and development employees. The decrease of net loss for the year ended December 31, 2020 was mainly due to the increase of gross profit from increased sales of vehicles, and decrease of operating expenses. The decrease of net loss for the nine months ended September 30, 2021 compared with the corresponding period was mainly due to the increase of gross profit from increased sales of vehicles.

Nine Months Ended September 30, 2021 and 2020

Revenues

Our revenues increased by 172.8% from RMB9,616.8 million in the nine months ended September 30, 2020 to RMB26,235.7 million (US\$4,071.7 million) in the nine months ended September 30, 2021, primarily attributable to (i) an increase of vehicle delivery volume in the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020, (ii) an increase in the average selling price of our vehicles; (iii) an increase in revenue from the sales of automotive regulatory credits; (iv) an increase in other revenue, which was in line with the incremental vehicle sales, and (v) an increase in revenue from the battery upgrade service.

Cost of sales

Our cost of sales increased by 137.6% from RMB8,885.4 million in the nine months ended September 30, 2020 to RMB21,113.8 million (US\$3,276.8 million) in the nine months ended September 30, 2021, mainly due to the increase of vehicle delivery volume in the first nine months of 2021.

Gross Profit and Gross Margin

Our gross profit increased significantly from RMB731.5 million in the nine months ended September 30, 2020 to RMB5,121.9 million (US\$794.9 million) in the nine months ended September 30, 2021. The increase of gross profit compared to the nine months ended September 30, 2020 was mainly driven by the increase of vehicle delivery volume and vehicle margin.

Gross margin in the nine months ended September 30, 2021 was 19.5%, compared with 7.6% in the nine months ended September 30, 2020. The increase of gross margin as compared to the nine months ended September 30, 2020 was mainly driven by the increase of vehicle margin in the nine months ended September 30, 2021.

Vehicle margin in the nine months ended September 30, 2021 was 19.7%, compared with 9.6% in the nine months ended September 30, 2020. The increase of vehicle margin as compared to the nine months ended September 30, 2020 was mainly driven by the economies of scale achieved as a result of vehicle production and delivery volume increase, and higher average selling price.

Other sales margin in the nine months ended September 30, 2021 was 17.2%, compared with negative 21.5% in the nine months ended September 30, 2020, which was mainly driven by the sales of automotive regulatory credits and the sales of packages.

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Research and Development Expenses

Research and development expenses increased by 66.6% from RMB1,658.3 million in the nine months ended September 30, 2020 to RMB2,763.3 million (US\$428.9 million) in the nine months ended September 30, 2021, primarily due to increased personnel costs in research and development functions as well as the incremental design and development costs for new products and technologies.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 65.8% from RMB2,725.5 million in the nine months ended September 30, 2020 to RMB4,519.9 million (US\$701.5 million) in the nine months ended September 30, 2021, primarily due to the increase of personnel costs in sales and service functions, cost related to sales and service network expansion as well as marketing activities in the first nine months of 2021.

Loss from Operations

As a result of the foregoing, we incurred a loss from operations of RMB2,051.2 million (US\$318.3 million) in the nine months ended September 30, 2021, representing a decrease of 44.2% as compared to a loss of RMB3,676.3 million in the nine months ended September 30, 2020.

Interest Income

We recorded interest income of RMB552.8 million (US\$85.8 million) in the nine months ended September 30, 2021, representing a significant increase as compared to RMB89.9 million in the nine months ended September 30, 2020, primarily due to a significant increase in short-term investment.

Interest Expense

Our interest expense increased from RMB332.2 million in the nine months ended September 30, 2020 to RMB561.5 million (US\$87.1 million) in the nine months ended September 30, 2021, primarily due to the conversion premium charged in connection with separately and individually negotiated agreements with certain holders of their outstanding 2024 Note for early conversion in January 2021.

Share of (Losses)/Profits of Equity Investees

We recorded share of profits of equity investees of RMB64.2 million (US\$10.0 million) in the nine months ended September 30, 2021, as compared to share of losses of equity investee of RMB32.1 million in the nine months ended September 30, 2020, primarily due to the investment gains recorded from our equity investments measured under equity method in the nine months ended September 30, 2021.

Other Income, Net

Our other income increased from RMB39.9 million in the nine months ended September 30, 2020 to RMB131.2 million (US\$20.4 million) in the nine months ended September 30, 2021, primarily due to foreign exchange adjustments in connection with the movements between the U.S. dollar and the Renminbi.

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Income Tax Expense

In the nine months ended September 30, 2021, our income tax expense was RMB9.0 million (US\$1.4 million), as compared to RMB4.7 million in the nine months ended September 30, 2020.

Net Loss

As a result of the foregoing, we incurred a net loss of RMB1,873.5 million (US\$290.8 million) in the nine months ended September 30, 2021, representing a decrease of 52.2% as compared to a net loss of RMB3,915.5 million in the nine months ended September 30, 2020.

Accretion on redeemable non-controlling interests to redemption value

Our accretion on redeemable non-controlling interests to redemption value increased from RMB205.9 million for the nine months ended September 30, 2020 to RMB6.5 billion for the nine months ended September 30, 2021, primarily attributable to our redemption of redeemable non-controlling interests in NIO China from certain Hefei Strategic Investors occurred in February and September 2021 with consideration higher than the carrying value of redeemable non-controlling interest.

Years Ended December 31, 2020 and 2019

Revenues

Our revenues increased by 107.8% from RMB7,824.9 million in 2019 to RMB16,257.9 million in 2020, primarily attributable to (i) an increase in the number of vehicles sold in 2020 as compared to 2019, and (ii) an increase in the incremental revenue recognized from user rights and service packages, which was in line with the growth of our vehicle sales.

Cost of sales

Our cost of sales increased by 59.4% from RMB9,023.7 million in 2019 to RMB14,384.5 million in 2020, mainly due to the increase of delivery volume of the ES6, the ES8, and the EC6 in 2020.

Gross Profit/(Loss) and Gross Margin

Gross profit in 2020 was RMB1,873.4 million, representing an increase of RMB3,072.2 million from a gross loss of RMB1,198.8 million in 2019. The increase of gross profit as compared to 2019 was mainly driven by the increase of vehicle delivery volume and vehicle margin.

Gross margin for 2020 was 11.5%, compared with negative 15.3% in 2019. The increase of gross margin as compared to 2019 was mainly driven by the increase of vehicle margin in 2020.

Vehicle margin in 2020 was 12.7%, compared with negative 9.9% in 2019. The increase of vehicle margin compared to 2019 was jointly driven by the lower per unit material cost and fixed cost achieved through economies of scale as a result of vehicle delivery and production volume increase.

Other sales margin in 2020 was negative 5%, compared with negative 102.6% in 2019, which was mainly driven by the increase of sales of packages and automotive regulatory credits.

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Research and Development Expenses

Research and development expenses decreased by 43.8% from RMB4,428.6 million in 2019 to RMB2,487.8 million in 2020, primarily due to (i) a 61.9% decrease in design and development expenses, which decreased from RMB2,041.0 million in 2019 to RMB778.5 million in 2020 primarily due to higher design and development expenses incurred before the launch of the ES6 and the all-new ES8 in 2019, as well as reduced design and development activities as a result of the COVID-19 pandemic in 2020; and (ii) a 32.1% decrease in employee compensation for our research and development employees, which decreased from RMB2,004.9 million in 2019 to RMB1,362.2 million in 2020 primarily due to decrease in the number of our research and development employees (including employees of our product and software development teams) attributable to our continuous cost control efforts.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by 27.9% from RMB5,451.8 million in 2019 to RMB3,932.3 million in 2020, primarily due to (i) a 24.4% decrease in employee compensation, which decreased from RMB2,231.7 million in 2019 to RMB1,687.9 million in 2020, due to a decrease in the number of our administrative employees attributable to our continuous cost control efforts; and (ii) a 17.5% decrease in marketing and promotional expenses, which decreased from RMB818.1 million in 2019 to RMB675.1 million in 2020, primarily due to a decrease in offline marketing and promotional activities as a result of the COVID-19 pandemic.

Loss from Operations

As a result of the foregoing, we incurred a loss from operations of RMB4,607.6 million in 2020, as compared to a loss of RMB11,079.2 million in 2019.

Interest Income

In 2020, we recorded interest income of RMB166.9 million, as compared to RMB160.3 million in 2019.

Interest Expense

In 2020, we recorded interest expense of RMB426.0 million, as compared to interest expense of RMB370.5 million in 2019, primarily because the principal amount of convertible notes outstanding was higher in 2020 due to the issuance of the Affiliate Notes and the 2021 Notes, and to a lesser extent, the interest-bearing period of our long-term convertible notes issued in February 2019 was shorter in 2019 than in 2020.

Share of Losses of Equity Investees

We recorded share of losses of equity investees of RMB66.0 million in 2020, as compared with share of losses of equity investee of RMB64.5 million in 2019.

Other (Loss)/Income, Net

We recorded other loss of RMB364.9 million in 2020, as compared to other income of RMB66.2 million in 2019, primarily due to foreign exchange adjustments in connection with the movements between the U.S. dollar and the Renminbi, which was partially offset by the effect of income from reimbursement from depositary bank.

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Income Tax Expense

In 2020, our income tax expense was RMB6.4 million, as compared to RMB7.9 million in 2019.

Net Loss

As a result of the foregoing, we incurred a net loss of RMB5,304.1 million in 2020, as compared to a net loss of RMB11,295.7 million in 2019.

Years Ended December 31, 2019 and 2018

Revenues

Our revenues increased by 58.0% from RMB4,951.2 million in 2018 to RMB7,824.9 million in 2019, primarily attributable to (i) an increase in the number of vehicles sold in 2019, and (ii) an increase in the incremental revenue recognized from user rights and service packages, which was in line with the growth of our vehicle sales.

Cost of sales

Our cost of sales increased by 73.3% from RMB5,207.0 million in 2018 to RMB9,023.7 million in 2019, mainly due to (i) an increase in parts and materials and manufacturing overhead (including depreciation of assets associated with the production) by RMB3,007.3 million; (ii) an increase in manufacturing and processing fees and relevant expenses and compensation to JAC for its operating losses incurred in the amount of RMB199.1 million; and (iii) an increase in labor costs that are associated with sales of service and energy packages by RMB146.0 million.

Gross Loss and Gross Margin

Gross Loss in 2019 was RMB1,198.8 million, representing an increase of RMB942.9 million from a gross loss of RMB255.9 million in 2018. The increase of gross loss compared to 2018 was mainly due to the negative impact of battery recall costs incurred in 2019.

Gross margin in 2019 was negative 15.3%, compared with negative 5.2% in 2018. The decrease of gross margin compared to 2018 was mainly due to the decrease of vehicle margin in 2019.

Vehicle margin in 2019 was negative 9.9%, compared with negative 1.6% in 2018. The decrease of vehicle margin was mainly due to the negative impact of battery recall costs incurred in 2019.

Other sales margin in 2019 was negative 102.6%, compared with negative 180.6% in 2018, which was mainly driven by the increase of sales of packages.

Research and Development Expenses

Research and development expenses increased by 10.8% from RMB3,997.9 million in 2018 to RMB4,428.6 million in 2019, primarily due to (i) an 11.7% increase in design and development expenses, which increased from RMB1,828.0 million in 2018 to RMB2,041.0 million in 2019 primarily due to the incurrence of incremental design and development costs for the ES6, EC6 and all-new ES8; and (ii) an 8.3% increase in employee compensation for our research and

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development employees, which increased from RMB1,850.9 million in 2018 to RMB2,004.9 million in 2019 primarily due to an increase in the year-round average number of our research and development employees (including employees of our product and software development teams).

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased slightly by 2.1% from RMB5,341.8 million in 2018 to RMB5,451.8 million in 2019, primarily due to (i) a 63.9% increase in rental and related expenses, which increased from RMB450.1 million in 2018 to RMB737.6 million in 2019, due to the expansion of our network of NIO Houses and NIO Spaces since the second half of 2018; (ii) an 83.1% increase in depreciation and amortization expenses, which increased from RMB249.8 million in 2018 to RMB457.4 million in 2019, primarily due to the increased depreciation expenses from leasehold improvement of NIO Houses and office buildings; and (iii) a 32.0% increase in other expenses, which increased from RMB284.0 million in 2018 to RMB375.0 million in 2019 primarily due to the recognition of certain accrued allowance against receivables in 2019, partially offset by a decrease in marketing and promotional expenses from RMB1,158.5 million in 2018 to RMB818.1 million in 2019 in connection with reduced marketing and promotional activities.

Loss from Operations

As a result of the foregoing, we incurred a loss from operations of RMB11,079.2 million in 2019, as compared to a loss of RMB9,595.6 million in 2018.

Interest Income

In 2019, we recorded interest income of RMB160.3 million as compared to RMB133.4 million in 2018, primarily due to the interest income received on higher cash balances deposited with banks in 2019.

Interest Expense

In 2019, we recorded interest expense of RMB370.5 million, as compared to interest expense of RMB123.6 million in 2018, primarily due to an increase in our indebtedness (including the 2024 Notes, the Affiliate Notes and bank debt) in 2019.

Share of Losses of Equity Investees

We recorded share of losses of equity investees of RMB64.5 million in 2019, as compared with share of losses of equity investee of RMB9.7 million in 2018, primarily because most of our equity investees were loss-making start-up companies.

Other (Loss)/Income, Net

We recorded other income of RMB66.2 million in 2019, as compared to other loss of RMB21.3 million in 2018, primarily due to the investment gains of RMB40.7 million we recorded from the disposal of our investment in a private company, invested through Miracle Mission Limited, an entity affiliated with our founder, to a third party investor, measured at the difference of cash received from the disposal and the original investment amount.

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Income Tax Expense

In 2019, our income tax expense was RMB7.9 million, a decrease of 64.2% from RMB22.0 million in 2018, which was primarily due to our reduced business scale in Germany and the United Kingdom.

Net Loss

As a result of the foregoing, we incurred a net loss of RMB11,295.7 million in 2019, as compared to a net loss of RMB9,639.0 million in 2018.

CERTAIN BALANCE SHEET ITEMS

Receivables (trade in nature, including current and non-current portion)

Our receivable primarily includes current and non-current amounts of vehicle sales in relation of government subsidy to be collected from government on behalf of customers, battery installment, auto financing receivables and receivables due from vehicle users and related party, which are trade in nature.

| | December 31, 2018 | December 31, 2019 | December 31, 2020 | September 30, 2021 | |
|---|------------------------------|------------------------------|------------------------------|---------------------------|------------------|
| | RMB | RMB | RMB | RMB | US\$ |
| | | | (in thousands) | | |
| Receivables – gross | 1,331,185 | 2,095,724 | 2,531,107 | 8,281,204 | 1,285,223 |
| Bad debt provision/Current expected credit loss | – | (85,824) | (55,692) | (84,798) | (13,161) |
| Receivables – net | <u>1,331,185</u> | <u>2,009,900</u> | <u>2,475,415</u> | <u>8,196,406</u> | <u>1,272,062</u> |

The following table sets forth an aging analysis of our receivables as of the dates indicated:

| | December 31, 2018 | December 31, 2019 | December 31, 2020 | September 30, 2021 | |
|---------------------------|------------------------------|------------------------------|------------------------------|---------------------------|-------------------------|
| | RMB | RMB | RMB | RMB | US\$ |
| | | | (in thousands) | | |
| Up to 180 days | 1,329,989 | 1,047,110 | 1,402,406 | 6,496,024 | 1,008,168 |
| 181 to 365 days | 1,196 | 532,919 | 259,822 | 527,015 | 81,791 |
| 1 to 2 years | – | 515,695 | 597,726 | 547,252 | 84,932 |
| Over 2 years | – | – | 271,153 | 710,913 | 110,332 |
| Total | <u>1,331,185</u> | <u>2,095,724</u> | <u>2,531,107</u> | <u>8,281,204</u> | <u>1,285,223</u> |

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The following table sets forth the average turnover days of our receivables for the periods indicated:

| | Year Ended December 31, | | | Nine Months Ended September 30, |
|--|---|------|------|---------------------------------------|
| | 2018 | 2019 | 2020 | 2021 |
| | Average turnover days of receivables ⁽¹⁾ . . . | 49.1 | 79.9 | 51.9 |

Note:

- (1) Turnover days of receivables is derived by dividing the arithmetic mean of the opening and closing balances of receivables for the relevant period by revenue and multiplying by 365 days or the numbers of days for the given period.

Our average receivables turnover days increased in 2019 primarily due to the delayed receipt of payment for the settlement of receivables from certain customers. Our average receivables turnover days decreased in 2020 primarily due to the quick settlement of receivables and increased revenue with cash collection received in advance. Our average receivables turnover days increased in the nine months ended September 30, 2021 primarily due to the increase of auto financing receivables under auto financing arrangement.

Approximately RMB1,793.2 million, or 21.7%, of our receivables as of September 30, 2021 had been subsequently settled as of December 31, 2021. There are no significant recoverability issues for the Group's trade receivables aged over 180 days as the majority of receivables include amounts of vehicle sales in relation to government subsidy to be collected from government on behalf of customers. However, we have provided current expected credit loss of nil, RMB 85.8 million, RMB 30.9 million and RMB 32.1 million against the carrying value of receivables aged over 180 days as at December 31, 2018, 2019, 2020 and September 30, 2021, respectively, by taking consideration of historical loss and forward looking factors under the current expected credit loss model.

Inventories

Our inventories include raw materials we purchase from suppliers, our finished goods, merchandise and work in progress. See Note 2 "Summary of significant accounting policies — Inventories" of Accountant's Report in Appendix I of this document for further details of our accounting policies on inventory.

Our inventory consists of the following:

| | December 31, 2018 | December 31, 2019 | December 31, 2020 | September 30, 2021 | |
|-----------------------------|----------------------|----------------------|----------------------|-----------------------|----------------|
| | RMB | RMB | RMB | RMB | US\$ |
| | (in thousands) | | | | |
| Raw materials | 696,005 | 510,990 | 579,842 | 965,624 | 149,862 |
| Work in process | 6,727 | 1,862 | 2,995 | 5,160 | 801 |
| Finished goods | 723,591 | 291,116 | 381,387 | 528,957 | 82,093 |
| Merchandise | 38,916 | 95,987 | 121,978 | 205,394 | 31,877 |
| Less: write-downs | - | (10,427) | (4,649) | (2,130) | (331) |
| Total | 1,465,239 | 889,528 | 1,081,553 | 1,703,005 | 264,302 |

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The following table sets forth an aging analysis of our inventories as of the dates indicated:

| | December 31, 2018 | December 31, 2019 | December 31, 2020 | September 30, 2021 | |
|---------------------------|----------------------|----------------------|----------------------|-----------------------|----------------|
| | RMB | RMB | RMB | RMB | US\$ |
| | (in thousands) | | | | |
| Up to 90 days | 1,369,590 | 749,848 | 998,513 | 1,528,274 | 237,184 |
| 91 to 180 days | 28,922 | 51,707 | 23,417 | 44,831 | 6,958 |
| 181 to 365 days | 61,169 | 77,645 | 38,369 | 63,061 | 9,787 |
| 1 to 2 years | 5,558 | 19,282 | 20,481 | 16,937 | 2,629 |
| Over 2 years | – | 1,473 | 5,422 | 52,032 | 8,075 |
| Total | 1,465,239 | 899,955 | 1,086,202 | 1,705,135 | 264,633 |

The following table sets forth the average turnover days of our inventories for the periods indicated:

| | Year Ended December 31, | | | Nine Months Ended September 30, |
|---|-------------------------|------|------|---------------------------------------|
| | 2018 | 2019 | 2020 | 2021 |
| Average turnover days of inventories ⁽¹⁾ | 54.5 | 47.8 | 25.2 | 17.8 |

Note:

- (1) Calculated using the average of the beginning and ending inventory balances of the period, divided by cost of sales for the period and multiplied by 365 days for a year in respect of the periods indicated.

Our average turnover days decreased in the year ended December 31, 2019 primarily due to improved management of our inventories, and further decreased in the year ended December 31, 2020 and the nine months ended September 30, 2021 primarily due to the acceleration of inventory turnover.

Approximately RMB1,577.5 million, or 92.5%, of our inventories as of September 30, 2021 had been subsequently used or sold as of December 31, 2021.

Short-term investments

Our short-term investments consist primarily of investments in fixed deposits with maturities between three months and one year and investments in money market funds and financial products issued by banks. As of December 31, 2018, 2019, 2020 and September 30, 2021, our short-term investments amounted to RMB5,154.7 million, RMB111.0 million, RMB3,950.7 million and RMB21,706.4 million (US\$3,368.8 million), respectively. The increase of short-term investments as of September 30, 2021 compared with December 31, 2020 was primarily due to our increased investments in financial products issued by banks for cash management. See Note 2 “Summary of significant accounting policies – short-term

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investments” of Accountant’s Report in Appendix I of this document for further details of our accounting policies on short-term investments. For the years ended December 31, 2018, 2019, 2020 and for the nine months ended September 30, 2021, income from these short-term investments amounted to RMB43.3 million, RMB73.8 million, RMB31.8 million and RMB301.8 million (US\$46.8 million), respectively.

Trade and notes payable

Our trade and notes payable consist primarily of payables of purchase of goods and services in our operations. As of December 31, 2018, 2019, 2020 and September 30, 2021, our trade and notes payable amounted to RMB2,870.0 million, RMB3,111.7 million, RMB6,368.3 million and RMB10,798.3 million (US\$1,675.9 million), respectively. The increase of trade and notes payable was mainly due to increased purchase of goods and services in line with our increase business growth.

Accruals and other liabilities

Our accruals and other liabilities consist primarily of payables for purchase of property and equipment, advance from customers, payable for R&D expenses, and payables for marketing events, etc. As of December 31, 2018, 2019, 2020 and September 30, 2021, our accruals and other liabilities amounted to RMB3,383.7 million, RMB4,216.6 million, RMB4,604.0 million and RMB7,290.8 million (US\$1,131.5 million), respectively. The increase of accruals and other liabilities as at December 31, 2019 compared with December 31, 2018 was mainly due to increased payable for R&D expenses and payables for purchase of property and equipment. The increase of accruals and other liabilities as at December 31, 2020 compared with December 31, 2019 was mainly due to increased payable to employees for options exercised and advance from customers, slightly offset by decrease of payables for purchase of property and equipment. The increase of accruals and other liabilities as at September 30, 2021 compared with December 31, 2020 was mainly due to the payables for repurchase of redeemable non-controlling interests and salaries and benefits payable, slightly offset by decrease of payable to employees for options exercised.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows and Working Capital

We had net cash used in operating activities of RMB7,911.8 million and RMB8,721.7 million in 2018 and 2019, respectively, and net cash provided by operating activities of RMB1,950.9 million in 2020. We had net cash used in operating activities of RMB196.7 million in the nine months ended September 30, 2020, and net cash provided by operating activities of RMB335.8 million (US\$52.1 million) in the nine months ended September 30, 2021. Our principal sources of liquidity have been proceeds from issuances of equity securities, our notes offering, cash flow from business operations and our bank facilities.

As of December 31, 2020 and September 30, 2021, we had a total of RMB42,454.3 million and RMB46,957.0 million (US\$7,287.6 million), respectively, in cash and cash equivalents, restricted cash and short-term investments. As of November 30, 2021, we had a total of RMB56,534.1 million in cash and cash equivalents, restricted cash and short-term investments. As of December 31, 2020 and September 30, 2021, 83.8% and 52.1%, respectively, of our cash and cash equivalents and restricted cash (including non-current restricted cash) were denominated in US\$ and held in PRC, Hong Kong and United States, and the other cash and cash equivalents and restricted cash (including non-current restricted cash) were mainly

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denominated in Renminbi and held in the PRC. Our cash and cash equivalents consist primarily of cash on hand, time deposits and highly liquid investments placed with banks, which are unrestricted as to withdrawal and use, and which have original maturities of three months or less.

As of September 30, 2021, the total size of our bank facilities was RMB25,440.0 million (US\$3,948.2 million), of which RMB5,360.0 million (US\$831.9 million), RMB1,070.0 million (US\$166.1 million) and RMB342.5 million (US\$53.2 million) were utilized for borrowing, letters of guarantee and banker's acceptance, respectively.

As of December 31, 2020 and September 30, 2021, we had RMB5,938.3 million and RMB9,826.6 million (US\$1,525.1 million), respectively, in total long-term borrowings outstanding, consisting primarily of the 2024 Notes, 2026 Notes and 2027 Notes, portions of the Affiliate Notes, and our long-term bank debt.

As of November 30, 2021, we had RMB9,829.0 million, in total long-term borrowings outstanding, consisting primarily of the 2026 Notes and 2027 Notes, portions of the asset-backed securities, and our long-term bank debt.

The 2021 Notes bore zero interest and matured in February 2021. Prior to maturity, the holders of the 2021 Notes had the right to convert either all or part of the principal amount of the 2021 Notes into Class A ordinary shares (or ADSs) of our Company pursuant to conversion price and conditions as set forth in the respective convertible notes purchase agreements. All of the 2021 Notes had been converted to ADSs as of December 31, 2020.

The 2024 Notes are unsecured debt and are not redeemable by us prior to the maturity date except for certain changes in tax law. In accordance with the indenture governing the 2024 Notes, or the 2024 Notes Indenture, holders of the 2024 Notes may require us to purchase all or any portion of their notes on February 1, 2022 at a repurchase price equal to 100% of the principal amount of the 2024 Notes to be repurchased, plus accrued and unpaid interest. Holders of the 2024 Notes may also require us, upon a fundamental change (as defined in the 2024 Notes Indenture), to repurchase for cash all or part of their 2024 Notes at a fundamental change repurchase price equal to 100% of the principal amount of the 2024 Notes to be repurchased, plus accrued and unpaid interest. The holders of the 2024 Notes may convert their notes to a number of our ADSs at their option at any time prior to the close of business on the second business day immediately preceding the maturity date pursuant to the 2024 Notes indenture, at a conversion rate of 105.1359 ADSs per US\$1,000 principal amount of the 2024 Notes. The 2024 Notes that are converted in connection with a make-whole fundamental change (as defined in the 2024 Notes Indenture) may be entitled to an increase in the conversion rate for such 2024 Notes. In connection with the issuance of the 2024 Notes, we entered into capped call transactions and zero-strike call option transactions. Satisfying the obligations of the 2024 Notes could adversely affect the amount or timing of any distributions to our shareholders. As of the Latest Practicable date, approximately US\$164 million principal amount of the 2024 Notes were outstanding. We may choose to satisfy, repurchase, or refinance the 2024 Notes through public or private equity or debt financings if we deem such financings available on favorable terms.

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In January 2021, we issued US\$750 million aggregate principal amount of 0.00% convertible senior notes due 2026, or the 2026 Notes, and US\$750 million aggregate principal amount of 0.50% convertible senior notes due 2027, or the 2027 Notes. The 2026 Notes and the 2027 Notes are unsecured debt. The 2026 Notes will not bear interest, and the principal amount of the 2026 Notes will not accrete. The 2027 Notes will bear interest at a rate of 0.50% per year. The 2026 Notes will mature on February 1, 2026 and the 2027 Notes will mature on February 1, 2027, unless repurchased, redeemed or converted in accordance with their terms prior to such date. Prior to August 1, 2025, in the case of the 2026 Notes, and August 1, 2026, in the case of the 2027 Notes, the 2026 Notes and the 2027 Notes, as applicable, will be convertible at the option of the holders only upon satisfaction of certain conditions and during certain periods. Holders may convert their 2026 Notes or 2027 Notes, as applicable, at their option at any time on or after August 1, 2025, in the case of the 2026 Notes, or August 1, 2026, in the case of the 2027 Notes, until the close of business on the second scheduled trading day immediately preceding the relevant maturity date. Upon conversion, we will pay or deliver to such converting holders, as the case may be, cash, ADSs, or a combination of cash and ADSs, at our election. The initial conversion rate of the 2026 Notes is 10.7458 ADSs per US\$1,000 principal amount of such 2026 Notes. The initial conversion rate of the 2027 Notes is 10.7458 ADSs per US\$1,000 principal amount of such 2027 Notes. The relevant conversion rate for such series of the 2026 Notes and the 2027 Notes is subject to adjustment upon the occurrence of certain events. Holders of the 2026 Notes and the 2027 Notes may require us to repurchase all or part of their 2026 Notes and 2027 Notes for cash on February 1, 2024, in the case of the 2026 Notes, and February 1, 2025, in the case of the 2027 Notes, or in the event of certain fundamental changes, at a repurchase price equal to 100% of the principal amount of the 2026 Notes or the 2027 Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the relevant repurchase date. In addition, on or after February 6, 2024, in the case of the 2026 Notes, and February 6, 2025, in the case of the 2027 Notes, until the 20th scheduled trading day immediately prior to the relevant maturity date, we may redeem the 2026 Notes or the 2027 Notes, as applicable for cash subject to certain conditions, at a redemption price equal to 100% of the principal amount of the 2026 Notes or the 2027 Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the relevant optional redemption date. Furthermore, we may redeem all but not part of the 2026 Notes or the 2027 Notes in the event of certain changes in the tax laws. Satisfying the obligations of the 2026 Notes and the 2027 Notes could adversely affect the amount or timing of any distributions to our shareholders. We may choose to satisfy, repurchase, or refinance the 2026 Notes or the 2027 Notes through public or private equity or debt financings if we deem such financings available on favorable terms.

Shortly after the pricing of the 2026 Notes and the 2027 Notes in January 2021, we entered into separate and individually privately negotiated agreements with certain holders of the 2024 Notes to exchange approximately US\$581.7 million principal amount of the outstanding 2024 Notes for ADSs (each, a “2024 Notes Exchange” and collectively, the “2024 Notes Exchanges”). The 2024 Notes Exchanges closed on January 15, 2021. In connection with the 2024 Notes Exchanges, we also entered into agreements with certain financial institutions that are parties to our existing capped call transactions (which we had entered into in February 2019 in connection with the issuance of the 2024 Notes) shortly after the pricing of the 2026 Notes and the 2027 Notes to terminate a portion of the relevant existing capped call transactions in a notional amount corresponding to the portion of the principal amount of such 2024 Notes exchanged. In connection with such terminations of the existing capped call transactions, we received deliveries of ADSs in such amounts as specified pursuant to such termination agreements on January 15, 2021.

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The Affiliate Notes issued in the first tranche matured in 360 days, bore no interest, and required us to pay a premium at 2% of the principal amount at maturity. The Affiliate Notes issued in the second tranche will mature in three years, bear no interest, and require us to pay a premium at 6% of the principal amount at maturity. The 360-day Affiliate Notes are convertible into our Class A ordinary shares (or ADSs) at a conversion price of US\$2.98 per ADS at the holder's option from the 15th day immediately prior to maturity, and the three-year convertible notes are convertible into our Class A ordinary shares (or ADSs) at a conversion price of US\$3.12 per ADS at the holder's option from the first anniversary of the issuance date. The holders of the three-year Affiliate Notes will have the right to require us to repurchase for cash all of the convertible notes or any portion thereof on February 1, 2022. As of December 31, 2020, the 360-day Affiliate Notes issued to each of an affiliate of Tencent Holdings Limited and Mr. Bin Li have been converted to Class A ordinary shares and the three-year Affiliate Notes issued to the wholly owned company of Mr. Bin Li have been converted to ADSs.

Based on the outstanding principal amount of the convertible notes and the highest conversion rate under each of the relevant indenture, the maximum number of ADSs that would be issued in connection with the outstanding convertible notes is approximately 52 million.

We have been applying a variety of methods to manage our working capital. We use just-in-time, pull-production system to control the inventory level of the components. We adopt made-to-order model and do not maintain a high level of inventories of vehicles. We aim to fulfill orders and deliver vehicles to our users within 21 to 28 days from the date users place their orders. We manage the payment term policy to suppliers to improve our cash position. For most of our suppliers, the payment term ranges from 30 to 90 days. Meanwhile, payment methods can be a combination of cash and notes payable.

As of November 30, 2021, we had net current assets as below:

| | November 30, 2021 |
|--|------------------------------------|
| | RMB |
| | (in thousands) |
| Current assets: | |
| Cash and cash equivalents | 16,245,960 |
| Restricted cash | 2,933,168 |
| Short-term investment | 37,354,957 |
| Trade and notes receivable | 3,413,299 |
| Amounts due from related parties | 1,943,237 |
| Inventory | 2,048,893 |
| Prepayments and other current assets | 1,535,664 |
| Expected credit loss provision – current | (46,476) |
| | |
| Total current assets | 65,428,702 |

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| | November 30, 2021 |
|--|----------------------|
| | RMB |
| | (in thousands) |
| Current liabilities: | |
| Short-term borrowings | 5,630,000 |
| Trade and notes payable | 11,548,443 |
| Amounts due to related parties | 658,504 |
| Taxes payable | 287,086 |
| Current portion of operating lease liabilities | 743,613 |
| Current portion of long-term borrowings | 2,191,671 |
| Accruals and other liabilities | 7,923,686 |
| Total current liabilities | 28,983,003 |
| Net current assets | 36,445,699 |

Our net current assets were RMB36,445.7 million as of November 30, 2021, as compared to our net current assets of RMB27,711.8 million as of September 30, 2021, primarily due to an increase in cash and cash equivalents, restricted cash and short-term investment of RMB9,577.0 million, as a whole, mainly as a result of our at-the-market equity offering program completed in November 2021.

We operate with continuous loss. As of the date of this document, the cash contribution obligations of us and the Hefei Strategic Investors have all been fulfilled, and we hold 92.114% controlling equity interests in NIO China. For details on the cash investment installments, please see “Business — Certain Other Cooperation Arrangements — Hefei Strategic Investors” included elsewhere in this document. We believe that our current cash and cash equivalents, short-term investment and cash generated from operations will be sufficient to support our continuous operations and to meet our payment obligations when liabilities fall due for the next 12 months. We may, however, decide to enhance our liquidity position or increase our cash reserve for future investments or operations through additional capital and finance funding. 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.

Borrowings

As of December 31, 2020, our total borrowings, including current borrowings and non-current borrowings, were RMB7,868.8 million, primarily consisting of convertible notes of RMB5,196.5 million, bank loans of RMB2,234.3 million and loan from investors of RMB438.0 million. As of September 30, 2021, our total borrowings, including current borrowings and non-current borrowings, were RMB16.7 billion (US\$2.6 billion), primarily consisting of convertible notes of RMB10.8 billion (US\$1.7 billion), bank loans of RMB5,402.1 million (US\$838.4 million), and loan from joint investor of RMB451.6 million (US\$70.1 million). As of November 30, 2021, our total borrowings, including current borrowings and non-current borrowings, were RMB17.7 billion, primarily consisting of convertible notes of RMB10.7 billion, bank loans of RMB5,715 million, asset-backed securities of RMB806.8 million and loan from joint investor of RMB454.6 million.

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

| | Year Ended December 31, | | | Nine Months Ended September 30, | | |
|--|-------------------------|-------------|-------------|---------------------------------|--------------|-------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 | |
| | RMB | RMB | RMB | RMB | RMB | US\$ |
| | (in thousands) | | | | | |
| | (unaudited) | | | | | |
| Summary of Consolidated Cash Flow Data: | | | | | | |
| Net cash (outflow used in)/inflow generated from | | | | | | |
| operating activities before movements in working | | | | | | |
| capital | (8,417,422) | (9,158,543) | (2,878,979) | (2,506,151) | 182,899 | 28,385 |
| Changes in operating assets and liabilities | 505,654 | 436,837 | 4,829,873 | 2,309,439 | 152,935 | 23,736 |
| Net cash (used in)/provided by operating activities | (7,911,768) | (8,721,706) | 1,950,894 | (196,712) | 335,834 | 52,121 |
| Net cash (used in)/provided by investing activities | (7,940,843) | 3,382,069 | (5,071,060) | (3,661,405) | (21,135,057) | (3,280,110) |
| Net cash provided by financing activities | 11,603,092 | 3,094,953 | 41,357,435 | 22,515,102 | 7,528,360 | 1,168,383 |
| Effects of exchange rate changes on, cash equivalents | | | | | | |
| and restricted cash | (56,947) | 10,166 | (682,040) | (91,270) | 20,738 | 3,218 |
| Net (decrease)/increase in cash, cash equivalents and | | | | | | |
| restricted cash | (4,306,466) | (2,234,518) | 37,555,229 | 18,565,715 | (13,250,125) | (2,056,388) |
| Cash, cash equivalents and restricted cash at beginning | | | | | | |
| of the year/period | 7,530,853 | 3,224,387 | 989,869 | 989,869 | 38,545,098 | 5,982,105 |
| Cash, cash equivalents and restricted cash at end of the | | | | | | |
| year/period | 3,224,387 | 989,869 | 38,545,098 | 19,555,584 | 25,294,973 | 3,925,717 |

Operating Activities

Net cash provided by operating activities was RMB335.8 million (US\$52.1 million) in the nine months ended September 30, 2021, primarily attributable to a net loss of RMB1,873.5 million (US\$290.8 million), adjusted for (i) non-cash items of RMB2,056.4 million (US\$319.2 million), which primarily consisted of depreciation and amortization of RMB1,145.5 million (US\$177.8 million), share-based compensation expenses of RMB613.4 million (US\$95.2 million), expected credit loss expense of RMB38.3 million (US\$5.9 million) and amortization of right-of-use assets of RMB439.2 million (US\$68.2 million), partially offset by foreign exchange gain of RMB122.1 million (US\$18.9 million) and share of profits of equity investees of RMB64.2 million (US\$10.0 million), (ii) a net decrease in operating assets and liabilities by RMB152.9 million (US\$23.7 million), which was primarily attributable to an increase in trade and notes payable of RMB4,493.8 million (US\$697.4 million), an increase of accruals and other liabilities of RMB1,117.3 million (US\$173.4 million), a decrease in prepayments and other current assets of RMB198.3 million (US\$30.8 million), which was partially offset by, among others, an increase of long-term receivables of RMB2,175.2 million (US\$337.6 million), an increase in trade and notes receivable of RMB2,201.9 million (US\$341.7 million), an increase in other non-current assets of RMB952.6 million (US\$147.8 million) and an increase in inventory of RMB629.2 million (US\$97.7 million).

Net cash provided by operating activities was RMB1,950.9 million in 2020, primarily attributable to a net loss of RMB5,304.1 million, adjusted for (i) non-cash items of RMB2,425.1 million, which primarily consisted of depreciation and amortization of RMB1,046.5 million, amortization of right-of-use assets of RMB499.2 million, share-based compensation expenses of RMB187.1 million and foreign exchange loss of RMB457.4 million, (ii) a net decrease in operating assets and liabilities by RMB4,829.9 million, which was primarily attributable to an increase in trade and notes payable of RMB3,256.6 million, an

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increase in accruals and other liabilities of RMB836.5 million, an increase in amount due to related parties of RMB465.5 million, an increase in other non-current liabilities of RMB665.6 million, an increase in trade and notes receivable of RMB2,201.9 million, an increase in amount due from related parties of RMB878.7 million, an increase in other non-current asset of RMB952.6 million and an increase in inventory of RMB197.8 million, which was partially offset by, among others, a decrease in operating lease liabilities of RMB448.5 million.

Net cash used in operating activities was RMB8,721.7 million in 2019, primarily attributable to a net loss of RMB11,295.7 million, adjusted for (i) non-cash items of RMB2,137.1 million, which primarily consisted of depreciation and amortization of RMB998.9 million and share-based compensation expenses of RMB333.5 million, and (ii) a net decrease in operating assets and liabilities by RMB436.8 million, which was primarily attributable to a decrease in inventory by RMB569.2 million, and an increase in accruals and other liabilities by RMB658.9 million, consisting primarily of research and development services, advance payments from ES8 and ES6 customers, salary and benefits payable and accounts payable in connection with marketing events. Net cash used in operating activities was partially offset by, among others, an increase in trade receivables by RMB681.6 million primarily consisting of an increase in the government subsidies relating to our vehicle sales, and payment of operating lease liabilities by RMB345.3 million.

Net cash used in operating activities was RMB7,911.8 million in 2018, primarily attributable to a net loss of RMB9,639.0 million, adjusted for (i) non-cash items of RMB1,221.6 million, which primarily consisted of share-based compensation expenses of RMB679.5 million and depreciation and amortization of RMB474.2 million, and (ii) a net decrease in operating assets and liabilities of RMB505.7 million, which was primarily attributable to an increase in trade payables of RMB2,635.7 million, consisting primarily of accounts payable relating to the purchase of inventory; an increase in accruals and other liabilities of RMB1,360.5 million, consisting primarily of research and development services, advance payments from ES8 customers, salary and benefits payable and accounts payable in connection with marketing events; and an increase in other non-current liabilities of RMB291.1 million, consisting primarily of rental payables, partially offset by, among others, an increase in inventory of RMB1,375.9 million, primarily related to purchase of raw materials, works in progress and finished goods; an increase in prepayments and other current assets of RMB835.6 million, consisting primarily of deductible value-added tax and prepaid expenses; an increase in trade receivables of RMB756.5 million, primarily consisting of an increase in the government subsidies relating to our vehicle sales and an increase in long-term receivables of RMB574.7 million, primarily resulting from battery payment installment arrangement with customers, and an increase in other non-current assets of RMB658.0 million.

Investing Activities

Net cash used in investing activities was RMB21,135.1 million (US\$3,280.1 million) in the nine months ended September 30, 2021, primarily attributable to (i) purchases of short-term investments of RMB88,161.8 million (US\$13,682.5 million), and (ii) purchase of property, plant and equipment and intangible assets of RMB2,394.9 million (US\$371.7 million), partially offset by proceeds from sale of short-term investments of RMB70,364.5 million (US\$10,920.4 million).

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Net cash used in investing activities was RMB5,071.1 million in 2020, primarily attributable to (i) purchases of short-term investments of RMB7,594.1 million, (ii) purchase of property, plant and equipment and intangible assets of RMB1,127.7 million, and (iii) acquisition of equity investees of RMB250.8 million, partially offset by (i) proceeds from sale of short-term investments of RMB3,738.5 million, and (ii) proceeds from disposal of property and equipment of RMB163.1 million.

Net cash provided by investing activities was RMB3,382.1 million in 2019, primarily attributable to (i) proceeds from sale of short-term investments of RMB7,246.5 million, and (ii) proceeds from disposal of equity investees of RMB76.7 million, partially offset by (i) purchases of short-term investments of RMB2,202.8 million, and (ii) purchase of property, plant and equipment and intangible assets of RMB1,706.8 million.

Net cash used in investing activities was RMB7,940.8 million in 2018, primarily attributable to (i) purchases of short-term investments of RMB8,090.7 million, (ii) purchases of property, plant and equipment and intangible assets of RMB2,644.0 million and (iii) acquisition of equity investees of RMB110.9 million, partially offset by the proceeds from sale of short-term investments of RMB2,936.0 million.

Financing Activities

Net cash provided by financing activities was RMB7,528.4 million (US\$1,168.4 million) in the nine months ended September 30, 2021, primarily attributable to (i) proceeds from issuance of convertible promissory note of RMB9,560.8 million (US\$1,483.8 million), (ii) proceeds from borrowings of RMB4,380.0 million (US\$679.8 million), (iii) net proceeds from issuance of ordinary shares of RMB602.8 million (US\$93.6 million), and (iv) proceeds from exercise of stock options of RMB123.3 million (US\$19.1 million), partially offset by (i) redemption of redeemable non-controlling interests of RMB6,000.0 million (US\$931.2 million), (ii) repayments of borrowings-third party of RMB1,212.3 million (US\$188.1 million), and (iii) principal payments on finance lease of RMB25.2 million (US\$3.9 million).

Net cash provided by financing activities was RMB41.4 billion in 2020, primarily attributable to (i) proceeds from issuance of ordinary shares, net of RMB34,607.1 million, (ii) capital injection from redeemable non-controlling interests holders of RMB5,000.0 million, (iii) proceeds from issuance of convertible promissory note-third parties of RMB3,014.6 million, (iv) proceeds from issuance of convertible promissory note-related parties of RMB90.5 million, (v) proceeds from borrowings from third parties of RMB1,605.5 million, and (vi) proceeds from borrowings from related parties of RMB260.0 million, partially offset by (i) repurchase of redeemable non-controlling interests of RMB2,071.5 million, (ii) repayments of borrowings from third parties of RMB964.8 million, and (iii) repayments of borrowings from related parties of RMB285.8 million.

Net cash provided by financing activities was RMB3,095.0 million in 2019, primarily attributable to (i) proceeds from issuance of convertible promissory note-third parties of RMB2,802.0 million, (ii) proceeds from issuance of convertible promissory note-related parties of RMB1,520.4 million, (iii) the proceeds from borrowings from third parties of RMB1,350.8 million, and (iv) the proceeds from borrowings from related parties of RMB25.8 million, partially offset by repayments of borrowings of RMB2,611.0 million.

Net cash provided by financing activities was RMB11,603.1 million in 2018, primarily attributable to (i) the proceeds from the issuance of ordinary shares in our initial public offering of RMB7,531.0 million; (ii) the proceeds from the issuance of redeemable non-controlling

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interests of RMB1,265.9 million in connection with the issuance by a wholly-owned subsidiary of us of redeemable preferred shares to certain third party strategic investors and (iii) the proceeds from borrowings from third parties of RMB2,668.5 million.

Capital Expenditures

In 2018, 2019, 2020 and for the nine months ended September 30, 2021, our capital expenditures were mainly used for the acquisition of property, plant and equipment and intangible assets which consisted primarily of mold and tooling, IT equipment, research and development equipment, leasehold improvements, consisting primarily of office space, NIO Houses and laboratory improvements as well as the roll-out of our power solutions, and equity investments. We made capital expenditures of RMB2,754.9 million, RMB1,738.3 million and RMB1,378.5 million in 2018, 2019 and 2020, respectively. We made capital expenditures of RMB1,209.9 million, and RMB3,338.6 million (US\$518.2 million) in the nine months ended September 30, 2020 and 2021, respectively. We expect our capital expenditures to continue to be significant in the foreseeable future as we expand our business, and that our level of capital expenditures will be significantly affected by user demand for our products and services. The fact that we have a limited operating history means we have limited historical data on the demand for our products and services. As a result, our future capital requirements may be uncertain and actual capital requirements may be different from those we currently anticipate. To the extent the proceeds of securities we have issued and cash flows from our business activities are insufficient to fund future capital requirements, we may need to seek equity or debt financing. We will continue to make capital expenditures to support the expected growth of our business.

HOLDING COMPANY STRUCTURE

NIO Inc. is a holding company with no material operations of its own. We conduct a portion of our operations through our PRC subsidiaries, and, to a lesser extent, our variable interest entity and its subsidiaries in China. As a result, our ability to pay dividends depends significantly upon dividends paid by our PRC subsidiaries. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiaries and our variable interest entity and its 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, each of our wholly foreign-owned subsidiaries in China may allocate a portion of its after-tax profits based on PRC accounting standards to enterprise expansion funds, staff bonuses and welfare funds at its discretion, and our variable interest entity may allocate a portion of its after-tax profits based on PRC accounting standards to a discretionary surplus fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by the 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. Our VIEs that existed as of September 30, 2021 did not have any material assets or liabilities as of September 30, 2021. In the future we expect Beijing NIO to focus on value-added telecommunications services, including, without limitation, performing internet services, operating our website and our mobile application as well as holding certain related licenses.

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OFF-BALANCE SHEET ARRANGEMENTS

Other than the guarantees provided to Battery Asset Company in relation to the BaaS model as described in Note 2(s) to the Accountant's Report set out in Appendix I, we have not entered into any off-balance sheet financial guarantees or other off-balance sheet commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations as of November 30, 2021:

| | Payment due by period | | | | |
|---|--------------------------|--------------------------|-------------------------|-------------------------|-------------------------|
| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| | (in RMB thousands) | | | | |
| Capital commitments | 3,115,824 | 2,502,222 | 591,375 | 15,522 | 6,705 |
| Operating lease obligations | 3,666,245 | 1,026,275 | 1,247,761 | 595,003 | 797,206 |
| Finance lease obligations | 66,040 | 31,531 | 34,360 | 149 | – |
| Short-term and long-term borrowings | 6,170,060 | 6,124,480 | 45,580 | – | – |
| Interest on bank borrowings | 118,797 | 117,343 | 1,454 | – | – |
| Convertible notes with principal and interest | 10,965,621 | 1,288,868 | 47,846 | 4,832,396 | 4,796,511 |
| Asset-backed securities | 837,639 | 485,226 | 352,413 | – | – |
| Total | <u>24,940,226</u> | <u>11,575,945</u> | <u>2,320,789</u> | <u>5,443,070</u> | <u>5,600,422</u> |

Capital commitments are commitments in relation to the purchase of property and equipment including leasehold improvements. Operating lease obligations consist of leases in relation to certain offices and buildings, NIO Houses and other property for our sales and after-sales network.

Other than those shown above, we did not have any significant capital and other commitments, long-term obligations, mortgages and charges, or guarantees as of November 30, 2021.

As of September 30, 2021 and the Latest Practicable Date, for the purpose of indebtedness, save as disclosed in the Accountant's Report in Appendix I to this document, we did not have significant contingent liabilities.

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As of September 30, 2021 and November 30, 2021, save as disclosed in this section, we did not have any significant bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges hire purchase commitments or other outstanding material contingent liabilities.

DIVIDEND POLICY

The payment of dividends is at the discretion of our board of directors, subject to our twelfth amended and restated memorandum and articles of association. 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 the share premium account, and provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business. Even if we decide to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We may rely on dividends paid by our subsidiaries in China for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See “Risk Factors — Risks Related to Doing Business in China — We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.”

If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the ordinary shares underlying our ADSs to the depositary, as the registered holder of such ordinary shares, and the depositary then will pay such amounts to our ADS holders in proportion to the ordinary shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreements, including the fees and expenses payable thereunder. Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our directors confirm that, up to the date of and save as disclosed in this document, there has not been any material adverse change in our financial or trading position or prospects since September 30, 2021, and there is no event since September 30, 2021 which would materially affect the information shown in the Accountant’s Report in Appendix I to this document.

LISTING EXPENSES

We expect to incur listing expenses of approximately RMB58.3 million, comprising (1) fees and expenses of legal advisers and accountants of approximately RMB36.2 million and (2) other fees and expenses of approximately RMB22.1 million. Listing expenses are recognised in our consolidated statement of comprehensive loss as and when they are incurred.

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UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules are set out to illustrate the effect of the Listing on our consolidated net tangible assets attributable to our ordinary shareholders as of September 30, 2021 as if the Listing had taken place on that date.

The unaudited pro forma adjusted net tangible assets have been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets had the Listing been completed as of September 30, 2021 or at any future dates. It is prepared based on our unaudited consolidated net tangible assets attributable to ordinary shareholder as of September 30, 2021 as derived from the Accountant's Report, the text of which is set out in Appendix I to this document, and adjusted as described below.

| Audited consolidated net tangible assets attributable to ordinary shareholders of the Company as at September 30, 2021 | Estimated listing expenses | Unaudited pro forma adjusted net tangible assets attributable to ordinary shareholders of the Company as at September 30, 2021 | Unaudited pro forma adjusted net tangible assets per Share | Unaudited pro forma adjusted net tangible assets per ADS | Unaudited pro forma adjusted net tangible assets per Share | Unaudited pro forma adjusted net tangible assets per ADS |
|--|----------------------------|--|--|--|--|--|
| (RMB'000) | (RMB'000) | (RMB'000) | RMB | RMB | HK\$ | HK\$ |
| (Note 1) | (Note 2) | | (Note 3) | (Note 4) | (Note 5) | (Note 5) |

Based on 1,590,573,377

Shares in issue

immediately prior to

the Listing

| | | | | | | |
|------------|----------|------------|-------|-------|-------|-------|
| 24,419,303 | (58,278) | 24,361,025 | 15.32 | 15.32 | 18.51 | 18.51 |
|------------|----------|------------|-------|-------|-------|-------|

Notes:

- (1) The audited consolidated net tangible assets attributable to ordinary shareholders of the Company as at September 30, 2021 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the audited consolidated net assets attributable to ordinary shareholders of the Company as of September 30, 2021 of approximately RMB24,419,306,000 as set out in Appendix I with an adjustment for the intangible assets attributable to the ordinary shareholders of the Company of approximately RMB3,000.
- (2) In relation to the Listing, the Company expects to incur listing expenses in an aggregate amount of approximately RMB58.3 million which mainly include professional fees to the Joint Sponsors, legal advisers, the legal advisers to the Joint Sponsors and the Reporting Accountant.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,590,573,377 ordinary shares were in issue immediately prior to the Listing, assuming that the Listing has been completed on September 30, 2021 and the completion of conversion of all of the Class B ordinary shares into Class A ordinary shares, without taking into account of 18,482,691 treasury shares held by the Company, 59,950,066 Class A ordinary shares issued after September 30, 2021 and the Shares to be issued pursuant to the Stock Incentive Plans including pursuant to the exercise of options or the vesting of restricted shares or other awards that have been or may be granted from time to time, and any issuance or repurchase and cancellation of Shares and/or ADSs by the Company.

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- (4) The unaudited pro forma adjusted net tangible assets per ADS is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that one ADS represent one Share.
- (5) For the purpose of this pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at a rate of RMB0.8277 to HK\$1.00.
- (6) Save as disclosed above, no other adjustment has been made to the pro forma adjusted net tangible assets of the Company to reflect any trading results or other transactions of the Company entered into subsequent to September 30, 2021.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following the completion of the Introduction, Mr. Bin Li, our founder, chairman and chief executive officer, will be interested in and will control through (a) Originalwish Limited, 89,013,451 Class C ordinary shares (representing approximately 59.9% of the issued Class C ordinary shares and voting power of Class C ordinary shares), (b) mobike Global Ltd., 26,454,325 Class C ordinary shares (representing approximately 17.8% of the issued and outstanding Class C ordinary shares and voting power of Class C ordinary shares) and (c) NIO Users Limited, 16,967,776 Class A ordinary shares (representing approximately 1.1% of the issued Class A ordinary shares and voting power of Class A ordinary shares) and 33,032,224 Class C ordinary shares (representing approximately 22.2% of the issued Class C ordinary shares and voting power of Class C ordinary shares). All of Mr. Bin Li, Originalwish Limited, mobike Global Ltd. and NIO Users Limited are a group of controlling shareholders of the Company.

On November 29, 2021, a share swap was effected between Originalwish Limited and NIO Users Limited, pursuant to which 4,778,523 Class A ordinary shares were transferred from Originalwish Limited to NIO Users Limited, and the same amount of Class C ordinary shares were transferred from NIO Users Limited to Originalwish Limited. The share swap was conducted as part of the NIO Users Trust's ongoing plan to increase its portion of Class A ordinary shares in order to allow for more flexibility in obtaining financing and source of funding for the operations of the trust.

Originalwish Limited and mobike Global Ltd. are BVI companies wholly owned by Mr. Bin Li. NIO Users Limited is a holding company controlled by NIO Users Trust, a trust of which Mr. Bin Li is the Settlor, Protector, Investment Advisor and the only existing de facto beneficiary. Mr. Bin Li, as the Settlor and Investment Advisor, has the power to direct the trustee with respect to the retention or disposal of, and the exercise of any voting and other rights attached to, the shares held by NIO Users Limited in our Company. For more details in relation to the NIO Users Trust and Mr. Li retaining sole control of the voting rights attached to the Shares, including Class C ordinary shares, controlled by NIO Users Trust, please refer to "Relationship with the Controlling Shareholders – Powers, Rights and Obligations in NIO Users Trust."

Excluding 23,279,058 Class A ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Stock Incentive Plans and assuming no additional Shares are issued under the Stock Incentive Plans and between the Latest Practicable Date and the Listing, Mr. Bin Li's aggregated shareholding will be approximately 9.9% of our issued share capital and he will hold approximately 44.5% of the voting rights in the Company through shares capable of being exercised on resolutions in general meetings. Therefore, Mr. Bin Li will be a Controlling Shareholder after the Listing. For more information on Mr. Bin Li's shareholding, please see "Major Shareholders."

Powers, Rights and Obligations in NIO Users Trust

Mr. Bin Li is the Settlor, the Protector, the Investment Advisor and the only existing de facto beneficiary of NIO Users Trust and continues to retain the voting rights of the Shares controlled by NIO Users Trust and held by NIO Users Limited. Mr. Li has been the only existing de facto beneficiary who has been specifically named and identified under the trust deed (the "**Trust Deed**") of NIO Users Trust and has full control over the NIO Users Trust as the sole Settlor, sole Protector and sole Investment Advisor since its establishment, although two other categories of beneficiaries were written in the Trust Deed, including (i) charities (which refers to any company, body or trust which is (a) charitable in the place where it is situated, registered, incorporated or established and (b) charitable under the laws of the Cayman Islands) and (ii) any person or class of persons added to the class of beneficiaries by

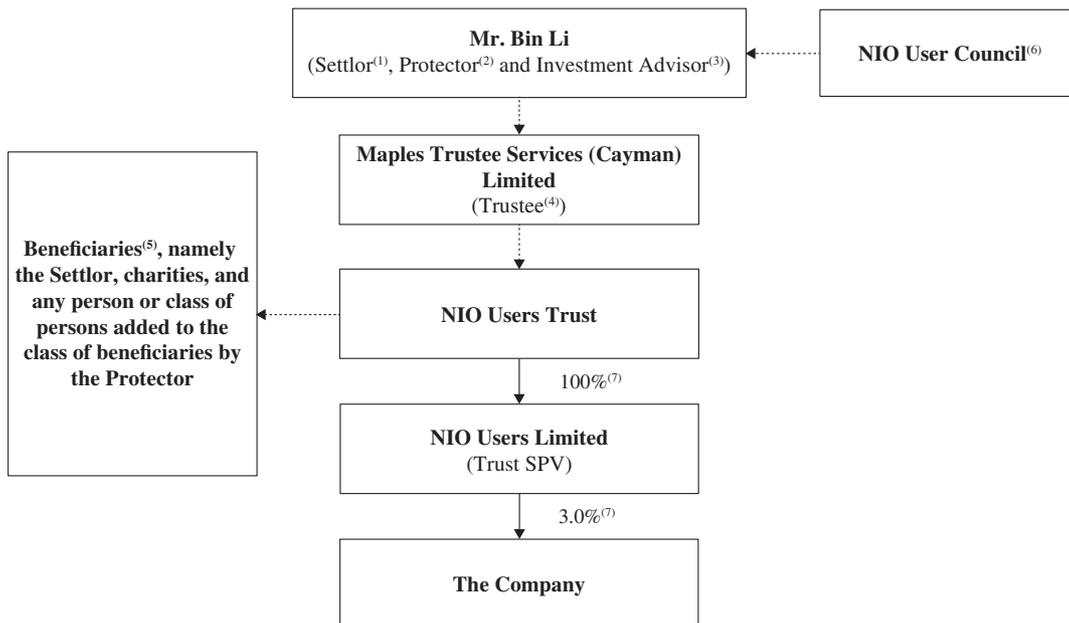
RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

the Protector by deed delivered to the trustee. As of the Latest Practicable Date, no charity has been identified as the beneficiary and no other person or class of persons has been added by Mr. Li as the Protector to the class of beneficiaries. Ms. Shân Warnock-Smith QC, the Company's expert Cayman Islands attorney, advised that Mr. Li (i) possesses sole control over the voting rights attached to the Shares, including Class C ordinary shares, held by NIO Users Limited and (ii) is the only person with economic interest in the trust fund.

As illustrated below, any changes to the roles of the (i) Protector, (ii) Investment Advisor or (iii) beneficiary of NIO Users Trust will have material impact on the WVR structure of the Company due to the power entrusted to them (in the case of the Investment Advisor and the Protector) or the economic interests vested in them (in the case of the beneficiary) in the Class C ordinary shares held by NIO Users Limited. Upon the change of any of such roles to any person other than Mr. Bin Li, the beneficial ownership of, or the economic interest in, the WVR shares or the control over the voting rights attached to the shares held by NIO Users Trust will no longer be solely vested in Mr. Bin Li. Mr. Bin Li may cease to be a Protector or Investment Advisor in the event of death, resignation by written notice to the trustee, or refusal, unfitness or incapacity to act. In such circumstances, the WVR shares held by NIO Users Trust will be automatically converted to Class A ordinary shares pursuant to Rule 8A.18(1).

The Company undertakes to make appropriate disclosure in its annual report, interim report and its quarterly earnings release after its Listing to keep the investors informed of any material changes to these roles of NIO Users Trust.

The powers, rights and obligations and the mechanisms for the appointment and change of, and the relationships between, the various roles under the NIO Users Trust are illustrated below.



Notes:

- (1) **Powers, rights and obligations of the Settlor:** The Settlor has the power to direct, by written notice, the trustee to exercise the shareholders powers (meaning all voting and other powers attributable to shares (and voting powers including powers to direct the voting of shares held by a nominee)) held by the trustees in relation to the appointment and removal of directors of NIO Users Limited. This power is not fiduciary in nature and may be exercised in the Settlor's own interests without regard to the interests of any of the beneficiaries.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (2) ***Powers, rights and obligations of the Protector:*** The Protector has the powers to (i) appoint and remove trustee by deed, (ii) direct, in writing, the trustee to pay or apply the income from the trust assets to or for the benefit of any beneficiary under the trust, with the trustee having an obligation to accumulate the remainder of the income of the trust assets, and (iii) direct the trustee to exercise the powers relating to the beneficial use of trust property as set out in the Trust Deed which shall not otherwise be exercisable by the trustee while there is a Protector in office. Furthermore, the Protector is also conferred with the powers of appointment, resettlement and advancement. Further, the Protector has the same rights as life tenant beneficiaries of an ordinary trust to receive information concerning the trust and its administration from the trustee and to inspect and take copies of trust documents. The powers of the protector, except the power of appointment, resettlement and advancement, are fiduciary in nature. ***Mechanism for the appointment and change of the Protector:*** According to the Trust Deed, the Settlor (i.e. Mr. Bin Li) shall be the first Protector of the trust. There should only be one protector at any one time. The Protector may in writing, by giving written notice to the trustee, appoint a successor or nominate a person to become the Protector on his ceasing to be a Protector. A person ceases to be a Protector in the event of death, resignation by written notice to the trustee or refusal, unfitness or incapacity to act. If at any time there is no Protector able or willing to act, the trustee has the power to appoint a new Protector. Since the establishment of the trust, Mr. Bin Li has been the only Protector of the trust. As of the Latest Practicable Date, Mr. Bin Li has no intention to exercise his powers as the Protector under the Trust Deed to appoint a successor or nominate a person to become the Protector on his ceasing to be a Protector, and intends to continue to be the sole Protector of the trust.
- (3) ***Powers, rights and obligations of the Investment Advisor:*** The Investment Advisor has the power to direct the trustee to exercise any investment powers, including (without limitation) all voting powers attributable to shares held by the trust and not reserved to the Settlor. The powers of the Investment Advisor are not fiduciary in nature and may be exercised without regard to the interest of any of the beneficiaries, except that the Investment Advisor may not exercise those powers to benefit himself except on arm's length terms. ***Mechanism for the appointment and change of the Investment Advisor:*** According to the Trust Deed, the Settlor (i.e. Mr. Bin Li) shall be the first Investment Advisor of the trust. There should only be one Investment Advisor at any one time. The Investment Advisor may in writing, by giving written notice to the trustee, appoint a successor or nominate a person to become the Investment Advisor on his ceasing to be an Investment Advisor. A person ceases to be an Investment Advisor in the event of death, resignation by written notice to the trustee or refusal, unfitness or incapacity to act. If at any time there is no Investment Advisor able and willing to act, the Protector has, during his lifetime and while not mentally incapable, the power to appoint a new Investment Advisor. Subject to the Protector's power, if at any time there is no Investment Advisor able and willing to act, the trustee has the power to appoint a new Investment Advisor. Since the establishment of the trust, Mr. Bin Li has been the only Investment Advisor of the trust. As of the Latest Practicable Date, Mr. Bin Li has no intention to exercise his powers as the Investment Advisor under the Trust Deed to appoint a successor or nominate a person to become the Investment Advisor on his ceasing to be an Investment Advisor, and intends to continue to be the sole Investment Advisor of the trust.
- (4) ***Powers, rights and obligations of the trustee:*** The trustee has the power to exercise general administrative power under the Trust Deed and general law. Further, the trustee has the powers to, on the direction of the Settlor, the Protector or the Investment Advisor (as the case may be), (i) exercise voting and other powers attributable to shares held upon the terms of the trust in relation to the appointment and removal of directors of NIO Users Limited (as directed by the Settlor), (ii) pay or apply the income from the trust assets to or for the benefit of any beneficiary under the trust (as directed by the Protector), with an obligation to accumulate the remainder of the income of the trust assets, (iii) exercise the powers relating to the beneficial use of trust property (as directed by an appointment made by the Protector), and (iv) exercise any powers of investment or ancillary to investment (as directed by the Investment Advisor). In addition to these powers the trustee has the power, with the written consent of the Protector to change the governing law of the trust and the power and duty to appoint a new Protector (if at any time there is no Protector able and willing to act) and, subject to the Protector's power to do so, a new Investment Advisor (if at any time there is no Investment Advisor able and willing to act). Finally, the trustee has the right to resign as trustee and, if the Protector has not appointed a replacement trustee within the prescribed notice period, to appoint a replacement trustee. ***Mechanism for the appointment and change of the trustee:*** According to the Trust Deed, a trustee may be appointed and removed for any reason by the Protector by deed. If there is either a Protector or another trustee(s), a trustee can (i) give two months' written notice to the Protector and the other trustee(s) (if any) of his or her intention to retire as trustee and (ii) the Protector (if any) has not appointed a replacement trustee within the notice period, then (a) if there remains at least one trustee, the retiring trustee shall be discharged on the expiry of the notice period or, (b) if the retiring trustee is the sole trustee, he or she may appoint a replacement by deed. As of the Latest Practicable Date, Mr. Bin Li, as the Protector, has no intention to change the trustee of NIO Users Trust before or after the Listing.

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- (5) **Powers, rights and obligations of the beneficiaries:** Beneficiaries under the trust have no proprietary interests in a trust fund, having only a “right to be considered” for benefit and to compel due administration of the trust. **Mechanism for the appointment and change of the beneficiaries:** According to the Trust Deed, beneficiaries are defined to be (i) the Settlor (i.e. Mr. Bin Li), (ii) charities, and (iii) any person or class of persons added to the class of beneficiaries by the Protector by deed delivered to the trustees. The Protector can also exercise his power of appointment to instruct the trustee to remove any class(es) of beneficiaries.
- (6) **Powers, rights and obligations of the NIO User Council:** The NIO User Council plays an advisory role to the Settlor, Protector and Investment Advisor of the trust, and any recommendation of the NIO User Council will be considered and if thought fit by Mr. Bin Li, implemented by the trustee as directed by Mr. Bin Li. **Mechanism for the appointment and change of NIO User Council members:** Pursuant to the Articles of Association of NIO Users Trust, NIO Users Council members are the board of directors of the NIO Users Trust, which include the Protector of the trust and eight user members (“**User Member(s)**”) who are NIO vehicle owners. Each User Member shall serve a term of two years and shall be entitled to be re-elected upon expiration of his or her term. Every year, four User Members will retire and an election will be held. Retiring members are eligible for re-election. NIO vehicle owning users will voluntarily register for election after receiving the notice of recruitment from the NIO User Council members. The NIO User Council will, according to the registration situation, elect nine candidates to enter the final election of the community through internal voting by the NIO User Council members who will not participate in the re-election. All NIO vehicle owners are entitled to vote and each NIO vehicle owners can vote for four of the nine candidates. When a NIO vehicle owner supports a candidate, its NIO points shall be accrued towards the votes for such supported candidate. Candidates with top four vote counts will become the next User Members of NIO Users Council. Mr. Bin Li, as the Protector of the trust, is a permanent NIO User Council member while the rest of the eight User Members will be subject to the retirement and (re-)election mechanism as set out above.
- (7) Equity interests as of November 30, 2021.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our directors are satisfied that we are capable of carrying on our business independently of our Controlling Shareholders and their close associates after the Listing.

Management Independence

Our business is managed and conducted by our board and senior management. Our board consists of six directors, of whom three are independent directors unrelated to our Controlling Shareholders. For more information, please see “Directors and Senior Management.”

Our directors consider that our board and senior management will function independently of our Controlling Shareholders because:

- (a) each director is aware of their fiduciary duties as a director, which require, among other things, that they act for the benefit, and in the interest, of our Company and does not allow any conflict between their duties as a director and their personal interests;
- (b) our daily management and operations are carried out by members of our senior management team, all of whom have substantial experience in our Group’s business and/or the industry in which we operate, and will be able to make decisions that are in the best interest of our Group;
- (c) we have three independent directors and certain matters of our Company will always be referred to them for review and/or approval;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our directors or their respective associates, the interested director(s) is required to declare the nature of such interest before voting at the relevant board meeting(s) in respect of such transactions; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders that would support our independent management; see “— Corporate Governance Measures” in this section for further information.

Operational Independence

Our Group is not operationally dependent on our Controlling Shareholders. Our Group (through our subsidiaries and consolidated affiliated entities) holds all material licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently of our Controlling Shareholders. Our access to, and relationship with, our customers and suppliers are independent of our Controlling Shareholders, and we have an independent management team that operates our business.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function, and an audit committee comprising solely of independent directors to oversee our accounting and financial reporting processes. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

No loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates will be outstanding as of the Latest Practicable Date.

Based on the above, our directors believe that our board as a whole and together with our senior management team are able to manage, operate and carry on our business independently of, and do not place undue reliance on, our Controlling Shareholders and their respective close associates.

DISCLOSURE UNDER RULE 8.10 OF THE HONG KONG LISTING RULES

Our Controlling Shareholders and/or our directors may, from time to time, make minority investments or hold non-executive board positions in entities that operate in, or have subsidiaries that operate in, the broader industries in which all of our business segments also operate. As our Controlling Shareholders and/or directors have no executive or shareholding control over any of these entities, and these entities have separate businesses with separate management and shareholder bases that control their entities, our Controlling Shareholders will not inject any of their interested entities into our Group; and to the extent our directors hold non-executive board positions or make minority investments in these entities, we believe that this strengthens the experience and diversity of our directors, as a group, and signifies their passion for the industries in which we operate.

Our Controlling Shareholders and directors confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Hong Kong Listing Rules.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our directors recognize the importance of good corporate governance in protecting our shareholders' interests. We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

- (a) where our directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense;
- (b) we have appointed Guotai Junan Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Hong Kong Listing Rules, including various requirements relating to corporate governance;
- (c) we have established our audit committee, compensation committee, nominating and corporate governance committee with written terms of reference in compliance with the rules of the NYSE. All of the members of our audit committee, including the chairman, are independent directors; and
- (d) the terms of reference of our nominating and corporate governance committee are also consistent with Code Provision A.2.1 of Appendix 14 to, and Rule 8A.30 of, the Hong Kong Listing Rules;

Based on the above, our directors are satisfied that we have sufficient corporate governance measures in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

The following table sets forth information regarding our directors and senior management.

| Name | Age | Position/Title | Date of appointment | Year of joining our Group |
|--------------------------------|-----|--|---------------------|---------------------------|
| <i>Directors⁽¹⁾</i> | | | | |
| Bin Li | 47 | Co-founder, Chairman of the Board of Directors and Chief Executive Officer | December 2014 | 2014 |
| Lihong Qin | 48 | Co-founder, Director and President | December 2014 | 2014 |
| James Gordon Mitchell | 48 | Director | September 2018 | 2018 |
| Hai Wu | 53 | Independent director ⁽²⁾ | July 2016 | 2016 |
| Denny Ting Bun Lee | 54 | Independent director ⁽²⁾ | September 2018 | 2018 |
| Yu Long | 49 | Independent director ⁽²⁾ | July 2021 | 2021 |
| <i>Senior Management</i> | | | | |
| Xin Zhou | 51 | Executive Vice President | May 2015 | 2015 |
| Feng Shen | 58 | Executive Vice President | December 2017 | 2017 |
| Ganesh V. Iyer | 54 | Chief Information Officer | January 2016 | 2016 |
| Wei Feng | 42 | Chief Financial Officer | November 2019 | 2019 |

Notes:

- (1) Our board consists of six directors, including three independent directors. See “—Board Practices” for the functions and duties of our board. Our board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association, and all applicable laws, including the Hong Kong Listing Rules.
- (2) Our independent directors under applicable U.S. regulations are also independent non-executive directors for the purpose of the Hong Kong Listing Rules. We have determined that Denny Ting Bun Lee qualifies as an “audit committee financial expert” under the applicable rules of the SEC and has the appropriate professional accounting or financial management experience.

Save as disclosed below, none of our directors held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this document and there are no family relationships among any of the directors or executive officers of our Company. See “Major Shareholders” for disclosure of interests of the directors and executive officers. There is no material matter relating to our directors that needs to be brought to the attention of our shareholders and the information of our directors disclosed in this document comply with the requirements under Rule 13.51(2) of the Hong Kong Listing Rules in all material respects.

BIOGRAPHIES

Our Directors

Mr. Bin Li (李斌) is our founder and has served as chairman of the board since our inception and our chief executive officer since March 2018. In 2000, Mr. Li co-founded Beijing Bitauto E-Commerce Co., Ltd. and served as its director and president until 2006. From 2010 to 2020, Mr. Li served as chairman of the board of directors at Bitauto Holdings Limited (previously

DIRECTORS AND SENIOR MANAGEMENT

listed on NYSE with stock code BITA), a former NYSE-listed automobile service company and a leading automobile service provider in China. In 2002, Mr. Li co-founded Beijing Creative & Interactive Digital Technology Co., Ltd. as the chairman of the board of directors and had served as its president and director. Mr. Li received his bachelor's degree in sociology from Peking University.

Mr. Lihong Qin (秦力洪) is our co-founder and has served as our director and our president since our inception. Prior to joining us, Mr. Qin served as chief marketing officer and executive director at Longfor Properties Co., Ltd. (HKEX: 960), a leading company involved in property development and investment in China, from 2008 to 2014. He also served as deputy general manager at Anhui Chery Automobile Sales and Service Company from 2005 to 2008, as senior consultant and project manager at Roland Berger Strategy Consultants from 2003 to 2005. Mr. Qin received his bachelor's degree and a master's degree in law from Peking University in 1996 and 1999, respectively, and a master's degree in public policy from Harvard University in 2001.

Mr. James Gordon Mitchell has served as our director since September 2018. Currently, Mr. Mitchell serves as Senior Executive Vice President and Chief Strategy Officer of Tencent Holdings (HKEX: 700), where he has worked since July 2011. Mr. Mitchell has also served as the Chairman and Non-Executive director of the board of China Literature Limited (HKEX: 772) since June 2017. He is also a director of certain other listed companies including Frontier Developments Plc (AIM: FDEV), Tencent Music Entertainment Group (NYSE: TME), Universal Music Group (EURONEXT: UMG) and of several unlisted companies. Prior to joining Tencent, Mr. Mitchell was a managing director at Goldman Sachs. He is a CFA® Charterholder and received a bachelor of arts degree in ancient and modern history from Oxford University.

Mr. Hai Wu (吴海) has served as our director since July 2016. Mr. Wu has served as a managing partner of Cenova Capital since May 2019. He has extensive experience in investments and management. Prior to Cenova Capital, Mr. Wu served as an executive director of China at Temasek Holdings Advisors (Beijing) Co., Ltd. since April 2014. Prior to that, Mr. Wu was the chief executive officer at Ramaxel Technology (Shenzhen) Limited from April 2012 to February 2014 and a managing director at CITIC Private Equity Funds Management Co., Ltd. from March 2010 to May 2012. Prior to that, Mr. Wu had served at Beijing Branch office of McKinsey & Company for more than ten years and was appointed as the global director and managing partner until February 2010. He also served as a non-executive director of COFCO Meat Holdings Limited (HKEX: 1610) from September 2015 to December 2017. He received a bachelor's degree in physiology from Peking University, a master's degree in business administration from the Johnson School of Management, Cornell University and a doctoral degree in biomedical science from Rutgers University.

Mr. Denny Ting Bun Lee (李廷斌) has served as our director since September 2018. Mr. Lee serves as an independent non-executive director on the board of NetEase, Inc. (Nasdaq: NTES; HKEX: 9999), a leading internet and online game service provider in China listed on the Nasdaq Global Select Market. He was the chief financial officer of NetEase, Inc. from 2002 to 2007. Prior to joining NetEase, Inc., Mr. Lee worked in the Hong Kong office of KPMG for more than ten years. Mr. Lee currently serves as an independent non-executive director and the chairman of the audit committees of the following three companies: (1) Jianpu Technology Inc. (NYSE: JT), a company listed on the NYSE, (2) New Oriental Education & Technology Group Inc. (NYSE: EDU; HKEX: 9901), a provider of private education services in China listed on the NYSE, and (3) China Metal Resources Utilization Ltd. (HKEX: 1636), a company principally engaged in the manufacture and sales of copper and related products in China listed on the main board of The Hong Kong Stock Exchange. He was also an independent

DIRECTORS AND SENIOR MANAGEMENT

non-executive director and the chairman of the audit committee of Concord Medical Services Holdings Limited (NYSE: CCM), a leading specialty hospital management solution provider and operator in China listed on the NYSE, from December 2009 to May 2021. Mr. Lee graduated from the Hong Kong Polytechnic University and is a member of the Hong Kong Institute of Certified Public Accountants and The Chartered Association of Certified Accountants.

Ms. Yu Long (龍宇) has served as our director since July 2021. Ms. Long currently serves as the Founding and Managing Partner of BAI Capital. She also serves as a member of Bertelsmann Group Management Committee and the governor of China Venture Capital and Private Equity Association Limited. Formerly, Ms. Long was the chief executive officer of Bertelsmann China Corporate Center and the managing partner of Bertelsmann Asia Investments. Prior to that, she was a Principal at Bertelsmann Digital Media Investments. She joined the international media, services, and education company via the Bertelsmann Entrepreneurs Program in 2005. Ms. Long is a member of the World Economic Forum's Young Global Leaders Advisory Council and its Global Agenda Council on the Future of Media, Entertainment & Information and was a member of the Stanford Graduate School of Business Advisory Council from May 2015 to May 2021. Ms. Long serves on the board of directors and as a member of the audit committee of Tapestry Inc. (NYSE: TPR, its portfolio includes Coach, Stuart Weitzman and Kate Spade) and LexinFintech Holdings Ltd. (NASDAQ: LX), respectively. Ms. Long received a bachelor's degree in electrical engineering from University of Electronic Science and Technology in China and an MBA from Stanford Graduate School of Business.

Our Senior Management

Mr. Feng Shen (沈峰) joined our Company in December 2017, and currently serves as our executive vice president and chairman of quality management committee. Mr. Shen worked in several senior executive management roles, such as president of Polestar China and global chief technology officer at Polestar, president at Volvo Cars China R&D Company, vice president of Volvo Cars Asia-Pacific Operation, and chairman at China-Sweden Traffic Safety Research Center from 2010 to 2017. Prior to that, Mr. Shen served in various roles, including powertrain manager and six-sigma quality management master, at Ford Motor Company (NYSE: F) from 1999 to 2010 in the United States and China. Mr. Shen received a bachelor's degree in mathematics and mechanics and a master's degree in applied mechanics from Fudan University in 1984 and 1987, respectively. He also received a doctoral degree in mechanical engineering from Auburn University in 1996.

Mr. Xin Zhou (周欣) joined our Company in April 2015. He has served as the chairman of product committee since 2017, and currently serves as our executive vice president. Prior to joining our Company, Mr. Zhou served as executive director at Qoros Automotive Co., Ltd. from September 2009 to April 2015. Prior to that, he was the engagement manager of McKinsey & Co. from April 2007 to August 2009, and executive director of Lear Corp. (NYSE: LEA) from May 1998 to April 2007. From 1995 to 1998, Mr. Zhou worked at General Motors China Inc. Mr. Zhou received a bachelor's degree in applied science from Fudan University in 1992 and a master's degree in business administration from China Europe International Business School in 2008.

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Mr. Wei Feng (奉璋) has served as our Chief Financial Officer since November 2019. Prior to joining our Company, Mr. Feng served as managing director and head of the auto and auto parts research team at China International Capital Corporation. Prior to that, Mr. Feng served as an industry analyst at Everbright Securities Co. Ltd. from 2010 to 2013. Mr. Feng's career also includes more than five years' working experience within the ZF (China) Investment Co., Ltd. where he participated in numerous corporate matters. Mr. Feng received his bachelor's degree in Engineering from the Department of Automotive Engineering at Tsinghua University, and his joint master's degree in Automotive System Engineering from RWTH Aachen University in Germany and Tsinghua University in China.

Mr. Ganesh V. Iyer has served as our global chief information officer since April 2016 and managing director of NIO U.S. since December 2018. Mr. Iyer has over 32 years of experience delivering results in various industries including autonomous technology, hi-tech, manufacturing, and telecom. Mr. Iyer worked as vice president of Information Technology at Tesla Inc. (Nasdaq: TSLA) until 2016. Prior to Tesla, where he served as vice president of Information Technology, Mr. Iyer joined VMWare (NYSE: VMW) in 2010 and held senior information technology leadership roles at VMWare. Prior to VMWare, Mr. Iyer served as director of information technology at Juniper Networks (NYSE: JNPR) and WebEx and worked in consulting primarily at Electronic Data Systems. Mr. Iyer received a bachelor's degree in chemical engineering from the University of Calicut in India.

COMPENSATION

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate employment for cause, at any time, without advance notice or remuneration, for certain acts of the executive officer, such as conviction or plea of guilty to a felony or any crime involving moral turpitude, negligent or dishonest acts to our detriment, or misconduct or a failure to perform agreed duties. In such case of termination by us, we will provide severance payments to the executive officer as expressly required by applicable law of the jurisdiction where the executive officer is based.

Each executive officer has agreed to hold, both during and after the termination or expiry of the executive officer's employment agreement, in strict confidence and not to use, except as required in the performance of the executive officer's duties in connection with the executive officer's employment or pursuant to applicable law, any of our confidential information or trade secrets, any confidential information or trade secrets of our clients or prospective clients, or the confidential or proprietary information of any third party received by us and for which we have confidential obligations. The executive officers have also agreed to disclose in confidence to us all inventions, designs and trade secrets which they conceive, develop or reduce to practice during the executive officer's employment with us and to assign all right, title and interest in them to us, and assist us in obtaining and enforcing patents, copyrights and other legal rights for these inventions, designs and trade secrets.

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

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Compensation of Directors and Executive Officers

For each of the three years ended December 31, 2020, we paid an aggregate of approximately US\$2.8 million, US\$2.26 million and US\$2.2 million, respectively, in cash 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 executive officers and directors. Our PRC subsidiaries and VIE are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund. For share incentive grants to our directors and executive officers, see "— Stock Incentive Plans."

Stock Incentive Plans

Our board of directors has approved and adopted share-based awards under four stock incentive plans, namely, the 2015 Stock Incentive Plan, or the 2015 Plan, the 2016 Stock Incentive Plan, or the 2016 Plan, the 2017 Stock Incentive Plan, or the 2017 Plan, and the 2018 Stock Incentive Plan, or the 2018 Plan. The terms of the 2015 Plan, the 2016 Plan and the 2017 Plan are substantially similar. The purpose of our stock incentive plans is to attract and retain the best available personnel, to provide additional incentives to our employees, directors and consultants and to promote the success of our business. Our board of directors believes that our long-term success is dependent upon our ability to attract and retain superior individuals who, by virtue of their ability and qualifications, make important contributions to our business.

Under the 2015 Plan, the 2016 Plan and the 2017 Plan, the maximum numbers of Class A ordinary shares which may be issued pursuant to all awards are 46,264,378, 18,000,000 and 33,000,000, respectively. Under the 2018 Plan, the maximum number of shares available for issuance pursuant to all awards is initially 23,000,000 Class A ordinary shares, which amount will automatically increase each year by the number of shares representing 1.5% of the then total issued and outstanding share capital of our Company as of the end of each preceding year. As of November 30, 2021, awards to purchase an aggregate amount of 95,872,098 Class A ordinary shares under our stock incentive plans have been granted and are outstanding, excluding awards that were forfeited or cancelled after the relevant grant dates.

The following paragraphs describe the principal terms of the 2015 Plan, the 2016 Plan and the 2017 Plan.

Types of Awards. Our stock incentive plans permit the awards of options, restricted shares, restricted share units, share appreciation rights, dividend equivalent right or other right or benefit under each plan.

Plan Administration. Our board of directors or a committee of one or more members of the board of directors or officers will administer our stock incentive plans. The committee or the full board of directors, as applicable, will determine the grantees to receive awards, the type and number of awards to be granted to each grantee, and the terms and conditions of each award grant.

Award Agreement. Awards granted under our stock incentive plans are evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event that the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend the award.

Eligibility. We may grant awards to our employees, consultants and directors.

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Vesting Schedule. Except as approved by the plan administrator, options to be issued to the grantees under the stock incentive plans shall be subject to a minimum four (4) year vesting schedule calling for vesting no earlier than the following, counting from the applicable grant date or vesting commencement date (as determined by the plan administrator) with respect to the total issued options: the option representing 25% of the Class A ordinary shares under the option shall vest at the end of the first twelve (12) months commencing from the vesting commencement date, with remaining portions vesting in equal monthly installments over the next thirty-six (36) months.

Exercise of Options. The plan administrator determines the exercise price for each award, which is stated in the relevant award agreement. Options that are vested and exercisable will terminate if they are not exercised prior to the time as the plan administrator determines at the time of grant. However, In the case of an option granted to an employee who, at the time the option is granted, owns (or, pursuant to Section 424(d) of the U.S. Code, is deemed to own) stock representing more than 10% of the total combined voting power of all classes of shares of us or our subsidiary or affiliate, the term of the option will not be longer than seven to ten years from the date of grant under the 2017 Plan, or five years from the date of grant under the 2015 Plan and the 2016 Plan.

Drag-Along Events. Except as provided in the applicable award agreement or sub-plan, in the event of a drag-along event specified under the stock incentive plans, the grantees who hold any Class A ordinary shares upon exercise of the award shall sell, transfer, convey or assign all of their shares pursuant to, and so as to give effect to, the drag-along event, and each of such grantees shall grant to the board of directors or a person authorized by the board of directors, a power of attorney to transfer, sell, convey and assign the grantee's shares and to do and carry out all acts and to execute all documents that are necessary or advisable to complete the drag-along event.

Transfer Restrictions. Awards shall be transferable, subject to applicable laws, (i) by will and by the laws of descent and distribution and (ii) during the lifetime of the grantee, to the extent and in the manner authorized by the plan administrator. Notwithstanding the foregoing, the grantee may designate one or more beneficiaries of the grantee's award in the event of the grantee's death on a beneficiary designation form provided by the plan administrator.

Termination and Amendment of the Plan. Unless terminated earlier or extended before expiration, each of our stock incentive plans has a term of ten years. The board of directors has the authority to terminate, amend or modify the stock incentive plans; *provided, however*, that no such amendment shall be made without the approval of our shareholders to the extent such approval is required by applicable laws or provisions of the stock incentive plans. However, without the prior written consent of the grantee, no such action may adversely affect any outstanding award previously granted pursuant to the stock incentive plan.

DIRECTORS AND SENIOR MANAGEMENT

The following paragraphs describe the principal terms of the 2018 Plan.

Types of Awards. The 2018 Plan permits the awards of options, restricted shares or any other type of awards that the committee grants.

Plan Administration. Our board of directors or a committee of one or more members of our board of directors will administer the 2018 Plan. The committee or the full board of directors, as applicable, will determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each award grant.

Award Agreement. Awards granted under the 2018 Plan are evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event that the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

Eligibility. We may grant awards to the employees, directors and consultants of our Company. However, we may grant incentive share options only to our employees, parent and subsidiaries.

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

Exercise of Options. The plan administrator determines the exercise price for each award, which is stated in the award agreement. The vested portion of an option will expire if not exercised prior to the time as the plan administrator determines at the time of its grant. However, the maximum exercisable term is five years from the date of a grant.

Transfer Restrictions. Awards may not be transferred in any manner by the recipient other than by will or the laws of descent and distribution, except as otherwise provided by the plan administrator.

Termination and amendment of the 2018 Plan. Unless terminated earlier, the 2018 Plan has a term of five years from January 1, 2019. Our board of directors has the authority to amend or terminate the plan. However, no such action may adversely affect in any material way any awards previously granted unless agreed by the recipient.

DIRECTORS AND SENIOR MANAGEMENT

The following table summarizes, as of November 30, 2021, the awards granted under the 2015 Plan, the 2016 Plan, the 2017 Plan and 2018 Plan to several of our executive officers, excluding awards that were forfeited or cancelled after the relevant grant dates.

| Name | Class A Ordinary Shares Underlying Options and Restricted Share Units | Exercise Price (US\$/Share**) | Date of Grant | Date of Expiration |
|---------------------------------|--|----------------------------------|--------------------|--------------------|
| Bin Li | 15,000,000 | 2.55 | March 1, 2018 | February 29, 2028 |
| | | N/A | March 5, 2020 | |
| Lihong Qin | * | 2.39 | April 2, 2020 | April 1, 2030 |
| | | 2.55 | February 28, 2018 | February 27, 2028 |
| | | 2.55 | February 1, 2018 | January 31, 2028 |
| | | N/A | March 5, 2020 | |
| Xin Zhou | * | 2.05 | September 25, 2019 | September 24, 2026 |
| | | 2.39 | April 2, 2020 | April 1, 2030 |
| | | 2.55 | February 28, 2018 | February 27, 2028 |
| | | 2.55 | February 1, 2018 | January 31, 2028 |
| | | N/A | March 5, 2020 | |
| Denny Ting Bun Lee | * | N/A | September 12, 2018 | |
| | | N/A | August 13, 2020 | |
| | | N/A | September 12, 2020 | |
| Hai Wu | * | 3.61 | May 29, 2019 | May 29, 2026 |
| Feng Shen | * | 1.8 | December 31, 2017 | December 30, 2027 |
| | | 2.05 | September 25, 2019 | September 24, 2026 |
| | | 2.39 | April 2, 2020 | April 1, 2030 |
| | | 2.55 | February 1, 2018 | January 31, 2028 |
| | | N/A | March 5, 2020 | |
| Wei Feng | * | 1.8 | November 18, 2019 | November 17, 2026 |
| | | 2.39 | April 2, 2020 | April 1, 2030 |
| | | 3.98 | May 29, 2020 | May 28, 2027 |
| | | N/A | March 5, 2020 | |
| Ganesh V. Iyer . . . | * | 2.05 | September 25, 2019 | September 24, 2026 |
| | | 0.27 | May 3, 2016 | May 2, 2026 |
| | | 2.55 | March 1, 2018 | February 29, 2028 |
| | | 2.39 | April 2, 2020 | April 1, 2030 |
| Yu Long | * | N/A | July 12, 2021 | |
| Total | <u>95,872,098</u> | | | |

* Less than one percent of our total outstanding shares.

** Applicable to options only.

As of November 30, 2021, other grantees as a group held awards of options to purchase 71,531,398 Class A ordinary shares of our Company. The exercise prices of the options range from US\$0.1 to US\$48.45 per share.

DIRECTORS AND SENIOR MANAGEMENT

BOARD PRACTICES

Board of Directors

The board of directors of our Company, or the board, consists of six directors. A director is not required to hold any shares in our Company by way of qualification. A director may vote with respect to any contract, proposed contract or arrangement in which he is interested provided that such director has declared the nature of his interest at the earliest meeting of the board at which it is practicable for him to do so, either specifically or by way of a general notice. The directors may exercise all the powers of our Company to borrow money, mortgage our Company's undertaking, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of our Company or of any third party. None of our non-executive directors has a service contract with us that provides for benefits upon termination of service.

Committees of the Board of Directors

We have established three committees under the board: an audit committee, a compensation committee and a nominating and corporate governance committee. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

Audit Committee

Our audit committee consists of Denny Ting Bun Lee and Hai Wu. Denny Ting Bun Lee is the chairman of our audit committee. We have determined that Denny Ting Bun Lee and Hai Wu satisfy the "independence" requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange and Rule 10A-3 under the Exchange Act. We have determined that Denny Ting Bun Lee qualifies as an "audit committee financial expert." The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our Company. The audit committee is responsible for, among other things:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management's response;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically with management and the independent auditors; and

DIRECTORS AND SENIOR MANAGEMENT

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

Compensation Committee

Our compensation committee consists of Hai Wu, Denny Ting Bun Lee and Bin Li. Hai Wu is the chairman of our compensation committee. We have determined that Hai Wu satisfies the “independence” requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and
- selecting any compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person’s independence from management.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of Yu Long, Hai Wu and Denny Ting Bun Lee. Yu Long is the chairperson of our nominating and corporate governance committee. Yu Long, Hai Wu and Denny Ting Bun Lee satisfy the “independence” requirements of Section 303A of the Corporate Governance Rules of the New York Stock Exchange. The nominating and corporate governance committee assists the board in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- selecting and recommending to the board nominees for election by the shareholders or appointment by the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and
- advising the board periodically with regard to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken.

DIRECTORS AND SENIOR MANAGEMENT

In addition, in accordance with Rule 8A.30 of the Hong Kong Listing Rules, the work of the nominating and corporate governance committee as set out in its charter also includes:

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;
- (f) to review and monitor whether the Company is operated and managed for the benefit of all of its shareholders;
- (g) to confirm, on an annual basis, that the WVR beneficiary has been members of the Company's board of Directors throughout the year and that no matters under Rule 8A.17 of the Hong Kong Listing Rules have occurred during the relevant financial year;
- (h) to confirm, on an annual basis, whether or not the WVR beneficiary has complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Hong Kong Listing Rules throughout the year;
- (i) to review and monitor the management of conflicts of interests and make a recommendation to the board of Directors on any matter where there is a potential conflict of interest between the Company, its subsidiary or consolidated affiliated entity and/or shareholder on one hand and the beneficiary on the other;
- (j) to review and monitor all risks related to the Company's WVR structure, including connected transactions between the Company and/or its subsidiary or consolidated affiliated entity on one hand and the beneficiary on the other and make a recommendation to the board of Directors on any such transaction;
- (k) to make a recommendation to the board of Directors as to the appointment or removal of the Compliance Adviser;
- (l) to seek to ensure effective and on-going communication between the Company and its shareholders, particularly with regards to the requirements of Rule 8A.35 of the Hong Kong Listing Rules; and
- (m) to report on the work of the corporate governance committee on at least a half-yearly and annual basis covering all areas of its terms of reference, including disclosing, on a comply or explain basis, its recommendations to the Board in respect of the matters in items (i) to (k) above.

DIRECTORS AND SENIOR MANAGEMENT

Pursuant to Rule 8A.32 of the Listing Rules, the Corporate Governance Report prepared by our Company for inclusion in our interim and annual reports after Listing will include a summary of the work of the corporate governance committee for the relevant period.

Board Diversity

Our Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and/or length of service.

Upon the Listing, the nominating and corporate governance committee will from time to time (i) discuss and agree on expected goals to ensure board diversity, and (ii) review and, where necessary, update the board diversity policy to ensure that the policy remains effective.

In particular, our Company currently has one female Director, alongside five male directors (representing 1/6 of the Board), it will continue to work towards enhancing the gender diversity of the Board. The nomination and corporate governance committee will use its best endeavors to, within five years after the Listing, identify and recommend at least one female candidate to our Board for its consideration on appointment of a Director, with the goal to achieve no less than 20% of female Board representatives within five years following the Listing, subject to our Directors (i) being satisfied with the competence and experience of the relevant candidates after a holistic review process based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interest of our Company and the shareholders as a whole when deliberating on the appointment. These initiatives will form part of the agenda of our nomination and corporate governance committee from time to time to ensure due implementation.

To develop a pipeline of potential female successors to the Board, our Company will (i) ensure that there is particular emphasis on gender diversity when recruiting staff at mid to senior levels; and (ii) engage more resources in training female staff with the aim of promoting them to be members of senior management or the Board. Through this, the Company is committed to identifying suitable female candidates both internally and externally in order to achieve the abovementioned board representation target.

Role of our Independent Non-executive Directors

Pursuant to Rule 8A.26 of the Hong Kong Listing Rules, the role of the independent non-executive directors of a listed company with WVR structure must include, but is not limited to, the functions described in code provisions A.6.2, A.6.7 and A.6.8 of the Corporate Governance Code. The functions of our independent non-executive Directors include:

- (a) participating in board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- (b) taking the lead where potential conflicts of interests arise;
- (c) serving on the audit, remuneration, nomination and other governance committees, if invited;
- (d) scrutinizing our Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting;

DIRECTORS AND SENIOR MANAGEMENT

- (e) giving the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation;
- (f) making a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments; and
- (g) attending general meetings and developing a balanced understanding of the views of our Shareholders.

Duties of Directors

Under Cayman Islands law, our directors owe fiduciary duties to our Company, including a duty to act honestly, and a duty to act in good faith. The directors must act bona fide in what they consider to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors also have a duty to act with skills they actually possess and exercise the care and diligence that would be displayed by a reasonable director in comparable circumstances. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our Memorandum and Articles of Association, as amended and restated from time to time, and the class rights vested thereunder in the holders of the shares. Our directors owe their fiduciary duties to our Company and not to our Company's individual shareholders, and it is our Company which has the right to seek damages if a duty owed by our directors is breached. In certain limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

Legal proceedings and compliance

From time to time, we may be involved in legal proceedings in the ordinary course of our business. Several securities class action lawsuits were filed against, amongst others, us and certain of our directors and officers (including Bin Li, Lihong Qin, Yaqin Zhang, Tian Cheng, Hai Wu, Xiang Li, Zhaohui Li, Xiangping Zhong). For further details of the legal proceedings and the risks associated with the class actions, see "Business — Legal Proceedings and Compliance" and "Risk Factors — Risks Related to our Business and Industry."

Based on the currently available information and independent due diligence work conducted by the Joint Sponsors, including but not limited to, (1) reviewing the court documents made available to the Joint Sponsors and public record and announcements issued by our Company relating to the class action lawsuits in the United States, (2) conducting background searches on the Directors, and (3) obtaining confirmation from the Directors during the due diligence interviews that they have consistently acted in good faith in discharging their duties and responsibilities as a director, respectively, the Joint Sponsors are of the view that the class action lawsuits in the United States do not affect the suitability of the Directors to serve at the board of our Company.

Our board of directors has all the powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our board of directors include, among others:

DIRECTORS AND SENIOR MANAGEMENT

- convening shareholders' annual and extraordinary general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and other distributions;
- appointing officers and determining the term of office of the officers;
- exercising the borrowing powers of our Company and mortgaging the property of our Company; and
- approving the transfer of shares in our Company, including the registration of such shares in our share register.

Terms of Directors and Officers

Our officers are elected by and serve at the discretion of the board of directors. Our directors are not subject to a term of office (unless there is any written agreement between our Company and such director) and hold office until such time as they are removed from office by ordinary resolution of the shareholders or by the board pursuant to our twelfth amended and restated Memorandum and Articles of Association. The office of a director shall be vacated if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; or (ii) is found to be or becomes of unsound mind.

MAJOR SHAREHOLDERS

Except as otherwise noted, the following table sets forth information with respect to the beneficial ownership of our ordinary shares as of November 30, 2021 by:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% of our total outstanding shares.

The calculations in the table below are based on 1,669,006,134 ordinary shares outstanding as of the Latest Practicable Date, comprising of 1,392,212,202 Class A ordinary shares (excluding 23,279,058 Class A ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Stock Incentive Plans), 128,293,932 Class B ordinary shares (all of which shall have been converted to Class A ordinary shares upon Listing pursuant to the conversion notice delivered by the relevant shareholders) and 148,500,000 Class C ordinary shares.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days after the Latest Practicable Date, including through the exercise of any option, warrant, or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

| | Class A ordinary shares beneficially owned | Class B ordinary shares beneficially owned | Class C ordinary shares beneficially owned | Total ordinary shares beneficially owned | % of beneficial ownership | % of aggregate voting power† |
|---|--|--|--|--|---------------------------------|---------------------------------------|
| Directors and Executive Officers**: | | | | | | |
| Bin Li ⁽¹⁾ | 28,967,776 | – | 148,500,000 | 177,467,776 | 10.6 | 39.0 |
| Lihong Qin | * | – | – | * | * | * |
| Feng Shen | * | – | – | * | * | * |
| Xin Zhou | * | – | – | * | * | * |
| Wei Feng | * | – | – | * | * | * |
| Ganesh V. Iyer ⁽²⁾ | * | – | – | * | * | * |
| Hai Wu ⁽³⁾ | * | – | – | * | * | * |
| Denny Ting Bun Lee ⁽⁴⁾ | * | – | – | * | * | * |
| James Gordon Mitchell ⁽⁵⁾ | – | – | – | – | – | – |
| Yu Long | – | – | – | – | – | – |
| All Directors and Executive Officers as a Group | 46,064,267 | – | 148,500,000 | 194,564,267 | 11.5 | 39.3 |
| Principal Shareholders: | | | | | | |
| Founder vehicles ⁽⁶⁾ | 16,967,776 | – | 148,500,000 | 165,467,776 | 9.9 | 39.0 |
| Tencent entities ⁽⁷⁾ | 35,955,697 | 128,293,932 ⁽⁹⁾ | – | 164,249,629 | 9.8 | 17.4 |
| Baillie Gifford & Co ⁽⁸⁾ | 107,907,768 | – | – | 107,907,768 | 6.5 | 3.5 |

* Less than 1% of our total outstanding shares.

MAJOR SHAREHOLDERS

** Except where otherwise disclosed in the footnotes below, the business address of all the directors and executive officers is Building 16, 20 and 22, No. 56 AnTuo Road, Anting Town, Jiading District, Shanghai 201804, People's Republic of China.

† 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, Class B and Class C ordinary shares as a single class. Each holder of our Class A ordinary shares is entitled to one vote per share, each holder of our Class B ordinary shares (all of which shall have been converted to Class A ordinary shares upon Listing pursuant to the conversion notice delivered by the relevant shareholders) is entitled to four votes per share and each holder of our Class C ordinary shares is entitled to eight votes per share on all matters submitted to them for a vote. Our Class A ordinary shares, Class B ordinary shares and Class C ordinary shares vote together as a single class on all matters submitted to a vote of our shareholders, except as may otherwise be required by law.

(1) Represents (i) 12,000,000 Class A ordinary shares issuable to Mr. Bin Li upon exercise of options within 60 days of the Latest Practicable Date, (ii) 89,013,451 Class C ordinary shares held by Originalwish Limited, a British Virgin Islands company wholly owned by Mr. Bin Li, (iii) 26,454,325 Class C ordinary shares held by mobike Global Ltd., a British Virgin Islands company wholly owned by Mr. Bin Li, and (iv) 16,967,776 Class A ordinary shares and 33,032,224 Class C ordinary shares held by NIO Users Limited, a holding company controlled by NIO Users Trust, which is under the control of Mr. Bin Li.

(2) The business address of Mr. Iyer is 3200 North First Street, San Jose, CA 95134.

(3) The business address of Mr. Wu is No. 53, Gaoyou Road, Xuhui District, Shanghai, People's Republic of China.

(4) The business address of Mr. Lee is No. 4 Dianthus Road, Yau Yat Chuen, Kowloon, Hong Kong.

(5) The business address of Mr. Mitchell is Level 29, Three Pacific Place, 1 Queen's Road East, Wanchai, Hong Kong.

(6) Represents (i) 89,013,451 Class C ordinary shares held by Originalwish Limited, (ii) 26,454,325 Class C ordinary shares held by mobike Global Ltd., and (iii) 16,967,776 Class A ordinary shares and 33,032,224 Class C ordinary shares held by NIO Users Limited, which are collectively referred to in this document as Founder Vehicles. Each of Originalwish Limited and mobike Global Ltd. is a company incorporated in the British Virgin Islands and beneficially owned by Mr. Bin Li. NIO Users Limited is a holding company controlled by NIO Users Trust, which is under the control of Mr. Bin Li. The registered address of Originalwish Limited and mobike Global Ltd. is Sertus Chambers, P.O. Box 905, Quastisky Building, Road Town, Tortola, British Virgin Islands. The registered address of NIO Users Limited is Maples Corporate Services (BVI) Limited, Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands.

(7) Based on the statement on Schedule 13D/A filed on March 4, 2021 jointly by (i) Tencent Holdings Limited, (ii) Image Frame Investment (HK) Limited, (iii) Mount Putuo Investment Limited, and (iv) Huang River Investment Limited, pursuant to which Mount Putuo Investment Limited holds 40,905,125 Class B ordinary shares, Image Frame Investment (HK) Limited holds 87,388,807 Class B ordinary shares, a wholly-owned subsidiary of Tencent Holdings Limited holds 146,578 Class A ordinary shares, and Huang River Investment Limited beneficially owns 35,809,119 Class A ordinary shares. Mount Putuo Investment Limited, Image Frame Investment (HK) Limited, Huang River Investment Limited and Tencent Holdings Limited are collectively referred to in this document as the Tencent entities. Mount Putuo Investment Limited and Huang River Investment Limited are companies incorporated in the British Virgin Islands, and Image Frame Investment (HK) Limited is a company incorporated in Hong Kong. Each of Image Frame Investment (HK) Limited, Mount Putuo Investment Limited and Huang River Investment Limited is beneficially owned and controlled by Tencent Holdings Limited, a Cayman Islands company. The registered office of Huang River Investment Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The registered address of Image Frame Investment (HK) Limited is 29/F Three Pacific Place, No. 1 Queen's Road East, Wanchai, Hong Kong. The registered address of Mount Putuo Investment Limited is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The principal business address of Tencent Holdings Limited is Level 29, Three Pacific Place, No. 1 Queen's Road East, Wanchai, Hong Kong.

MAJOR SHAREHOLDERS

- (8) Based on the statement on Schedule 13G/A filed on January 29, 2021 by Baillie Gifford & Co., Baillie Gifford & Co. and/or one or more of its investment adviser subsidiaries beneficially own 107,907,768 ADSs representing 107,907,768 Class A ordinary shares. The registered address of Baillie Gifford & Co. is Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, Scotland, UK.
- (9) All of the Class B ordinary shares held by the affiliates of Tencent Holdings shall have been converted to Class A ordinary shares upon Listing pursuant to the conversion notice delivered by the affiliates of Tencent Holdings, namely, Image Frame Invest (HK) Limited and Mount Putuo Investment Limited.

To our knowledge, as of the Latest Practicable Date, 1,348,199,228 of our Class A ordinary shares were held by one record holder in the United States, which was Deutsche Bank Trust Company Americas, the depository of our ADS program. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our 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.

RELATED PARTY TRANSACTIONS

We are seeking a listing on the Hong Kong Stock Exchange pursuant to Chapter 19C of the Hong Kong Listing Rules by way of Introduction. Pursuant to Rule 19C.11 of the Hong Kong Listing Rules, Chapter 14A of the Hong Kong Listing Rules, governing connected transactions, does not apply to us. The following discussion of related party transactions has been prepared pursuant to the requirements of Form 20-F of the SEC, and is included in this document for disclosure purposes only.

CONTRACTUAL ARRANGEMENTS

PRC laws limit foreign ownership of companies engaged in new energy vehicle manufacturing and other related businesses in China. Due to these restrictions, we operate our relevant business through contractual arrangements with the variable interest entity. See “Contractual Arrangements.”

SHAREHOLDERS AGREEMENT

We entered into a shareholders agreement and a right of first refusal and co-sale agreement on November 10, 2017 with our shareholders, which consist of holders of ordinary shares and preferred shares.

The shareholders agreement and right of first refusal and co-sale agreement (i) provide for certain special rights, including right of first refusal, co-sale rights and preemptive rights and (ii) contain provisions governing board of directors and other corporate governance matters. Those special rights, as well as the corporate governance provisions, automatically terminated upon the closing of the initial public offering of our ADSs on September 12, 2018.

Pursuant to our shareholders agreement dated November 10, 2017, we have granted certain registration rights to our shareholders. Set forth below is a description of the registration rights granted under the agreement.

- (a) *Demand Registration Rights.* Holders holding 10% or more of the voting power of the then outstanding registrable securities held by all holders are entitled to request in writing that we effect a registration statement for any or all of the registrable securities of the initiating holders. We have the right to defer filing of a registration statement for a period of not more than 90 days if our board of directors determines in good faith judgment that filing of a registration statement in the near future will be materially detrimental to us or our shareholders, but we cannot exercise the deferral right on any one occasion or more than once during any twelve-month period and cannot register any other securities during such period. We are not obligated to effect more than two demand registrations. Further, if the registrable securities are offered by means of an underwritten offering, and the managing underwriter advises us that marketing factors require a limitation of the number of securities to be underwritten, the underwriters may decide to exclude up to 75% of the registrable securities requested to be registered but only after first excluding all other equity securities from the registration and underwritten offering, provided that the number of shares to be included in the registration on behalf of the non-excluded holders is allocated among all holders in proportion to the respective amounts of registrable securities requested by such holders to be included.

RELATED PARTY TRANSACTIONS

- (b) *Registration on Form F-3 or Form S-3.* Any holder is entitled to request us to file a registration statement on Form F-3 or Form S-3 if we qualify for registration on Form F-3 or Form S-3. The holders are entitled to an unlimited number of registrations on Form F-3 or Form S-3 so long as such registration offerings are in excess of US\$5.0 million. We have the right to defer filing of a registration statement for a period of not more than 60 days if our board of directors determines in good faith judgment that filing of a registration statement in the near future will be materially detrimental to us or our shareholders, but we cannot exercise the deferral right on any one occasion or more than once during any twelve-month period and cannot register any other securities during such period.
- (c) *Piggyback Registration Rights.* If we propose to register for our own account any of our equity securities, or for the account of any holder, other than current shareholders, of such equity securities, in connection with the public offering, we shall offer holders of our registrable securities an opportunity to be included in such registration. If the underwriters advise in writing that market factors require a limitation of the number of registrable securities to be underwritten, the underwriters may exclude up to 75% of the registrable securities requested to be registered but only after first excluding all other equity securities (except for securities sold for the account of our company) from the registration and underwriting, provided that the number of shares to be included in the registration on behalf of the non-excluded holders is allocated among all holders in proportion to the respective amounts of registrable securities requested by such holders to be included.
- (d) *Expenses of Registration.* We will bear all registration expenses, other than the underwriting discounts and selling commissions applicable to the sale of registrable securities, incurred in connection with registrations, filings or qualification pursuant to the shareholders agreement.
- (e) *Termination of Obligations.* We have no obligation to effect any demand, piggyback, Form F-3 or Form S-3 registration upon the earlier of (i) the tenth anniversary from the date of closing of a Qualified IPO as defined in the shareholders agreement, and (ii) with respect to any holder, the date on which such holder may sell without registration, all of such holder's registrable securities under Rule 144 of the Securities Act in any 90-day period.

OTHER RELATED PARTY TRANSACTIONS

Issuance of convertible notes

In September 2019, we issued US\$200 million principal amount of convertible notes to Huang River Investment Limited, an affiliate of Tencent Holdings Limited, and Mr. Bin Li, our founder, chairman of the board of directors and chief executive officer, collectively the Affiliate Notes. Huang River Investment Limited and Mr. Bin Li each subscribed for US\$100 million principal amount of the Affiliate Notes, each in two equally split tranches. The Affiliate Notes issued in the first tranche will mature in 360 days, bear no interest, and require us to pay a premium at 2% of the principal amount at maturity. The Affiliate Notes issued in the second tranche will mature in three years, bear no interest, and require us to pay a premium at 6% of the principal amount at maturity. The 360-day Affiliate Notes will be convertible into our Class A ordinary shares (or ADSs) at a conversion price of US\$2.98 per ADS at the holder's option from the 15th day immediately prior to maturity, and the three-year Affiliate Notes will be convertible into our Class A ordinary shares (or ADSs) at a conversion price of US\$3.12 per

RELATED PARTY TRANSACTIONS

ADS at the holder's option from the first anniversary of the issuance date. As of December 31, 2020, the 360-day Affiliate Notes issued to each of an affiliate of Tencent Holdings Limited and Mr. Bin Li have been converted to Class A ordinary shares and the three-year Affiliate Notes issued to the wholly owned company of Mr. Bin Li have been converted to ADSs.

In February 2019, we issued US\$750 million aggregate principal amount of 4.50% convertible senior notes due 2024, or the 2024 Notes. The 2024 Notes are unsecured debt and are not redeemable by us prior to the maturity date except for certain changes in tax law. The holders of the 2024 Notes may convert their notes to a number of our ADSs at their option at any time prior to the close of business on the second business day immediately preceding the maturity date pursuant to the 2024 Notes indenture. The 2024 Notes that are converted in connection with a make-whole fundamental change (as defined in the 2024 Notes Indenture) may be entitled to an increase in the conversion rate for such 2024 Notes. Huang River Investment Limited subscribed for US\$30 million aggregate principal amount of the 2024 Notes. As of December 2020, the amount of interest payable to Huang River Investment Limited for the 2024 Notes was US\$0.5 million.

Sales of goods and services agreements

In 2020 and for the nine months ended September 30, 2021, we provided sales of goods to our affiliates, including Wuhan Weineng Battery Assets Co., Ltd., Beijing Bit Ep Information Technology Co., Ltd., Beijing Yiche Interactive Advertising Co., Ltd., Beijing Yiche Information Science and Technology Co., Ltd., Shanghai Weishang Business Consulting Co., Ltd., Beijing Bitauto Interactive Technology Co., Ltd. and Kunshan Siwopu Intelligent Equipment Co., Ltd., and we received total sales of goods of RMB298.5 million and RMB2,797.6 million (US\$434.2 million), respectively.

In 2019 and 2020, we received IT support services from Beijing Yiche Information Science and Technology Co., Ltd., a company significantly influenced by Bin Li, and incurred expenses of IT support services of RMB0.5 million and RMB0.3 million, respectively.

In 2018, 2019, 2020 and for the nine months ended September 30, 2021, we received marketing and advertising services from Beijing Xinyi Hudong Guanggao Co., Ltd., Beijing Chehui Hudong Guanggao Co., Ltd., Bite Shijie (Beijing) Keji Co., Ltd., Beijing Yiche Interactive Advertising Co., Ltd., Shanghai Yiju Information Technology Co., Ltd., Tianjin Boyou Information Technology Co., Ltd. and Beijing Bit Ep Information Technology Co., Ltd., and we incurred expenses of marketing and advertising services RMB38.0 million, RMB79.3 million, RMB138.2 million and RMB4.5 million (US\$0.7 million), respectively. Beijing Yiche Interactive Advertising Co., Ltd., Shanghai Yiju Information Technology Co., Ltd., Tianjin Boyou Information Technology Co., Ltd. and Beijing Bit Ep Information Technology Co., Ltd. are controlled by our principal shareholders. In December 2020, Mr. Bin Li resigned as chairman of the Board in Beijing Bitauto Interactive Technology Co., Ltd. Since then, Beijing Bitauto Interactive Technology Co., Ltd., Beijing Xinyi Hudong Guanggao Co., Ltd., Bite Shijie (Beijing) Keji Co., Ltd. and Beijing Chehui Hudong Guanggao Co., Ltd. are no longer controlled by Mr. Bin Li, and are no longer our related parties.

In 2018, 2019, 2020 and for the nine months ended September 30, 2021, we provided property management, administrative support, design and research and development services to our affiliates and companies controlled by our principal shareholders, including Shanghai NIO Hongling Investment Management Co., Ltd., Shanghai Weishang Business Consulting Co.,

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Ltd., Nanjing Weibang Transmission Technology Co., Ltd., Beijing Weixu Business Consulting Co., Ltd. and Wuhan Weineng Battery Assets Co., Ltd., and we received total service income of RMB3.6 million, RMB4.2 million, RMB1.6 million and RMB39.3 million (US\$6.1 million), respectively.

In 2018, 2019, 2020 and for the nine months ended September 30, 2021, we paid a total of RMB132.2 million, RMB132.5 million, RMB174.7 million and RMB84.9 million (US\$13.2 million), respectively, for the cost of manufacturing consignment to Suzhou Zenlead XPT New Energy Technologies Co., Ltd., or Suzhou Zenlead. Suzhou Zenlead is an affiliate of ours.

In 2018, we accrued and paid a total of RMB8.1 million to Baidu Capital L.P., a former shareholder of our company, representing the interest expenses we agreed to bear for the bridge loan provided by a third party.

In 2018, we made a payment of RMB2.8 million to a supplier on behalf of Nanjing Weibang Transmission Technology Co., Ltd., one of our affiliates. As of December 31, 2020, the amount receivable has been fully repaid.

In 2018, 2019, 2020 and for the nine months ended September 30, 2021, we received research and development and maintenance services from Kunshan Siwopu, Xunjie Energy (Wuhan) Co., Ltd. and Suzhou Zenlead, and paid a total of RMB17.2 million, RMB0.3 million, RMB3.4 million and RMB13.0 million (US\$2.0 million), respectively.

Loan agreements

In 2019, we borrowed RMB25.8 million principal amount of loan from Beijing Changxing Information Technology Co., Ltd., a company significantly influenced by one of our principal shareholders, at an interest rate of 15%. As of December 31, 2020, we had repaid the loan in full.

In 2018, we granted two interest free loans to Miracle Mission Limited, an entity affiliated with our founder, with the principal amount of US\$5.0 million each. The loans matured in six months. One of the loans was converted into ordinary shares of Miracle Mission Limited upon maturity at our option. We disposed of such investment in 2019 to a third party in a privately negotiated transaction based on its then fair value and realised the gain from this investment. The other loan was fully repaid before the initial public offering of our ADSs.

In 2017, we granted interest-free loans to Ningbo Meishan Bonded Port Area Weilan Investment Co., Ltd., a company controlled by our principal shareholders. As of Latest Practicable Date, the loan was fully repaid. In November 2021, we also acquired from Ningbo Meishan Bonded Port Area Weilan Investment Co., Ltd. certain equity interests in companies associated with NIO Capital for RMB50 million.

Purchase of raw material, property and equipment

In 2018, we paid a total of RMB11.1 million to Kunshan Siwopu Intelligent Equipment Co., Ltd. or Kushan Siwopu, an affiliate of ours, for purchase of property and equipment. In 2019, we paid a total of RMB42.2 million to Kunshan Siwopu Intelligent Equipment Co., Ltd. and Nanjing Weibang Transmission Technology Co., Ltd. for purchase of property and equipment and raw material. In 2020 and for the nine months ended September 30, 2021, we paid a total

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of RMB137.6 million and RMB634.0 million (US\$98.4 million), respectively, to Kunshan Siwopu Intelligent Equipment Co., Ltd., Nanjing Weibang Transmission Technology Co., Ltd. and Xunjie Energy (Wuhan) Co., Ltd. for purchase of property and equipment and raw material.

Employment agreements and indemnification agreements

See “Directors and Senior Management — Compensation — Employment Agreements and Indemnification Agreements” for a description of the employment agreements and indemnification agreements we have entered into with our directors and executive officers, which we consider to be related party transactions.

Share Option Grants

See “Directors and Senior Management — Compensation — Stock Incentive Plans” for a description of the share-based compensation awards we have granted to our directors and executive officers, which we consider to be related party transactions.

REGULATORY OVERVIEW

This section sets forth a summary of the most significant laws and regulations that affect our business activities in China, the United States, the United Kingdom and Germany.

REGULATIONS IN CHINA

REGULATIONS AND APPROVALS COVERING THE MANUFACTURING OF NEW ENERGY VEHICLES

The NDRC promulgated the *Provisions on Administration of Investment in Automobile Industry* (《汽車產業投資管理規定》) (the “**Investment Provisions**”), which became effective on January 10, 2019. According to the Investment Provisions, enterprises are encouraged to, through equity investment and cooperation in production capacity, enter into strategic cooperation relationship, carry out joint research and development of products, organize manufacturing activities jointly and increase industrial concentration. The advantageous resources in production, high learning, research, application and other areas shall be integrated and core enterprises in automobile industry shall be propelled to form industrial alliance and industrial consortium.

According to the *Regulations on the Administration of Newly Established Pure Electric Passenger Vehicle Enterprises* (《新建純電動乘用車企業管理規定》) (the “**New Electric Passenger Vehicle Enterprise Regulations**”), which became effective on July 10, 2015, before our vehicles (including our current vehicles manufactured in cooperation with JAC) can be added to the *Announcement of Vehicle Manufacturers and Products* (《道路機動車輛生產企業及產品公告》) (the “**Manufacturers and Products Announcement**”), issued by the MIIT, a procedure that is required in order for our vehicles to be approved for manufacture and sale in China, our vehicles must meet the applicable requirements set forth in relevant laws and regulations. Such relevant laws and regulations include, among others, the *Administrative Rules on the Admission of New Energy Vehicle Manufacturers and Products* (《新能源汽車生產企業及產品准入管理規定》) (the “**MIIT Admission Rules**”), which became effective on July 1, 2017 and was amended on July 24, 2020, and the *Administrative Rules on the Admission of Passenger Vehicles Manufacturer and Products* (《乘用車生產企業及產品准入管理規則》), which became effective on January 1, 2012, and pass the review by the MIIT. NEVs that have entered into the Manufacturers and Products Announcement are required to undergo regular inspection every three years by the MIIT so that the MIIT may determine whether the vehicles remain qualified to stay in the Manufacturers and Products Announcement.

According to the MIIT Admission Rules, in order for our vehicles to enter into the Manufacturers and Products Announcement, our vehicles must satisfy certain conditions, including, among others, meeting certain standards set out therein, meeting other safety and technical requirements specified by the MIIT, and passing inspections conducted by a state-recognized testing institution. Once such conditions for vehicles are met and the application has been approved by the MIIT, the qualified vehicles are published in the Manufacturers and Products Announcement by the MIIT. Where any new energy vehicle manufacturer manufactures or sells any model of a new energy vehicle without the prior approval of the competent authorities, including being published in the Manufacturers and Products Announcement by the MIIT, it may be subject to penalties, including fines, forfeiture of any illegally manufactured and sold vehicles and spare parts and revocation of its business licenses.

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REGULATIONS ON COMPULSORY PRODUCT CERTIFICATION

Under the *Administrative Regulations on Compulsory Product Certification* (《強制性產品認證管理規定》) which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine (the “QSIQ”, which has been merged into the SAMR), on July 3, 2009 and became effective on September 1, 2009, and the *List of the First Batch of Products Subject to Compulsory Product Certification* (《第一批實施強制性產品認證的產品目錄》) which was promulgated by the QSIQ in association with the State Certification and Accreditation Administration Committee on December 3, 2001 and became effective on May 1, 2002, SAMR, as the successor of QSIQ, is responsible for the regulation and quality certification of automobiles. Automobiles and parts and components must not be sold, exported or used in operating activities until they are certified by designated certification authorities of the PRC as qualified products and granted certification marks.

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 of PRC and the SAMR jointly promulgated the *Measure for the Parallel Administration of the Corporate Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises* (《乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法》) (the “**Parallel Credits Measure**”), which were most recently amended on June 15, 2020 and took effect on January 1, 2021. Under the Parallel Credits Measure, each of the vehicle manufacturers and vehicle importers above a certain scale is required to, among other things, maintain its new energy vehicles credits, or the NEV credits, and corporate average fuel consumption credits, above zero, regardless of whether NEVs or ICE vehicles are manufactured or imported by it, and NEV credits can be earned only by manufacturing or importing NEVs. Therefore, NEV manufacturers will enjoy preferences in obtaining and calculating NEV credits.

NEV credits are equal to the aggregate actual scores of a vehicle manufacturer or a vehicle importer minus its aggregate targeted scores. According to the Parallel Credits Measure, the actual scores shall be calculated by multiplying the score of each new energy vehicle model, which depends on various metrics such as the driving range, battery energy efficiency and the rated power of fuel cell systems, and is calculated based on formula published by MIIT (in the case of battery electric vehicle, the NEV credit of each vehicle is equal to $(0.0056 \times \text{Vehicle Mileage} + 0.4) \times \text{Mileage Adjustment Coefficient} \times \text{Battery Energy Density Adjustment Coefficient} \times \text{Electricity Consumption Coefficient}$), by the respective production or import volume, while the targeted scores shall be calculated by multiplying the annual production or import volume of traditional ICEs of a vehicle manufacturer or importer by the NEV credit ratio set by the MIIT. The NEV credit ratios are 14%, 16% and 18% for the years of 2021, 2022 and 2023, respectively, increasing from 10% and 12% for 2019 and 2020, respectively. Excess positive NEV credits are tradable and may be sold to other enterprises through a credit management system established by the MIIT while excess positive corporate average fuel consumption credits can only be carried forward or transferred among related parties. 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, if the fuel consumption of which 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

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Passenger Vehicles (《乘用車燃料消耗量評價方法及指標》), will not be listed in the Announcement of the Vehicle Manufacturers and Products (《道路機動車輛生產企業及產品》) issued by the MIIT, 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.

REGULATIONS ON ELECTRIC VEHICLE CHARGING INFRASTRUCTURE

Pursuant to the *Guidance Opinions of the General Office of the State Council on Accelerating the Promotion and Application of the New Energy Vehicles* (《國務院辦公廳關於加快新能源汽車推廣應用的指導意見》), which became effective on July 14, 2014, the *Guidance Opinions of the General Office of the State Council on Accelerating the Development of Charging Infrastructures of the Electric Vehicle* (《國務院辦公廳關於加快電動汽車充電基礎設施建設的指導意見》), which became effective on September 29, 2015, the *Guidance on the Development of Electric Vehicle Charging Infrastructure (2015-2020)* (《電動汽車充電基礎設施發展指南(2015–2020年)》), which became effective on October 9, 2015, and the *Development Plan for the New-energy Vehicle Industry (2021-2035)* (《新能源汽車產業發展規劃(2021—2035年)》), which became effective on October 20, 2020, the PRC government encourages the construction and development of charging infrastructure for electric vehicles, such as charging stations and battery swap stations, and only centralized charging and battery replacement power stations are required to obtain approvals for construction, permits from the relevant authorities.

The *Circular on Accelerating the Development of Electrical Vehicle Charging Infrastructures in Residential Areas* (《關於加快居民區電動汽車充電基礎設施建設的通知》) promulgated on July 25, 2016 provides that the operators of electrical vehicle charging and battery swap infrastructure are required to be covered under liability insurance policies to protect the purchasers of electric vehicles, covering the safety of electric vehicle charging.

REGULATIONS ON AUTOMOBILE SALES

Pursuant to the *Administrative Measures on Automobile Sales* (《汽車銷售管理辦法》) promulgated by the MOFCOM, April 5, 2017, which became effective on July 1, 2017, automobile suppliers and dealers are required to file with relevant authorities through the information system for the national automobile circulation operated by the competent commerce department within 90 days after the receipt of a business license. Where there is any change to the information concerned, automobile suppliers and dealers must update such information within 30 days after such change.

REGULATIONS ON THE RECALL OF DEFECTIVE AUTOMOBILES

On October 22, 2012, the State Council promulgated the *Administrative Provisions on Defective Automotive Product Recalls* (《缺陷汽車產品召回管理條例》), which became effective on January 1, 2013 and were amended on March 2, 2019. The product quality supervision department of the State Council is responsible for the supervision and administration of recalls of defective automotive products nationwide. Pursuant to the administrative provisions, manufacturers of automobile products are required to take measures to eliminate defects in products they sell. A manufacturer must recall all defective automobile products. Failure to recall such products may result in an order to recall the defective products from the quality supervisory authority of the State Council. If any operator conducting sales, leasing, or repair of vehicles discovers any defect in automobile products, it must cease to sell, lease or use the defective products and must assist manufacturers in the recall of those products. Manufacturers must recall their products through publicly available channels and publicly announce the defects. Manufacturers must take measures to eliminate or cure defects,

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including rectification, identification, modification, replacement or return of the products. Manufacturers that attempt to conceal defects or do not recall defective automobile products in accordance with relevant regulations will be subject to penalties, including fines, forfeiture of any income earned in violation of law and revocation of licenses.

Pursuant to the *Implementation Rules on the Administrative Provisions on Defective Automotive Product Recalls* (《缺陷汽車產品召回管理條例實施辦法》), which became effective on January 1, 2016 and was latest amended on October 23, 2020, if a manufacturer is aware of any potential defect in its automobiles, it must investigate in a timely manner and report the results of such investigation to the SAMR. Where any defect is found during the investigations, the manufacturer must cease to manufacture, sell, or import the relevant automobile products and recall such products in accordance with applicable laws and regulations.

On November 23, 2020, the SAMR issued the *Circular on Further Improving the Regulation of Recall of Automobile with Over-the-Air (OTA) Technology* (《關於進一步加強汽車遠程升級(OTA)技術召回監管的通知》), pursuant to which automobile manufacturers that provide technical services through OTA are required to complete filing with the SAMR and those who have provided such services through OTA must complete such filing before December 31, 2020. In addition, if an automaker uses OTA technology to eliminate defects and recalls its defective products, it must make a recall plan and complete a filing with the SAMR.

REGULATIONS ON PRODUCT LIABILITY

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), promulgated on February 22, 1993 and latest 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 could be subject to confiscation of the products and/or fines. Earnings from sales in contravention of such standards or requirements may also be confiscated, and in severe cases, an offender's business license may be revoked.

FAVORABLE GOVERNMENT POLICIES RELATING TO NEW ENERGY VEHICLES IN THE PRC

On November 2, 2020, the State Council issued the *Development Plan for the New-energy Vehicle Industry (2021-2035)* (《新能源汽車產業發展規劃(2021-2035年)》), in order to boost the high-quality development of NEVs from 2021 to 2035. The development plan is implemented with a view to achieve the following goals: (i) the core technologies of NEVs, such as the power batteries, drive motors and vehicle operating systems, will make significant breakthroughs and reach the international advanced level; (ii) the sales volume of NEVs will reach around 20% of the total sales volume of new vehicles; (iii) the average power consumption of NEVs will drop to 12.0 kWh per 100 kilometers; (iv) the technology research and development and industrialization of the solid power battery will be accelerated, and the recycling system regarding the power battery recycling, cascade utilization and resource regeneration will be perfected; (v) the charging and swapping infrastructures will be accelerated with the overall coordination with urban and rural construction planning, power

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grid planning and property management, and urban parking; and (vi) the NEV industry will actively participate in the formulation of international rules and standards and facilitate the formation of an open, transparent, and inclusive international NEV market environment.

Government Subsidies for Purchasers of New Energy Vehicles

On April 22, 2015, the Ministry of Finance (the “**MOF**”), the Ministry of Science and Technology (the “**MOST**”), the MIIT and the NDRC jointly issued the *Circular on the Financial Support Policies on the Promotion and Application of New Energy Vehicles in 2016-2020* (《關於2016–2020年新能源汽車推廣應用財政支持政策的通知》) (the “**Financial Support Circular**”), which took effect on the same day. The Financial Support Circular provides that those who purchase new energy vehicles specified in the *Catalogue of Recommended New Energy Vehicle Models for Promotion and Application* (《新能源汽車推廣應用工程推薦車型目錄》) by the MIIT (the “**Recommended NEV Catalogue**”), may obtain subsidies from the PRC national government. Pursuant to the Financial Support Circular, a purchaser may purchase a new energy vehicle from a seller by paying the original price minus the subsidy amount, and the seller may obtain the subsidy amount from the government after such new energy vehicle is sold to the purchaser. The Financial Support Circular also provided a preliminary phase-out schedule for the provision of subsidies.

On December 29, 2016, the MOF, the MOST, the MIIT and the NDRC jointly issued the *Circular on Adjusting the Subsidy Policy for the Promotion and Application of New Energy Vehicles* (《關於調整新能源汽車推廣應用財政補貼政策的通知》) (the “**Circular on Adjusting the Subsidy Policy**”), which took effect on January 1, 2017, to adjust the existing subsidy standard for purchasers of new energy vehicles. The Circular on Adjusting the Subsidy Policy capped the local subsidies at 50% of the national subsidy amount, and further specified that national subsidies for purchasers purchasing certain new energy vehicles (except for fuel cell vehicles) from 2019 to 2020 will be reduced by 20% as compared to 2017 subsidy standards.

The subsidy standard is reviewed and updated on an annual basis. The 2020 subsidy standard, effective from April 23, 2020, was provided in the *Circular on Improving the Subsidy Policies for the Promotion and Application of New Energy Vehicles* (《關於完善新能源汽車推廣應用財政補貼政策的通知》) jointly promulgated by the MOF, the MOST, the MIIT and the NDRC on the same day. The 2020 subsidy standard reduces the base subsidy amount by 10% for each NEV, sets subsidies for 2 million vehicles as the upper limit of annual subsidy scale; and provides that national subsidy shall only apply to an NEV that is either (i) with the sale price under RMB300,000 or (ii) equipped with battery swapping mechanism. Given all of our vehicles are equipped with battery swapping mechanism, as advised by our PRC Legal Adviser, purchasers of all of our vehicles, regardless of sales price, are eligible to enjoy the subsidies provided by the PRC government to purchasers of new energy vehicles. The 2021 subsidy standard, effective from January 1, 2021, was provided in the *Circular on Further Improving the Subsidy Policies for the Promotion and Application of New Energy Vehicles* (《關於進一步完善新能源汽車推廣應用財政補貼政策的通知》) jointly promulgated by the MOF, the MOST, the MIIT and the NDRC on December 31, 2020. The 2021 subsidy standard reduces the base subsidy amount by 20% for each NEV on the basis of that for the previous year. Further, the current 2022 subsidy standard, effective from January 1, 2022, was provided in the *Circular on Financial Subsidy Policies for the Promotion and Application of New Energy Vehicles in Year 2022* (《關於2022年新能源汽車推廣應用財政補貼政策的通知》) jointly promulgated by the MOF, the MOST, the MIIT and the NDRC on December 31, 2021. The current 2022 subsidy standard reduces the base subsidy amount by 30% for each NEV from that for the previous year. The new energy vehicles subsidy policy will be terminated on December 31, 2022.

Exemption of Vehicle Purchase Tax

On December 26, 2017, the MOF, the SAT, the MIIT and the MOST jointly issued the *Announcement on Exemption of Vehicle Purchase Tax for New Energy Vehicle* (《關於免徵新能源汽車車輛購置稅的公告》) (the “**Announcement on Exemption of Vehicle Purchase Tax**”). On June 28, 2019, the MOF and the SAT jointly issued the *Renewal of Preferential Policies on Vehicle Purchase Tax* (《繼續執行的車輛購置稅優惠政策》) (the “**Renewal Announcement**”). Pursuant to the two announcements, from January 1, 2018 to December 31, 2020, the vehicle purchase tax which is applicable for ICE vehicles is not imposed on purchases of qualified new energy vehicles listed in the *Catalogue of New Energy Vehicle Models Exempt from Vehicle Purchase Tax* (《免徵車輛購置稅的新能源汽車車型目錄》) (the “**NEV Catalogue**”), issued by the MIIT. Such announcement provides that the policy on exemption of vehicle purchase tax is also applicable to new energy vehicles added to the NEV Catalogue prior to December 31, 2017. On April 16, 2020, the MOF, the SAT and the MIIT jointly issued the *Announcement on Exemption of Vehicle Purchase Tax for New Energy Vehicle* (《關於新能源汽車免徵車輛購置稅有關政策的公告》), with effect from January 1, 2021, which extends the vehicle purchase tax exemption period provided under the above two announcements till December 31, 2022.

Non-imposition of Vehicle and Vessel Tax

Notice on Preferential Vehicle and Vessel Tax Policies for Energy-saving and New-energy Vehicles and Vessels (《關於節能新能源車船享受車船稅優惠政策的通知》), which was jointly promulgated by the MOF, the Ministry of Transport, the SAT and the MIIT on July 10, 2018, clarifies that NEVs are not subject to vehicle and vessel tax.

New Energy Vehicle License Plate

In recent years, in order to control the number of motor vehicles on the road, certain local governments have issued restrictions on the issuance of vehicle license plates. These restrictions generally do not apply to the issuance of license plates for new energy vehicles, which makes it easier for purchasers of new energy vehicles to obtain automobile license plates. For example, pursuant to the *Implementation Measures on Encouraging Purchase and Use of New Energy Vehicles in Shanghai* (《上海市鼓勵購買和使用新能源汽車實施辦法》), local authorities will issue new automobile license plates to qualified purchasers of new energy vehicles without requiring such qualified purchasers to go through certain license-plate bidding processes and to pay license-plate purchase fees as compared with purchasers of ICE vehicles.

Regulations on Value-added Telecommunications Services

In 2000, the State Council promulgated the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the “**Telecommunications Regulations**”), which was most recently amended in February 2016 and provides a regulatory framework for telecommunications services providers in the PRC. The Telecommunications Regulations categorize all telecommunications businesses in China as either basic or value-added. Value-added telecommunications services are defined as telecommunications and information services provided through public network infrastructure. Pursuant to the Classified Catalogue of Telecommunications Services (《電信業務分類目錄》), an attachment to the Telecommunications Regulations, which was most recently updated in June 2019 by the MIIT, internet information services, or ICP services, are classified as value-added telecommunications services. Under the Telecommunications Regulations and relevant administrative measures, commercial operators of value-added telecommunications services must first obtain a license for conducting Internet content provision services, or an ICP license,

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from the MIIT or its provincial level counterparts. Otherwise, such operator might be subject to sanctions, including corrective orders and warnings, imposition of fines and confiscation of illegal gains and, in the case of significant infringement, orders to close the website.

Pursuant to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), promulgated by the State Council in 2000 and amended in 2011, “internet information services” refer to the provision of information through the internet to online users, and are divided into “commercial internet information services” and “non-commercial internet information services.” A commercial ICP service operator must obtain an ICP license before engaging in any commercial ICP service within China, while the ICP license is not required if the operator will only provide internet information on a non-commercial basis.

In addition to the regulations and measures above, the provision of commercial internet information services on mobile internet applications are regulated by the Administrative Provisions on Information Services of Mobile Internet Applications (《移動互聯網應用程序信息服務管理規定》), promulgated by the State Internet Information Office in June 2016. Information services providers of mobile internet applications are subject to these provisions, including acquiring relevant qualifications and being responsible for management of information security.

REGULATIONS ON AUTONOMOUS DRIVING

On July 27, 2021, the Ministry of Public Security and the Ministry of Transport issued Administration of Road Testing and Demonstration Application of Intelligent Connected Vehicles (Trial Implementation) (《智能網聯汽車道路測試與示範應用管理規範(試行)》) (the “**Circular No. 97**”), which became effective on September 1, 2021, and is the primary regulation governing protocol of road testing and demonstration application of intelligent connected vehicles in the PRC. Pursuant to the Circular No. 97, any entity intending to conduct the road testing and demonstration application of intelligent connected vehicles must apply for and obtain a temporary license plate for each tested vehicle. To qualify for such temporary license plate, an applicant entity must satisfy, among others, the following requirements: (i) it must be an independent legal person registered under PRC law with the capacity to conduct manufacturing, technological research or testing of automobiles and automobile parts, which has established protocols to test and assess the performance of autonomous driving functionalities of intelligent connected vehicles and is capable of conducting real-time remote monitor of the tested vehicles, and has the ability to ensure the network security of tested vehicles and remote monitoring platform; (ii) the tested vehicle must be equipped with a driving system that can switch between autonomous driving mode and human driving mode in a safe, quick and simple manner and ensures human driver to take control of the tested vehicle any time immediately when necessary; (iii) the tested vehicle must be equipped with the function of recording, storing and real-time monitoring the condition of the tested vehicle and is able to transmit real-time data of the tested vehicle, such as the control mode, location and speed; (iv) it must sign an employment contract or a labor service contract with the driver of the tested vehicle, who must be a licensed driver of corresponding vehicle types with more than three years’ driving experience and a track record of safe driving and is familiar with the testing protocol or application scheme for autonomous driving system and proficient in operating the system; and (v) it must provide the Safety Self-declaration, the result of risk assessment on network security, the proof of corresponding measures taken against such risk and other materials to the competent department, and insure each tested vehicle for at least RMB5 million against vehicle accidents or provide a letter of guarantee covering the same. In addition, as to the demonstration application, the applicant entity could also be a consortium of several independent legal persons and has the operational capability of demonstration application and relevant scheme.

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During the road testing and demonstration application, the tested vehicle shall be marked with the words such as “自動駕駛道路測試” or “自動駕駛示範應用” in a noticeable manner and the autonomous driving mode shall not be used unless in the permitted areas specified in the Safety Self-declaration, and the entity shall not make any changes of software and hardware that may affect the function and performance of the tested vehicle without providing the relevant safety description materials to the competent department in advance. In addition, the entity is required to submit to the competent department a periodical report every six months and a final report within one month after the completion of road testing and demonstration application. In the case of a vehicle accident which causes severe injury or death of personnel or vehicle damage, the entity must report such accident to the competent department within 24 hours and submit a comprehensive analysis report in writing covering cause analysis, final liability allocation results, etc. within five working days after the traffic enforcement agency determines the liability for the accident.

On March 24, 2021, the Ministry of Public Security issued the *Draft Proposed Amendments of the Road Traffic Safety Law* (《道路交通安全法(修訂建議稿)》) (the “**MPS Proposed Amendments**”). The MPS Proposed Amendments clarify, among others, the requirements related to road testing of, and access by, vehicles equipped with autonomous driving functions, as well as regulating how liability for traffic violations and accidents will be allocated. The MPS Proposed Amendments stipulate that vehicles equipped with autonomous driving functions should first pass tests in closed roads and venues and obtain temporary license plates before embarking on road testing. Further such road testing should be conducted at designated times, areas and routes in accordance with the law. After passing the road test, vehicles equipped with autonomous driving functions can be manufactured, imported and sold in accordance with the relevant laws and regulations, and those needing access to the road must apply for motor vehicle number plates. The MPS Proposed Amendments provide that when vehicles equipped with autonomous driving functions and human driving modes are involved in road traffic violations or accidents, the responsibility of the driver or the autonomous driving system developer shall be determined in accordance with laws, as well as the liability for damage. For vehicles on the road that are equipped with autonomous driving functions without human driving modes, this liability issue should be separately dealt with by relevant departments of the State Council.

REGULATIONS ON CONSUMER RIGHTS PROTECTION

Our business is subject to a variety of consumer protection laws, including the PRC Consumer Rights and Interests Protection Law (《中華人民共和國消費者權益保護法》), as amended in 2013 and became effective on March 15, 2014, which imposes stringent requirements and obligations on business operators. Failure to comply with these consumer protection laws could subject us to administrative sanctions, such as the issuance of a warning, confiscation of illegal income, imposition of fines, an order to cease business operations, revocation of business licenses, as well as potential civil or criminal liabilities.

REGULATIONS ON INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

In November 2016, the Standing Committee of the National People’s Congress (the “**SCNPC**”, promulgated the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》) (the “**Cyber Security Law**”), which became effective on June 1, 2017. The Cyber Security Law requires that a network operator, which includes, among others, internet information services providers, take technical measures and other necessary measures in accordance with applicable laws and regulations and the compulsory requirements of the national and industrial standards to safeguard the safe and stable operation of its networks. We are subject to such requirements

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as we are operating a website and mobile application and providing certain internet services mainly through our mobile application. The Cyber Security Law further requires internet information services providers to formulate contingency plans for network security incidents, report to the competent departments immediately upon the occurrence of any incident endangering cyber security and take corresponding remedial measures.

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

The General Administration of Quality Supervision, Inspection and Quarantine and Standardization Administration issued the *Standard of Information Security Technology — Personal Information Security Specification (2017 edition)* (《信息安全技術—個人信息安全規範(2017版)》), which took effect in May 2018, and the *Standard of Information Security Technology — Personal Information Security Specification (2020 edition)* (《信息安全技術—個人信息安全規範(2020版)》), which took effect in October 2020. Pursuant to these standards, any entity or person who has the authority or right to determine the purposes for and methods of using or processing personal information are seen as a personal data controller. Such personal data controller is required to collect information in accordance with applicable laws, and prior to collecting such data, the information provider's consent is required.

On November 28, 2019, the Secretary Bureau of the CAC, 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 (《App違法違規收集使用個人信息行為認定方法》), which aims to provide reference for supervision and administration departments and provide guidance for 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 May 12, 2021, the CAC issued the *Several Provisions on Automobile Data Security Management (Draft for Comment)* (汽車數據安全管理若干規定(徵求意見稿)), which further elaborates the principles and requirements for the protection of personal information and important data in the automobile industry scenarios, and defines enterprise or institution engaged in the automobile design, manufacture, and service as an operator. Such operator is required to process personal information or important data in accordance with applicable laws and regulations during the process of design, production, sales, operation, maintenance, and management of automobile. On August 16, 2021, the CAC, the NDRC, the MPS, the MIIT and the Ministry of Transport jointly promulgated the *Several Provisions on Automobile Data*

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Security Management (Trial Implementation) (《汽車數據安全管理若干規定(試行)》) (“**Provisions on Automobile Data Security**”) which took effect from October 1, 2021 and aims to regulate the collection, analysis, storage, utilization, provision, publication, and cross-border transmission of personal information and critical data generated throughout the lifecycle of automobiles by automobile designers, producers and service providers. Relevant automobile data processor including automobile manufacturers, compartment and software providers, dealers, maintenance providers are required to process personal information and critical data in accordance with applicable laws during the automobile design, manufacture, sales, operation, maintenance and management. To process personal information, automobile data processors shall obtain the consent of the individual or conform to other circumstances stipulated by laws and regulations. Pursuant to the Provisions on Automobile Data Security, personal information and critical data related to automobiles shall in principle be stored within the PRC and a cross-border data security assessment shall be conducted by the national cyberspace administration authority in concert with relevant departments under the State Council if there is a need to provide such data overseas. To process critical data, automobile data processors shall conduct risk assessment in accordance with regulations and submit risk assessment reports to related departments at provincial levels.

On October 29, 2021, the CAC issued the Measures for the Security Assessment of Data Exit (Draft for Comment) (《數據出境安全評估辦法(徵求意見稿)》), which stipulates that data processors who provide overseas the important data collected and generated during operations within the PRC and personal information that shall be subject to security assessment shall conduct a security assessment. Furthermore, if the data processor provides data overseas and meets one of the following circumstances, it shall declare the security assessment: (i) personal information and important data collected and generated by operators of critical information infrastructure; (ii) the data contains important data; (iii) personal information processors who have processed personal information of one million people provide personal information abroad; (iv) accumulatively provided personal information of more than one hundred thousand people or sensitive personal information of more than ten thousand people abroad; and (v) other circumstances as specified by the CAC. The assessment results of the data exit are valid for two years.

In addition, on May 28, 2020, the National People’s Congress of the PRC approved the PRC Civil Code (《中華人民共和國民法典》), which came into effect on January 1, 2021. Pursuant to the PRC Civil Code, the collection, storage, use, process, transmission, provision and disclosure of personal information should follow the principles of legitimacy, properness and necessity.

In July 2021, General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Severely Cracking Down on Illegal Securities Activities According to Law (《關於依法從嚴打擊證券違法活動的意見》) (the “**Opinions**”), which were made available to the public on July 6, 2021. The Opinions emphasized the need to strengthen the administration over illegal securities activities, and the need to strengthen the supervision over overseas listings by Chinese companies. Effective measures, such as promoting the construction of relevant regulatory systems, will be taken to deal with the risks and incidents of China-concept overseas listed companies. As of the date of this document, we have not received any inquiry, notice, warning, or sanctions from PRC governmental authorities in connection with the above contents of Opinions. Based on the foregoing and the currently effective PRC laws, our PRC legal counsel is of the view that, as of the date of this document, the Opinions do not materially and adversely affect our disclosure, including PRC counsel’s opinions, taken as a whole, as stated in “Risk Factors — Risks Related to Doing Business in China — If the PRC government deems that our contractual arrangements with our variable interest entity do not comply with PRC regulatory

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restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.” and “Risk Factors — Risks Related to Doing Business in China — Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.”

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

On July 10, 2021, the CAC released the Revised Draft. On December 28, 2021, the CAC, NDRC, MIIT, the MPS, the Ministry of National Security, the MOF, the MOFCOM, the People’s Bank of China, the SAMR, the National Radio and Television Administration, the CSRC, the National Administration of State Secrets Protection and the State Cryptography Administration jointly released the Cybersecurity Review Measures, which took effect on February 15, 2022. Pursuant to the Cybersecurity Review Measures, network platform operators with information of over one million users shall be subject to cybersecurity review before listing abroad (國外上市). The cybersecurity review will evaluate, among others, the risk of critical information infrastructure, core data, important data, or the risk of a large amount of personal information being influenced, controlled or maliciously used by foreign governments after going public, and Cyber information security risk. As of the date of this document, we have not been informed by any PRC governmental authority of any requirement to file for approval for this Listing.

On August 12, 2021, the MIIT issued the Opinion on Strengthening the Access Administration of Intelligent Connected Vehicles Manufacturing Enterprises and Their Products (《關於加強智能網聯汽車生產企業及產品准入管理的意見》), or the Access Administration Opinion, which provided responsibilities of intelligent connected vehicles manufacturing enterprises, and required such enterprises to strengthen the management of vehicle data security, cyber security, software updates, function safety and intended function safety. Furthermore, the Access Administration Opinion stated that vehicles manufacturing enterprises shall conduct cybersecurity reviews prior to transmitting data abroad.

On August 17, 2021, the State Council promulgated the Regulations on the Protection of the Security of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), or the Regulations, which took effect in September 2021. The Regulations supplement and specify the provisions on the security of critical information infrastructure as stated in the Cyber Security Law. The Regulations provide, among others, that protection department of certain industry or sector shall notify the operator of the critical information infrastructure in time after the identification of certain critical information infrastructure. According to the Regulations,

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operators of certain industries or sectors that may endanger national security, people's livelihood and public interest in case of damage, function loss or data leakage may be identified as critical information infrastructure operators by the CAC or the respective industrial regulatory authorities once they meet the identification standards promulgated by the authorities.

On August 20, 2021, the Standing Committee of the National People's Congress of China promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), or the Personal Information Protection Law, which took effect in November 2021. As the first systematic and comprehensive law specifically for the protection of personal information in the PRC, the Personal Information Protection Law provides, among others, that (i) an individual's separate consent shall be obtained before operation of such individual's sensitive personal information, e.g., biometric characteristics and individual location tracking, (ii) personal information operators operating sensitive personal information shall notify individuals of the necessity of such operations and the influence on the individuals' rights, (iii) if personal information operators reject individuals' requests to exercise their rights, individuals may file a lawsuit with a People's Court. On August 20, 2021, the CAC promulgated the Provisions on the Administration of Automobile Data Security (for Trial Implementation), or the Provisions on Automobile Data Security, which took effect in October 2021. The Provisions on Automobile Data Security clearly define the definition of "automobile data", "automobile data operating", "automobile data operator", "personal information", "sensitive personal information" and "important data", and further elaborate the principles of and requirements for the automobile data operating activities within the PRC. Furthermore, the Provisions on Automobile Data Security also prescribe the implementation of classified protection of cybersecurity, the obligations of automobile data operators to inform, anonymize and obtain individuals' consents, and the specific requirements for operating sensitive personal information, as well as the risk assessment when operating important data and the security assessment when providing data abroad.

In addition, on November 14, 2021, the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) was proposed by the CAC for public comments until December 13, 2021. It sets out general guidelines, protection of personal information, security of important data, security management of cross-border data transfer, obligations of internet platform operators, supervision and management, and legal liabilities. Key requirements include: data processors should be in compliance with the requirements of multi-level cybersecurity protection, strengthen the data processing system, data transmission network, data storage environment and other security protection, processing of important data systems in principle should meet the third level or above of multi-level cybersecurity protection and critical information infrastructure security protection requirements; data processors should establish a data security emergency response mechanism, and promptly start the emergency response mechanism in the event of a data security incident; the detailed rules for data processors to apply when providing personal information to third parties, or sharing, trading or entrusting important data to third parties; the scenarios of cybersecurity review which shall be subject to Cybersecurity Review Measures; the definitions of important data and operators' security protection obligations; the detailed rules on cross-border data transfer which added missing details to the Personal Information Protection Law; data processors processing personal information of more than one million people shall also comply with the regulations for processing of important data; data processors dealing with important data or listing overseas (including Hong Kong) should carry out an annual data security assessment by themselves or by entrusting data security service agencies, and each year before January 31, data security assessment report for the previous year shall be submitted to the districted city level cyberspace administration department. The draft measures reiterate that data processors which process the personal information of at least one million users must

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apply for a cybersecurity review if they plan listing of companies in foreign countries, and the draft measures further require the data processors that carry out the following activities to apply for cybersecurity review in accordance with the relevant laws and regulations: (i) the merger, reorganization or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests affects or may affect national security; (ii) the listing of the data processor in Hong Kong affects or may affect the national security; and (iii) other data processing activities that affect or may affect national security. In addition, in one of the following situations, data processors shall delete or anonymize personal information within 15 business days: (i) the purpose of processing personal information has been achieved or the purpose of processing is no longer needed; (ii) the storage term agreed with the users or specified in the personal information processing rules has expired; (iii) the service has been terminated or the account has been canceled by the individual; or (iv) unnecessary personal information or personal information unavoidably collected due to the use of automatic data collection technology but without the consent of the individual. Any failure to comply with such requirements may subject us to, among others, suspension of services, fines, revoking relevant business permits or business licenses and penalties. Since the revised draft has not been formally adopted as of the date of the document, the revised draft (especially its operative provisions) and its anticipated adoption or effective date are subject to further changes with substantial uncertainty.

REGULATIONS ON E-COMMERCE

On August 31, 2018, the SCNPC promulgated the E-Commerce Law of the People's Republic of China (《中華人民共和國電子商務法》) (the “**E-Commerce Law**”), which became effective as of January 1, 2019. The E-Commerce Law establishes the regulatory framework for the e-commerce sector in the PRC for the first time by laying out certain requirements on e-commerce platform operators. According to the E-Commerce Law, the e-commerce platform operators shall prepare a contingency plan for cybersecurity events and take technological measures and other measures to prevent online illegal and criminal activities. The E-Commerce Law also expressly requires e-commerce platform operators to take necessary actions to ensure fair dealing on their platforms to safeguard the legitimate rights and interests of consumers, including to prepare platform service agreements and transaction information record-keeping and transaction rules, to prominently display such documents on the platform's website, and to keep such information for no less than three years following the completion of a transaction. Where the e-commerce platform operators conduct self-operated business on their platforms, they shall distinguish and mark their self-operated business from the businesses of the business operators using the platform in a prominent manner, and shall not mislead consumers. The e-commerce platform operators shall bear civil liability of a commodity seller or service provider for the business marked as self-operated, pursuant to the law.

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REGULATIONS ON LAND AND THE DEVELOPMENT OF CONSTRUCTION PROJECTS

Regulations on Land Grants

Under the Interim Regulations on Assignment and Transfer of the Rights to the Use of the State-owned Urban Land of PRC (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》), promulgated by the State Council on May 19, 1990 and latest amended on November 29, 2020, a system of assignment and transfer of the right to use state-owned land was adopted. A land user must pay land premiums to the state as consideration for the assignment of the right to use a land site within a certain term, and the land user who obtained the right to use the land may transfer, lease out, mortgage or otherwise commercially exploit the land within the term of use. Under the Interim Regulations on Assignment and Transfer of the Rights to the Use of the State-owned Urban Land of PRC (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) and the Law of the PRC on Urban Real Estate Administration (《中華人民共和國城市房地產管理法》), the local land administration authority may enter into an assignment contract with the land user for the assignment of land use rights. The land user is required to pay the land premium as provided in the assignment contract. After the full payment of the land premium, the land user must register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights.

Regulations on Planning of a Construction Project

Pursuant to the Regulations on Planning Administration regarding Assignment and Transfer of the Rights to Use of the State-Owned Land in Urban Area (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by the Ministry of Construction in December 1992 and amended in January 2011, a construction land planning permit shall be obtained from the municipal planning authority with respect to the planning and use of land. According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) promulgated by the SCNPC on October 28, 2007 and latest amended on April 23, 2019, a construction work planning permit must be obtained from the competent urban and rural planning government authority for the construction of any structure, fixture, road, pipeline or other engineering project within an urban or rural planning area.

After obtaining a construction work planning permit, subject to certain exceptions, a construction enterprise must apply for a construction work commencement permit from the construction authority under the local people's government at the county level or above in accordance with the Administrative Provisions on Construction Permit of Construction Projects (《建築工程施工許可管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development (the "MOHURD"), on June 25, 2014 and implemented on October 25, 2014 and latest amended on March 30, 2021.

Pursuant to the Administrative Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by the Ministry of Construction on April 4, 2000 and amended on October 19, 2009 and the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated and implemented by the MOHURD on December 2, 2013, upon the completion of a construction project, the construction enterprise must submit an application to the competent department in the people's government at or above county level where the project is located, for examination upon completion of building and for filing purpose; and to obtain the filing form for acceptance and examination upon completion of construction project.

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REGULATIONS ON ENVIRONMENTAL PROTECTION AND WORK SAFETY

Regulations on Environmental Protection

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated by the SCNPC, on December 26, 1989, amended on April 24, 2014 and effective on January 1, 2015, any entity which discharges or will discharge pollutants during the course of operations or other activities must implement effective environmental protection safeguards and procedures to control and properly treat waste gas, waste water, waste residue, dust, malodorous gases, radioactive substances, noise, vibrations, electromagnetic radiation and other hazards produced during such activities.

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

Regulations on Work Safety

Under relevant construction safety laws and regulations, including the Work Safety Law of the PRC (《中華人民共和國安全生產法》) which was promulgated by the SCNPC on June 29, 2002 and latest amended on June 10, 2021, production and operating business entities must establish objectives and measures for work safety and improve the working environment and conditions for workers in a planned and systematic way. A work safety protection scheme must also be set up to implement the work safety job responsibility system. In addition, production and operating business entities must arrange work safety training and provide the employees with protective equipment that meets the national standards or industrial standards. Furthermore, production and operating business entities shall report their major hazard sources and related safety and emergency measures to the emergency management department and other relevant departments for the record, and establish a safety risk grading control system and take corresponding control measures. Automobile and components manufacturers are subject to the above-mentioned environment protection and work safety requirements.

REGULATIONS ON FIRE CONTROL

Pursuant to the Fire Safety Law of the PRC (《中華人民共和國消防法》) promulgated by the SCNPC on April 29, 1998 and latest amended on April 29, 2021, for special construction projects stipulated by the housing and urban-rural development authority of the State Council, the developer shall submit the fire safety design documents to the housing and urban-rural development authority for examination, while for construction projects other than those stipulated as special development projects, the developer shall, at the time of applying for the construction permit or approval for work commencement report, provide the fire safety design drawings and technical materials which satisfy the construction needs. According to Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated on April 1, 2020 and effective on June 1, 2020, an examination system for fire prevention design and acceptance only applies to special construction projects, and for other projects, a record-filing and spot check system would be applied.

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REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Patent Law

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984 and currently effective from June 1, 2021, the State Intellectual Property Office is responsible for administering patent law in the PRC. The patent administration departments of provincial, autonomous region or municipal governments are responsible for administering patent law within their respective jurisdictions. The Chinese patent system adopts a first-to-file principle, which means that when more than one person files different patent applications for the same invention, only the person who files the application first is entitled to obtain a patent of the invention. To be patentable, an invention or a utility model must meet three criteria: novelty, inventiveness and practicability. The protection period is twenty years for an invention patent and ten years for a utility model patent and fifteen years for a design patent, commencing from their respective application dates.

Regulations on Copyright

The Copyright Law of the PRC (《中華人民共和國著作權法》) (the “**Copyright Law**”), which took effect on June 1, 1991 and was latest amended in 2020 and came into effect on June 1, 2021, provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, own copyright in their copyrightable works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Copyright owners enjoy certain legal rights, including right of publication, right of authorship and right of reproduction. The Copyright Law extends copyright protection to Internet activities, products disseminated over the Internet and software products. In addition, the Copyright Law provides for a voluntary registration system administered by the China Copyright Protection Center. According to the Copyright Law, an infringer of the copyrights shall be subject to various civil liabilities, which include ceasing infringement activities, apologizing to the copyright owners and compensating the loss of the copyright owner. Infringers of a copyright may also be subject to fines and/or administrative or criminal liabilities in severe situations.

Pursuant to the Computer Software Copyright Protection Regulations (《計算機軟件保護條例》) promulgated by the State Council on December 20, 2001 and amended on January 30, 2013, the software copyright owner may go through the registration formalities with a software registration authority recognized by the State Council’s copyright administrative department. The software copyright owner may authorize others to exercise that copyright, and is entitled to receive remuneration.

Trademark Law

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was adopted on August 23, 1982 and latest amended in 2019, as well as by the Implementation Regulations of the PRC Trademark Law (《中華人民共和國商標法實施條例》) adopted by the State Council in 2002 and as most recently amended on April 29, 2014. The Trademark Office under the State Administration for Industry and Commerce, handles trademark registrations. The Trademark Office grants a ten-year term to registered trademarks and the term may be renewed for another ten-year period upon request by the trademark owner. A trademark registrant may license its registered trademarks to another party by entering into trademark license agreements, which must be filed with the Trademark Office for its record. As with patents, the Trademark Law has adopted a first-to-file principle with respect to trademark registration. If a trademark applied for is identical or similar to another trademark

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which has already been registered or subject to a preliminary examination and approval for use on the same or similar kinds of products or services, such trademark application may be rejected. Any person applying for the registration of a trademark may not injure existing trademark rights first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

Regulations on Domain Names

The MIIT promulgated the Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》) (the “**Domain Name Measures**”), on August 24, 2017, which took effect on November 1, 2017 and replaced the Administrative Measures on China Internet Domain Name (《中國互聯網絡域名管理辦法》) promulgated by the MIIT on November 5, 2004. According to the Domain Name Measures, the MIIT is in charge of the administration of PRC internet domain names. The domain name registration follows a first-to-file principle. Applicants for registration of domain names must provide the true, accurate and complete information of their identities to domain name registration service institutions. The applicants will become the holder of such domain names upon the completion of the registration procedure.

REGULATIONS ON FOREIGN INVESTMENT IN CHINA

Catalogue for the Guidance of Foreign Investment Industries

Investments in the PRC by foreign investors and foreign-invested enterprises were regulated by the Catalogue for the Guidance of Foreign Investment Industries (《外商投資產業指導目錄》) (the “**Foreign Investment Catalogue**”), jointly promulgated by the MOFCOM and NDRC on June 28, 1995 and amended from time to time. The Foreign Investment Catalogue was last repealed by the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**2021 Negative List**”), which was jointly promulgated by the MOFCOM and the NDRC on December 27, 2021 and came into effect on January 1, 2022, and the Catalogue of Industries for Encouraging Foreign Investment (2020 Version) (《鼓勵外商投資產業目錄(2020年版)》) (the “**2020 Encouraging Catalogue**”), which was jointly promulgated by the MOFCOM and the NDRC on December 27, 2020 and became effective on January 27, 2021. The 2020 Encouraging Catalogue and the 2021 Negative List set out the industries and economic activities in which foreign investment in the PRC is encouraged, restricted or prohibited. Pursuant to the 2020 Encouraging Catalogue, the manufacture and the development of key parts and components of NEVs fall within the encouraged catalogue, and the 2021 Negative List lifts the limit on foreign ownership of automakers for ICE passenger vehicles. However, the 2021 Negative List provides that foreign investors shall hold no more than 50% of the equity interest in a service provider operating certain value-added telecommunications services (other than for e-commerce, domestic multi-parties communications, storage and forwarding categories, call centers).

The establishment, operation and management of corporate entities in the PRC is governed by the *PRC Company Law* (《中華人民共和國公司法》), which was latest amended on October 26, 2018. The *PRC Company Law* generally governs two types of companies — limited liability companies and joint stock limited companies. The *PRC Company Law* shall also apply to foreign-invested companies. Where laws on foreign investment have other stipulations, such stipulations shall prevail. The establishment procedures, approval or record-filing procedures, registered capital requirements, foreign exchange matters, accounting practices, taxation and labor matters of a wholly foreign-owned enterprise are regulated by the Foreign Investment Law, which became effective on January 1, 2020 and replaced three laws on foreign

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investments in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, together with their implementation rules and ancillary regulations.

Foreign Investment Law

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law of PRC (《中華人民共和國外商投資法》), which has become effective on January 1, 2020 and replaced three laws on foreign investments in China, namely, the PRC Equity Joint Venture Law (《中華人民共和國中外合資經營企業法》), the PRC Cooperative Joint Venture Law (《中華人民共和國中外合作經營企業法》) and the PRC Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》), together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic invested enterprises in China. The Foreign Investment Law establishes the basic framework for the access to, and the promotion, protection and administration of foreign investments in view of investment protection and fair competition.

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

According to the Foreign Investment Law, the State Council will publish or approve to publish a catalogue for special administrative measures, or the “negative list.” The Foreign Investment Law grants national treatment to foreign invested entities, except for those foreign invested entities that operate in industries deemed to be either “restricted” or “prohibited” in the “negative list.” Because the “negative list” has yet been published, it is unclear whether it will differ from the current 2021 Negative List. The Foreign Investment Law provides that foreign invested entities operating in foreign restricted or prohibited industries will require market entry clearance and other approvals from relevant PRC governmental authorities.

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

In addition, the Foreign Investment Law also provides several protective rules and principles for foreign investors and their investments in the PRC, including, among others, that local governments shall abide by their commitments to the foreign investors; foreign-invested enterprises are allowed to issue stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner, expropriation or requisition of the investment of foreign investors is prohibited; mandatory technology transfer is prohibited; and the capital contributions, profits, capital gains, proceeds out of asset disposal, licensing fees of intellectual property rights, indemnity or compensation legally obtained, or proceeds received upon

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settlement by foreign investors within China, may be freely remitted inward and outward in RMB or a foreign currency. Also, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance with the requirements.

On December 26, 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law of PRC (《中華人民共和國外商投資法實施條例》), effective on January 1, 2020, which further requires that foreign-invested enterprises and domestic enterprises shall be treated equally with respect to policy making and implementation. Pursuant to the Implementation Regulations on the Foreign Investment Law, if the existing foreign-invested enterprises fail to change their original forms as of January 1, 2025, the relevant market regulation departments will not process other registration matters for the enterprises, and may disclose their relevant information to the public.

On December 30, 2019, the MOFCOM and the SAMR jointly issued the Measures for Reporting of Foreign Investment Information (《外商投資信息報告辦法》) (the “**Foreign Investment Information Measures**”), which became effective on January 1, 2020 and replaced the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in the PRC, foreign investors or foreign-invested enterprises shall submit investment information through the Enterprise Registration System and the National Enterprise Credit Information Publicity System operated by the State Administration for Market Regulation. Foreign investors or foreign-invested enterprises shall disclose their investment information by submitting reports for their establishments, modifications and cancellations and their annual reports in accordance with the Foreign Investment Information Measures. If a foreign-invested enterprise investing in the PRC has finished submitting its reports for its establishment, modifications and cancellation and its annual reports, the relevant information will be shared by the competent market regulation department to the competent commercial department, and such foreign-invested enterprise is not required to submit the reports to the two departments separately.

REGULATIONS ON FOREIGN EXCHANGE

General Principles of Foreign Exchange

Under the *Regulations on the Foreign Exchange System of the PRC* (《中華人民共和國外匯管理條例》) promulgated on January 29, 1996 and most recently amended on August 5, 2008 and various regulations issued by the State Administration of Foreign Exchange of the PRC (the “SAFE”), and other relevant PRC government authorities, Renminbi is convertible into other currencies for current account items, such as trade-related receipts and payments and payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside the PRC of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the SAFE or its local office.

Payments for transactions that take place within the PRC must be made in Renminbi. Unless otherwise approved, PRC companies may not repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by the SAFE or its local branch. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaged in settlement

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and sale of foreign exchange pursuant to relevant SAFE rules and regulations. For foreign exchange proceeds under the capital accounts, approval from the SAFE is generally required for the retention or sale of such proceeds to a financial institution engaged in settlement and sale of foreign exchange.

Pursuant to the *Circular of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment* (《關於進一步改進和調整直接投資外匯管理政策的通知》) (the “**SAFE Circular No. 59**”), promulgated by SAFE on November 19, 2012, which became effective on December 17, 2012 and was further amended on May 4, 2015 and October 10, 2018, approval of SAFE is not required for opening a foreign exchange account and depositing foreign exchange into the accounts relating to the direct investments. The SAFE Circular No. 59 also simplified foreign exchange-related registration required for the foreign investors to acquire the equity interests of Chinese companies and further improve the administration on foreign exchange settlement for foreign-invested enterprises.

The *Circular on Further Simplifying and Improving the Foreign Currency Management Policy on Direct Investment* (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**SAFE Circular No. 13**”), effective from June 1, 2015, cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment and simplifies the procedure of foreign exchange-related registration. Pursuant to SAFE Circular No. 13, the investors shall register with banks for direct domestic investment and direct overseas investment.

The *Circular on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise* (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “**SAFE Circular No. 19**”), which was promulgated by the SAFE on March 30, 2015 and amended on December 30, 2019, provides that a foreign-invested enterprise may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange administration has confirmed monetary capital contribution rights and interests (or for which the bank has registered the injection of the monetary capital contribution into the account). Pursuant to SAFE Circular No. 19, for the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capital on a discretionary basis; a foreign-invested enterprise shall truthfully use its capital for its own operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the foreign-invested enterprise must first go through domestic re-investment registration and open a corresponding account for foreign exchange settlement pending payment with the foreign exchange administration or the bank at the place where it is registered.

The *Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts* (《關於改革和規範資本項目結匯管理政策的通知》) (the “**SAFE Circular No. 16**”), which was promulgated by the SAFE and became effective on June 9, 2016, provides that enterprises registered in the PRC may also convert their foreign debts from foreign currency into Renminbi on a self-discretionary basis. SAFE Circular No. 16 also provides an integrated standard for conversion of foreign exchange under capital account items (including, but not limited to, foreign currency capital and foreign debts) on a self-discretionary basis, which applies to all enterprises registered in the PRC.

According to the *Administrative Rules on the Company Registration of PRC* (《中華人民共和國公司登記管理條例》), which were promulgated by the State Council on June 24, 1994, became effective on July 1, 1994 and were amended on February 6, 2016, and other laws and regulations governing the foreign-invested enterprises and company registrations, the

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establishment of a foreign-invested enterprise and any capital increase and other major changes in a foreign-invested enterprise shall be registered with the SAMR or its local counterparts, and shall be filed via the foreign investment comprehensive administrative system (the “FICMIS”), if such foreign-invested enterprise does not involve special access administrative measures prescribed by the PRC government.

On October 23, 2019, SAFE issued the *Circular on Further Promoting Cross-border Trade and Investment Facilitation* (《關於進一步促進跨境貿易投資便利化的通知》). This circular allows the foreign-invested enterprises without equity investment as in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investment as long as the investments are real and in compliance with the foreign investment-related laws and regulations. In addition, this circular stipulates that qualified enterprises in certain pilot areas may use their capital income from registered capital, foreign debt and overseas listing, for the purpose of domestic payments without providing authenticity certifications to the relevant banks in advance for those domestic payments. Payments for transactions that take place within the PRC must be made in RMB. Foreign currency revenues received by PRC companies may be repatriated into the PRC or retained outside of the PRC in accordance with requirements and terms specified by SAFE.

Pursuant to SAFE Circular No. 13 and other laws and regulations relating to foreign exchange, when setting up a new foreign-invested enterprise, the foreign-invested enterprise shall register with the bank located at its registered place after obtaining the business license, and if there is any change in capital or other changes relating to the basic information of the foreign-invested enterprise, including, without limitation, any increase in its registered capital or total investment, the foreign-invested enterprise must register such changes with the bank located at its registered place after obtaining approval from or completing the filing with competent authorities. Pursuant to the relevant foreign exchange laws and regulations, the above-mentioned foreign exchange registration with the banks will typically take less than four weeks upon the acceptance of the registration application.

Based on the foregoing, if we intend to provide funding to our wholly foreign-owned subsidiaries through capital injection at or after their establishment, we must register the establishment of and any follow-on capital increase in our wholly foreign-owned subsidiaries with the SAMR or its local counterparts, file such via the FICMIS and register such with the local banks for the foreign exchange related matters.

Loans by the Foreign Companies to their PRC Subsidiaries

A loan made by foreign investors as shareholders in a foreign-invested enterprise is considered to be foreign debt in China and is regulated by various laws and regulations, including the *Regulation of the People’s Republic of China on Foreign Exchange Administration* (《中華人民共和國外匯管理條例》), the *Interim Provisions on the Management of Foreign Debts* (《外債管理暫行辦法》), the *Statistical Monitoring of Foreign Debts Tentative Provisions (Revised in 2020)* (《外債統計監測暫行規定(2020修訂)》), the *Detailed Rules for the Implementation of Provisional Regulations on Statistics and Supervision of External Debt* (《外債統計監測實施細則》), and the *Administrative Measures for Registration of Foreign Debts* (《外債登記管理辦法》). Under these rules and regulations, a shareholder loan in the form of foreign debt made to a PRC entity does not require the prior approval of the SAFE. However, such foreign debt must be registered with and recorded by the SAFE or its local branches within fifteen (15) business days after entering into the foreign debt contract. Pursuant to these rules and regulations, the balance of the foreign debts of a foreign-invested enterprise shall not exceed the difference between the total investment and the registered capital of the foreign-invested enterprise (the “**Total Investment and Registered Capital Balance**”).

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On January 12, 2017, the People's Bank of China (the “**PBOC**”), promulgated the *Notice of the People's Bank of China on Matters concerning the Macro-Prudential Management of Full-Covered Cross-Border Financing* (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) (the “**PBOC Notice No. 9**”). Pursuant to PBOC Notice No. 9, within a transition period of one year from January 12, 2017, the foreign-invested enterprises may adopt the currently valid foreign debt management mechanism (the “**Current Foreign Debt Mechanism**”), or the mechanism as provided in PBOC Notice No. 9 (the “**Notice No. 9 Foreign Debt Mechanism**”), at their own discretions. PBOC Notice No. 9 provides that enterprises may conduct independent cross-border financing in RMB or foreign currencies as required. Pursuant to PBOC Notice No. 9, the outstanding cross-border financing of an enterprise (the outstanding balance drawn, here and below) shall be calculated using a risk-weighted approach (the “**Risk-Weighted Approach**”), and shall not exceed certain specified upper limits. PBOC Notice No. 9 further provides that the upper limit of risk-weighted outstanding cross-border financing for enterprises shall be equal to 200% of its net assets multiplied by macro-prudential regulation parameter (the “**Net Asset Limits**”). The macro-prudential regulation parameter shall be 1. Enterprises shall file with the SAFE in its capital item information system after entering into the relevant cross-border financing contracts and prior to three business days before drawing any money from the foreign debts.

Based on the foregoing, if we provide funding to our wholly foreign-owned subsidiaries through shareholder loans, the balance of such loans shall not exceed the Total Investment and Registered Capital Balance and we will need to register such loans with the SAFE or its local branches in the event that the Current Foreign Debt Mechanism applies, or the balance of such loans shall be subject to the Risk-Weighted Approach and the Net Asset Limits and we will need to file the loans with the SAFE in its information system in the event that the Notice No. 9 Foreign Debt Mechanism applies. According to PBOC Notice No. 9, after a transition period of one year from January 11, 2017, the PBOC and the SAFE will determine the cross-border financing administration mechanism for the foreign-invested enterprises after evaluating the overall implementation of PBOC Notice No. 9. As of the date hereof, neither the PBOC nor the SAFE has promulgated and made public any further rules, regulations, notices or circulars in this regard. It is uncertain which mechanism will be adopted by the PBOC and the SAFE in the future and what statutory limits will be imposed on us when providing loans to our PRC subsidiaries.

Offshore Investment

Under the *Circular of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles* (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 37**”), issued by the SAFE and effective on July 4, 2014, PRC residents are required to register with the local SAFE branch prior to the establishment or control of an offshore special purpose vehicle (the “**SPV**”), which is defined as an offshore enterprise directly established or indirectly controlled by PRC residents for investment and financing purposes, with the enterprise assets or interests PRC residents hold in China or overseas. The term “control” means to obtain the operation rights, right to proceeds or decision-making power of an SPV through acquisition, trust, holding shares on behalf of others, voting rights, repurchase, convertible bonds or other means. An amendment to registration or subsequent filing with the local SAFE branch by such PRC resident is also required if there is any change in basic information of the offshore company or any material change with respect to the capital of the offshore company. At the same time, the SAFE has issued the *Operation Guidance for the Issues Concerning Foreign Exchange Administration over Round-trip Investment* (《返程投資外匯管理所涉業務操作指引》) regarding the procedures for SAFE registration under SAFE Circular 37, which became effective on July 4, 2014 as an attachment of SAFE Circular 37.

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Under the relevant rules, failure to comply with the registration procedures set forth in the SAFE Circular 37 may result in bans on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliates, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations.

REGULATIONS ON DIVIDEND DISTRIBUTION

Wholly foreign-owned enterprises and Sino-foreign equity joint ventures in the PRC may pay dividends only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. Additionally, these foreign-invested enterprises may not pay dividends unless they set aside at least 10% of their respective accumulated profits after tax each year, if any, to fund certain reserve funds, until such time as the accumulative amount of such fund reaches 50% of the enterprise's registered capital. In addition, these companies also may allocate a portion of their after-tax profits based on PRC accounting standards to employee welfare and bonus funds at their discretion. These reserves are not distributable as cash dividends.

Regulations governing abovementioned dividend distribution arrangements have been replaced by the Foreign Investment Law of PRC (《中華人民共和國外商投資法》) and its implantation rules, which do not provide specific dividend distribution rules for foreign invested enterprises. The Foreign Investment Law and its implementation rules also provide that after the conversion from a wholly foreign-owned enterprise or sino-foreign equity joint venture to a foreign invested enterprise under the Foreign Investment Law, distribution method of gains agreed in the joint venture agreements may continue to apply.

REGULATIONS ON TAXATION

Enterprise Income Tax

On March 16, 2007, the SCNPC promulgated the *PRC Enterprise Income Tax Law* (《中華人民共和國企業所得稅法》) which was amended on February 24, 2017 and December 29, 2018. On December 6, 2007, the State Council enacted the *Regulations for the Implementation of the Enterprise Income Tax Law* (《中華人民共和國企業所得稅法實施條例》) (collectively, the “**EIT Law**”). The EIT Law came into effect on January 1, 2008 and amended on April 23, 2019. Under the EIT Law, both resident enterprises and non-resident enterprises are subject to tax in the PRC. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but are actually or in effect controlled from within the PRC. Non-resident enterprises are defined as enterprises that are organized under the laws of foreign countries and whose actual management is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applied. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, enterprise income tax is set at the rate of 10% with respect to their income sourced from inside the PRC.

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Value-added Tax

The *Provisional Regulations of the PRC on Value-added Tax* (《中華人民共和國增值稅暫行條例》) were promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994 and were subsequently amended from time to time; and the *Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax* (Revised in 2011) (《中華人民共和國增值稅暫行條例實施細則(2011修訂)》) was promulgated by the MOF on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011 (collectively, the “**VAT Law**”). On November 19, 2017, the State Council promulgated the *Decisions on Abolishing the Provisional Regulations of the PRC on Business Tax and Amending the Provisional Regulations of the PRC on Value-added Tax* (《關於廢止<中華人民共和國營業稅暫行條例>和修改<中華人民共和國增值稅暫行條例>的決定》) (the “**Order 691**”). On March 20, 2019, the MOF, the SAT and the General Administration of Customs jointly issued the *Announcement on Relevant Policies on Deepen the Reform of Value-added Tax* (《關於深化增值稅改革有關政策的公告》) (the “**Announcement 39**”). According to the VAT Law and the Order 691, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, sales of services, intangible assets, real property and the importation of goods within the territory of the PRC are the taxpayers of value-added tax (the “**VAT**”). According to the Announcement 39, the VAT tax rates generally applicable are simplified as 13%, 9%, 6% and 0%, which will become effective on April 1, 2019, and the VAT tax rate applicable to the small-scale taxpayers is 3%.

Dividend Withholding Tax

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

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Double Taxation 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 Taxation 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%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) (the “**SAT Circular 81**”), issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretions, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. According to the Circular on Several Questions regarding the “Beneficial Owner” in Tax Treaties (《關於稅收協定中“受益所有人”有關問題的公告》), which was issued on February 3, 2018 by the SAT and took effect on April 1, 2018, when determining the applicant’s status as the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including, without limitation, whether the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant any tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account,

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and such factors will be analyzed according to the actual circumstances of the specific cases. This circular further provides that an applicant who intends to prove his or her status as the “beneficial owner” shall submit the relevant documents to the relevant tax bureau according to the Announcement on Issuing the Measures for the Administration of Non-Resident Taxpayers’ Enjoyment of the Treatment under Agreements (《關於發佈<非居民納稅人享受協定待遇管理辦法>的公告》).

Tax on Indirect Transfer

On February 3, 2015, the SAT issued the Circular on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the “**Circular 7**”). Pursuant to Circular 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises, may be recharacterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. When determining whether there is a “reasonable commercial purpose” of the transaction arrangement, features to be taken into consideration include, inter alia, whether the main value of the equity interest of the relevant offshore enterprise derives directly or indirectly from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income is mainly derived from China; and whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have a real commercial nature which is evidenced by their actual function and risk exposure. According to Circular 7, where the payer fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the tax authority by itself within the statutory time limit. Circular 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired on a public stock exchange. On October 17, 2017, the SAT issued the Circular on Issues of Tax Withholding regarding Non-PRC Resident Enterprise Income Tax (《關於非居民企業所得稅源泉扣繳有關問題的公告》) (the “**SAT Circular 37**”), which was amended by the Announcement of the State Administration of Taxation on Revising Certain Taxation Normative Documents (《國家稅務總局關於修改部分稅收規範性文件的公告》) issued on June 15, 2018 by the SAT. The SAT Circular 37 further elaborates the relevant implemental rules regarding the calculation, reporting and payment obligations of the withholding tax by the non-resident enterprises. Nonetheless, there remain uncertainties as to the interpretation and application of Circular 7. Circular 7 may be determined by the tax authorities to be applicable to our offshore transactions or sale of our shares or those of our offshore subsidiaries where non-resident enterprises, being the transferors, were involved.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Labor Contract Law

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the “**Labor Contract Law**”), which was promulgated on June 29, 2007 and amended on December 28, 2012, is primarily aimed at regulating rights and obligations of employer and employee relationships, including the establishment, performance and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between employers and employees. Employers are prohibited from forcing employees to work above certain time limits and employers shall pay employees for overtime work in accordance with national regulations. In addition, employee wages shall be no lower than local standards on minimum wages and must be paid to employees in a timely manner.

REGULATORY OVERVIEW

Interim Provisions on Labor Dispatch

Pursuant to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, which became effective on March 1, 2014, dispatched workers are entitled to equal pay with full-time employees for equal work. Employers are allowed to use dispatched workers for temporary, auxiliary or substitutive positions, and the number of dispatched workers may not exceed 10% of the total number of employees.

Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) implemented on January 1, 2004 and amended in 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》) implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, the Unemployment Insurance Measures (《失業保險條例》) promulgated on January 22, 1999 and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) implemented on July 1, 2011 and amended on December 29, 2018, employers are required to provide their employees in the PRC with welfare benefits covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and medical insurance. These payments are made to local administrative authorities. Any employer that fails to make social insurance contributions may be order to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue.

In accordance with the Regulations on the Administration of Housing Funds (《住房公積金管理條例》) which was promulgated by the State Council in 1999 and latest amended in 2019, employers must register at the designated administrative centers and open bank accounts for depositing employees' housing funds. Employer and employee are also required to pay and deposit housing funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time. See “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — Increases in labor costs and enforcement of stricter labor laws and regulations in the PRC may adversely affect our business and our profitability.”

Employee Stock Incentive Plan

Pursuant to the Notice of Issues Related to the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), which was issued by the SAFE on February 15, 2012, employees, directors, supervisors, and other senior management who participate in any stock incentive plan of a publicly-listed overseas company and who are PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year, subject to a few exceptions, are required to register with the SAFE through a qualified domestic agent, which may be a PRC subsidiary of such overseas listed company, and complete certain other procedures.

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

M&A RULES AND OVERSEAS LISTING

On August 8, 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, promulgated the Rules on Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”), governing the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006 and was revised on June 22, 2009. The M&A Rules, among other things, require that if an overseas company established or controlled by PRC companies or individuals (the “**PRC Citizens**”), intends to acquire equity interests or assets of any other PRC domestic company affiliated with the PRC Citizens, such acquisition must be submitted to the MOFCOM for approval. The M&A Rules also require that an offshore special vehicle, or a special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by the PRC companies or individuals, shall obtain the approval of the CSRC prior to overseas listing and trading of such special purpose vehicle’s securities on an overseas stock exchange.

On December 24, 2021, the CSRC released the Draft Administration Provisions and the Draft Filing Measures, both of which had a comment period that expired on January 23, 2022. Pursuant to the Draft Administration Provisions, these provisions shall apply to domestic enterprises that issue shares, depository receipts, convertible corporate bonds, or other equity instruments overseas, or list and trade their securities overseas, and the CSRC shall supervise and administer the overseas securities offering and listing activities of domestic enterprises, and such domestic enterprises shall go through the filing procedures with the CSRC and report relevant information. According to the Draft Administration Provisions and the Draft Filing Measures, domestic enterprises offering and listing overseas will need to comply with continuous filing and reporting requirements after such offering and listing, including (i) a reporting obligation in respect of a material event completed after the completion of an overseas offering and listing, which arose prior to such offering and listing; (ii) filing for follow-on offerings after the initial offering and listing; (iii) filing for share exchanges where by the issuer issues securities to acquire assets; and (iv) a reporting obligation for material events after the initial offering and listing. The Administrative Provisions clarify that the first actor responsible for compliance for and overseas issuance and listing of a domestic enterprise is the domestic enterprise itself. With respect to the domestic enterprises, non-compliance with the Draft Administrative Provisions or an overseas listing completed in breach of them may result in a warning or a fine of RMB1-10 million. Under severe circumstances, domestic enterprises may be ordered to suspend their business or suspend their business pending rectification, or their permits or businesses license may be revoked. Furthermore, the controlling shareholder, actual controllers, directors, supervisors and other legally appointed persons of the domestic enterprises may be warned, or fined between RMB500,000 to RMB5 million either individually or collectively. If, during the filing process, the domestic enterprises conceal important factors or the content is materially false, and securities are not issued, they are subject to a fine of RMB1-10 million. If the securities have been issued, the domestic

REGULATORY OVERVIEW

enterprise is subject to a fine of 10-100% of the listing proceeds. With respect to the controlling shareholder, actual controllers, directors, supervisors, and other legally appointed persons, they are subject to a warning and fines between RMB500,000 and RMB5 million, individually or collectively.

REGULATIONS IN THE UNITED STATES

The work of NIO USA, Inc. is highly dependent on our ability to import NIO vehicles from China for use in various forms of research, testing and development, and to export the software and other technology developed in the U.S. to our colleagues in China.

IMPORT

Successful vehicle importation requires compliance with regulations from U.S. Customs and Border Protection, the National Highway Traffic Safety Administration (NHTSA), the Environmental Protection Agency (EPA) and the Department of Transportation (DOT). Various approvals from each of these agencies are required to both import and drive these vehicles. These agencies also control the lifecycle of NIO vehicles in the U.S. including limitations on how long the vehicle may stay in the U.S., and the destruction of the vehicles after the expiration of their permitted use.

NHTSA requires certification of several vehicles features including its conformity, or lack of conformity with federal motor vehicle safety standards (FMVSS). NHTSA determines the scope of permissible use of imported vehicles. We must self-certify that a vehicle meets or otherwise obtain an exemption from all applicable FMVSSs, as well as the NHTSA bumper standard, before the vehicle can be imported into the United States.

The EPA, under the ambit of the Clean Air Act requires that we obtain a Certificate of Conformity issued by the EPA and a California Executive Order issued by the California Air Resources Board (CARB) with respect to emissions for our vehicles.

At the end of the vehicle's import lifecycle we are required to dismantle the battery and destroy the vehicle in compliance with federal, state and local laws addressing safety and environmental protection.

EXPORT

Successful exportation of technology developed at NIO USA, Inc., including software, hardware, demonstration boards and others, requires filing applications with the Bureau of Industry and Security (BIS) to obtain appropriate Commodity Classifications for these goods. Depending on the determination of the BIS, we may be required to secure specific export licenses as permission to export. We must also comply with the regulations and standards of U.S. Customs and Border Protection.

DEPARTMENT OF MOTOR VEHICLES REGULATIONS

Aside from compliance with standard motor vehicle operation laws promulgated by the Department of Motor Vehicles (DMV), we are also required to obtain and maintain specific licenses issued by the DMV including: Vehicle Manufacturer License, Autonomous Vehicle Testing Permit (AVT), Employer Pull Notice, and Autonomous Vehicle Tester Licenses.

REGULATORY OVERVIEW

The Vehicle Manufacturer License, among other things, permit us to drive NIO vehicles on California streets and highways for testing purposes. The AVT Permit allows us to test autonomous vehicles in California. The DMV requires us to enroll in the Employer Pull Notice program which periodically provides driving reports for NIO vehicle testing drivers alerting us to any motor vehicle violations the driver may have incurred. The Autonomous Vehicle Tester License is a certification provided to our testing drivers after they have completed a required training course and have passed additional verifications. The maintenance and renewability of these licenses requires submission of various certifications and reports, the most significant of which is an annual “Disengagement Report” which addresses the safety of our autonomous testing.

INTELLECTUAL PROPERTY FILING AND PROTECTION

Our success depends, at least in part, on our ability to protect our core technology and intellectual property. To accomplish this, we rely on a combination of patents, patent applications, trade secrets, including know-how, employee and third party nondisclosure agreements, copyright laws, trademarks, intellectual property licenses and other contractual rights to establish and protect our proprietary rights in our technology. We must also protect our IP from infringement and inappropriate and unlicensed use to avoid competitors from using and profiting from our inventions, and to protect our brand and reputation from counterfeit merchandise.

In addition, patent applications filed in foreign countries are subject to laws, rules and procedures that differ from those of the United States.

EMPLOYMENT LAWS

NIO USA, Inc. employs over 50 employees making it subject to numerous federal, state, local and municipal labor and employment laws and regulations. California is well-known as an employee-centric state, so strict compliance with all applicable laws in order to avoid fines, penalties, and lawsuits is required. Some of the most critical laws address: employee pay and benefits, anti-discrimination, anti-harassment, anti-retaliation, and data privacy and protection.

REGULATIONS IN THE UNITED KINGDOM

NIO Performance Engineering Limited (“**NIO UK**”) is a private company limited by shares, incorporated in England and Wales.

DATA PROTECTION

The primary pieces of data protection legislation to which NIO UK is subject, by virtue of the fact that it processes personal data of UK and EEA citizens, include the Data Protection Act 2018 (the “**DPA**”), the EU General Data Protection Regulation (the “**GDPR**”) and the retained UK version of the GDPR (the “**UK GDPR**”) (collectively referred to as the “**DP Legislation**”). The purpose of the DP Legislation is to ensure the protection of UK and EEA citizens’ personal data, to ensure such data is processed securely, fairly and transparently and to restrict the way such data is shared with third parties, including internationally. The DP Legislation also enshrines certain rights for individuals, which may be enforced against companies, including rights to access their data or have it deleted.

REGULATORY OVERVIEW

The DP Legislation includes robust penalties for non-compliance, including fines of up to 4% of an organization's global annual turnover. The legislation requires those entities subject to it to give specific types of information and notices to data subjects (which will include customers, suppliers and its own staff) and in some cases seek consent from such data subjects before collecting or using their data for certain purposes, including but not limited to some marketing activities.

NIO UK processes personal data with respect to its employees, contractors, suppliers and other third parties and consequently the DP Legislation will apply to all such data processed by NIO UK.

ANTI-BRIBERY AND CORRUPTION

In the UK, the primary legislation governing anti-bribery and corruption – with which NIO UK is required to comply – is the Bribery Act 2010 (the “BA”). The BA has “extra-territorial” effect with the aim of preventing the giving or receiving of bribes (including low level facilitation or “grease” payments) regardless of where such acts take place – i.e. whether in the UK or any other country in the world.

The BA includes a corporate offence of “failure to prevent bribery” which puts an onus on companies to have in place a set of “adequate procedures” to prevent bribery within their organization and supply chain globally – such procedures may include: staff and supplier training; policies; senior level commitment; and due diligence on suppliers and associated parties. The BA creates both civil and criminal offences, while penalties for breaching the legislation include fines and imprisonment (including for directors where a company is liable for failure to prevent bribery).

EMPLOYMENT LAWS

NIO UK currently employs approximately 42 individuals, who are principally involved in providing research and development services for the Company. The Employment Rights Act 1996 (“**ERA**”) is the primary piece of legislation which governs the relationship between NIO UK and those of its employees who provide services in England and Wales. The ERA regulates matters such as particulars of employment, protection of wages, whistleblowing, protection from detriment in employment, time off work, leave for maternity, paternity and adoption, shared parental leave and parental leave, flexible working, termination of employment, unfair dismissal, redundancy and redundancy payments.

NIO UK is also subject to other various other statutes which apply with respect to its employment arrangements in England and Wales, including (a) Working Time Regulations 1998 which covers matter such as holiday and holiday pay, working hours and rest breaks; (b) Fixed Term Employees (Prevention of Less Favorable Treatment) Regulations 2002 which covers treatment of fixed term employees; (c) Part-Time Workers (Prevention of Less Favorable Treatment) Regulations 2002 which covers treatment of part-time workers; (d) Equality Act 2010 which provides protection against unlawful discrimination in employment; (e) Health and Safety at Work Act 1974 which covers occupational health and safety; (f) Transfer of Undertakings (Protection of Employment) Regulations 2006 which, amongst other things, provides restrictions on varying terms and conditions of employment in connection with a transfer; (g) Trade Union and Labor Relations (Consolidation) Act 1992 which, amongst other things, provides for consultation requirements in respect of collective dismissals; and (h) Copyright, Designs and Patents Act 1988 and Patents Act 1977, which together create a statutory framework for employers to own the inventions and literary work made or created by their employees in the course of their employment.

REGULATORY OVERVIEW

REGULATIONS IN GERMANY

NIO GmbH (“**NIO Germany**”) is a company with limited liability organized and existing under the laws of Germany with its statutory seat in Munich, Germany. The corporate purpose of NIO Germany consists in the development, production and distribution of electric vehicles and components as well as their respective accessories. Within these limits, NIO Germany is entitled to undertake all acts and measures necessary or desirable to achieve the object of NIO Germany.

DATA PROTECTION

The European General Data Protection Regulation (Regulation (EU) 2016/679, “**GDPR**”) provides for the framework for data protection in Europe. Although directly applicable in all EU Member States, the GDPR does in some cases allow for derogations or specifications by the Member States. German data protection laws are in particular the Federal Data Protection Act (Bundesdatenschutzgesetz) and various State Data Protection Acts (Landesdatenschutzgesetze). This regime regulates the protection of natural persons with regard to the processing of personal data and the free movement of such data. The GDPR also includes certain rights for individuals, which may be enforced against companies, including but not limited to the rights to access, rectification or deletion.

This regime contains stringent data protection rules and provides for potential high penalties as well as damage claims by data subjects in case of lack of compliance. GDPR compliance entails certain expenses and efforts in order to achieve and ensure compliance (including appropriate training of employees, designation of a data protection officer, adjustments of processes, and monitoring by legal and compliance teams, among other required measures). The GDPR requires those entities subject to it to be transparent regarding their data processing operations, which is typically done by giving specific notices to data subjects (which will include customers, suppliers and staff). Each processing operation needs a legal basis, which in some cases requires to seek consent from data subjects before collecting or using their data for certain purposes, including but not limited to some marketing activities.

NIO Germany processes personal data with respect to its employees, contractors and others, and consequently the GDPR applies to such data processed by NIO Germany.

CONTRACTS AND GENERAL COMPLIANCE

The German Civil Code (Bürgerliches Gesetzbuch) and the German Commercial Code govern any contractual agreements between NIO Germany and its contractual partners which are subject to German law. When goods or services should be sold online by NIO Germany the German Civil Code would require NIO Germany to observe special information duties. Consumers are entitled to revoke contracts on goods purchased online within 14 days without cause.

German anti-bribery laws are not laid down in one single legislation, but in several laws and regulations. In addition, potentially also foreign legislation might apply to NIO Germany due to the extraterritorial effect of such legislation.

REGULATORY OVERVIEW

EMPLOYMENT LAWS

NIO Germany currently has approximately 190 full-time employees. German labour and employment relations are regulated by a number of different laws and regulations (for example, Act on Protection against Unfair Dismissal, Act on Working Hours, Federal Vacation Act, Act on Continued Remuneration with regard to sick pay, Minimum Wage Act, Act on Temporary Employment, Works Constitution Act, Act on Collective Bargaining Agreements), case law, collective bargaining agreements, works agreements and individual employment contracts.

In general, in business units with more than 10 employees, the requirements for a valid notice and restrictions on terminations are governed by the Act on Protection Against Unfair Dismissal. The employer must observe certain form requirements for terminations. In particular a termination requires a justification on social grounds and is restricted in case of officially acknowledged handicapped or pregnant employees.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company as at the Latest Practicable Date and upon the completion of the Introduction, assuming no additional Shares are issued under the Stock Incentive Plans and between the Latest Practicable Date and the Listing.

1. Share capital as at the Latest Practicable Date

(i) *Authorized share capital*

| Number | Description of Shares | Approximate aggregate nominal value of shares |
|---------------------|-------------------------|--|
| 2,500,000,000 | Class A ordinary shares | US\$625,000.00 |
| 132,030,222 | Class B ordinary shares | US\$33,007.56 |
| 148,500,000 | Class C ordinary shares | US\$37,125.00 |
| 1,219,469,778 | Undesignated | US\$304,867.44 |
| Total | | US\$1,000,000.00 |

(ii) *Issued, fully paid or credited to be fully paid*

| Number | Description of Shares | Approximate aggregate nominal value of shares |
|------------------------------------|-------------------------|--|
| 1,392,212,202 ⁽¹⁾ | Class A ordinary shares | US\$348,053.05 |
| 128,293,932 ⁽²⁾ | Class B ordinary shares | US\$32,073.48 |
| 148,500,000 | Class C ordinary shares | US\$37,125.00 |
| Total | | US\$417,251.53 |

Notes:

- (1) Excluding 23,279,058 Class A ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Stock Incentive Plans and issued to our depositary, which has waived all shareholder rights (including voting rights) attached to those shares.
- (2) All the Class B ordinary shares will be converted into Class A ordinary shares upon the Listing pursuant to the conversion notice delivered by the relevant shareholders.

SHARE CAPITAL

2. Share capital immediately following the completion of the Introduction

(i) *Authorized share capital*

| Number | Description of Shares | Approximate aggregate nominal value of shares |
|---------------------|-------------------------|--|
| 2,632,030,222 | Class A ordinary shares | US\$658,008 |
| 148,500,000 | Class C ordinary shares | US\$37,125 |
| 1,219,469,778 | Undesignated | US\$304,867 |
| Total | | US\$1,000,000 |

(ii) *Issued, fully paid or credited to be fully paid*

| Number | Description of Shares | Approximate aggregate nominal value of shares |
|------------------------------------|-------------------------|--|
| 1,520,506,134 ⁽¹⁾ | Class A ordinary shares | US\$380,126.53 |
| 148,500,000 | Class C ordinary shares | US\$37,125 |
| Total | | US\$417,251.53 |

Note:

- (1) Assuming no additional Shares are issued under the Stock Incentive Plans and between the Latest Practicable Date and the Listing and excluding 23,279,058 Class A ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Stock Incentive Plans.

SHARE CAPITAL

WEIGHTED VOTING RIGHTS STRUCTURE

Under our weighted voting rights structure, our share capital comprises Class A ordinary shares, Class B ordinary shares and Class C ordinary shares. Each Class A ordinary share entitles the holder to exercise one vote, each Class B ordinary share (all of which shall have been converted to Class A ordinary shares upon Listing pursuant to the conversion notice delivered by the relevant shareholders) entitles the holder to exercise four votes, and each Class C ordinary share entitles the holder to exercise eight votes respectively, on all matters that require a shareholder's vote, subject to Rule 8A.24 of the Hong Kong Listing Rules that requires a limited number of Reserved Matters to be voted on a one vote per share basis (save for the specified exception for the compliance of Rule 8A.24 of the Hong Kong Listing Rules as set out below).

The Reserved Matters are:

- (i) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares;
- (ii) the appointment, election or removal of any independent non-executive director;
- (iii) the appointment, election or removal of the Company's auditors; and
- (iv) the voluntary liquidation or winding-up of the Company.

Immediately upon completion of the Introduction, upon conversion of all of the Class B ordinary shares into Class A ordinary shares pursuant to the conversion notice delivered by the relevant shareholders, there will no longer be any Class B ordinary shares issued and outstanding, and the Company will not issue any Class B ordinary shares in order to comply with Rule 8A.07 of the Hong Kong Listing Rules.

In addition, our Articles do not currently satisfy some of the articles requirements pursuant to Rule 8A.44 of, and Appendix 3 to, the Hong Kong Listing Rules (the "**Unmet Listing Rules Articles Requirements**"), and we will put forth resolutions to incorporate the Unmet Articles Requirements into our Articles at the First AGM. In addition, to further enhance its shareholder protection measures, the Company will at the First AGM propose to its shareholders to amend its Articles to (i) require a general meeting postponed by the directors to be postponed to a specific date, time and place (the "**GM Postponement Requirement**"), and (ii) remove the shareholding structure of Class B ordinary shares and provisions related to Class B ordinary shares (the "**Class B Removal Requirement**", together with the Unmet Listing Rules Articles Requirements and the GM Postponement Requirement, the "**Unmet Articles Requirements**").

In addition to our undertaking to seek shareholders' approval to amend our Articles to comply with the Unmet Articles Requirements, our Company will, prior to the Listing, undertake to the Hong Kong Stock Exchange that we will fully comply with the Unmet Articles Requirements upon the Listing and before our existing Articles are formally amended to incorporate the Unmet Articles Requirements (the "**Undertaking for Interim Compliance**"), except for:

- a. paragraph 15 of Appendix 3 such that, prior to our Articles being amended, the threshold for passing a resolution in a separate class meeting will be approved by holders of two-thirds of the voting rights of those present and voting in person or by proxy at the general meeting as per article 17 of our Articles. For the avoidance of doubt, the exception for paragraph 15 of Appendix 3 is only applicable to the

SHARE CAPITAL

passing of the Proposed Resolutions, the Company shall irrevocably undertake to comply with paragraph 15 of Appendix 3 for passing any resolution in a separate class meeting (other than the Proposed Resolutions) under the Undertaking for Interim Compliance; and

- b. Rules 8A.24(1) and (2) and paragraph 16 of Appendix 3 such that, prior to our Articles being amended, the threshold for passing a special resolution for amendments to our Articles will be approved by members holding two-thirds of the voting rights of those present and voting in person or by proxy at the general meeting in accordance with article 159 of our Articles. For the avoidance of doubt, the exception for Rules 8A.24(1) and (2) and paragraph 16 of Appendix 3 is only applicable to the passing of the Proposed Resolutions, the Company shall irrevocably undertake to comply with Rules 8A.24(1) and (2) and paragraph 16 of Appendix 3 for passing any special resolution (other than the Proposed Resolutions) under the Undertaking for Interim Compliance.

See “Waivers and Exemptions — Requirements Relating to the Articles of Association of the Company” for further details.

Furthermore, certain Unmet Articles Requirements to be put forth at the general meeting for adoption will only be applicable during the period when the shares of the Company are traded on the Hong Kong Stock Exchange. Prospective investors are advised to be aware of the potential risks involved in any potential change of listing venue. For instance, if the shares of the Company is no longer traded on the Hong Kong Stock Exchange, you may lose the shareholder protection mechanisms afforded under the relevant Hong Kong Listing Rules. For further information about the risks associated, please refer to section headed “Risk Factors — Risks Related to Our Shares, Our ADS and the Listing.”

The table below sets out the ownership and voting rights to be held by the WVR beneficiary upon the completion of the Introduction:

| | Number of Shares | Approximate percentage of issued share capital ⁽¹⁾ | Approximate percentage of voting rights ⁽¹⁾⁽²⁾ |
|--|---------------------|--|--|
| Class A ordinary shares held by the WVR beneficiary | 16,967,776 | 1.0% | 0.6% |
| Class C ordinary shares held by the WVR beneficiary | 148,500,000 | 8.9% | 43.9% |
| Total | 165,467,776 | 9.9% | 44.5% |

Notes:

- (1) Excluding 23,279,058 Class A ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Stock Incentive Plans and assuming no additional Shares are issued under the Stock Incentive Plans and between the Latest Practicable Date and the Listing.
- (2) On the basis that Class A ordinary shares entitle the Shareholder to one vote per share and Class C ordinary shares entitle the Shareholder to eight votes per share.

SHARE CAPITAL

Each Class C ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Upon the conversion of all the issued and outstanding Class C ordinary shares into Class A ordinary shares, the Company will issue 148,500,000 Class A ordinary shares, representing approximately 8.9% of the total number of issued Class A ordinary shares upon completion of the Introduction and conversion of Class C ordinary shares into Class A ordinary shares (excluding 23,279,058 Class A ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Stock Incentive Plans and assuming no additional Shares are issued under the Stock Incentive Plans and between the Latest Practicable Date and the Listing).

In February 2022, the affiliates of Tencent Holdings Limited (“**Tencent**”), namely Image Frame Investment (HK) Limited and Mount Putuo Investment Limited (together, “**Tencent Entities**”), delivered a share conversion notice to the Company to convert all of the 128,293,932 Class B ordinary shares held by the Tencent Entities to Class A ordinary shares upon Listing. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Upon the conversion of all the issued and outstanding Class B ordinary shares into Class A ordinary shares, the Company will issue 128,293,932 Class A ordinary shares, representing approximately 8.4% of the total number of issued Class A ordinary shares upon completion of the Introduction and conversion of Class B ordinary shares into Class A ordinary shares (excluding 23,279,058 Class A ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our Stock Incentive Plans and assuming no additional Shares are issued under the Stock Incentive Plans and between the Latest Practicable Date and the Listing).

In connection with the share conversion, our founder, Mr. Bin Li, together with Originalwish Limited, mobike Global Ltd. and NIO Users Limited, undertook to Tencent and/or its affiliates that, if, at any time after the Listing becoming effective, upon the earlier of (A) there is any change in the Listing Rules or any change in the interpretation of the Listing Rules by the Hong Kong Stock Exchange and the SFC such that Tencent is permitted under the Listing Rules to be a beneficiary of Class B ordinary shares with weighted voting rights, or (B) the shares of the Company cease to be traded on the Hong Kong Stock Exchange, they will, within reasonable time and in their capacity as direct and/or indirect shareholders and/or beneficial owners of the shares of the Company, use all their best efforts to assist, and procure the Company to assist Tencent, with a view to reinstating the Class B ordinary shares enjoyed by Tencent before the Listing (including but not limited to putting forward relevant resolutions to such effect at the shareholders meeting upon Tencent’s request, and/or voting in favour of such relevant resolutions whether proposed by them or not), provided that this undertaking shall lapse upon such completion of such reinstatement.

The weighted voting rights attached to our Class C ordinary Shares will cease when the WVR beneficiary no longer has any beneficial ownership of any of our Class C ordinary Shares, in accordance with Hong Kong Listing Rule 8A.22. This may occur:

- (i) upon the occurrence of any of the circumstances set out in Hong Kong Listing Rule 8A.17, in particular where the WVR beneficiary is: (1) deceased; (2) no longer a member of our Board; (3) deemed by the Hong Kong Stock Exchange to be incapacitated for the purpose of performing his duties as a director; or (4) deemed by the Hong Kong Stock Exchange to no longer meet the requirements of a director set out in the Hong Kong Listing Rules;

SHARE CAPITAL

- (ii) when the holders of Class C ordinary Shares have transferred to another person the beneficial ownership of, or economic interest in, all of the Class C ordinary Shares or the voting rights attached to them, other than in the circumstances permitted by Hong Kong Listing Rule 8A.18;
- (iii) where a vehicle holding Class C ordinary Shares on behalf of a WVR beneficiary no longer complies with Hong Kong Listing Rule 8A.18(2); or
- (iv) when all of the Class C ordinary Shares have been converted to Class A ordinary Shares.

The Company undertakes to, upon the Listing, instruct the Principal Share Registrar to notify the Company of any proposed transfer of Class C ordinary shares and not to register any such transfer except in accordance with the Hong Kong Listing Rules.

WVR Beneficiary

Immediately upon the completion of the Introduction, the WVR beneficiary will be Mr. Bin Li, our founder, chairman and chief executive officer. Mr. Bin Li beneficially owns 16,967,776 Class A ordinary shares and 148,500,000 Class C ordinary shares.

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

Mr. Bin Li is the founder, chairman and chief executive officer of our Company. He is a seasoned serial entrepreneur with a proven track record in building innovative businesses in the mobility and internet spaces.

Mr. Li is pivotal in defining NIO vision to build a user enterprise. Guided by this vision, Mr. Li initiates the concept of building a user community starting with smart electric vehicles to share joy and grow together with our users, and made that our mission.

Mr. Li leads the strategic development of our Company and is the mastermind in formulating our Company's business model and strategy. Under his guidance, our Company designs, develops, jointly manufactures and sells premium smart electric vehicles, driving innovations in next-generation technologies in autonomous driving, digital technologies, electric powertrains and batteries. Mr. Li spearheaded a series of technological breakthroughs and innovations, including our battery swapping technologies, BaaS, as well as our autonomous driving technologies and ADaaS.

Mr. Li is crucial in building NIO as a premium brand to provide a holistic experience of superior services and a joyful lifestyle to our users. Mr. Li is also the determining force behind the adoption of our online and offline integrated direct sales model.

Mr. Li was the former chairman of the board at Bitauto Holdings Limited (previously listed on the NYSE with Ticker Symbol: BITA), an automobile service company and a leading automobile service provider in China, from 2005 to 2020, and also its former chief executive officer from 2005 to 2018. In 2000, Mr. Li co-founded Beijing Bitauto E-Commerce Co., Ltd. and served as its director and president until 2006.

SHARE CAPITAL

Each of Mr. Li, Originalwish Limited, mobike Global Ltd., and NIO Users Limited confirms that there is no encumbrance over any Class C ordinary shares as at the date of this document and that no new encumbrance will be created over any Class C ordinary shares before the proposed amendments to the Articles as described in the section headed “Waivers and Exemptions — Requirements Relating to the Articles of Association of the Company” have become effective.

Prospective investors are advised to be aware of the potential risks of investing in companies with weighted voting rights structures, in particular that interests of the WVR beneficiary may not necessarily always be aligned with those of our shareholders as a whole, and that the WVR beneficiary will be in a position to exert significant influence over the affairs of our Company and the outcome of shareholders’ resolutions, irrespective of how other shareholders vote. Prospective investors should make the decision to invest in the Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by the Company, please refer to section headed “Risk Factors — Risks Related to Our Shares, Our ADS and the Listing.”

Save for the weighted voting rights attached to Class C ordinary shares and provided that all the Class B ordinary shares shall have been converted to Class A ordinary shares upon Listing pursuant to the conversion notice delivered by the relevant shareholders, the rights attached to all classes of outstanding Shares are identical. For further information about the rights, preferences, privileges and restrictions of the Class A ordinary shares, Class B ordinary shares (all of which shall have been converted to Class A ordinary shares upon Listing pursuant to the conversion notice delivered by the relevant shareholders) and Class C ordinary shares, please see the section headed “Summary of the Constitution of our Company and Cayman Companies Law — Articles of Association” in Appendix IV for further details.

Undertakings by the WVR Beneficiary

Pursuant to Rule 8A.43 of the Hong Kong Listing Rules, each WVR beneficiary is required to give a legally enforceable undertaking to the Company that he/she will comply with the relevant requirements as set out in Rule 8A.43, which is intended to be for the benefit of and enforceable by our shareholders. Prior to the Listing, Mr. Bin Li made an undertaking to the Company (the “**Undertaking**”), that for so long as he is a WVR beneficiary:

- (1) he shall comply with (and, if the shares to which the weighted voting rights that he is beneficially interested in are attached are held through a limited partnership, trust, private company or other vehicle, use his best endeavors to procure that that limited partnership, trust, private company or other vehicle complies with) all applicable requirements under Rules 8A.09, 8A.14, 8A.15, 8A.17, 8A.18, and 8A.24 of the Hong Kong Listing Rules from time to time in force, to the extent not waived by the Hong Kong Stock Exchange (the “**Requirements**”); and
- (2) he shall use his best endeavors to procure that the Company complies with all applicable Requirements, to the extent not waived by the Hong Kong Stock Exchange.

For the avoidance of doubt, the Requirements are subject to Rule 2.04 of the Hong Kong Listing Rules. The WVR beneficiary acknowledged and agreed that our shareholders rely on the Undertaking in acquiring and holding their shares. The WVR beneficiary further acknowledged and agreed that the Undertaking is intended to confer a benefit on the Company and all shareholders and may be enforced by the Company and/or any shareholder against the WVR beneficiary.

SHARE CAPITAL

The Undertaking shall automatically terminate upon the earlier of (i) the date of delisting of the Company from the Hong Kong Stock Exchange; and (ii) the date on which the WVR beneficiary ceases to be a beneficiary of weighted voting rights in the Company. For the avoidance of doubt, the termination of the Undertaking shall not affect any rights, remedies, obligations or liabilities of the Company and/or any shareholder and/or the WVR beneficiary himself that have accrued up to the date of termination, including the right to claim damages and/or apply for any injunction in respect of any breach of the Undertaking which existed at or before the date of termination.

The Undertaking shall be governed by the laws of the Hong Kong and all matters, claims or disputes arising out of the Undertaking shall be subject to the exclusive jurisdiction of the courts of Hong Kong.

ASSUMPTIONS

The above table assumes that the Introduction becomes unconditional and no additional Shares are issued under the Stock Incentive Plans and between the Latest Practicable Date and the Listing. The above does not take into account any Shares which may be issued or repurchased by us.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

STOCK INCENTIVE PLANS

See “Directors and Senior Management — Compensation” for details about our Stock Incentive Plans.

SHARE REPURCHASES

Our Company may repurchase any of our shares on such terms and in such manner as have been approved by our board of directors or by an ordinary resolution of our shareholders.

FUTURE PLANS AND PROSPECTS

FUTURE PLANS AND PROSPECTS

Please see “Business — Our Strategies” in this document for further details.

REASONS FOR THE LISTING

Our Directors consider that it would be desirable and beneficial for our Company to apply for a secondary listing on the Stock Exchange by way of Introduction as our Directors believe that the stock markets in Hong Kong and the United States attract different investors. Please see “Information about This Listing Document and the Introduction” in this document for further details. The Listing on the Stock Exchange may enhance our Company’s profile in Hong Kong, facilitate investment by Hong Kong investors, enable our Company to gain access to Hong Kong’s capital markets and benefit our Company by exposing us to a wide range of private and institutional investors. Our Directors consider that this is important for our Company’s future growth and long-term development.

MARKET ARRANGEMENTS TO FACILITATE DEALINGS IN HONG KONG

REGISTRATION, DEALINGS AND SETTLEMENT

See “Information about this Document and the Introduction” for further details about: (i) registration, stamp duty and dividends; (ii) share certificates in respect of Shares registered in our Hong Kong share register; (iii) converting ADSs to Class A ordinary shares registered in Hong Kong; (iv) eligibility of Class A ordinary shares for admission into CCASS; (v) dealings in Class A ordinary shares on the Hong Kong Stock Exchange; and (vi) settlement information.

ARRANGEMENTS TO FACILITATE TRANSFERS TO HONG KONG AND CONVERSION OF ADSs TO SHARES

Arrangements have been made to facilitate: (a) for holders of our Class A ordinary shares, the migration of Shares from our principal share register in the Cayman Islands to our Hong Kong share register; and (b) for holders of ADSs, services for converting ADSs to Class A ordinary shares, to ensure that there would be sufficient liquidity immediately upon and shortly after, commencement of dealings in Hong Kong. See section headed “Information about this Document and the Introduction – Conversion between Class A ordinary shares trading in Hong Kong and ADSs” for further details.

If you do not currently have a broker/CCASS account open through which you can trade Hong Kong listed securities on the Hong Kong Stock Exchange, please contact a broker to open an account.

For holders of our Class A ordinary shares that have already submitted the specimen signature(s) to Hong Kong Share Registrar and opened a broker account in Hong Kong or otherwise have a CCASS Investor Participant account, Shareholders shall make necessary arrangements with the broker or arrange personally for deposit into the relevant CCASS Participant’s stock account or CCASS Investor Participant stock account.

For holders of our ADSs that have already opened a broker account in Hong Kong or otherwise have a CCASS Investor Participant account, our ADS holders shall instruct the broker to arrange, or arrange personally, for cancellation of the ADSs and the transfer of the underlying Class A ordinary shares from the depository’s account with the custodian within the CCASS system to the investor’s Hong Kong stock account.

We have arranged with our principal share registrar in the Cayman Islands and Hong Kong Share Registrar to arrange for the removal of a portion of our Class A ordinary shares (which includes Shares underlying our ADSs) from our Cayman share register to our Hong Kong share register prior to Listing at no additional cost to Shareholders prior to Listing.

BRIDGING ARRANGEMENTS

Intended market arrangements during the Bridging Period

Designated Dealers

We have appointed Morgan Stanley Hong Kong Securities Limited as the designated securities dealer (designated dealer identity number: 7681) (“**Designated Dealer**”) and China International Capital Corporation Hong Kong Securities Limited (designated dealer identity number: 7683) as alternate designated securities dealer (“**Alternate Designated Dealer**”), each being a regulated entity approved by the Hong Kong Stock Exchange, to carry out below bridging and other trading arrangements in good faith and on arm’s length terms with a view

MARKET ARRANGEMENTS TO FACILITATE DEALINGS IN HONG KONG

to contributing towards liquidity to meet demand for our Shares in Hong Kong and to maintain an orderly market. The Designated Dealer and Alternate Designated Dealer have been appointed for a period of 30 calendar days, commencing from 9:00 a.m. on Listing Date.

The designated dealer identity numbers have been set up solely for the purposes of carrying out arbitrage trades, covered short-sales and other trades in Hong Kong as described in this document, in order to ensure identification and enhance transparency of such trades in the Hong Kong market. Any change in a designated dealer identity number will be disclosed as soon as practicable by way of announcement on the websites of our Company and on both the Hong Kong Stock Exchange and the NYSE.

Bridging and liquidity arrangements

For a period of 30 calendar days commencing on Listing Date (the “**Bridging Period**”), the Designated Dealer on its own account, will seek to undertake, or, under the circumstance that the trades cannot be undertaken by the Designated Dealer as a result of technical failures, request an Alternate Designated Dealer to undertake, certain trading activities in circumstances as described below. The Bridging Period will end on April 8, 2022 (being the period of 30 calendar days from and including the Listing Date). The Alternate Designated Dealer will only undertake trading activities at the request of the Designated Dealer.

The Designated Dealer and Alternate Designated Dealer envisage undertaking the below activities for the purposes of facilitating the trading of our Class A ordinary shares in Hong Kong upon Listing and maintaining an orderly market for our Class A ordinary shares on the Hong Kong Stock Exchange:

- (a) *Stock borrowing arrangements.* On February 27, 2022, the Designated Dealer, as borrower, entered into respective stock borrowing and lending agreement (the “**Stock Borrowing Agreements**”) with each of CHJ Limited, a wholly-owned SPV of the Company, and Image Frame Investment (HK) Limited, one of the Tencent Entities (each as a “**Lender**”, and together as “**Lenders**”) to ensure that the designated dealers will have ready access to appropriate quantities of Class A ordinary shares for settlement purposes upon Listing and during the Bridging Period. The Stock Borrowing Agreements will come into effect from the first day of the Bridging Period.

Pursuant to the Stock Borrowing Agreements, the Lenders will make available to the borrower stock lending facilities of 41,400,000 Class A ordinary shares (the “**Borrowed Shares**”), or approximately 2.7% of the Class A ordinary shares in issue immediately upon Listing (without taking into account the additional Shares to be issued under the Stock Incentive Plans, Class A ordinary shares issued and reserved for future issuance upon exercising or vesting of awards granted under our Stock Incentive Plan and assuming all Class B ordinary shares will be converted into Class A ordinary shares upon Listing), on one or more occasions, subject to applicable Laws. The Borrowed Shares will be registered on our Hong Kong share register and admitted into CCASS prior to and upon Listing.

Under the Stock Borrowing Agreements, the Borrowed Shares shall be returned to the Lenders within 15 Business Days after the expiry of the Bridging Period, but may be postponed in case the procedure for re-delivering and transfer of the Borrowed Shares is unable to be completed within this period. To close out their borrowed positions, the Designated Dealer and/or Alternate Designated Dealer may purchase ADSs from the NYSE and convert such ADSs into Class A ordinary shares

MARKET ARRANGEMENTS TO FACILITATE DEALINGS IN HONG KONG

or purchase Class A ordinary shares from the Hong Kong Stock Exchange or use any unutilised Borrowed Shares (other than Class C ordinary shares) registered on our Hong Kong share register to transfer to the Lenders. If necessary, the Designated Dealer and/or Alternate Designated Dealer may repeat the process or alternatively may purchase Class A ordinary shares from the Hong Kong market, in order to provide additional liquidity to meet demand for our Class A ordinary shares in the Hong Kong market during the Bridging Period.

In the unlikely event that the Borrowed Shares is falling short of what is required, the Designated Dealer and/or Alternate Designated Dealer will have the option to borrow more ADSs from the U.S. market and convert these to Class A ordinary shares in Hong Kong in order to further facilitate the liquidity arrangements if necessary.

- (b) The Designated Dealer and/or Alternate Designated Dealer will closely monitor the trading of our Class A ordinary shares and continue to replenish their Share inventory while carrying out the liquidity trades. Once the market opens and during the Continuous Trading Period (as defined in the Rules and Regulations of the Exchange and the Options Trading Rules (“**Rules of the Exchange**”)), the Designated Dealer and/or Alternate Designated Dealer will adopt various pre-determined quantitative and other parameters, including continuous monitoring of bid/ask price, closing price, last recorded price, day high/low price, trading volume, intra-day volatility, availability of sell orders in the market, macro backdrop, sector and company related news, in order to form decisions of liquidity arrangements on a real-time basis and to further provide facilitation services to buyers and sellers, and as such, they may sell more stock out of their inventory. The Designated Dealer and/or Alternate Designated Dealer will monitor the market closely to ensure on a timely basis such sell orders are placed in the market as necessary to provide and facilitate liquidity while maintaining an orderly and fair market. They will consider increasing sell orders while ensuring that they do not artificially push down share price. On the other hand, should supply exceed demand, they may opt to further build up their inventory by purchasing stock from buyers. The Designated Dealer and/or the Alternate Designated Dealer will also work on the set of parameters to provide liquidity arrangements during the Continuous Trading Period (as defined in the Rules of the Exchange). If the Designated Dealer and/or Alternate Designated Dealer choose to purchase ADSs overnight on NYSE, the date of settlement for ADSs is on the second business day following the trade date (T+2). The Designated Dealer and/or Alternate Designated Dealer can subsequently present ADRs evidencing such ADSs at the office of the Depositary, and send an instruction to cancel such ADSs to the Depositary. Upon payment of fees, expenses, taxes or charges and subject in all cases to the terms of the deposit agreement, the Depositary will instruct its custodian to deliver the Class A ordinary shares underlying the cancelled ADSs to Designated Dealer’s and/or Alternate Designated Dealer’s CCASS participant stock accounts provided in the instruction, in all cases subject to there being a sufficient number of Class A Ordinary Shares on the Hong Kong share register to facilitate a withdrawal from the ADS program directly into the CCASS system. If there is no delay, these Shares will be available the following morning Hong Kong time (T+2) at the earliest for settlement of Shares sold on or after T+2 by the Designated Dealer and/or Alternate Designated Dealer on the Hong Kong Stock Exchange. While such transfer of Class A ordinary shares take place, the Designated Dealer and/or Alternate Designated Dealer will utilize Class A ordinary shares borrowed under the Stock Borrowing Agreements for settlement of the sales

MARKET ARRANGEMENTS TO FACILITATE DEALINGS IN HONG KONG

made in Hong Kong. Alternatively, the Designated Dealer and/or Alternate Designated Dealer may purchase Class A ordinary shares from the Hong Kong market to replenish their Share inventory.

- (c) The Designated Dealer and/or Alternate Designated Dealer will enter into such bridging and liquidity arrangements (including the arbitrage activities) with a view to contributing towards the liquidity of our Class A ordinary shares in Hong Kong, and they intend for such bridging arrangements to constitute proprietary transactions.

In light of the above bridging and liquidity arrangements, our Company and the Joint Sponsors are of the view that there are adequate and effective precautionary measures in place to facilitate the maintenance of an orderly, informed and fair market in the securities of our Company upon and following its Listing in Hong Kong.

Other than the Designated Dealer and the Alternate Designated Dealer, trading activities may be carried out by market participants who have access to our Class A ordinary shares. Also, other existing Shareholders who have converted their shareholdings into our Class A ordinary shares in Hong Kong upon the commencement of trading can also carry out trades in our Class A ordinary shares to facilitate the liquidity of the trading of our Class A ordinary shares on the Hong Kong Stock Exchange. Such activities will depend on the number of market participants (other than the Designated Dealer and the Alternate Designated Dealer) who elect to enter into such bridging and liquidity arrangements.

The bridging and liquidity arrangements being implemented in connection with the Listing are not equivalent to the price stabilization activities which may be undertaken in connection with an initial public offering.

It should be noted that each of the Designated Dealer and the Alternate Designated Dealer and any persons acting for it may, in connection with the proposed liquidity activities, maintain a long position in the Class A ordinary shares. There is no certainty regarding the extent, time or the period for which each of the Designated Dealer and the Alternate Designated Dealer and any persons acting for it may maintain such a long position in the Class A ordinary shares. The liquidation of any such long position by the Designated Dealer and the Alternate Designated Dealer or any persons acting for it may have an adverse impact on the market price of the Class A ordinary shares.

There are no restrictions on existing Shareholders to dispose of their Shares under Hong Kong laws. Under the Hong Kong Listing Rules, apart from the restrictions under Rule 9.09 of the Hong Kong Listing Rules in respect of which certain waivers have been sought from the Hong Kong Stock Exchange (see section headed “Waivers and Exemption” in this document for further details), there are no other restrictions on existing Shareholders in relation to the disposal of Shares.

Impact of proposed secondary listing on SGX-ST on liquidity arrangements

According to the rules of SGX-ST, there are no requirements on our Company and our issue managers to put in place any liquidity arrangements similar to those in Hong Kong and there will not be any direct fungibility between the Hong Kong Stock Exchange and SGX-ST. Accordingly, our Company is of the view that the proposed secondary listing on SGX-ST will not have any significant implications on the liquidity arrangements as set out above.

MARKET ARRANGEMENTS TO FACILITATE DEALINGS IN HONG KONG

Waivers in relation to short selling

Certain trades envisaged to be carried out by the Designated Dealer and Alternate Designated Dealer during the Bridging Period may constitute covered short-selling (or be deemed to constitute short-selling) under Hong Kong Laws. The Rules of the Exchange prohibit short-selling other than short selling of Designated Securities (as defined in the Rules of the Exchange) during the Continuous Trading Period (as defined in the Rules of the Exchange).

The Designated Dealer and Alternate Designated Dealer, have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, an exemption: (i) in order to permit the Designated Dealer and Alternate Designated Dealer to conduct the proposed activities described above which may constitute (or may be deemed to constitute) short-selling of securities during the pre-opening session (as defined in the Rules of the Exchange as being from 9:00 a.m. to 9:30 a.m. on the commencement of the morning trading session, Hong Kong time) (the “**Pre-opening Session**”), the Continuous Trading Period in circumstances where the Shares are not Designated Securities, and closing auction session (as defined in the Rules of Exchange as being from 4:00 p.m to 4:10 p.m. on closing of afternoon session or, when there is no afternoon session on the eves of Christmas, New year and Lunar New Year, from 12:00 noon to 12:10 p.m., Hong Kong time) (the “**Closing Auction Session**”); and (ii) from the regulation that a short sale shall not be made on the Hong Kong Stock Exchange below the POS reference price, the best current ask price or the CAS reference price except where the Designated Security is a Market Making Security (as defined in the Rules of the Exchange) approved by the SFC to be excluded from the application of the regulation.

No person other than the Designated Dealer and Alternate Designated Dealer (including their respective affiliates authorized to carry out trading activities) is permitted to enter into short sales of our Class A ordinary shares on the Hong Kong Stock Exchange during the Bridging Period or thereafter unless the Shares are designated for short-selling by the Hong Kong Stock Exchange. Upon the expiry of the Bridging Period, the Designated Dealer and Alternate Designated Dealer will not be able to engage in further bridging and liquidity activities described above in respect of our Class A ordinary shares on the Hong Kong Stock Exchange unless our Class A ordinary shares are designated for short-selling by the Hong Kong Stock Exchange.

Spread of shareholdings

It is expected that the following measures and factors will assist in creating and/or improving the spread of holdings of our Class A ordinary shares available for trading on the Hong Kong Stock Exchange following the Listing.

ADS holders may at their discretion cancel their ADRs and withdraw their Class A ordinary shares from the ADS program as described in the section headed “Information about this Document and the Introduction” in this document. For further details, see “Information about this Document and the Introduction”. To the extent that existing ADS holders elect to cancel their ADRs and to receive Class A ordinary shares tradable on the Hong Kong Stock Exchange shortly after Listing, such converted Class A ordinary shares will help contribute to the general liquidity of our Class A ordinary shares in the Hong Kong market.

Our Directors consider that, having regard to the arrangements described in “— Proposed market arrangements”, and “Investor education” in this section, all reasonable efforts have been made to facilitate the migration of our Shares to the Hong Kong share register which shall provide sufficient basis for an open market at the time of the Listing.

MARKET ARRANGEMENTS TO FACILITATE DEALINGS IN HONG KONG

Benefits of bridging and liquidity arrangements

We believe that the above market arrangements will benefit the Listing in the following ways:

- (a) the above stock borrowing will ensure that the Designated Dealer and Alternate Designated Dealer have sufficient Class A ordinary shares registered on our Hong Kong share register and admitted into CCASS to meet the demands of public investors in Hong Kong from the commencement of Listing and for a reasonable period of time, being the Bridging Period, to maintain liquidity in the trading of our Class A ordinary shares on the Hong Kong Stock Exchange;
- (b) additionally, trades carried out by the Designated Dealer and Alternate Designated Dealer during the Bridging Period would be according to guidelines for the additional purpose of maintaining an orderly market in which our Class A ordinary shares are traded in Hong Kong;
- (c) the bridging arrangements are perceived to be a mechanism which is fair to all market participants who have access to our Shares, as it is open to all of our Shareholders and other market participants who have such access to carry out trades similar to those to be carried out by the Designated Dealer and the Alternate Designated Dealer to facilitate the liquidity in the trading of our Class A ordinary shares in the Hong Kong market; and
- (d) by seeking to minimize the risk of a disorderly market developing from significant demand for Class A ordinary shares not fulfilled in Hong Kong upon and during the initial period after Listing.

INVESTOR EDUCATION

Arrangements involving our Company and the Joint Sponsors

Prior to Listing, our Company and the Joint Sponsors will cooperate to inform the investor community of general information about our Company, as well as developments and/or changes to the market arrangements disclosed in this document.

After Listing, our Company and the Joint Sponsors may continue to take measures to educate the public. The following measures may be taken to enhance transparency of our Company and the market arrangements, as appropriate:

- (a) media briefings and press interviews to inform investors of the arrangements;
- (b) analyst briefings to local brokerages/research houses that cover Hong Kong-listed electric vehicle companies;
- (c) investors relation activities, such as a non-deal road show, to maintain the interest of investors in our Shares and our business;
- (d) details of the available pool of Class A ordinary shares (with the aggregate number of Class A ordinary shares which have been registered on the Hong Kong share register and the inventory held by the Designated Dealer, and the designated broker identity number(s) for carrying out liquidity activities) at the time of the Listing to meet the demand in the Hong Kong market will be disclosed by way of an

MARKET ARRANGEMENTS TO FACILITATE DEALINGS IN HONG KONG

announcement on the websites of our Company and the Hong Kong Stock Exchange not later than one business day before the commencement of trading of our Class A ordinary shares on the Hong Kong Stock Exchange;

- (e) information, including the previous day closing price of our Company, trading volume and other relevant historical trading data will be disclosed by way of a daily announcement on the websites of our Company and the Hong Kong Stock Exchange during a period of three business days prior to the commencement of dealings in our Shares on the Hong Kong Stock Exchange;
- (f) information on developments and updates of the liquidity arrangements (for example, updates on the accumulated average daily trading volume of our Class A ordinary shares on the Hong Kong Stock Exchange at interim periods) will be disclosed by way of announcement on the websites of our Company and the Hong Kong Stock Exchange; and
- (g) electronic copies of this document will be available for public download from the websites of our Company and the Hong Kong Stock Exchange.

Historical trading information in respect of our ADSs on the NYSE

Historical ADSs prices may not be indicative of the prices at which the ADSs will trade following completion of the Introduction. See “Risk Factors — Risks Relating to the our Shares, our ADS and the Listing” for further details.

MARKET ARRANGEMENTS TO FACILITATE DEALINGS IN HONG KONG

The following table summarises the reported highs, lows, month ends and monthly averages of the closing trading prices of our ADSs from September 12, 2018 to the Latest Practicable Date:

| | High | Low | Month End | Monthly average |
|-------------|-------------|-------------|------------------|------------------------|
| | US\$ | US\$ | US\$ | US\$ |
| 2018 | | | | |
| September | 13.80 | 5.35 | 6.98 | 8.24 |
| October | 8.35 | 5.62 | 5.90 | 6.80 |
| November | 8.21 | 5.96 | 7.71 | 7.17 |
| December | 8.13 | 5.84 | 6.37 | 6.90 |
| 2019 | | | | |
| January | 7.89 | 6.00 | 7.88 | 6.69 |
| February | 10.64 | 7.14 | 9.57 | 8.10 |
| March | 10.63 | 4.90 | 5.10 | 6.56 |
| April | 5.61 | 4.43 | 4.85 | 4.99 |
| May | 5.11 | 3.00 | 3.05 | 4.32 |
| June | 3.11 | 2.35 | 2.55 | 2.66 |
| July | 4.00 | 2.57 | 3.47 | 3.38 |
| August | 3.51 | 2.77 | 2.86 | 3.02 |
| September | 3.33 | 1.53 | 1.56 | 2.76 |
| October | 1.80 | 1.19 | 1.45 | 1.53 |
| November | 2.50 | 1.49 | 2.27 | 1.97 |
| December | 4.87 | 2.11 | 4.02 | 2.58 |
| 2020 | | | | |
| January | 5.65 | 3.13 | 3.78 | 4.07 |
| February | 5.19 | 3.52 | 4.13 | 4.09 |
| March | 4.21 | 2.11 | 2.78 | 3.08 |
| April | 3.98 | 2.22 | 3.41 | 2.98 |
| May | 4.20 | 3.08 | 3.98 | 3.58 |
| June | 7.90 | 3.96 | 7.72 | 6.49 |
| July | 16.44 | 7.67 | 11.94 | 12.40 |
| August | 20.97 | 12.46 | 19.03 | 15.07 |
| September | 22.59 | 15.61 | 21.22 | 18.87 |
| October | 32.20 | 20.60 | 30.58 | 25.40 |
| November | 57.20 | 31.68 | 50.53 | 45.70 |
| December | 52.10 | 38.43 | 48.74 | 45.60 |

MARKET ARRANGEMENTS TO FACILITATE DEALINGS IN HONG KONG

| | High | Low | Month End | Monthly average |
|-------------------------------------|-------------|-------------|------------------|------------------------|
| | US\$ | US\$ | US\$ | US\$ |
| 2021 | | | | |
| January | 66.99 | 49.08 | 57.00 | 58.09 |
| February | 64.60 | 41.66 | 45.78 | 55.71 |
| March | 50.42 | 31.91 | 38.98 | 41.17 |
| April | 43.22 | 34.06 | 39.84 | 38.79 |
| May | 41.45 | 30.71 | 38.62 | 35.67 |
| June | 53.84 | 39.94 | 53.20 | 45.24 |
| July | 55.13 | 38.66 | 44.68 | 45.03 |
| August | 46.78 | 36.24 | 39.31 | 40.91 |
| September | 41.86 | 34.43 | 35.63 | 37.31 |
| October | 42.61 | 33.17 | 39.41 | 37.57 |
| November | 44.27 | 37.45 | 39.13 | 40.94 |
| December | 40.83 | 27.52 | 31.68 | 31.95 |
| 2022 | | | | |
| January | 33.80 | 19.31 | 24.51 | 27.91 |
| February to Latest Practicable Date | 26.10 | 23.13 | 23.21 | 24.50 |

The following table set forth the average daily trading volume and turnover of each month of our ADSs from the commencement of trading of our ADSs on the NYSE on September 12, 2018 to the Latest Practicable Date:

| | Average daily trading volume | | Average daily turnover |
|-------------|-------------------------------------|---------------------------------------|-------------------------------|
| | (ADSs in millions) | (% of total underlying Shares) | (US\$ in millions) |
| 2018 | | | |
| September | 52.6 | 7.1% | 480.2 |
| October | 18.3 | 2.4% | 128.5 |
| November | 19.9 | 2.6% | 143.4 |
| December | 12.5 | 1.6% | 87.7 |
| 2019 | | | |
| January | 10.7 | 1.4% | 73.2 |
| February | 25.5 | 3.3% | 222.0 |
| March | 47.3 | 6.2% | 314.9 |
| April | 25.2 | 3.3% | 126.8 |
| May | 28.3 | 3.7% | 116.5 |
| June | 34.0 | 4.4% | 91.2 |
| July | 33.9 | 4.4% | 116.3 |
| August | 17.9 | 2.3% | 54.4 |
| September | 29.2 | 3.8% | 69.4 |
| October | 34.6 | 4.5% | 52.5 |
| November | 48.3 | 6.3% | 98.5 |
| December | 63.5 | 8.2% | 200.7 |

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| | Average daily trading volume | | Average daily turnover |
|-------------------------------------|------------------------------|--------------------------------|------------------------|
| | (ADSs in millions) | (% of total underlying Shares) | (US\$ in millions) |
| 2020 | | | |
| January | 96.9 | 12.5% | 409.8 |
| February | 75.5 | 9.8% | 315.0 |
| March | 47.6 | 6.2% | 146.7 |
| April | 32.8 | 4.2% | 100.1 |
| May | 35.2 | 4.2% | 127.8 |
| June | 95.4 | 10.4% | 608.2 |
| July | 193.2 | 21.1% | 2,476.9 |
| August | 120.3 | 11.3% | 1,946.9 |
| September | 93.3 | 8.6% | 1,778.6 |
| October | 116.2 | 10.7% | 3,071.3 |
| November | 267.4 | 24.7% | 12,006.1 |
| December | 142.1 | 11.0% | 6,430.4 |
| 2021 | | | |
| January | 131.4 | 10.2% | 7,651.6 |
| February | 72.6 | 5.6% | 3,977.6 |
| March | 124.1 | 9.6% | 5,034.0 |
| April | 80.5 | 5.9% | 3,122.1 |
| May | 71.2 | 5.2% | 2,529.7 |
| June | 59.4 | 4.4% | 2,702.5 |
| July | 64.7 | 4.8% | 2,936.6 |
| August | 42.1 | 3.1% | 1,718.1 |
| September | 35.2 | 2.6% | 1,320.2 |
| October | 35.5 | 2.6% | 1,342.7 |
| November | 42.7 | 3.0% | 1,753.6 |
| December | 57.4 | 4.3% | 1,836.8 |
| 2022 | | | |
| January | 55.9 | 4.2% | 1,510.6 |
| February to Latest Practicable Date | 49.5 | 3.7% | 1,213.3 |

Inventory of Shares to meet Hong Kong demand

Taking into account the average daily trading volume of our ADSs on the NYSE in the two months prior to the Latest Practicable Date, the average daily trading volume and accumulated average daily trading volume of certain companies recently listed in Hong Kong by way of introduction within one week, two weeks and one month immediately after their respective listings, as well as the historical (in the one week, two weeks and one month ended the Latest Practicable Date) average daily trading volume and accumulated average daily trading volume of some comparable listed companies in the Hong Kong with market capitalization and turnover similar to that of our Company, the Joint Sponsors believe that the above arrangements should provide a reasonable basis to facilitate the development of an open and orderly market in Hong Kong for the Shares.

MARKET ARRANGEMENTS TO FACILITATE DEALINGS IN HONG KONG

DISCLOSURE AND OTHER SOURCES OF INFORMATION

Disclosure of market arrangements and investor education

As disclosed in “— Investor education” above, we have, and will continue to, take various measures to keep our Shareholders, investors and the market informed about our market arrangements, including dealing activities under the bridging and liquidity arrangements, and investor education prior to and after Listing. This includes, in addition to those disclosed in “— Investor education” above, the following measures:

- (a) publishing an announcement on the websites of the Company and on the Hong Kong Stock Exchange and the NYSE as soon as practicable and in any event before 9:00 a.m. on the Business Day immediately before the Listing Date disclosing the number of Class A ordinary shares removed from our principal share register and registered on our Hong Kong share register.
- (b) the interests of, and changes in interests from the dealings of, Designated Dealer and Alternate Designated Dealer in our Shares will be disclosed on the Hong Kong Stock Exchange website in accordance with Part XV of the SFO and other applicable Laws.
- (c) additional information about our Company can be found in our Company’s filings with the SEC and published on the SEC website.

Sources of information

| Source | Designated website |
|---|---|
| Company | https://ir.nio.com/ |
| Hong Kong Stock Exchange | www.hkexnews.hk |
| U.S. Securities and Exchange Commission | www.sec.gov |

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NIO INC. AND MORGAN STANLEY ASIA LIMITED, CREDIT SUISSE (HONG KONG) LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of NIO Inc. (the "Company") and its subsidiaries and consolidated variable interest entities (together, the "Group") set out on pages I-4 to I-80, which comprises the consolidated balance sheets as at December 31, 2018, 2019 and 2020 and September 30, 2021, and the consolidated statements of comprehensive loss, the consolidated statements of shareholders' (deficit)/equity and the consolidated statements of cash flows for each of the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-80 forms an integral part of this report, which has been prepared for inclusion in the listing document of the Company dated February 28, 2022 in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the consolidated financial position of the Company as at December 31, 2018, 2019 and 2020 and September 30, 2021 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation out in Note 2(a) to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive loss, the consolidated statement of shareholders' (deficit)/equity and the consolidated statement of cash flows for the nine months ended September 30, 2020 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2(a) to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements as defined on page I-4 have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
February 28, 2022

I. HISTORICAL FINANCIAL INFORMATION OF THE COMPANY**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Historical Financial Information in this report was prepared by the directors of the Company based on the consolidated financial statements of the Company for the years ended December 31, 2018, 2019 and 2020, and the management accounts of the Company for the nine months ended September 30, 2021 (collectively referred as "Historical Financial Statements"). The consolidated financial statements were audited by PricewaterhouseCoopers Zhong Tian LLP, PRC, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB") relating to the financial statements for the years ended December 31, 2018, 2019 and 2020.

The Historical Financial Information is presented in Renminbi and United States Dollars. All values are rounded to the nearest thousand except when otherwise indicated.

CONSOLIDATED BALANCE SHEETS

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

| | Notes | As of December 31, | | | As of September 30, | |
|--|-----------|--------------------|-------------------|-------------------|---------------------|-------------------|
| | | 2018 | 2019 | 2020 | 2021 | 2021 |
| | | RMB | RMB | RMB | RMB | US\$ |
| | | | | | Note 2(e) | |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | 2(g) | 3,133,847 | 862,839 | 38,425,541 | 21,594,871 | 3,351,471 |
| Restricted cash | 2(g) | 57,012 | 82,507 | 78,010 | 3,655,717 | 567,358 |
| Short-term investments | 2(h) | 5,154,703 | 111,000 | 3,950,747 | 21,706,448 | 3,368,788 |
| Trade receivable | | 756,508 | 1,352,093 | 1,123,920 | 3,322,076 | 515,578 |
| Amounts due from related parties | 27(b)(i) | 88,066 | 50,783 | 169,288 | 1,048,656 | 162,749 |
| Inventory | 5 | 1,465,239 | 889,528 | 1,081,553 | 1,703,005 | 264,302 |
| Prepayments and other current assets | 6 | 1,514,257 | 1,579,258 | 1,422,403 | 1,332,340 | 206,776 |
| Expected credit loss provision – current | 2(i) | – | – | (44,645) | (47,682) | (7,400) |
| Total current assets | | 12,169,632 | 4,928,008 | 46,206,817 | 54,315,431 | 8,429,622 |
| Non-current assets: | | | | | | |
| Long-term restricted cash | 2(g) | 33,528 | 44,523 | 41,547 | 44,385 | 6,888 |
| Property, plant and equipment, net | 7 | 4,853,157 | 5,533,064 | 4,996,228 | 6,032,503 | 936,230 |
| Intangible assets, net | 8 | 3,470 | 1,522 | 613 | 3 | – |
| Land use rights, net | 9 | 213,662 | 208,815 | 203,968 | 200,333 | 31,091 |
| Long-term investments | 10 | 148,303 | 115,325 | 300,121 | 1,307,975 | 202,995 |
| Amounts due from related parties | 27(b)(i) | 7,970 | – | 617 | – | – |
| Right-of-use assets – operating lease | 15 | – | 1,997,672 | 1,350,294 | 2,348,642 | 364,504 |
| Other non-current assets | 11 | 1,412,830 | 1,753,100 | 1,561,755 | 4,813,221 | 747,000 |
| Expected credit loss provision – non-current | 2(i) | – | – | (20,031) | (51,633) | (8,013) |
| Total non-current assets | | 6,672,920 | 9,654,021 | 8,435,112 | 14,695,429 | 2,280,695 |
| Total assets | | 18,842,552 | 14,582,029 | 54,641,929 | 69,010,860 | 10,710,317 |
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Short-term borrowings | 13 | 1,870,000 | 885,620 | 1,550,000 | 5,310,000 | 824,099 |
| Trade and notes payable | | 2,869,953 | 3,111,699 | 6,368,253 | 10,798,315 | 1,675,872 |
| Amounts due to related parties | 27(b)(ii) | 219,583 | 309,729 | 344,603 | 810,104 | 125,726 |
| Taxes payable | | 51,317 | 43,986 | 181,658 | 184,766 | 28,675 |
| Current portion of operating lease liabilities | 15 | – | 608,747 | 547,142 | 646,887 | 100,395 |
| Current portion of long-term borrowings | 13 | 198,852 | 322,436 | 380,560 | 1,562,777 | 242,539 |
| Accruals and other liabilities | 12 | 3,383,681 | 4,216,641 | 4,604,024 | 7,290,806 | 1,131,516 |
| Total current liabilities | | 8,593,386 | 9,498,858 | 13,976,240 | 26,603,655 | 4,128,822 |
| Non-current liabilities: | | | | | | |
| Long-term borrowings | 13 | 1,168,012 | 7,154,798 | 5,938,279 | 9,826,612 | 1,525,066 |
| Non-current operating lease liabilities | 15 | – | 1,598,372 | 1,015,261 | 1,792,738 | 278,229 |
| Other non-current liabilities | 14 | 930,812 | 1,151,813 | 1,849,906 | 3,055,570 | 474,217 |
| Total non-current liabilities | | 2,098,824 | 9,904,983 | 8,803,446 | 14,674,920 | 2,277,512 |
| Total liabilities | | 10,692,210 | 19,403,841 | 22,779,686 | 41,278,575 | 6,406,334 |

CONSOLIDATED BALANCE SHEETS

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

| | Notes | As of December 31, | | | As of September 30, | |
|---|-------|--------------------|--------------------|-------------------|---------------------|-------------------|
| | | 2018 | 2019 | 2020 | 2021 | 2021 |
| | | RMB | RMB | RMB | RMB | US\$ |
| Commitments and contingencies | 28 | | | | | |
| MEZZANINE EQUITY | | | | | | |
| Redeemable non-controlling interests | 22 | 1,329,197 | 1,455,787 | 4,691,287 | 3,210,985 | 498,337 |
| Total mezzanine equity | | 1,329,197 | 1,455,787 | 4,691,287 | 3,210,985 | 498,337 |
| SHAREHOLDERS' EQUITY/(DEFICIT) | | | | | | |
| Class A Ordinary Shares (US\$0.00025 par value; 2,500,000,000, 2,500,000,000, 2,500,000,000 and 2,500,000,000 shares authorized; 777,200,790, 786,937,655, 1,252,237,171 and 1,332,262,136 shares issued; 770,268,810, 783,942,438, 1,249,745,456 and 1,313,779,445 shares outstanding as of December 31, 2018, 2019, 2020 and September 30, 2021, respectively) | 23 | 1,329 | 1,347 | 2,205 | 2,334 | 362 |
| Class B Ordinary Shares (US\$0.00025 par value; 132,030,222, 132,030,222, 132,030,222 and 132,030,222 shares authorized, 132,030,222, 132,030,222, 128,293,932 and 128,293,932 shares issued and outstanding as of December 31, 2018, 2019 and 2020, and September 30, 2021, respectively) | 23 | 226 | 226 | 220 | 220 | 34 |
| Class C Ordinary Shares (US\$0.00025 par value; 148,500,000, 148,500,000, 148,500,000 and 148,500,000 shares authorized, issued and outstanding as of December 31, 2018, 2019 and 2020, and September 30, 2021, respectively) | 23 | 254 | 254 | 254 | 254 | 39 |
| Less: Treasury shares (6,931,980, 2,995,217, 2,491,715 and 18,482,691 shares as of December 31, 2018, 2019 and 2020 and September 30, 2021, respectively) | | (9,186) | – | – | (1,849,600) | (287,053) |
| Additional paid in capital | | 41,918,936 | 40,227,856 | 78,880,014 | 80,022,293 | 12,419,266 |
| Accumulated other comprehensive loss | | (34,708) | (203,048) | (65,452) | (234,396) | (36,378) |
| Accumulated deficit | | (35,039,810) | (46,326,321) | (51,648,410) | (53,521,799) | (8,306,453) |
| Total NIO Inc. shareholders' equity/(deficit) | | 6,837,041 | (6,299,686) | 27,168,831 | 24,419,306 | 3,789,817 |
| Non-controlling interests | | (15,896) | 22,087 | 2,125 | 101,994 | 15,829 |
| Total shareholders' equity/(deficit) | | 6,821,145 | (6,277,599) | 27,170,956 | 24,521,300 | 3,805,646 |
| Total liabilities, mezzanine equity and shareholders' equity | | 18,842,552 | 14,582,029 | 54,641,929 | 69,010,860 | 10,710,317 |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(All amounts in thousands, except for share and per share data)

| | Notes | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | | |
|--|-------|---------------------------------|---------------------|---------------------|---|---------------------|--------------------|
| | | 2018 | 2019 | 2020 | 2020 | 2021 | 2021 |
| | | RMB | RMB | RMB | RMB | RMB | US\$ |
| | | | | | | | (Unaudited) |
| Revenues: | | | | | | | Note 2(e) |
| Vehicle sales | 16 | 4,852,470 | 7,367,113 | 15,182,522 | 9,008,474 | 23,954,365 | 3,717,659 |
| Other sales | 16 | 98,701 | 457,791 | 1,075,411 | 608,368 | 2,281,316 | 354,055 |
| Total revenues | | 4,951,171 | 7,824,904 | 16,257,933 | 9,616,842 | 26,235,681 | 4,071,714 |
| Cost of sales: | | | | | | | |
| Vehicle sales | | (4,930,135) | (8,096,035) | (13,255,770) | (8,146,439) | (19,225,123) | (2,983,692) |
| Other sales | | (276,912) | (927,691) | (1,128,744) | (738,929) | (1,888,669) | (293,117) |
| Total cost of sales | | (5,207,047) | (9,023,726) | (14,384,514) | (8,885,368) | (21,113,792) | (3,276,809) |
| Gross (loss)/profit | | (255,876) | (1,198,822) | 1,873,419 | 731,474 | 5,121,889 | 794,905 |
| Operating expenses: | | | | | | | |
| Research and development | 19 | (3,997,942) | (4,428,580) | (2,487,770) | (1,658,327) | (2,763,336) | (428,863) |
| Selling, general and administrative | 20 | (5,341,790) | (5,451,787) | (3,932,271) | (2,725,465) | (4,519,883) | (701,475) |
| Other operating (loss)/income, net | | - | - | (61,023) | (23,941) | 110,158 | 17,096 |
| Total operating expenses | | (9,339,732) | (9,880,367) | (6,481,064) | (4,407,733) | (7,173,061) | (1,113,242) |
| Loss from operations | | (9,595,608) | (11,079,189) | (4,607,645) | (3,676,259) | (2,051,172) | (318,337) |
| Interest income | | 133,384 | 160,279 | 166,904 | 89,885 | 552,772 | 85,789 |
| Interest expenses | | (123,643) | (370,536) | (426,015) | (332,174) | (561,473) | (87,139) |
| Share of (loss)/income of equity investees | | (9,722) | (64,478) | (66,030) | (32,061) | 64,207 | 9,965 |
| Other (loss)/income, net | | (21,346) | 66,160 | (364,928) | 39,854 | 131,164 | 20,356 |
| Loss before income tax expense | | (9,616,935) | (11,287,764) | (5,297,714) | (3,910,755) | (1,864,502) | (289,366) |
| Income tax expense | 25 | (22,044) | (7,888) | (6,368) | (4,704) | (9,018) | (1,400) |
| Net loss | | (9,638,979) | (11,295,652) | (5,304,082) | (3,915,459) | (1,873,520) | (290,766) |
| Accretion on convertible redeemable preferred shares to redemption value | 21 | (13,667,291) | - | - | - | - | - |
| Accretion on redeemable non-controlling interests to redemption value | 22 | (63,297) | (126,590) | (311,670) | (205,864) | (6,519,698) | (1,011,841) |
| Net loss attributable to non-controlling interests | | 41,705 | 9,141 | 4,962 | 2,703 | 131 | 20 |
| Net loss attributable to ordinary shareholders of NIO Inc. | | (23,327,862) | (11,413,101) | (5,610,790) | (4,118,620) | (8,393,087) | (1,302,587) |

APPENDIX I

ACCOUNTANT'S REPORT

| Notes | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | | |
|--|---------------------------------|---------------------|--------------------|---|--------------------|--------------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 | 2021 |
| | RMB | RMB | RMB | RMB | RMB | US\$ |
| | | | | (Unaudited) | | |
| Net loss | (9,638,979) | (11,295,652) | (5,304,082) | (3,915,459) | (1,873,520) | (290,766) |
| Other comprehensive (loss)/income | | | | | | |
| Foreign currency translation adjustment, net of nil tax | (20,786) | (168,340) | 137,596 | 104,920 | (168,944) | (26,220) |
| Total other comprehensive (loss)/income | (20,786) | (168,340) | 137,596 | 104,920 | (168,944) | (26,220) |
| Total comprehensive loss | (9,659,765) | (11,463,992) | (5,166,486) | (3,810,539) | (2,042,464) | (316,986) |
| Accretion on convertible redeemable preferred shares to redemption value | 21 (13,667,291) | - | - | - | - | - |
| Accretion on redeemable non-controlling interests to redemption value | 22 (63,297) | (126,590) | (311,670) | (205,864) | (6,519,698) | (1,011,841) |
| Net loss attributable to non-controlling interests | 41,705 | 9,141 | 4,962 | 2,703 | 131 | 20 |
| Comprehensive loss attributable to ordinary shareholders of NIO Inc..... | (23,348,648) | (11,581,441) | (5,473,194) | (4,013,700) | (8,562,031) | (1,328,807) |
| Weighted average number of ordinary shares used in computing net loss per share | | | | | | |
| Basic and diluted | 26 332,153,211 | 1,029,931,705 | 1,182,660,948 | 1,100,928,485 | 1,561,225,055 | 1,561,225,055 |
| Net loss per share attributable to ordinary shareholders | | | | | | |
| Basic and diluted | 26 (70.23) | (11.08) | (4.74) | (3.74) | (5.38) | (0.83) |
| Weighted average number of ADS used in computing net loss per ADS | | | | | | |
| Basic and diluted | 26 332,153,211 | 1,029,931,705 | 1,182,660,948 | 1,100,928,485 | 1,561,225,055 | 1,561,225,055 |
| Net loss per ADS attributable to ordinary shareholders | | | | | | |
| Basic and diluted | 26 (70.23) | (11.08) | (4.74) | (3.74) | (5.38) | (0.83) |

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT)/EQUITY
(All amounts in thousands, except for share and per share data)

| | Notes | Ordinary Shares | | Treasury Shares | | Additional Paid in Capital | Accumulated Other Comprehensive Loss | Accumulated Deficit | Total Shareholders' (Deficit)/Equity | Non- Controlling Interests | Total (Deficit)/Equity |
|---|-------|-----------------|-----------|-----------------|---------|----------------------------------|---|------------------------|--|----------------------------------|---------------------------|
| | | Shares | Par Value | Shares | Amount | | | | | | |
| Balance as of December 31, 2017 | | 36,727,350 | 60 | (12,877,007) | (9,186) | 131,907 | (13,922) | (11,711,948) | (11,603,089) | 11,309 | (11,591,780) |
| Accretion on Series A-1 and A-2 convertible redeemable preferred shares to redemption value | | - | - | - | - | - | - | (7,091,163) | (7,091,163) | - | (7,091,163) |
| Accretion on Series A-3 convertible redeemable preferred shares to redemption value | | - | - | - | - | - | - | (565,979) | (565,979) | - | (565,979) |
| Accretion on Series B convertible redeemable preferred shares to redemption value | | - | - | - | - | - | - | (2,417,979) | (2,417,979) | - | (2,417,979) |
| Accretion on Series C convertible redeemable preferred shares to redemption value | | - | - | - | - | - | - | (2,375,943) | (2,375,943) | - | (2,375,943) |
| Accretion on Series D convertible redeemable preferred shares to redemption value | | - | - | - | - | - | - | (1,216,227) | (1,216,227) | - | (1,216,227) |
| Accretion on redeemable non-controlling interests to redemption value | | - | - | - | - | - | - | (63,297) | (63,297) | - | (63,297) |
| Issuance of ordinary shares | | 184,000,000 | 315 | - | - | 7,526,681 | - | - | 7,526,996 | - | 7,526,996 |
| Conversion of preferred shares | 21 | 821,378,518 | 1,408 | - | - | 33,724,621 | - | - | 33,726,029 | - | 33,726,029 |
| Exercise of share options | | 16,026,060 | 27 | (2,176,570) | - | 42,224 | - | - | 42,251 | - | 42,251 |
| Vesting of restricted shares | | - | - | 7,720,681 | - | 56,183 | - | - | 56,183 | - | 56,183 |
| Vesting of share options | | - | - | - | - | 437,320 | - | - | 437,320 | - | 437,320 |
| Grant of restricted shares | | 509,001 | 1 | (509,001) | - | - | - | - | 1 | - | 1 |
| Cancellation of restricted shares | | (909,917) | (2) | 909,917 | - | - | - | - | (2) | - | (2) |
| Capital injection by non-controlling interests | | - | - | - | - | - | - | - | - | 14,500 | 14,500 |
| Foreign currency translation adjustment | | - | - | - | - | - | (20,786) | - | (20,786) | - | (20,786) |
| Net loss | | - | - | - | - | - | - | (9,597,274) | (9,597,274) | (41,705) | (9,638,979) |
| Balance as of December 31, 2018 | | 1,057,731,012 | 1,809 | (6,931,980) | (9,186) | 41,918,936 | (34,708) | (35,039,810) | 6,837,041 | (15,896) | 6,821,145 |

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT)/EQUITY
(All amounts in thousands, except for share and per share data)

| | Ordinary Shares | | Treasury Shares | | Additional Paid in Capital | Accumulated Other Comprehensive Loss | Accumulated Deficit | Total Shareholders' Equity/(Deficit) | Non- Controlling Interests | Total Equity/(Deficit) |
|--|-----------------|-----------|-----------------|---------|----------------------------------|---|------------------------|--|----------------------------------|---------------------------|
| | Shares | Par Value | Shares | Amount | | | | | | |
| Balance as of December 31, 2018 | 1,057,731,012 | 1,809 | (6,931,980) | (9,186) | 41,918,936 | (34,708) | (35,039,810) | 6,837,041 | (15,896) | 6,821,145 |
| Accretion on redeemable non-controlling interests to redemption value | - | - | - | - | (126,590) | - | - | (126,590) | - | (126,590) |
| Purchase of capped call options and zero-strike call options in connection with issuance of convertible senior notes | - | - | - | - | (1,939,567) | - | - | (1,939,567) | - | (1,939,567) |
| Exercise of share options | 12,775,127 | 22 | - | - | 50,768 | - | - | 50,790 | - | 50,790 |
| Vesting of restricted shares | - | - | 1,636,001 | - | 3,802 | - | - | 3,802 | - | 3,802 |
| Vesting of share options | - | - | - | - | 329,693 | - | - | 329,693 | - | 329,693 |
| Cancellation of restricted shares | (3,038,262) | (4) | 2,300,762 | 9,186 | (9,186) | - | - | (4) | - | (4) |
| Capital injection by non-controlling interests ... | - | - | - | - | - | - | - | - | 47,124 | 47,124 |
| Foreign currency translation adjustment | - | - | - | - | - | (168,340) | - | (168,340) | - | (168,340) |
| Net loss | - | - | - | - | - | - | (11,286,511) | (11,286,511) | (9,141) | (11,295,652) |
| Balance as of December 31, 2019 | 1,067,467,877 | 1,827 | (2,995,217) | - | 40,227,856 | (203,048) | (46,326,321) | (6,299,686) | 22,087 | (6,277,599) |

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT)/EQUITY
(All amounts in thousands, except for share and per share data)

| | Ordinary Shares | | Treasury Shares | | Additional Paid in Capital | Accumulated Other Comprehensive Loss | Accumulated Deficit | Total Shareholders' (Deficit)/Equity | Non- Controlling Interests | Total (Deficit)/Equity |
|--|-----------------|-----------|-----------------|--------|----------------------------------|---|------------------------|--|----------------------------------|---------------------------|
| | Shares | Par Value | Shares | Amount | | | | | | |
| | | | | | | | | | | |
| Balance as of December 31, 2019 | 1,067,467,877 | 1,827 | (2,995,217) | - | 40,227,856 | (203,048) | (46,326,321) | (6,299,686) | 22,087 | (6,277,599) |
| Cumulative effect of adoption of new accounting standard (Note 2(i))..... | - | - | - | - | - | - | (22,969) | (22,969) | - | (22,969) |
| Accretion on redeemable non-controlling interests to redemption value | - | - | - | - | (311,670) | - | - | (311,670) | - | (311,670) |
| Issuance of ordinary shares | 262,775,000 | 448 | - | - | 34,571,809 | - | - | 34,572,257 | - | 34,572,257 |
| Issuance of restricted shares | 2,113,469 | 4 | - | - | 54,508 | - | - | 54,512 | - | 54,512 |
| Conversion of convertible notes to ordinary shares | 181,872,811 | 309 | - | - | 3,962,990 | - | - | 3,963,299 | - | 3,963,299 |
| Exercise of share options | 14,814,462 | 91 | 439,038 | - | 187,427 | - | - | 187,518 | - | 187,518 |
| Vesting of restricted shares | - | - | 51,948 | - | 9,551 | - | - | 9,551 | - | 9,551 |
| Vesting of share options | - | - | - | - | 177,543 | - | - | 177,543 | - | 177,543 |
| Cancellation of restricted shares | (12,516) | - | 12,516 | - | - | - | - | - | - | - |
| Capital withdrawal by non-controlling interests | - | - | - | - | - | - | - | - | (15,000) | (15,000) |
| Foreign currency translation adjustment | - | - | - | - | - | 137,596 | - | 137,596 | - | 137,596 |
| Net loss | - | - | - | - | - | - | (5,299,120) | (5,299,120) | (4,962) | (5,304,082) |
| Balance as of December 31, 2020 | 1,529,031,103 | 2,679 | (2,491,715) | - | 78,880,014 | (65,452) | (51,648,410) | 27,168,831 | 2,125 | 27,170,956 |

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT)/EQUITY
(All amounts in thousands, except for share and per share data)

| | Ordinary Shares | | Treasury Shares | | Additional Paid in Capital | Accumulated Other Comprehensive Loss | Accumulated Deficit | Total Shareholders' (Deficit)/Equity | Non- Controlling Interests | Total (Deficit)/Equity |
|--|-----------------|-----------|-----------------|--------|----------------------------------|---|------------------------|--|----------------------------------|---------------------------|
| | Shares | Par value | Shares | Amount | | | | | | |
| Balance as of December 31, 2019 | 1,067,467,877 | 1,827 | (2,995,217) | - | 40,227,856 | (203,048) | (46,326,321) | (6,299,686) | 22,087 | (6,277,599) |
| Cumulative effect of adoption of new accounting standard (Note 2(i))..... | - | - | - | - | - | - | (22,969) | (22,969) | - | (22,969) |
| Accretion on redeemable non-controlling interests to redemption value | - | - | - | - | (205,864) | - | - | (205,864) | - | (205,864) |
| Issuance of ordinary shares | 184,575,000 | 321 | - | - | 14,923,086 | - | - | 14,923,407 | - | 14,923,407 |
| Issuance of restricted share units | 2,203,469 | 4 | (2,203,469) | - | 54,508 | - | - | 54,512 | - | 54,512 |
| Conversion of convertible notes to ordinary shares | 142,639,348 | 243 | - | - | 3,131,661 | - | - | 3,131,904 | - | 3,131,904 |
| Exercise of share options | 11,178,942 | 19 | 354,181 | - | 121,887 | - | - | 121,906 | - | 121,906 |
| Share based compensation of the restricted shares | - | - | 2,197,366 | - | 3,114 | - | - | 3,114 | - | 3,114 |
| Share based compensation of the share options.. | - | - | - | - | 123,780 | - | - | 123,780 | - | 123,780 |
| Cancellation of restricted shares | (12,516) | - | 12,516 | - | - | - | - | - | - | - |
| Capital withdrawal by non-controlling interests | - | - | - | - | - | - | - | - | (15,000) | (15,000) |
| Foreign currency translation adjustment | - | - | - | - | - | 104,920 | - | 104,920 | - | 104,920 |
| Net loss | - | - | - | - | - | - | (3,912,756) | (3,912,756) | (2,703) | (3,915,459) |
| Balance as of September 30, 2020 (unaudited) | 1,408,052,120 | 2,414 | (2,634,623) | - | 58,380,028 | (98,128) | (50,262,046) | 8,022,268 | 4,384 | 8,026,652 |

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT)/EQUITY
(All amounts in thousands, except for share and per share data)

| | Ordinary Shares | | Treasury Shares | | Additional Paid in Capital | Accumulated Other Comprehensive Loss | Total Shareholders' Equity/(Deficit) | Non- Controlling Interests | Total Equity |
|--|-----------------|-----------|-----------------|-------------|----------------------------------|---|--|----------------------------------|--------------|
| | Shares | Par value | Shares | Amount | | | | | |
| Balance as of December 31, 2020 | 1,529,031,103 | 2,679 | (2,491,715) | - | 78,880,014 | (65,452) | 27,168,831 | 2,125 | 27,170,956 |
| Accretion on redeemable non-controlling interests to redemption value | - | - | - | - | (6,519,698) | - | (6,519,698) | - | (6,519,698) |
| Settlement of capped call options and zero-strike call options (Note 13(ii)) | - | - | (16,402,643) | (1,849,600) | 1,849,600 | - | - | - | - |
| Conversion of convertible senior notes to ordinary shares – related parties | 7,219,872 | 12 | - | - | 148,381 | - | 148,393 | - | 148,393 |
| Conversion of convertible senior notes to ordinary shares -third party | 62,486,411 | 101 | - | - | 4,198,347 | - | 4,198,448 | - | 4,198,448 |
| Capital injection from non-controlling interests | - | - | - | - | - | - | - | 100,000 | 100,000 |
| Issuance of ordinary shares | 2,593,179 | 4 | - | - | 602,810 | - | 602,814 | - | 602,814 |
| Exercise of share options | 7,328,883 | 12 | 223,324 | - | 100,521 | - | 100,533 | - | 100,533 |
| Share based compensation of the restricted shares | 35,587 | - | - | - | 224,142 | - | 224,142 | - | 224,142 |
| Issuance of restricted shares | 549,376 | - | - | - | 148,869 | - | 148,869 | - | 148,869 |
| Share based compensation of the share options. | - | - | - | - | 389,307 | - | 389,307 | - | 389,307 |
| Cancellation of restricted shares | (188,343) | - | 188,343 | - | - | - | - | - | - |
| Foreign currency translation adjustment | - | - | - | - | - | (168,944) | (168,944) | - | (168,944) |
| Net loss | - | - | - | - | - | (1,873,389) | (1,873,389) | (131) | (1,873,520) |
| Balance as of September 30, 2021 | 1,609,056,068 | 2,808 | (18,482,691) | (1,849,600) | 80,022,293 | (234,396) | 24,419,306 | 101,994 | 24,521,300 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

| | Notes | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | | |
|---|-------|---------------------------------|--------------|-------------|---|-------------|-------------|
| | | 2018 | 2019 | 2020 | 2020 | 2021 | 2021 |
| | | RMB | RMB | RMB | RMB | RMB | US\$ |
| | | | | | | | Note 2(e) |
| | | | | | | | (Unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Net loss | | (9,638,979) | (11,295,652) | (5,304,082) | (3,915,459) | (1,873,520) | (290,766) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | | | | | |
| Depreciation and amortization | | 474,223 | 998,938 | 1,046,496 | 764,820 | 1,145,509 | 177,780 |
| Allowance against receivables | 20 | - | 108,459 | - | - | - | - |
| Expected credit losses | 20 | - | - | 9,654 | 5,945 | 38,283 | 5,941 |
| Inventory write-downs | 5 | - | 10,427 | 5,803 | - | - | - |
| Impairment on property, plant and equipment | 7 | - | 75,278 | 25,757 | 27,943 | - | - |
| Foreign exchange loss/(gain) | | 36,597 | 13,876 | 457,382 | 75,906 | (122,057) | (18,943) |
| Share-based compensation expenses | 24 | 679,468 | 333,495 | 187,094 | 126,895 | 613,449 | 95,206 |
| Gain from disposal of an equity investee | | - | (40,722) | - | (822) | - | - |
| Share of losses/(profits) of equity investees, net of tax | | 9,722 | 64,478 | 66,030 | 32,883 | (64,207) | (9,965) |
| Loss on disposal of property, plant and equipment | | 21,547 | 50,845 | 127,662 | 26,376 | 6,241 | 969 |
| Amortization of right-of-use assets | 15 | - | 522,035 | 499,225 | 349,362 | 439,201 | 68,163 |
| Changes in operating assets and liabilities: | | | | | | | |
| Prepayments and other current assets | | (835,554) | (68,051) | 135,441 | 21,473 | 198,282 | 30,774 |
| Amount due from related parties | | 24,416 | 9,323 | (119,128) | - | (878,751) | (136,380) |
| Inventory | | (1,375,862) | 569,163 | (197,828) | (151,748) | (629,216) | (97,653) |
| Other non-current assets | | (657,986) | (243,936) | 131,657 | 738,687 | (952,593) | (147,840) |
| Taxes payable | | 21,398 | (7,948) | 130,542 | (11,868) | 3,468 | 538 |
| Trade receivable | | (756,508) | (681,556) | 237,928 | (137,580) | (2,201,857) | (341,723) |
| Trade and notes payable | | 2,635,742 | 241,646 | 3,256,552 | 1,860,581 | 4,493,823 | 697,430 |
| Long-term receivables | | (574,677) | (83,021) | 20,296 | (15,281) | (2,175,235) | (337,591) |
| Operating lease liabilities | | - | (345,323) | (448,466) | (323,253) | (534,076) | (82,887) |
| Non-current deferred revenue | | 193,524 | 102,391 | 381,909 | 230,560 | 580,713 | 90,125 |
| Accruals and other liabilities | | 1,360,510 | 658,895 | 836,511 | (125,996) | 1,117,277 | 173,399 |
| Amount due to related parties | | 179,514 | 64,347 | 60,673 | - | 465,501 | 72,245 |
| Non-current liabilities | | 291,137 | 220,907 | 403,786 | 223,864 | 665,599 | 103,299 |
| Net cash (used in)/provided by operating activities | | (7,911,768) | (8,721,706) | 1,950,894 | (196,712) | 335,834 | 52,121 |

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | | | |
|---|---------------------------------|-------------|-------------|---|-------------|--------------|--------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 | 2021 | |
| | Notes | RMB | RMB | RMB | RMB | US\$ | |
| | | | | | | Note 2(e) | |
| | | | | (Unaudited) | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| Purchase of property, plant and equipment and intangible assets | | (2,643,964) | (1,706,787) | (1,127,686) | (952,357) | (2,394,919) | (371,686) |
| Purchases of short-term investments | | (8,090,703) | (2,202,762) | (7,594,110) | (2,967,610) | (88,161,796) | (13,682,496) |
| Proceeds from sale of short-term investments | | 2,936,000 | 7,246,465 | 3,738,490 | 352,990 | 70,364,450 | 10,920,391 |
| Loan to related parties | | (65,342) | - | - | - | - | - |
| Loan repayment from related parties | | 34,066 | - | - | - | - | - |
| Acquisitions of equity investees .. | | (110,900) | (31,500) | (250,826) | (257,500) | (293,700) | (45,582) |
| Purchase of available-for-sale debt investment | | - | - | - | - | (650,000) | (100,878) |
| Proceeds from disposal of an equity investee | | - | 76,653 | - | - | - | - |
| Proceeds from disposal of property and equipment | | - | - | 163,072 | 163,072 | 908 | 141 |
| Net cash (used in)/provided by investing activities | | (7,940,843) | 3,382,069 | (5,071,060) | (3,661,405) | (21,135,057) | (3,280,110) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | |
| Proceeds from exercise of stock options | | 42,251 | 50,790 | 154,861 | 96,395 | 123,277 | 19,132 |
| Proceeds from collection of receivable from a holder of Series D convertible redeemable preferred shares .. | | 78,651 | - | - | - | - | - |
| Capital injection from non-controlling interests | | 14,500 | - | - | - | 100,000 | 15,520 |
| Deposit from non-controlling interest | | 47,124 | - | - | - | - | - |
| Proceeds from issuance of redeemable non-controlling interests | | 1,265,900 | - | - | - | - | - |
| Repayment of non-recourse loan .. | 24(c) | 82,863 | - | - | - | - | - |
| Repurchase of restricted shares .. | 24(a) | (7,490) | - | - | - | - | - |
| Capital injection from redeemable non-controlling interests holders | | - | - | 5,000,000 | 5,000,000 | - | - |
| Principal payments on finance leases | | - | (43,916) | (42,529) | (32,571) | (25,164) | (3,905) |
| Capital withdrawal by non-controlling shareholders | | - | - | (10,500) | (10,500) | (1,000) | (157) |

| | Notes | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | | |
|--|---------------|---------------------------------|--------------------|-------------------|---|---------------------|--------------------|
| | | 2018 | 2019 | 2020 | 2020 | 2021 | 2021 |
| | | RMB | RMB | RMB | RMB | RMB | US\$ |
| | | | | | | | (Unaudited) |
| | | | | | | | Note 2(e) |
| Proceeds from issuance of convertible promissory note – third parties | | – | 2,802,041 | 3,014,628 | 3,105,127 | 9,560,755 | 1,483,806 |
| Proceeds from issuance of convertible promissory note – related parties | | – | 1,520,416 | 90,499 | – | – | – |
| Redemption of redeemable non-controlling interests | | – | – | (2,071,515) | (511,458) | (6,000,000) | (931,184) |
| Proceeds from borrowings – third parties | | 2,668,461 | 1,350,781 | 1,605,464 | 515,461 | 4,380,000 | 679,765 |
| Repayments of borrowings – third parties | | (120,205) | (2,610,958) | (964,813) | (591,192) | (1,212,322) | (188,149) |
| Proceeds from borrowings – related parties | 27(a) (ix) | – | 25,799 | 260,000 | 130,000 | – | – |
| Repayment of borrowings – related parties | 27(a) (ix) | – | – | (285,799) | (130,000) | – | – |
| Proceeds from issuance of ordinary shares, net | | 7,531,037 | – | 34,607,139 | 14,943,840 | 602,814 | 93,555 |
| Net cash provided by financing activities | | 11,603,092 | 3,094,953 | 41,357,435 | 22,515,102 | 7,528,360 | 1,168,383 |
| Effects of exchange rate changes on cash, cash equivalents and restricted cash | | (56,947) | 10,166 | (682,040) | (91,270) | 20,738 | 3,218 |
| NET (DECREASE)/INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH | | (4,306,466) | (2,234,518) | 37,555,229 | 18,565,715 | (13,250,125) | (2,056,388) |
| Cash, cash equivalents and restricted cash at beginning of the period | 2(g) | 7,530,853 | 3,224,387 | 989,869 | 989,869 | 38,545,098 | 5,982,105 |
| Cash, cash equivalents and restricted cash at end of the period | 2(g) | 3,224,387 | 989,869 | 38,545,098 | 19,555,584 | 25,294,973 | 3,925,717 |

| <i>Notes</i> | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | | |
|--|---------------------------------|-----------|-----------|---|-----------|-----------|
| | 2018 | 2019 | 2020 | 2020 | 2021 | 2021 |
| | RMB | RMB | RMB | RMB | RMB | US\$ |
| | | | | | | Note 2(e) |
| | | | | (Unaudited) | | |
| NON-CASH INVESTING AND FINANCING ACTIVITIES | | | | | | |
| Accruals related to purchase of property and equipment | 1,027,377 | 1,121,715 | 749,799 | 716,071 | 881,407 | 136,792 |
| Acquisition of an equity investee | - | 35,931 | - | - | - | - |
| Issuance of restricted shares | - | - | 54,512 | 54,512 | 148,869 | 23,104 |
| Conversion of convertible notes to ordinary shares | - | - | 3,963,299 | 3,131,904 | 4,346,841 | 674,619 |
| Accretion on redeemable non-controlling interests to redemption value | 63,297 | 126,590 | 311,670 | 205,864 | 6,519,698 | 1,011,841 |
| Accretion on convertible redeemable preferred shares to redemption value | 13,667,291 | - | - | - | - | - |
| Supplemental Disclosure | | | | | | |
| Interest paid | 112,682 | 260,377 | 333,877 | 207,039 | 159,993 | 24,831 |
| Income taxes paid | 11,157 | 18,189 | 13,172 | 12,902 | 6,283 | 975 |

II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in Renminbi (“RMB”) thousands, unless otherwise stated)

1. ORGANIZATION AND NATURE OF OPERATIONS

NIO Inc. (“NIO”, or the “Company”) was incorporated under the laws of the Cayman Islands in November 2014, as an exempted company with limited liability. The Company was formerly known as NextCar Inc.. It changed its name to NextEV Inc. in December 2014, and then changed to NIO Inc. in July 2017. The Company, its subsidiaries and consolidated variable interest entities (“VIEs”) are collectively referred to as the “Group”.

The Group designs and develops high-performance fully electric vehicles. It launched the first volume manufactured electric vehicle, the ES8, to the public in December 2017. The Group jointly manufactures its vehicles through strategic collaboration with other Chinese vehicle manufacturers. The Group also offers power solutions and comprehensive value-added services to its users. As of December 31, 2018, 2019 and 2020 and September 30, 2021, its primary operations are conducted in the People’s Republic of China (“PRC”). The Group began to sell its first vehicles in June 2018. As of September 30, 2021, the Company’s principal subsidiaries and VIEs are as follows:

| Subsidiaries | Equity interest held | Place and date of incorporation or date of acquisition | Principal activities |
|--|----------------------|--|---|
| NIO NextEV Limited (“NIO HK”) (formerly known as NextEV Limited) . . . | 100% | Hong Kong, February 2015 | Investment holding |
| NIO GmbH (formerly known as NextEV GmbH) | 100% | Germany, May 2015 | Design and technology development |
| NIO Holding Co., Ltd. (“NIO Holding”) (formerly named NIO (Anhui) Holding Co., Ltd.) | 100% | Anhui, PRC, November 2017 | Headquarter and technology development |
| NIO Co., Ltd. (“NIO SH”) (formerly known as NextEV Co., Ltd.) | 100% | Shanghai, PRC, May 2015 | Headquarter and technology development |
| NIO Automobile (Anhui) Co., Ltd. (“NIO AH”) | 100% | Anhui, PRC, August 2020 | Industrialization and technology development |
| NIO Automobile Technology (Anhui) Co., Ltd. (“NIO R&D”) | 100% | Anhui, PRC, August 2020 | Design and technology development |
| NIO Financial Leasing Co., Ltd. (“NIO Leasing”) | 100% | Shanghai, PRC, August 2018 | Financial Leasing |
| NIO USA, Inc. (“NIO US”) (formerly known as NextEV USA, Inc.) | 100% | United States, November 2015 | Technology development |
| XPT Limited (“XPT”) | 100% | Hong Kong, December 2015 | Investment holding |
| XPT Technology Limited (“XPT Technology”) | 100% | Hong Kong, April 2016 | Investment holding |
| XPT Inc. (“XPT US”) | 100% | United States, April 2016 | Technology development |
| XPT (Jiangsu) Investment Co., Ltd. (“XPT Jiangsu”) | 100% | Jiangsu, PRC, May 2016 | Investment holding |
| NIO Norway AS (“NIO NO”) | 100% | Norway, January 15, 2021 | Investment holding and sales and after sales management |
| NEU Battery Asset Co., Ltd. (“BAC Cayman”) | 100% | Cayman Islands, June 8, 2021 | Investment holding |
| NEU Battery Asset (Hong Kong) Co., Limited (“BAC HK”) | 100% | Hong Kong, July 2, 2021 | Investment holding |
| Instant Power Europe B.V. (“BAC NL”) | 100% | Netherlands, June 9, 2021 | Battery Subscription Service |
| NIO Nextev Europe Holding B.V. (“NIO NL”) | 100% | Netherlands, December 4, 2020 | Investment holding |
| Shanghai XPT Technology Limited | 100% | Shanghai, PRC, May 2016 | Technology development |

| Subsidiaries | Equity interest held | Place and date of incorporation or date of acquisition | Principal activities |
|--|----------------------|---|---|
| XPT (Nanjing) E-Powertrain Technology Co., Ltd. ("XPT NJEP") | 100% | Nanjing, PRC, July 2016 | Manufacturing of E-Powertrain |
| XPT (Nanjing) Energy Storage System Co., Ltd. ("XPT NJES") | 100% | Nanjing, PRC, October 2016 | Manufacturing of battery pack |
| NIO Power Express Limited ("PE HK") | 100% | Hong Kong, January 2017 | Investment holding |
| NIO User Enterprise Limited ("UE HK") | 100% | Hong Kong, February 2017 | Investment holding |
| NIO Sales and Services Co., Ltd. ("UE CNHC") | 100% | Shanghai, PRC, March 2017 | Investment holding and sales and after sales management |
| NIO Energy Investment (Hubei) Co., Ltd. ("PE CNHC") | 100% | Wuhan PRC, April 2017 | Investment holding |
| Wuhan NIO Energy Co., Ltd. ("PE WHJV") | 100% | Wuhan, PRC, May 2017 | Investment holding |
| XTRONICS (Nanjing) Automotive Intelligent Technologies Co. Ltd. ("XPT NJWL") | 50% | Nanjing, PRC, June 2017 | Manufacturing of components |
| XPT (Jiangsu) Automotive Technology Co., Ltd. ("XPT AUTO") | 100% | Nanjing, PRC, May 2018 | Investment holding |
| VIE and VIE's subsidiaries | | Place and date of incorporation or date of acquisition | |

| | |
|---|-------------------------|
| Prime Hubs Limited ("Prime Hubs") | BVI, October 2014 |
| Beijing NIO Network Technology Co., Ltd. ("NIO BJTECH") | Beijing, PRC, July 2017 |

As of September 30, 2021, the Company held 92.114% of total paid-in capital of NIO Holding. In accordance with NIO Holding's share purchase agreement, the redemption of the non-controlling interests is at the holders' option and is upon the occurrence of the events that are not solely within the control of the Company. Therefore, these redeemable non-controlling interests in NIO Holding were classified as mezzanine equity and are subsequently accreted to the redemption price using the agreed interest rate as a reduction of additional paid in capital (Note 22). With the redemption feature of the non-controlling interests, the Company is considered to effectively have 100% equity interest of NIO Holding as of September 30, 2021.

As of September 30, 2021, the Company held 51% of total paid-in capital of PE WHJV. In accordance with the joint investment agreement, the investment by Wuhan Donghu is accounted for as a loan because it is entitled to fixed interests and subject to repayment within five years or upon the financial covenant violation (Note 13(iv)). With the investment from Wuhan Donghu being accounted for as a loan, the Company is considered to effectively have 100% equity interest of PE WHJV as of September 30, 2021.

In accordance with the Article of Association of XPT NJWL, the Company has the power to control the board of directors of XPT NJWL to unilaterally govern the financial and operating policies of XPT NJWL and the non-controlling shareholder does not have substantive participating rights, therefore, the Group consolidates this entity.

Initial Public Offering

On September 12, 2018, the Company consummated its initial public offering (the "IPO") on the New York Stock Exchange, where 160,000,000 ordinary shares were newly issued with the total net proceeds of RMB6,568,291 (US\$956,362). Subsequently on October 12, 2018, over-allotment option were fully exercised and the Company received a net proceeds of RMB962,746 (US\$138,982) associated with issuing additional 24,000,000 ordinary shares.

Variable interest entities

NIO Technology Co., Ltd (“NIO SHTECH”) was established by Li Bin and Qin Lihong (the “Nominee Shareholders”) in November 2014. In 2015, NIO SH, NIO SHTECH, and the Nominee Shareholders of NIO SHTECH entered into a series of contractual agreements, including a loan agreement, an equity pledge agreement, an exclusive call option agreement and a power of attorney that irrevocably authorized the Nominee Shareholders designated by NIO SH to exercise the equity owner’s rights over NIO SHTECH. These agreements provided the Company, as the only shareholder of NIO SH, with effective control over NIO SHTECH to direct the activities that most significantly impact NIO SHTECH’s economic performance and enabled the Company to obtain substantially all of the economic benefits arising from NIO SHTECH. Management concluded that NIO SHTECH was a variable interest entity of the Company and the Company was the ultimate primary beneficiary of NIO SHTECH and hence consolidated the financial results of NIO SHTECH in the Group’s consolidated financial statements. In April 2018, the above mentioned contractual agreements were terminated. On the same day, NIO SHTECH became a subsidiary wholly owned by Shanghai Anbin Technology Co., Ltd. (“NIO ABTECH”) which was also established by the Nominee Shareholder. According to a series of contractual arrangements with the Nominee Shareholders of NIO ABTECH as well as NIO ABTECH, including a loan agreement, an equity pledge agreement, an exclusive call option agreement and a power of attorney that irrevocably authorized the Nominee Shareholders designated of NIO ABTECH by NIO SH to exercise the equity owner’s rights over NIO ABTECH. These agreements provided the Company, as the only shareholder of NIO SH, with effective control over NIO ABTECH to direct the activities that most significantly impact their economic performance and enabled the Company to obtain substantially all of the economic benefits arising from them. Management concluded that NIO ABTECH was a variable interest entity of the Company and the Company was the ultimate primary beneficiary of NIO ABTECH and hence consolidated the financial results of NIO ABTECH in the Group’s consolidated financial statements. On March 31, 2021, NIO SH, NIO ABTECH and each shareholder of NIO ABTECH entered into agreement to terminate all above mentioned contractual agreements among NIO SH, NIO ABTECH and its shareholders, after which, the Company no longer has effective control over NIO ABTECH, and deconsolidated the financial results of NIO ABTECH and its subsidiaries. The deconsolidation of NIO ABTECH and its subsidiaries did not have significant impact on the Company’s consolidated financial statements.

In April 2018, NIO SH entered into a series of contractual arrangements with the Nominee Shareholders as well as NIO BJTECH, including a loan agreement, an equity pledge agreement, an exclusive call option agreement and a power of attorney that irrevocably authorized the Nominee Shareholders designated by NIO SH to exercise the equity owner’s rights over NIO BJTECH. These agreements provide the Company, as the only shareholder of NIO SH, with effective control over NIO BJTECH to direct the activities that most significantly impact their economic performance and enable the Company to obtain substantially all of the economic benefits arising from NIO BJTECH. Management concluded that NIO BJTECH is a variable interest entity of the Company and the Company is the ultimate primary beneficiary of NIO BJTECH and hence consolidates the financial results of NIO BJTECH in the Group’s consolidated financial statements. As of December 31, 2020 and September 30, 2021, NIO BJTECH did not have significant operations, nor any material assets or liabilities.

In October 2014, Prime Hubs, a British Virgin Islands (“BVI”) incorporated company and a consolidated variable interest entity of the Group, was established by the shareholders of the Group to facilitate the adoption of the Company’s employee stock incentive plans on behalf of the Company. The Company entered into a management agreement with Prime Hubs and Li Bin. The agreement provides the Company with effective control over Prime Hubs and enables the Company to obtain substantially all of the economic benefits arising from Prime Hubs. As of December 31, 2020 and September 30, 2021, Prime Hubs held 4,250,002 Class A Ordinary Shares of the Company, respectively, other than which, Prime Hubs did not have any operations, nor any material assets or liabilities.

Liquidity and Going Concern

The Group’s consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

The Group has been incurring losses from operations since inception. The Group incurred net losses of RMB9.6 billion, RMB11.3 billion, RMB5.3 billion, RMB3.9 billion and RMB1.9 billion for the years ended December 31, 2018, 2019 and 2020 and nine months ended September 30, 2020 and 2021, respectively. Accumulated deficit amounted to RMB35.0 billion, RMB46.3 billion, RMB51.6 billion and RMB53.5 billion as of December 31, 2018, 2019 and 2020 and September 30, 2021, respectively.

As of September 30, 2021, the Group’s balance of cash and cash equivalents was RMB21.6 billion and the Group had net current assets of RMB27.7 billion. Management has evaluated the sufficiency of its working capital and concluded that the Group’s available cash and cash equivalents, short-term investments, cash generated from

operations will be sufficient to support its continuous operations and to meet its payment obligations when liabilities fall due within the next twelve months from the date of issuance of these consolidated financial statements. Accordingly, management continues to prepare the Group's consolidated financial statements on going concern basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). 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.

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"); and to cast majority of votes at the meeting of the Board or to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

A VIE is an entity in which the Company, or its subsidiary, through contractual arrangements, bears the risks of, and enjoys the rewards normally associated with, ownership of the entity, and therefore the Company or its subsidiary is the primary beneficiary of the entity.

All significant transactions and balances between the Company, its subsidiaries and the VIEs have been eliminated upon consolidation. The non-controlling interests in consolidated subsidiaries are shown separately in the consolidated financial statements.

(c) Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related disclosures of contingent assets and liabilities at the balance sheet date, and the reported revenue and expenses during the reported period in the consolidated financial statements and accompanying notes. Significant accounting estimates reflected in the Group's consolidated financial statements mainly include, but are not limited to, standalone selling price of each distinct performance obligation in revenue recognition, the valuation and recognition of share-based compensation arrangements, depreciable lives of property, equipment and software, assessment for impairment of long-lived assets, inventory valuation for excess and obsolete inventories, lower of cost and net realizable value of inventories, valuation of deferred tax assets, current expected credit loss of receivables, warranty liabilities as well as redemption value of the convertible redeemable preferred shares. Actual results could differ from those estimates.

(d) Functional currency and foreign currency translation

The Group's reporting currency is the Renminbi ("RMB"). The functional currency of the Company and its subsidiaries which are incorporated in HK is United States dollars ("US\$"), except NIO Sport which operates mainly in United Kingdom and uses Great Britain pounds ("GBP"). The functional currencies of the other subsidiaries and the VIEs are their respective local currencies. The determination of the respective functional currency is based on the criteria set out by ASC 830, *Foreign Currency Matters*.

Transactions denominated in currencies other than 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 foreign currency translation adjustments are presented as a component of accumulated other comprehensive loss in the consolidated statements of shareholders' equity. Total foreign currency translation adjustment (losses)/income were negative RMB20,786, negative RMB168,340, RMB137,596, RMB104,920 and RMB168,944 for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, respectively. The grant-date fair value of the Group's share-based compensation expenses is reported in US\$ as the respective valuation is conducted in US\$ and the shares are denominated in US\$.

(e) Convenience translation

Translations of balances in the consolidated balance sheets, consolidated statements of comprehensive loss and consolidated statements of cash flows from RMB into US\$ as of and for the nine months ended September 30, 2021 are solely for the convenience of the reader and were calculated at the rate of US\$1.00 = RMB6.4434, representing the noon buying rate in The City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York on September 30, 2021. No representation is made that the RMB amounts represent or could have been, or could be, converted, realized or settled into US\$ at that rate on September 30, 2021, or at any other rate.

(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.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 — Observable, market-based inputs, other than quoted prices, in active markets for identical assets or liabilities.

Level 3 — Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Group's certain short-term investments in money market funds and financial products issued by banks are carried at fair value, which are classified within Level 2 and valued using directly or indirectly observable inputs in the market place. As of December 31, 2018, 2019 and 2020 and September 30, 2021, such short-term investments amounted to RMB3,475,000, RMB111,000, RMB3,210,000 and RMB17,628,470, respectively.

As disclosed in Note 2(r), the Group's derivative instruments are carried at fair value, which are classified within Level 2 and valued using indirectly observable inputs in the market place.

As disclosed in Note 2(o), in July 2021, the Group made an investment in a private company, which is recognized as available-for-sale debt security investment and is classified within Level 3. As of September 30, 2021, there was no significant changes to the value of such investment since initial investment.

Financial assets and liabilities of the Group primarily consist of cash and cash equivalents, restricted cash, short-term investments, trade receivable, amounts due from related parties, deposits and other receivables, available-for-sale debt security investments, trade and notes payable, amounts due to related parties, other payables, short-term borrowings and long-term borrowings. As of December 31, 2018, 2019 and 2020 and September 30, 2021, the carrying values of these financial instruments are approximated to their fair values.

(g) Cash, cash equivalents and restricted cash

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 which is restricted to withdrawal for use or pledged as security is reported separately on the face of the consolidated balance sheets. The Group's restricted cash mainly represents (a) secured deposits held in designated bank accounts for borrowings and corporate bank credit cards, bank acceptance notes and letters of guarantee; and (b) time deposits that are pledged for property leases.

Cash, cash equivalents and restricted cash as reported in the consolidated statement of cash flows are presented separately on the Company's consolidated balance sheet as follows:

| | December 31, 2018 | December 31, 2019 | December 31, 2020 | September 30, 2021 |
|-------------------------------------|----------------------|----------------------|----------------------|-----------------------|
| Cash and cash equivalents | 3,133,847 | 862,839 | 38,425,541 | 21,594,871 |
| Restricted cash | 57,012 | 82,507 | 78,010 | 3,655,717 |
| Long-term restricted cash | 33,528 | 44,523 | 41,547 | 44,385 |
| Total | <u>3,224,387</u> | <u>989,869</u> | <u>38,545,098</u> | <u>25,294,973</u> |

(h) Short-term investments

Short-term investments consist primarily of investments in fixed deposits with maturities between three months and one year, which are stated at amortised cost and investments in money market funds and financial products issued by banks which are measured at fair value with changes in fair value reflected in the consolidated statements of comprehensive loss. As of December 31, 2018, 2019 and 2020 and September 30, 2021, the investment in fixed deposits that were recorded as short-term investments amounted to RMB5,154,703, RMB111,000, RMB3,950,747 and RMB21,706,448, respectively, among which, RMB1,775,000, RMB96,000, RMB2,873,398 and RMB5,707,964 were restricted as collateral for notes payable, bank borrowings and letters of guarantee as of December 31, 2018, 2019, 2020 and September 30, 2021, respectively.

(i) Allowance for doubtful accounts and expected credit losses

Prior to 2020, the Group provided an allowance against accounts receivable when there was doubt as to the collectability of individual balances. The Group wrote off accounts receivable when they were deemed uncollectible.

In 2016, the FASB issued ASU No. 2016-13, "Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASC Topic 326"), which amends previously issued guidance regarding the impairment of financial instruments by creating an impairment model that is based on expected losses rather than incurred losses. The Company adopted this ASC Topic 326 and several associated ASUs on January 1, 2020 using a modified retrospective approach with a cumulative effect recorded as increase of accumulated deficit with amount of RMB22,968. As of January 1, 2020, upon the adoption, the expected credit loss provision for the current and non-current assets were RMB118,851 and RMB12,899, respectively.

The Group's trade receivable, receivables of installment payments, deposits and other receivables are within the scope of ASC Topic 326. The Group has identified the relevant risk characteristics of its customers and the related receivables, prepayments, deposits and other receivables which include size, type of the services or the products the Group provides, or a combination of these characteristics. Receivables with similar risk characteristics have been grouped into pools. For each pool, the Group considers the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses. Other key factors that influence the expected credit loss analysis include customer demographics, payment terms offered in the normal course of business to customers, and industry-specific factors that could impact the Group's receivables. Additionally, external data and macroeconomic factors are also considered. This is assessed at each quarter based on the Group's specific facts and circumstances.

For the year ended December 31, 2020 and for the nine months ended September 30, 2021, the Company recorded RMB9,654 and RMB38,283, respectively, in expected credit loss provisions in selling, general and administrative expenses. As of December 31, 2020 and September 30, 2021, the expected credit loss reserve for current and non-current assets RMB64,676 and RMB99,315, respectively, with details as below.

Balance as at December 31, 2020:

| | <u>Original amount</u> | <u>Credit loss rate</u> | <u>Credit loss provision</u> |
|--------------------------------------|----------------------------|-----------------------------|----------------------------------|
| Current assets: | | | |
| Trade and notes receivable | 1,123,920 | 3.61% | 40,548 |
| Amounts due from related parties | 169,288 | – | – |
| Prepayments and other current assets | 1,422,403 | 0.29% | 4,097 |
| Non-current assets: | | | |
| Amounts due from related parties | 617 | – | – |
| Other non-current assets | 1,561,755 | 1.28% | 20,031 |

Balance as at September 30, 2021:

| | <u>Original amount</u> | <u>Credit loss rate</u> | <u>Credit loss provision</u> |
|--------------------------------------|----------------------------|-----------------------------|----------------------------------|
| Current assets: | | | |
| Trade and notes receivable | 3,322,076 | 1.33% | 44,165 |
| Amounts due from related parties | 1,048,656 | – | – |
| Prepayments and other current assets | 1,332,340 | 0.26% | 3,517 |
| Non-current assets: | | | |
| Other non-current assets | 4,813,221 | 1.07% | 51,633 |

(j) Trade Receivable and Allowance for Doubtful Accounts

Trade receivable primarily includes amounts of vehicle sales in relation of government subsidy to be collected from government on behalf of customers, auto financing receivables, current portion of battery installment and receivables due from vehicle users. The Company recorded a provision for current expected credit losses.

The following table summarizes the activity in the allowance for credit losses related to trade receivable for the year ended December 31, 2020 and nine months ended September 30, 2021:

| | <u>Allowance for credit losses</u> |
|----------------------------------|--|
| Balance as at December 31, 2019 | 85,824 |
| Adoption of ASC Topic 326 | 6,775 |
| Balance as at January 1, 2020 | 92,599 |
| Current period provision, net | 2,047 |
| Current period write-offs | (54,098) |
| Balance as at December 31, 2020 | 40,548 |
| Current period provision, net | 7,261 |
| Current period write-offs | (3,644) |
| Balance as at September 30, 2021 | 44,165 |

Allowance for trade receivable recognized for the years ended December 31, 2018 and 2019 were nil and RMB85,824, respectively.

(k) Inventory

Inventories are stated at the lower of cost or net realizable value. Cost is calculated on the average basis and includes all costs to acquire and other costs to bring the inventories to their present location and condition. 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 down. 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.

(l) Property, plant and equipment, net

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Property and equipment are depreciated at rates sufficient to write off their costs less impairment and residual value, if any, over their estimated useful lives on a straight-line basis. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the related assets.

The estimated useful lives are as follows:

| | Useful lives |
|---|--|
| Buildings and constructions | 20 years |
| Production facilities | 10 years |
| Batteries and charging & battery swap equipment | 5 to 8 years |
| R&D equipment | 5 years |
| Computer and electronic equipment | 3 years |
| Purchased software | 3 to 5 years |
| Leasehold improvements | Shorter of the estimated useful life or remaining lease term |
| Others | 3 to 5 years |

Depreciation for mold and tooling is computed using the units-of-production method whereby capitalized costs are amortized over the total estimated productive life of the related assets.

The cost of maintenance and repairs is expensed as incurred, whereas the cost of renewals and betterment that extends the useful lives of property, plant and equipment is capitalized as additions to the related assets. Interest expense on outstanding debt is capitalized during the period of significant capital asset construction. Capitalized interest on construction-in-progress is included within property, plant and equipment and is amortized over the life of the related assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from their respective accounts, and any gain or loss on such sale or disposal is reflected in the consolidated statements of comprehensive loss.

(m) Intangible assets, net

Intangible assets are carried at cost less accumulated amortization and impairment, if any. Intangible assets are amortized using the straight-line method over the estimated useful lives as below:

| | Useful lives |
|-----------------------------------|---------------------|
| Domain names and others | 5 years |
| License | 3 years |

The estimated useful lives of amortized intangible assets are reassessed if circumstances occur that indicate the original estimated useful lives have changed.

(n) Land use rights, net

Land use rights are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives which are 536 months representing the shorter of the estimated usage periods or the terms of the agreements.

(o) Long-term investments

The Group's long-term investments include equity investments in entities and available-for-sale debt security investments.

Investments in entities in which the Group can exercise significant influence and holds an investment in voting common stock or in-substance common stock (or both) of the investee but does not own a majority equity interest or control are accounted for using the equity method of accounting in accordance with ASC topic 323, *Investments — Equity Method and Joint Ventures* ("ASC 323"). Under the equity method, the Group initially records its investments at fair value. The Group subsequently adjusts the carrying amount of the investments to recognize the Group's proportionate share of each equity investee's net income or loss into earnings after the date of investment. The Group evaluates the equity method investments for impairment under ASC 323. An impairment loss on the equity method investments is recognized in earnings when the decline in value is determined to be other-than-temporary.

Equity securities without readily determinable fair values and over which the Group has neither significant influence nor control through investments in common stock or in-substance common stock are measured and recorded using a measurement alternative that measures the securities at cost minus impairment, if any, plus or minus changes resulting from qualifying changes in observable price changes.

The Group's debt security investment includes an investment in preferred shares issued by a private company with redemption features. Such investment is reported at estimated fair value with the aggregate unrealized gains and losses, net of tax, reflected in accumulated other comprehensive loss in the consolidated balance sheets. Gain or losses are realized when such investment is sold or when dividends are declared or payments are received or when other than temporarily impaired.

The Group monitors its investments for other-than-temporary impairment by considering factors including, but not limited to, current economic and market conditions, the operating performance of the companies including current earnings trends and other company-specific information. No impairment charge was recognized for the year ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021.

(p) Impairment of long-lived assets

Long-lived assets are evaluated for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying amount may not be fully recoverable or that the useful life is shorter than the Group had originally estimated. When these events occur, the Group evaluates the impairment by comparing carrying value of the assets to an estimate of future undiscounted cash flows expected to be generated from the use of the assets and their eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying value of the assets, the Group recognizes an impairment loss based on the excess of the carrying value of the assets over the fair value of the assets. Impairment charge recognized for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021 were nil, RMB75,278, RMB25,757, RMB25,757 and nil, respectively. Impairment charge of nil, nil, RMB20,853, nil and nil were written off against original amount upon the disposal of related long-lived assets for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021.

(q) Warranty liabilities

The Group accrues a warranty reserve for all new vehicles sold by the Group, which includes the Group's best estimate of the projected costs to repair or replace items under warranty. These estimates are based on actual claims incurred to date and an estimate of the nature, frequency and costs of future claims. These estimates are inherently uncertain given the Group's relatively short history of sales, and changes to the historical or projected warranty experience may cause material changes to the warranty reserve when the Group accumulates more actual data and experience 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 revenues in the consolidated statements of comprehensive loss.

The following table shows a reconciliation in the current reporting period related to carried-forward warranty liabilities.

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|--|---------------------------------|----------|----------|---|-----------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| Warranty — beginning of period | – | 177,293 | 412,004 | 412,004 | 952,946 |
| Provision for warranty | 179,766 | 283,647 | 582,069 | 345,971 | 776,368 |
| Warranty costs incurred | (2,473) | (48,936) | (41,127) | (31,613) | (51,447) |
| Warranty — end of period | 177,293 | 412,004 | 952,946 | 726,362 | 1,677,867 |

(r) Derivative Financial Instruments

Derivative instruments are carried at fair value, which generally represent the estimated amounts expect to receive or pay upon termination of the contracts as of the reporting date. Derivative financial instruments are not used for trading or speculative purposes.

The Group has entered into several currency exchange forward contracts with certain commercial banks in PRC to mitigate the risks of foreign exchange gain/loss generated from the Group's balances of cash and cash equivalents and short-term investments denominated in US dollars. As such instruments do not qualify for hedge accounting treatment, the Group records the changes in fair value of the derivatives in Other (loss)/income, net. For the nine months ended September 30, 2021, RMB117,610 of changes in fair value were recorded in Other (loss)/income, net.

(s) Revenue recognition

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

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

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

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

When either party to a contract has performed, the Group presents the contract in the 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 resulted from the multiple performance obligations identified in the vehicle sales contract and the sales of packages, which is recorded as deferred revenue and advance from customers. As of December 31, 2018, 2019 and 2020 and September 30, 2021, the balances of contract liabilities from vehicle sales contracts were RMB99,128, RMB491,014, RMB1,253,620 and RMB1,942,423, respectively. As of December 31, 2018, 2019 and 2020 and September 30, 2021, the balances of contract liabilities from the sales of packages were RMB32,226, RMB57,842, RMB91,486 and RMB136,261, respectively. As of December 31, 2018, 2019 and 2020 and September 30, 2021, the Company did not record any contract assets.

The Group generates revenue from (i) vehicle sales, (ii) battery upgrade service, (iii) sales of charging piles, (iv) sales of packages, (v) automotive regulatory credits, and (vi) others.

Vehicle sales

The Group generates revenue from sales of electric vehicles, together with a number of embedded products and services through a series of contracts. The Group identifies the users who purchase the vehicle as its customers. There are multiple distinct performance obligations explicitly stated in a series of contracts including sales of vehicles, home chargers, vehicle connectivity services, extended warranty and battery swapping service which are accounted for in accordance with ASC 606. The standard warranty provided by the Group is accounted for in accordance with ASC 460, Guarantees, and the estimated costs are recorded as a liability when NIO transfers the control of vehicle to a user.

Customers only pay the amount after deducting the government subsidies to which they are entitled for the purchase of electric vehicles. The government subsidies are applied and collected by the Group or Jianghuai Automobile Group Co., Ltd. ("JAC") from the government. The government subsidy is considered as a part of the transaction price it charges the customers for the electric vehicle, as the subsidy is granted to the buyer of the electric vehicle instead of the Group and the buyer remains liable for such amount to the Group in the event the subsidies were not received by the Group. The Group or JAC applies and collects the payment on behalf of the customers.

In the instance that some eligible customers select installment payment for battery or the auto financing program, the Group believes such arrangement contains a significant financing component and as a result adjusts the transaction price to reflect the impact of time value on the transaction price using an appropriate discount rate (i.e. the interest rates of the loan reflecting the credit risk of the borrower). Interest income resulting from a significant financing component is presented as other sales. Receivables related to the battery installment payment and auto financing programs that are expected to be repaid by customers beyond one year of the dates of the financial statements are recognized as non-current assets. 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 separately from revenue from contracts with customers.

The Group uses a cost plus margin approach to determine the estimated standalone selling price for each individual distinct performance obligation identified, considering the Group's pricing policies and practices, and the data utilized in making pricing decisions. The overall contract price is then allocated to each distinct performance obligation based on the relative estimated standalone selling price in accordance with ASC606. The revenue for vehicle sales and home chargers are recognized at a point in time when the control of the product is transferred to the customer. For the vehicle connectivity service and battery swapping service, the Group recognizes the revenue over time using a straight-line method for the estimated beneficial period. As for the extended warranty, given limited operating history and lack of historical data, the Group decides to recognize the revenue over time based on a straight-line method initially, and will continue monitoring the cost pattern periodically and adjust the revenue recognition pattern to reflect the actual cost pattern as it becomes available.

As the consideration for the vehicle and all embedded services are generally paid in advance, which means the payments received are prior to the transfer of goods or services by the Group, the Group records a contract liability (deferred revenue) for the allocated amount regarding those unperformed obligations.

Battery as a Service (BaaS)

The Battery as a Service (the “BaaS”), allows users to purchase electric vehicles without battery packs and subscribe for the usage of battery packs separately. In PRC, under the BaaS, the Group sells battery packs to Weineng, on a back-to-back basis when the Group sells the vehicle to the BaaS users and the BaaS users subscribe for the usage of the battery packs from Weineng by paying a monthly subscription fee to Weineng. The promise to transfer the control of the battery packs to Weineng is the only performance obligation in the contract with Weineng for the sales of battery packs. The Group recognizes revenue from the sales of battery packs to Weineng when the vehicles (together with the battery packs) are delivered to the BaaS users which is the point considered then the control of the battery packs is transferred to Weineng.

Together with the sales of the BaaS, the Group entered into service agreements with Weineng, pursuant to which the Group provides services to Weineng including battery packs monitoring, maintenance, upgrade, replacement, IT system support, etc., with monthly service charges. In case of any default in payment of monthly rental fees from users, Weineng also has right to request the Group to track and lock down the battery subscribed by the users to limit its usage. In addition, in furtherance of the BaaS, the Group agreed to provide guarantee to Weineng for the default in payment of monthly subscription fees from users. The maximum amount of guarantee that can be claimed by Weineng for the users’ payment default shall not be higher than the accumulated service fees the Group receives from Weineng.

For services provided to Weineng, revenue is recognized over the period when services are rendered. As for financial guarantee liabilities, the provision of guarantee is linked to and associated with services rendered to Weineng and the payment of guarantee amount is therefore accounted for as the reduction to the revenue from Weineng.

The fair value of the guarantee liabilities is determined by taking considerations of the default pattern of the Company’s existing battery installment programs provided to users. At each period end, the financial liabilities are remeasured with the corresponding changes recorded as the reduction to the revenue.

As of September 30, 2021, both service revenue and guarantee liability were immaterial.

Battery swapping service

The Group also provides battery swapping service to both BaaS users and non-BaaS users, which provides the users with convenient “recharging” experience by swapping the user’s battery for another one. The initial users can have their battery packs swapped certain times a month free of charges (i.e. monthly free-of-charge quota), as set forth in the vehicle sales contracts, or at certain charges each time after the monthly free-of-charge quota of swapping is consumed. The battery swapping service is in substance a charging service instead of non-monetary exchanges or sales of battery packs as the battery packs involved in such swapping are the same in capacity and very similar in performance. For performance obligation of the battery swapping service sold together with the vehicles, the Group recognizes the revenue over time using a straight-line method in the estimated beneficial. For battery swapping out of free-of-charge quota, the Group recognizes revenue at the amount of consideration paid by users for swapping.

Practical expedients and exemptions

The Group follows the guidance on immaterial promises when identifying performance obligations in the vehicle sales contracts and concludes that roadside assistance and out-of-town charging services are not performance obligations considering these two services are value-added services to enhance user experience rather than critical items for vehicle driving and forecasted that usage of these two 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 roadside assistance and out-of-town charging 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 obligations if they are immaterial in the context of the contract and the relative standalone fair value individually and in aggregate is less than 3% of the contract price, namely the road-side assistance and out-of-town charging services. Related costs are recognized as incurred.

Battery upgrade service

The Group provides battery upgrade service to both BaaS users and non-BaaS users. The users can exchange their battery packs with lower capacity for the battery packs with higher capacity from the Group with a fixed cash consideration. The battery upgrade service is in substance the provision of incremental battery capacity to the users instead of non-monetary battery exchanges or sales of battery pack. Therefore, under non-BaaS model, the revenue from the battery upgrade service is recognized at the amount of cash consideration paid by users at a point in time when the service is rendered. Under the BaaS model, since the ownership of originally installed battery belongs to Weineng, when a user requests battery upgrade, the Group actually upgrades the battery that belongs to Weineng and recognize revenue for the battery upgrade service at the amount paid by Weineng when upgrade service is rendered. BaaS users will further pay a higher monthly subscription fee to the Weineng for subscribing for the battery with higher capacity.

Sales of charging piles

In addition to the home chargers provided as one of the performance obligations in the contract of vehicle sales, the Group also sells charging piles to customers separately. Revenue for charging piles are recognized at a point in time when the control of the product is transferred to customers.

Sales of packages

The Group also sells the two packages, energy package and service package in exchange for cash considerations. The energy package includes battery charging and swapping services and service package includes repair and maintenance services.

The agreements for packages create legal enforceability to both parties on a monthly basis as the respective packages can be canceled at any time without any penalty. The Group concludes that each service provided in the energy or service package is a series and meets the stand-ready criteria and contains one performance obligation within each package. Therefore, each service provided in the energy or service package is recognized under the same pattern over time on a monthly basis as customer simultaneously receives and consumes the benefits provided and the term of legally enforceable contract is only one month.

As the consideration for packages are generally paid in advance, which means the payments received are prior to the transfer of services by the Group, the Group records the consideration as a contract liability (advance from customers) upon receipt.

Sales of Automotive Regulatory Credits

New Energy Vehicle (“NEV”) mandate policy launched by China’s Ministry of Industry and Information Technology (“MIIT”) specifies the NEV credit targets and as all of the Group’s products are NEVs, the Group is able to generate NEV credits above target. The credits earned per vehicle is dependent on various metrics such as vehicle driving range and battery energy efficiency, and is calculated based on the MIIT published formula. Excess positive NEV credits are tradable to other vehicle manufacturers through a credit management system established by the MIIT or separately negotiated basis. The Group sells these credits at agreed price to other vehicle manufacturers.

Considerations for automotive regulatory credits are typically received at the point control transfers to the customer, or in accordance with payment terms customary to the business. The Company recognize revenue on the sale of automotive regulatory credits at the time control of the regulatory credits is transferred to the purchasing party as other sales revenue in the consolidated statements of comprehensive loss. Revenue from the sale of automotive regulatory credits totaled nil, nil, RMB120,648, nil and RMB516,549 for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, respectively.

Others

Other revenues primarily comprise revenues generated from (i) sales of accessories, (ii) embedded products and services offered together with vehicle sales, including vehicle connectivity service and extended warranty, and (iii) others. Revenue is recognized when relevant services are rendered or control of the products is transferred.

Lease — Lessor

Revenues from finance leases are recognized using the effective yield method. Revenues from operating leases are recognized on a straight-line basis over the lease term.

Incentives

The Group offers a self-managed customer loyalty program points, which can be used in the Group's online store and at NIO houses to redeem NIO merchandise. The Group determines the value of each point based on estimated incremental cost. Customers and NIO fans and advocates have a variety of ways to obtain the points. The major accounting policy for its points program is described as follows:

(i) Sales of vehicle

The Group concludes the points offered linked to the purchase transaction of the vehicle is a material right and accordingly a separate performance obligation according to ASC 606, and should be taken into consideration when allocating the transaction price of the vehicle sales. The Group also estimates the probability of points redemption when performing the allocation. Since historical information does not yet exist for the Group to determine any potential points forfeitures and the fact that most merchandise can be redeemed without requiring a significant amount of points compared with the amount of points provided to users, 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 separate performance obligation is recorded as contract liability (deferred revenue) and revenue should be recognized when future goods or services are transferred. The Group will continue to monitor when and if forfeiture rate data becomes available and will apply and update the estimated forfeiture rate at each reporting period.

(ii) Sales of packages

Energy package — when the customers charge their vehicles without using the Group's charging network as tracked by the Group's system, the Group will grant points to the customers based on the quantity of electricity charged. The Group records the value of the points as a reduction of revenue from the energy package.

Service package — the Group grants points to the customers when the customers accumulate miles of safe driving during the service period of the service package. The Group records the value of the points as a reduction of revenue from the service package.

Since historical information is limited for the Group to determine any potential points forfeiture and most merchandise can be redeemed without requiring a significant amount of points compared with the amount of points provided to users, the Group has used an estimated forfeiture rate of zero.

(iii) Other scenarios

Customers or users of the mobile application can also obtain points through any other ways such as frequent sign-ins to the Group's mobile application, sharing articles from the application to users' own social media. The Group believes these points are to encourage user engagement and generate market awareness. As a result, the Group accounts for such points as selling and marketing expenses with a corresponding liability recorded under other current liabilities of its consolidated balance sheets upon the points offering. The Group estimates liabilities under the customer loyalty program based on cost of the NIO merchandise that can be redeemed, and its estimate of probability of redemption. At the time of redemption, the Group records a reduction of inventory and other current liabilities. In certain cases where merchandise is sold for cash in addition to points, the Group records other revenue.

Similar to the reasons above, the Group estimates no points forfeiture currently and continues to assess when and if a forfeiture rate should be applied.

For the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, the revenue portion allocated to the points as separate performance obligation was RMB47,310, RMB66,286, RMB162,485, RMB78,741 and RMB241,835, respectively, which is recorded as contract liability (deferred revenue). For the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, the total points recorded as a reduction of revenue were insignificant. For the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, the total points recorded as selling and marketing expenses were RMB153,057, RMB142,425, RMB78,229, RMB50,066 and RMB111,404, respectively.

As of December 31, 2018, 2019 and 2020 and September 30, 2021, liabilities recorded related to unredeemed points were RMB143,868, RMB178,666, RMB221,450 and RMB383,743, respectively.

(t) Cost of Sales

Vehicle

Cost of vehicle revenue includes parts and materials, processing fee, compensation to JAC, labor costs, manufacturing overhead (including depreciation of assets associated with the production), and reserves for estimated warranty expenses. Cost of vehicle revenue also includes reserves for estimated warranty expenses and charges to write-down the carrying value of the inventory when it exceeds its estimated net realizable value and to provide for on-hand inventory that is either obsolete or in excess of forecasted demand.

Service and Other

Cost of service and other revenue includes parts and materials, labor costs, vehicle connectivity costs, and depreciation of assets that are associated with sales of packages.

(u) Sales and marketing expenses

Sales and marketing expenses consist primarily of advertising expenses, marketing and promotional expenses, salaries and other compensation-related expenses to sales and marketing personnel. Advertising expenses consist primarily of costs for the promotion of corporate image and product marketing. The Group expenses all advertising costs as incurred and classifies these costs under sales and marketing expenses. For the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, advertising costs totalled RMB218,060, RMB230,061, RMB266,569, RMB180,757 and RMB304,106, respectively.

(v) Research and development expenses

Certain costs associated with developing internal-use software are capitalized when such costs are incurred within the application development stage of software development. Other than that, all costs associated with research and development (“R&D”) are expensed as incurred. R&D expenses are primary comprised of charges for R&D and consulting work performed by third parties; salaries, bonuses, share-based compensation, and benefits for those employees engaged in research, design and development activities; costs related to design tools; license expenses related to intellectual property, supplies and services; and allocated costs, including depreciation and amortization, rental fees, and utilities.

(w) General and administrative expenses

General and administrative expenses consist primarily of salaries, bonuses, share-based compensation and benefits for employees involved in general corporate functions and those not specifically dedicated to research and development activities, depreciation and amortization of fixed assets which are not used in research and development activities, legal and other professional services fees, rental and other general corporate related expenses.

(x) Employee benefits

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, 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 Group has no legal obligation for the benefits beyond the

contributions made. Total amounts of such employee benefit expenses, which were expensed as incurred, were approximately RMB517,787, RMB553,523, RMB366,223, RMB256,682 and RMB501,763 for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, respectively.

(y) Government grants

The Group's PRC based subsidiaries received government subsidies from certain local governments. The Group's government subsidies consisted of specific subsidies and other subsidies. Specific subsidies are subsidies that the local government has provided for a specific purpose, such as product development and renewal of production facilities. Other subsidies are the subsidies that the local government has not specified its purpose for and are not tied to future trends or performance of the Group; receipt of such subsidy income is not contingent upon any further actions or performance of the Group and the amounts do not have to be refunded under any circumstances. The Group recorded specific purpose subsidies as advances payable when received. For specific subsidies, upon government acceptance of the related project development or asset acquisition, the specific purpose subsidies are recognized to reduce related R&D expenses or the cost of asset acquisition. Other subsidies are recognized as other operating income upon receipt as further performance by the Group is not required.

(z) Income taxes

Current income taxes are recorded in accordance with the regulations of the relevant tax jurisdiction. The Group accounts for income taxes under the asset and liability method in accordance with ASC 740, *Income Tax*. Under this method, deferred tax assets and liabilities are recognized for the tax consequences attributable to differences between carrying amounts of existing assets and liabilities in the 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.

The Group records liabilities related to uncertain tax positions when, despite the Group's belief that the Group's tax return positions are supportable, the Group believes that it is more likely than not that those positions may not be fully sustained upon review by tax authorities. Accrued interest and penalties related to unrecognized tax benefits are classified as income tax expense. The Group did not recognize uncertain tax positions as of December 31, 2018, 2019 and 2020, and September 30, 2021.

(aa) Share-based compensation

The Company grants restricted shares and share options to eligible employees and non-employee consultants and accounts for share-based compensation in accordance with ASC 718, *Compensation — Stock Compensation* and ASC 505-50 *Equity-Based Payments to Non-Employees*. There were no new grants to non-employee consultants after the effectiveness of ASU 2018-07 — *Compensation — stock compensation (Topic 718) — Improvements to non-employee share-based payment accounting*.

Employees' share-based compensation awards are measured at the grant date fair value of the awards and recognized as expenses a) immediately at the grant date if no vesting conditions are required; or b) for share options or restricted shares granted with only service conditions, using the straight-line vesting method, net of estimated forfeitures, over the vesting period; or c) for share options granted with service conditions and the occurrence of an IPO as performance condition, cumulative share-based compensation expenses for the options that have satisfied the service condition should be recorded upon the completion of the IPO, using the graded vesting method. This performance condition was met upon completion of the Company's IPO on September 12, 2018 and the associated share-based compensation expense for awards vested as of that date were recognized; or d) for share options where the underlying share is liability within the scope of ASC 480, using the graded vesting method, net of estimated forfeitures, over the vesting period, and re-measuring the fair value of the award at each reporting period end until the award is settled.

All transactions in which goods or services are received in exchange for equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

Share-based compensation expenses for share options and restricted shares granted to non-employees are measured at fair value at the earlier of the performance commitment date or the date service is completed, and recognized over the period during which the service is provided. The Group applies the guidance in ASC 505-50 to measure share options and restricted shares granted to non-employees based on the then-current fair value at each reporting date.

Before the completion of the Company's IPO, the fair value of the restricted shares was assessed using the income approaches/market approaches, 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 required 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. Upon the completion of the IPO, the fair value of the restricted shares is based on the fair market value of the underlying ordinary shares on the date of grant. In addition, the binomial option-pricing model is used to measure the value of share options. The determination of the fair value is affected by the fair value of the ordinary shares as well as assumptions including the expected share price volatility, actual and projected employee and non-employee share option exercise behavior, risk-free interest rates and expected dividends. The fair value of these awards was determined taking into account independent valuation advice.

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.

For the restricted shares granted by the Company's subsidiaries to the employees, determination of estimated fair value of the Company's subsidiary before it was publicly listed requires complex and subjective judgments due to its limited financial and operating history, unique business risks and limited public information on companies in China similar to the Company's subsidiary. The Company estimates its subsidiaries' enterprise value for purposes of recording share-based compensation, and the information considered by the Company mainly include but are not limited to the pricing of recent rounds of financing, future cash flow forecasts, discount rates, and liquidity factors.

Forfeitures are estimated at the time of grant and revised in subsequent periods if actual forfeitures differ from those estimates. The Group uses historical data to estimate pre-vesting options and records share-based compensation expenses only for those awards that are expected to vest.

(ab) Comprehensive income/(loss)

The Group applies ASC 220, *Comprehensive Income*, with respect to reporting and presentation of comprehensive income/(loss) and its components in a full set of financial statements. Comprehensive income/(loss) is defined to include all changes in equity of the Group during a period arising from transactions and other event 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/(loss), which mainly consists of the foreign currency translation adjustment that have been excluded from the determination of net loss.

(ac) Leases

Prior to 2019, the Group accounted for leases under ASC 840, Leases. As the lessee, a lease was a capital lease if any of the following conditions existed: a) ownership was transferred to the lessee by the end of the lease term, b) there was a bargain purchase option, c) the lease term was at least 75% of the property's estimated remaining economic life, or d) the present value of the minimum lease payments at the beginning of the lease term was 90% or more of the fair value of the leased property to the lessor at the inception date. A capital lease was accounted for as if there was an acquisition of an asset and an incurrence of an obligation at the inception of the lease. All other leases were accounted for as operating leases wherein rental payments were expensed as incurred. Payments made under operating lease to the lessors were charged to the consolidated statement of comprehensive loss on a straight-line basis over the lease period.

In February 2016, the FASB issued ASU No. 2016-02 ("ASC 842"), Leases, to require lessees to recognize all leases, with certain exceptions, on the balance sheet, while recognition on the statement of operations will remain similar to current lease accounting. 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. This standard is effective for interim and annual periods beginning after December 15, 2018, with early adoption permitted. The

Group adopted ASC 842 as of January 1, 2019 using the additional transition method (“adoption of the new lease standard”). In addition, 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. Accordingly, previously reported financial statements, including footnote disclosures, have not been recast to reflect the application of the new standard to all comparative periods presented. The finance lease classification under ASC 842 includes leases previously classified as capital leases under ASC 840.

Operating lease assets are included within right-of-use assets — operating lease, and the corresponding operating lease liabilities are included within operating lease liabilities on the consolidated balance sheet as of December 31, 2019. Finance lease assets are included within other non-current assets, and the corresponding finance lease liabilities are included within accruals and other liabilities for the current portion, and within other non-current liabilities on the Group’s consolidated balance sheet as of December 31, 2019.

Adoption of the new lease standard on January 1, 2019 had a material impact on the consolidated financial statements. The most significant impacts related to the 1) recognition of right-of-use assets of RMB2,023.8 million and lease liabilities of RMB2,102.2 million for operating leases on the consolidated balance sheet; 2) recognition of right-of-use assets of RMB5.6 million and lease liabilities of RMB7.7 million for finance leases on the consolidated balance sheet.

There was no impact to accumulated deficit at adoption.

The cumulative effect of the changes made to the Group’s consolidated balance sheet as of January 1, 2019 for the adoption of the new lease standard was as follows (in thousands):

| | Balances at December 31, 2018 | Adjustments from Adoption of New Lease Standard | Balances at January 1, 2019 |
|--|--|--|--|
| Assets | | | |
| Prepayments and other current assets | 1,514,257 | (90,074) | 1,424,183 |
| Property, plant and equipment, net | 4,853,157 | (5,563) | 4,847,594 |
| Right-of-use assets — operating lease | – | 2,023,785 | 2,023,785 |
| Other non-current assets | – | 5,563 | 5,563 |
| Liabilities | | | |
| Current portion of operating lease liabilities | – | 510,295 | 510,295 |
| Accruals and other liabilities | 3,383,681 | (37,137) | 3,346,544 |
| Non-current operating lease liabilities | – | 1,591,865 | 1,591,865 |
| Other non-current liabilities | 930,812 | (131,312) | 799,500 |

As the lessee, the Group recognizes in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, the Group makes an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities and recognizes lease expenses for such lease generally on a straight-line basis over the lease term. Operating lease assets are included within right-of-use assets — operating lease, and the corresponding operating lease liabilities are included within operating lease liabilities on the consolidated balance sheets as of December 31, 2019, 2020 and September 30, 2021. Finance lease assets are included within other non-current assets, and the corresponding finance lease liabilities are included within accruals and other liabilities for the current portion, and within other non-current liabilities on the Group’s consolidated balance sheets as of December 31, 2019, 2020 and September 30, 2021.

(ad) Dividends

Dividends are recognized when declared. No dividends were declared for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021.

(ae) Earnings/(Loss) per share

Basic earnings/(loss) per share is computed by dividing net income/(loss) attributable to holders of ordinary shares, considering the accretions to redemption value of the preferred shares, by the weighted average number of ordinary shares outstanding during the period using the two-class method. Under the two-class method, net income is allocated between ordinary shares and other participating securities based on their participating rights. Diluted earnings/(loss) per share is calculated by dividing net income/(loss) attributable to ordinary shareholders, as adjusted for the accretion and allocation of net income related to the preferred shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of shares issuable upon the conversion of the preferred shares using the if-converted method, unvested restricted shares, restricted share units and ordinary shares issuable upon the exercise of outstanding share options (using the treasury stock method). Ordinary equivalent shares are not included in the denominator of the diluted earnings per share calculation when inclusion of such shares would be anti-dilutive.

(af) Segment reporting

ASC 280, *Segment Reporting*, establishes standards for companies to report in their financial statements information about operating segments, products, services, geographic areas, and major customers.

Based on the criteria established by ASC 280, the Group's chief operating decision maker ("CODM") has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reporting. As the Group's long-lived assets are substantially located in the PRC, no geographical segments are presented.

3. RECENT ACCOUNTING PRONOUNCEMENTS**(a) Recently adopted accounting pronouncements**

In December 2019, the FASB issued ASU 2019-12 — Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This ASU provides an exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. This update also (1) requires an entity to recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax, (2) requires an entity to evaluate when a step-up in the tax basis of goodwill should be considered part of the business combination in which goodwill was originally recognized for accounting purposes and when it should be considered a separate transaction, and (3) requires that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The Company adopted ASU No. 2019-12 from January 1, 2021, which did not have a material impact on the Company's consolidated financial statements.

In January 2020, the FASB issued Accounting Standards Update No. 2020-01, Investments — Equity Securities (Topic 321), Investments — Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815. The amendments clarified that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The amendments also clarified that for the purpose of applying paragraph 815-10-15-141(a) an entity should not consider whether, upon the settlement of the forward contract or exercise of the purchased option, individually or with existing investments, the underlying securities would be accounted for under the equity method in Topic 323 or the fair value option in accordance with the financial instruments guidance in Topic 825. An entity also would evaluate the remaining characteristics in paragraph 815-10-15-141 to determine the accounting for those forward contracts and purchased options. The Company adopted ASU No. 2020-01 from January 1, 2021, which did not have a material impact on the Company's consolidated financial statements.

In August 2020, the FASB issued a new accounting update relating to convertible instruments and contracts in an entity's own equity. For convertible instruments, the accounting update reduces the number of accounting models for convertible debt instruments and convertible preferred stock. Limiting the accounting models results in fewer embedded conversion features being separately recognized from the host contract as compared with current U.S. GAAP. The accounting update amends the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions. The accounting update also simplifies the diluted earnings per share calculation in certain areas. For public business entities, the update is effective for fiscal

years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. Entities are allowed to apply this update on either a full or modified retrospective basis. The Company has early adopted this new accounting update on a modified retrospective basis from January 1, 2021 and reported the 2026 Notes as one single unit of account of long-term borrowings on the balance sheet.

In May 2021, the FASB issued ASU No. 2021-04, Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options. The ASU addresses the previous lack of specific guidance in the accounting standards codification related to modifications or exchanges of freestanding equity-classified written call options by specifying the accounting for various modification scenarios. The ASU is effective for interim and annual periods beginning after December 15, 2021, with early adoption permitted for any periods after issuance to be applied as of the beginning of the fiscal year that includes the interim period. The Company has early adopted the ASU during 2021 as of the beginning of our fiscal year, which did not have a material impact on the Group's consolidated financial statements.

(b) Recently issued accounting pronouncements not yet adopted

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting", which provides optional expedients and exceptions for applying U.S. GAAP on contract modifications and hedge accounting to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. These optional expedients and exceptions provided in ASU 2020-04 are effective for the Company as of March 12, 2020 through December 31, 2022. The Company will evaluate transactions or contract modifications occurring as a result of reference rate reform and determine whether to apply the optional guidance on an ongoing basis. The ASU is currently not expected to have a material impact on the Group's consolidated financial statements.

4. CONCENTRATION AND RISKS

(a) Concentration of credit risk

Assets that potentially subject the Group to significant concentrations of credit risk primarily consist of cash and cash equivalents, restricted cash, short-term investment, trade receivable, amount due from related parties, deposits and other receivables. The maximum exposure of such assets to credit risk is their carrying amounts as of the balance sheet dates. As of December 31, 2018, 2019 and 2020, all of the Group's cash and cash equivalents, restricted cash and short-term investments were held by major financial institutions located in the PRC and Hong Kong which management believes are of high credit quality. The PRC does not have an official deposit insurance program, nor does it have an agency similar to the Federal Deposit Insurance Corporation (FDIC) in the United States. However, the Group believes that the risk of failure of any of these PRC banks is remote. Bank failure is uncommon in China and the Group believes that those Chinese banks that hold the Group's cash and cash equivalents and restricted cash are financially sound based on publicly available information.

(b) Currency convertibility risk

The PRC government imposes controls on the convertibility of RMB into foreign currencies. The Group's cash and cash equivalents and restricted cash denominated in RMB that are subject to such government controls amounted to RMB2,051,482, RMB829,175, RMB6,219,252 and RMB12,027,125 as of December 31, 2018, 2019 and 2020 and September 30, 2021, respectively. The value of RMB is subject to changes in the central government policies and to international economic and political developments affecting supply and demand in the PRC foreign exchange trading system market. In the PRC, certain foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China (the "PBOC"). Remittances in currencies other than RMB by the Group in the PRC must be processed through PBOC or other Chinese foreign exchange regulatory bodies which require certain supporting documentation in order to process the remittance.

(c) Foreign currency exchange rate risk

Since July 21, 2005, the RMB has been permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. While the international reaction to the RMB appreciation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the RMB against other currencies.

(d) Concentration of customers and suppliers

The following tables summarized the customer with greater than 10% of the total revenue and account receivables:

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|--|---------------------------------|------------------------------|------------------------------|---|------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | (Unaudited) | | | | |
| Percentage of the total revenue | | | | | |
| Customer A | * | * | * | * | 11% |
| | <u>December 31, 2018</u> | <u>December 31, 2019</u> | <u>December 31, 2020</u> | <u>September 30, 2021</u> | |
| Percentage of the account receivables | | | | | |
| Customer A | * | * | * | * | 23% |

* Less than 10%

Supplier A, a third party of the Group, accounted for 14%, 13%, 16%, 16% and 21% of purchases for the years ended December 31, 2018, 2019 and 2020, and for the nine months ended September 30, 2020 and 2021, respectively.

5. INVENTORY

Inventory consists of the following:

| | December 31, 2018 | December 31, 2019 | December 31, 2020 | September 30, 2021 |
|-------------------------|----------------------|----------------------|----------------------|-----------------------|
| Raw materials | 696,005 | 510,990 | 579,842 | 965,624 |
| Work in process | 6,727 | 1,862 | 2,995 | 5,160 |
| Finished goods | 723,591 | 291,116 | 381,387 | 528,957 |
| Merchandise | 38,916 | 95,987 | 121,978 | 205,394 |
| Less: write-downs | — | (10,427) | (4,649) | (2,130) |
| Total | <u>1,465,239</u> | <u>889,528</u> | <u>1,081,553</u> | <u>1,703,005</u> |

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

Finished goods include vehicles ready for transit at production factory, vehicles in transit to fulfill customer orders, new vehicles available for immediate sale at the Group's sales and service center locations and charging piles.

Merchandise includes accessories and branded merchandise which can be redeemed by customer loyalty program.

Inventory write-downs recognized in cost of sales for the years ended December 31, 2018 and 2019, 2020, and the nine months ended September 30, 2020 and 2021 were nil, RMB10,427, RMB5,803, RMB2,186 and nil, respectively.

6. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets consist of the following:

| | December 31, 2018 | December 31, 2019 | December 31, 2020 | September 30, 2021 |
|--|----------------------|----------------------|----------------------|-----------------------|
| Deductible VAT input | 1,018,766 | 1,253,617 | 943,577 | 727,319 |
| Prepayment to vendors | 333,367 | 88,900 | 83,792 | 184,535 |
| Interest receivable | 30,957 | 215 | 14,046 | 101,594 |
| Deposits | 23,321 | 73,271 | 45,891 | 69,511 |
| Receivables from JAC | – | 78,132 | 121,012 | 58,150 |
| Receivables from third party online payment service providers | 31,353 | 47,592 | 69,009 | 49,321 |
| Others | 76,493 | 60,166 | 145,076 | 141,910 |
| Less: Allowance for doubtful accounts .. | – | (22,635) | – | – |
| Total | <u>1,514,257</u> | <u>1,579,258</u> | <u>1,422,403</u> | <u>1,332,340</u> |

Receivables from JAC mainly consist of national subsidy applied and collected by JAC on behalf of the Group's customers.

In March 2021, the Group entered into several currency exchange forward contracts with certain commercial banks in PRC. Pursuant to these contracts, the Group agreed to sell US dollars to the banks in exchange for Renminbi at pre-arranged fixed foreign exchange rates on specific future dates with no upfront payments to mitigate the risks of foreign exchange gain/ loss generated from the Group's balances of cash and cash equivalents and short-term investments denominated in US dollars.

The following table summarizes the activity in the allowance for credit losses related to prepayments and other current assets for the year ended December 31, 2020 and nine months ended September 30, 2021:

| | <u>Allowance for credit losses</u> |
|--|--|
| Balance as at December 31, 2019 | <u>22,635</u> |
| Adoption of ASC Topic 326 | 3,617 |
| Balance as at January 1, 2020 | 26,252 |
| Current period provision, net | 475 |
| Current period write-offs | <u>(22,630)</u> |
| Balance as at December 31, 2020 | <u>4,097</u> |
| Current period reversal, net | (580) |
| Balance as at September 30, 2021 | <u>3,517</u> |

Allowance for the prepayments and other current assets recognized for the years ended December 31, 2018 and 2019 were nil and RMB22,635, respectively.

7. PROPERTY, PLANT AND EQUIPMENT, NET

Property and equipment and related accumulated depreciation were as follows:

| | December 31, 2018 | December 31, 2019 | December 31, 2020 | September 30, 2021 |
|---|----------------------|----------------------|----------------------|-----------------------|
| Mold and tooling | 1,032,685 | 1,898,975 | 2,411,164 | 2,361,399 |
| Charging & battery swap equipment | 470,506 | 608,919 | 721,583 | 1,698,730 |
| Leasehold improvements | 653,298 | 1,025,570 | 997,191 | 1,337,389 |
| Buildings and constructions | 481,121 | 828,958 | 862,603 | 871,187 |
| Construction in process | 1,289,611 | 475,977 | 177,457 | 829,359 |
| Production facilities | 456,569 | 869,819 | 787,039 | 760,319 |
| Computer and electronic equipment | 393,931 | 428,028 | 372,956 | 506,299 |
| R&D equipment | 320,362 | 400,461 | 432,781 | 490,527 |
| Purchased software | 286,034 | 341,379 | 409,445 | 434,186 |
| Others | 146,869 | 279,233 | 374,219 | 408,723 |
| Subtotal | 5,530,986 | 7,157,319 | 7,546,438 | 9,698,118 |
| Less: Accumulated depreciation | (677,829) | (1,548,977) | (2,470,028) | (3,585,788) |
| Less: Accumulated impairment | - | (75,278) | (80,182) | (79,827) |
| Total property, plant and equipment, net .. | <u>4,853,157</u> | <u>5,533,064</u> | <u>4,996,228</u> | <u>6,032,503</u> |

The Group recorded depreciation expenses of RMB469,408, RMB993,070, RMB1,041,011, RMB760,614 and RMB1,141,287 for the years ended December 31, 2018, 2019 and 2020 and nine months ended September 30, 2020 and 2021, respectively.

8. INTANGIBLE ASSETS, NET

Intangible assets and related accumulated amortization were as follows:

| | December 31, 2018 | | | December 31, 2019 | | | December 31, 2020 | | | September 30, 2021 | | |
|------------------------------------|----------------------|--------------------------|--------------------|----------------------|--------------------------|--------------------|----------------------|--------------------------|--------------------|----------------------|--------------------------|--------------------|
| | Gross carrying value | Accumulated amortization | Net carrying value | Gross carrying value | Accumulated amortization | Net carrying value | Gross carrying value | Accumulated amortization | Net carrying value | Gross carrying value | Accumulated amortization | Net carrying value |
| Domain names and others | 5,269 | (1,974) | 3,295 | 4,342 | (2,820) | 1,522 | 4,071 | (3,458) | 613 | 4,048 | (4,045) | 3 |
| License | 3,161 | (2,986) | 175 | - | - | - | - | - | - | - | - | - |
| Total intangible assets, net | <u>8,430</u> | <u>(4,960)</u> | <u>3,470</u> | <u>4,342</u> | <u>(2,820)</u> | <u>1,522</u> | <u>4,071</u> | <u>(3,458)</u> | <u>613</u> | <u>4,048</u> | <u>(4,045)</u> | <u>3</u> |

The Group recorded amortization expenses of RMB1,988, RMB1,021, RMB638, RMB571 and RMB587 for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, respectively.

9. LAND USE RIGHTS, NET

Land use rights and related accumulated amortization were as follows:

| | December 31, 2018 | December 31, 2019 | December 31, 2020 | September 30, 2021 |
|--|----------------------|----------------------|----------------------|-----------------------|
| Land use rights | 216,489 | 216,489 | 216,489 | 216,489 |
| Less: Accumulated amortization—land use rights | (2,827) | (7,674) | (12,521) | (16,156) |
| Total land use rights, net | <u>213,662</u> | <u>208,815</u> | <u>203,968</u> | <u>200,333</u> |

In June 2018, XPT NJEP entered into an agreement to purchase land use rights for usage of land to build a factory for manufacturing of e-powertrain for the Group.

The Group recorded amortization expenses for land use rights of RMB2,827, RMB4,847, RMB4,847, RMB3,635 and RMB3,635 for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, respectively.

10. LONG-TERM INVESTMENTS

The Company's long-term investments consisted of the following:

| | <u>December 31, 2018</u> | <u>December 31, 2019</u> | <u>December 31, 2020</u> | <u>September 30, 2021</u> |
|--|------------------------------|------------------------------|------------------------------|-------------------------------|
| Equity investments: | | | | |
| Equity method investments | 148,303 | 115,325 | 294,679 | 514,766 |
| Equity securities without readily determinable fair value | – | – | 5,442 | 143,209 |
| Debt investments: | | | | |
| Available for sale debt securities | – | – | – | 650,000 |
| Total | <u>148,303</u> | <u>115,325</u> | <u>300,121</u> | <u>1,307,975</u> |

In August 2020, the Company and three other third party investors entered into an investment agreement to establish Wuhan Weineng Battery Asset Co., Ltd. (“Weineng”). The Company invested RMB200 million in Weineng and held 25% of Weineng's equity interests. In December 2020, Weineng entered into an agreement with the other third-party investors for a total additional investment of RMB640 million by those investors. In Q3 2021, the Company further invested RMB270 million in Weineng by subscribing shares newly issued by Weineng and upon the consummation of the investment, the Company owns approximately 19.84% of the equity interests in Weineng. The Group, as one of the largest shareholders of Weineng, is entitled to appoint one out of nine directors in Weineng's board of directors and can exercise significant influence over investees through participation and voting right in the board. Therefore, the investment in Weineng is accounted for using the equity method of accounting.

In 2021 Q3, pursuant to a definitive agreement with JAC, JAC and the Company established an entity named Jianglai Advanced Manufacturing Technology (Anhui) Co., Ltd. (“Jianglai”) with a registered capital of RMB500 million where the Company holds 49% equity interests. The Company takes two out of five board of directors in Jianglai. The Company can exercise significant influence over investees through participation and voting right in the board of Jianglai and equity method accounting is applied for this investment. As of September 30, 2021, the Company has invested RMB9.8 million in Jianglai and the profit/loss of Jianglai shared by the Company was insignificant for Q3 2021.

In July 2021, together with several unrelated investors, established a fund in the form of limited partnership investment with total capital contribution of RMB650 million, among which the Group contributed RMB550 million. In accordance with ASC 810, the Group consolidated the financial statements of the fund and the investment provided by the Group is eliminated in consolidation with the investment provided by other investors with amount of RMB100 million being classified as non-controlling interest. The fund purchased a minority interest of a private company with total consideration of RMB650 million. Since the investment contains certain substantive preferential rights, including redemption and liquidation preference over the common shareholders, it is not considered as common stock or in-substance common stock. The investment is therefore classified as available-for-sale debt investment and is measured at its fair value with the change of fair value recognized as other comprehensive income. For the nine months period ended September 30, 2021, the changes in the fair value of such investment was not material.

No impairment charge was recognized for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021.

11. OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

| | December 31, 2018 | December 31, 2019 | December 31, 2020 | September 30, 2021 |
|---|----------------------|----------------------|----------------------|-----------------------|
| Auto financing receivables | – | – | – | 2,324,879 |
| Non-current portion of national subsidy receivable | – | – | 651,006 | 1,179,931 |
| Long-term deposits | 616,199 | 848,655 | 128,355 | 600,364 |
| Receivables of installment payments for battery | 574,677 | 657,698 | 637,402 | 455,930 |
| Prepayments for purchase of property and equipment | 159,341 | 17,603 | 15,072 | 164,880 |
| Right-of-use assets — finance lease | – | 155,051 | 95,887 | 69,946 |
| Others | 62,613 | 74,093 | 34,033 | 17,291 |
| Total | <u>1,412,830</u> | <u>1,753,100</u> | <u>1,561,755</u> | <u>4,813,221</u> |

Long-term deposit mainly consists of deposits to vendors for guarantee of production capacity as well as rental deposit which will not be collectible within one year.

The following table summarizes the activity in the allowance for credit losses related to other non-current assets for the year ended December 31, 2020 and nine months ended September 30, 2021:

| | Allowance for credit losses |
|--|--|
| Balance as at December 31, 2019 | <u>323</u> |
| Adoption of ASC Topic 326 | 12,576 |
| Balance as at January 1, 2020 | 12,899 |
| Current period provision, net | <u>7,132</u> |
| Balance as at December 31, 2020 | <u>20,031</u> |
| Current period provision, net | 31,602 |
| Balance as at September 30, 2021 | <u>51,633</u> |

Allowance for the other non-current assets recognized for the years ended December 31, 2018 and 2019 were nil and RMB323, respectively.

12. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities consist of the following:

| | December 31, 2018 | December 31, 2019 | December 31, 2020 | September 30, 2021 |
|--|----------------------|----------------------|----------------------|-----------------------|
| Payables for repurchase of redeemable non-controlling interests (<i>Note 22</i>) | – | – | – | 2,000,000 |
| Payables for purchase of property and equipment | 1,027,377 | 1,121,715 | 715,561 | 881,407 |
| Payables for marketing events | 423,953 | 436,610 | 596,110 | 777,330 |
| Salaries and benefits payable | 402,163 | 344,922 | 494,726 | 724,796 |
| Current portion of deferred revenue | 108,250 | 189,172 | 383,430 | 618,122 |
| Payable for R&D expenses | 437,731 | 694,081 | 402,777 | 553,275 |
| Advance from customers | 233,767 | 297,096 | 620,907 | 508,892 |
| Warranty liabilities | 46,574 | 120,161 | 297,446 | 466,844 |
| Accrued expenses | 308,486 | 246,121 | 273,676 | 337,146 |
| Current portion of deferred construction allowance | 87,330 | 84,495 | 60,695 | 43,658 |
| Interest payables | 2,584 | 105,940 | 98,462 | 31,095 |
| Current portion of finance lease liabilities | – | 40,334 | 33,237 | 27,541 |
| Payables for traveling expenses of employees | 43,147 | 17,685 | 18,672 | 15,838 |
| Payable to employees for options exercised | – | – | 278,209 | 1,708 |
| Investment deposit from investors | 47,124 | 154,643 | – | – |
| Other payables | 215,195 | 363,666 | 330,116 | 303,154 |
| Total | <u>3,383,681</u> | <u>4,216,641</u> | <u>4,604,024</u> | <u>7,290,806</u> |

13. BORROWINGS

Borrowings consist of the following:

| | December 31, 2018 | December 31, 2019 | December 31, 2020 | September 30, 2021 |
|--|----------------------|----------------------|----------------------|-----------------------|
| Short-term borrowings: | | | | |
| Bank loan (i) | 1,870,000 | 188,000 | 1,550,000 | 5,310,000 |
| Convertible notes (ii) | – | 697,620 | – | 1,071,345 |
| Current portion of long-term bank loan (iii) | 198,852 | 322,436 | 380,560 | 39,840 |
| Current portion of loan from joint investor (iv) | – | – | – | 451,592 |
| Long-term borrowings: | | | | |
| Bank loan (iii) | 766,592 | 950,154 | 303,822 | 52,220 |
| Convertible notes (ii) | – | 5,784,984 | 5,196,507 | 9,774,392 |
| Loan from joint investor (iv) | 401,420 | 419,660 | 437,950 | – |
| Total | <u>3,236,864</u> | <u>8,362,854</u> | <u>7,868,839</u> | <u>16,699,389</u> |

(i) Short-term bank loan

As of December 31, 2018, the Group obtained short-term borrowings from ten banks of RMB1,870,000 in aggregate collateralized by bank deposit of RMB1,375,000 classified as short-term investment provided by one of the Group's wholly-owned subsidiaries. The annual interest rate of these borrowings is approximately 4.35% to 5.22%.

As of December 31, 2019, the Group obtained short-term borrowings from several banks of RMB128,000 in aggregate and bank acceptance of RMB60,000. The annual interest rate of these borrowings is approximately 3.45% to 4.87%.

As of December 31, 2020, the Group obtained short-term borrowings from several banks of RMB1,550,000 in aggregate. The annual interest rate of these borrowings is approximately 3.3% to 4.85%.

As of September 30, 2021, the Group obtained short-term borrowings from several banks of RMB5,310,000 in aggregate. The annual interest rate of these borrowings is approximately 2.95% to 4.45%.

The short-term borrowings contain covenants including, among others, limitation on liens, consolidation, merger, sale of the Company's assets and certain financial measures. The Company is in compliance with all of the loan covenants as of December 31, 2018, 2019, 2020 and September 30, 2021. As of December 31, 2018, 2019 and 2020 and September 30, 2021, certain of the Group's short-term borrowings were guaranteed by the Group's subsidiaries or pledged with trade receivable of nil, nil, RMB49,800 and RMB440,159, short-term investments of RMB175,000, nil, RMB155,498 and RMB563,978, and restricted cash of nil, RMB60,000, nil and RMB1,138,188, respectively.

(ii) Convertible notes

On January 30, 2019, the Group issued US\$650,000 convertible senior notes and additional US\$100,000 senior notes (collectively the "2024 Notes") to the notes purchasers (the "Notes Offering"). The 2024 Notes bears interest at a rate of 4.50% per year, payable semi-annually in arrears on February 1 and August 1 of each year, beginning on August 1, 2019. The 2024 Notes is convertible into the Company's American Depositary Shares at the pre-agreed fixed conversion price at the discretion of the holders and will mature for repayment on February 1, 2024. Holders of the 2024 Notes are entitled to require the Company to repurchase all or part of the 2024 Notes in cash on February 1, 2022 or in the event of certain fundamental changes. In connection with the Notes Offering, the Company entered into capped call transactions with certain notes purchasers and/or their respective affiliates and/or other financial institutions (the "Capped Call Option Counterparties") and used a portion of the net proceeds of the Notes Offering to pay the cost of such transactions. In addition, the Company also entered into privately negotiated zero-strike call option transactions with certain notes purchasers or their respective affiliates (the "Zero-Strike Call Option Counterparties") and used a portion of the net proceeds of the Notes Offering to pay the aggregate premium under such transactions. The Company accounts for the 2024 Notes as a single instrument as a long-term debt. The debt issuance cost were recorded as reduction to the long-term debts and are amortized as interest expenses using the effective interest method. The value of the 2024 Notes are measured by the cash received. The cost for the capped call transactions have been recorded as deduction of additional paid-in capital within total shareholders' deficit. The zero-strike call option was deemed as a prepaid forward to purchase the Company's own shares and recognized as permanent equity at its fair value at inception as a reduction to additional paid in capital in the consolidated balance sheet. As of December 31, 2018, 2019 and 2020, the balances of these convertible notes were nil, RMB5,179,027 and RMB4,870,262, respectively. In November 2020, US\$7.0 in aggregate principal amount of 2024 Notes were converted, pursuant to which the Company issued 735 ADSs to the holders of 2024 Notes. Accordingly, the balance of the notes converted were derecognized and recorded as ordinary shares and additional paid-in capital.

On January 15, 2021, the Company entered into separate and individually privately negotiated agreements with certain holders of its outstanding 2024 Notes to exchange US\$581,685 principal amount of the outstanding 2024 Notes for 62,192,017 ADSs with a conversion premium of US\$56,359 (the "2024 Notes Exchanges"). In connection with the 2024 Notes Exchanges, the Company also entered into agreements with certain financial institutions to terminate a portion of the capped call transactions and Zero-Strike Call transactions with the amount corresponding to the portion of the principal amount of the 2024 Notes that were exchanged. With the termination of the capped call transactions and Zero-Strike Call transactions, the Company received 16,402,643 ADSs.

For the 2024 Notes Exchanges, the 2024 Notes with carrying amount of US\$578,902 were derecognized with a corresponding amount being recognized as share capital and additional paid-in capital. The conversion premium of US\$56,359 was recorded as interest expenses, according to ASC 470-20-40-16, which requires a reporting entity to recognize an expense equal to the fair value of the shares or other consideration issued to induce conversion, i.e., the fair value of all consideration transferred in excess of the fair value of the securities transferred pursuant to the

original conversion terms. For the terminations of the capped call transactions and Zero-Strike Call transactions, the amount of the purchase price of the capped call transactions and Zero-Strike Call transactions terminated of RMB1,849,600 that was previously recorded in the additional paid-in capital was reclassified to treasury stock.

In May 2021, US\$1,000 in aggregate principal amount of such notes were converted, pursuant to which the Company issued 115,665 ADSs to the holders of such notes. In August and September 2021, US\$1,765 in aggregate principal amount of such notes were converted, pursuant to which the Company issued 178,729 ADSs to the holders of such notes. Accordingly, the balance of the notes converted were derecognized and recorded as ordinary shares and additional paid-in capital.

As of September 30, 2021, the Company reclassified the carrying value of the remaining 2024 Notes with the amount of RMB1,071,345 in current liabilities as a result of the early redemption right by holders on February 1, 2022 of the 2024 Notes.

On September 5, 2019, the Group issued US\$200,000 convertible senior notes to an affiliate of Tencent Holdings Limited and Mr. Bin Li, chairman and chief executive officer of the Company. Tencent and Mr. Li each subscribed for US\$100,000 principal amount of the convertible notes, each in two equally split tranches. The 360-day Notes would be convertible into Class A ordinary shares (or ADSs) of the Company at a conversion price of US\$2.98 per ADS at the holder's option from the 15th day immediately prior to maturity, and the 3-year Notes will be convertible into Class A ordinary shares (or ADSs) of the Company at a conversion price of US\$3.12 per ADS at the holder's option from the first anniversary of the issuance date. The holders of the 3-year Notes will have the right to require the Company to repurchase for cash all of the notes or any portion thereof on February 1, 2022. The 360-day Notes was recorded in short-term borrowings and the 3-year Notes were recorded in long-term borrowings. The Company will pay an annual premium of 2% at maturity. Interest expenses were accrued over the term of each note using the effective interest method.

In September and December 2020, all of the 360-day Notes due in 2020 and US\$50,000 in aggregate principal amount of the 3-year Notes due in 2022 were converted, pursuant to which the Company issued 49,582,686 Class A ordinary shares to the holders of such notes. In January 2021, US\$22,526 (RMB148,393) in aggregate principal amount of the 3-year Notes due in 2022 were converted, pursuant to which the Company issued 7,219,872 Class A ordinary shares to the holders of such notes. Such notes were derecognized and recorded as ordinary shares and additional paid-in capital. As of December 31, 2018, 2019 and 2020 and September 30, 2021, the balances of these convertible notes outstanding were nil, RMB1,303,577, RMB326,245 and RMB178,180, respectively.

In January and February 2020, the Company consummated the issuance of convertible notes to several third party investors in an aggregate principal amount of US\$200,000. The notes issued bore zero interest and matured on February 4, 2021. Prior to maturity, the holder of the notes has the right to convert the notes (a) after the six-month anniversary, into ADSs representing Class A ordinary shares of the Company at an initial conversion price of US\$3.07 per ADS or (b) upon the completion of a bona fide issuance of equity securities of the Company for fundraising purposes, into ADSs representing Class A ordinary shares of the Company at the conversion price derived from such equity financing. The notes were recorded in short-term borrowings with interest expenses accrued over the term using the effective interest method. The debt issuance cost were recorded as reduction to the short-term borrowings and are amortized as interest expenses using the effective interest method. In July and August 2020, all of such notes were converted, pursuant to which the Company issued 65,146,600 ADSs to the holders of such notes. Such notes were derecognized and recorded as ordinary shares and additional paid-in capital. As of December 31, 2018, 2019 and 2020, the balances of these convertible notes outstanding were nil.

In March 2020, the Company consummated the issuance of convertible notes to several third party investors with an aggregate principal amount of US\$235,000. The notes issued bore zero interest and matured on March 5, 2021. Prior to maturity, holders of the notes had the right to convert either all or part of the principal amount of the notes into Class A ordinary shares (or ADSs) of the Company from September 5, 2020, at a conversion price of US\$3.50 per ADS, subject to certain adjustments. The notes were recorded in short-term borrowings with interest expenses accrued over the term using the effective interest method. The debt issuance costs were recorded as reduction to the short-term borrowings and are amortized as interest expenses using the effective interest method. In September and October 2020, all of such notes were converted, pursuant to which the Company issued 67,142,790 Class A ADSs to the holders of such notes. Such notes were derecognized and recorded as ordinary shares and additional paid-in capital. As of December 31, 2018, 2019 and 2020 and September 30, 2021, the balances of these convertible notes outstanding were nil.

In January 2021, the Group issued US\$750,000 convertible senior notes due 2026 (the “2026 Notes”) and US\$750,000 convertible senior notes due 2027 (the “2027 Notes,” and, together with the 2026 Notes, the “Notes”). The 2026 Notes bears no interest and the 2027 Notes bears interest at a rate of 0.50% per year, which is payable semiannually in arrears on February 1 and August 1 of each year, beginning on August 1, 2021. Holders may convert their 2026 Notes at their option prior to the close of business on the business day immediately preceding August 1, 2025, and holders may convert their 2027 Notes at their option prior to the close of business on the business day immediately preceding August 1, 2026. The initial conversion price is US\$93.06 per ADS for the Notes, subject to customary anti-dilution adjustments. Upon conversion, the Company will pay or deliver, as the case may be, cash, ADSs, or a combination of cash and ADSs, at the Company’s discretion. Holders of the 2026 Notes have the right to require the Company to repurchase for cash all or part of their notes on February 1, 2024 or in the event of certain fundamental changes at a repurchase price equal to 100% of the principal amount of the notes to be repurchased. Holders of the 2027 Notes have the right to require the Company to repurchase for cash all or part of their notes on February 1, 2025 or in the event of certain fundamental changes at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest.

The Company early adopted ASU 2020-06 which eliminates the cash conversion accounting models for the Notes. Accordingly, the principal amount of the Notes was reported as one single unit of account in long-term borrowings at its principal amount, net of debt issuance costs of US\$26,340, on the basis of not electing fair value option for the notes and no substantial premium to be offered. The Notes are subsequently measured at amortized cost with interest expenses accrued over the term of the Notes using the effective interest method. As of September 30, 2021, the carrying amount of the Notes were RMB9,596,212.

As of December 31, 2018, 2019 and 2020 and September 30, 2021, nil, RMB697,620, nil and RMB1,071,345 of convertible notes were due within one year, respectively.

(iii) Long-term bank loan

| Ref. | Date of borrowing | Lender/banks | Maturity/ Repayment date | As of December 31, 2018 | | As of December 31, 2019 | | As of December 31, 2020 | | As of September 30, 2021 | |
|------|--------------------|----------------------|-----------------------------|-------------------------|---|-------------------------|------------------|---|-------------------|--------------------------|---|
| | | | | Outstanding loan | Current portion according to the repayment schedule | Long-term portion | Outstanding loan | Current portion according to the repayment schedule | Long-term portion | Outstanding loan | Current portion according to the repayment schedule |
| 1 | May 17, 2017 | Bank of Nanjing | May 17, 2022 | 674,279 | 189,602 | 484,677 | 475,382 | 200,000 | 275,382 | 75,382 | - |
| 2 | January 25, 2018 | China Merchants Bank | January 25, 2021 | 49,500 | 1,500 | 48,000 | 48,000 | 6,000 | 42,000 | 42,000 | - |
| 3 | September 14, 2018 | China Merchants Bank | September 13, 2021 | 50,000 | 2,000 | 48,000 | 48,000 | 2,000 | 46,000 | 46,000 | - |
| 4 | February 2, 2018 | China CITIC Bank | February 1, 2021 | 49,750 | 5,250 | 44,500 | 44,500 | 10,000 | 34,500 | 34,500 | - |
| 5 | June 6, 2018 | Bank of Shanghai | June 15, 2020 | 10,000 | - | 10,000 | - | - | - | - | - |
| 6 | June 6, 2018 | Bank of Shanghai | December 15, 2020 | 5,000 | - | 5,000 | - | - | - | - | - |
| 7 | July 4, 2018 | Bank of Shanghai | December 15, 2020 | 7,000 | - | 7,000 | - | - | - | - | - |
| 8 | July 4, 2018 | Bank of Shanghai | June 15, 2020 | 5,000 | - | 5,000 | - | - | - | - | - |
| 9 | August 17, 2018 | China CITIC Bank | March 7, 2021 | 50,000 | 500 | 49,500 | 49,500 | 10,000 | 39,500 | 39,500 | - |
| 10 | November 30, 2018 | Bank of Shanghai | November 30, 2021 | 5,115 | - | 5,115 | 4,102 | 1,014 | 3,088 | - | - |
| 11 | December 24, 2018 | Bank of Shanghai | November 30, 2021 | 40,000 | - | 40,000 | 32,305 | 7,695 | 24,610 | - | - |
| 12 | December 20, 2018 | Bank of Shanghai | November 30, 2021 | 19,800 | - | 19,800 | - | - | - | - | - |
| 13 | January 3, 2019 | Bank of Shanghai | November 30, 2021 | - | - | - | 16,145 | 3,855 | 12,290 | - | - |
| 14 | January 10, 2019 | Bank of Shanghai | November 30, 2021 | - | - | - | 32,305 | 7,695 | 24,610 | - | - |
| 15 | January 17, 2019 | Bank of Shanghai | November 30, 2021 | - | - | - | 32,305 | 7,695 | 24,610 | - | - |

| Ref. | Date of borrowing | Lender/banks | Maturity/ Repayment date | As of December 31, 2018 | | | As of December 31, 2019 | | | As of December 31, 2020 | | | As of September 30, 2021 | | |
|--------|--------------------|------------------|-----------------------------|-------------------------|--|----------------------|-------------------------|--|----------------------|-------------------------|--|----------------------|--------------------------|--|----------------------|
| | | | | Outstanding loan | Current portion according to the repayment schedule | Long-term portion | Outstanding loan | Current portion according to the repayment schedule | Long-term portion | Outstanding loan | Current portion according to the repayment schedule | Long-term portion | Outstanding loan | Current portion according to the repayment schedule | Long-term portion |
| 16 ... | January 24, 2019 | Bank of Shanghai | November 30, 2021 | - | - | 21,514 | 28,257 | 6,743 | - | - | - | - | - | - | |
| 17 ... | March 25, 2019 | Bank of Shanghai | November 30, 2021 | - | - | 99,491 | 128,553 | 28,862 | - | - | - | - | - | - | |
| 18 ... | March 27, 2019 | Bank of Shanghai | November 30, 2021 | - | - | 33,146 | 42,777 | 9,631 | - | - | - | - | - | - | |
| 19 ... | March 29, 2019 | Hankou Bank | March 29, 2022 | - | - | 197,000 | 199,000 | 2,000 | 197,000 | 2,000 | 195,000 | - | - | - | |
| 20 ... | June 26, 2019 | Bank of Shanghai | November 30, 2021 | - | - | 14,217 | 18,072 | 3,855 | - | - | - | - | - | - | |
| 21 ... | September 11, 2019 | Bank of Shanghai | November 30, 2021 | - | - | 58,196 | 73,587 | 15,391 | - | - | - | - | - | - | |
| 22 ... | December 24, 2020 | Bank of Shanghai | December 24, 2023 | - | - | - | - | - | 50,000 | 16,560 | 33,440 | 37,580 | 16,560 | 21,020 | |
| 23 ... | February 8, 2021 | Bank of Shanghai | February 8, 2024 | 965,444 | 198,852 | 766,592 | 1,272,590 | 322,436 | - | - | - | 54,480 | 23,280 | 31,200 | |
| | Total | | | 965,444 | 198,852 | 766,592 | 1,272,590 | 322,436 | 684,382 | 380,560 | 303,822 | 92,060 | 39,840 | 52,220 | |

The long-term borrowings contain covenants including, among others, limitation on liens, consolidation, merger and sale of the Company's assets and certain financial measures. The Group is in compliance with all of the loan covenants as of December 31, 2018, 2019, 2020 and September 30, 2021. As of December 31, 2018, 2019 and 2020 and September 30, 2021, certain of the Group's long-term borrowings were guaranteed by the Company's subsidiaries or pledged with trade receivable of RMB81,370, RMB601,236, RMB65,138 and RMB152,512, respectively.

(iv) Loan from joint investor

On May 18, 2017, the Group entered into a joint investment agreement with Wuhan Donghu New Technology Development Zone Management Committee ("Wuhan Donghu") to set up an entity (the "PE WHJV"). Wuhan Donghu subscribed for RMB384,000 paid in capital in PE WHJV with 49% of the shares. On June 30, 2017, September 29, 2017 and April 16, 2018, Wuhan Donghu injected RMB50,000, RMB100,000 and RMB234,000 in cash to PE WHJV, respectively. Pursuant to the investment agreement, Wuhan Donghu does not have substantive participating rights to PE WHJV, nor is allowed to transfer its equity interest in PE WHJV to other third party. In addition, within five years or when the net assets of PE WHJV is less than RMB550,000, the Group is obligated to purchase from Wuhan Donghu all of its interest in PE WHJV at its investment amount paid plus interest at the current market rate announced by PBOC. As such, the Group consolidates PE WHJV. The investment by Wuhan Donghu is accounted for as a loan because it is only entitled to fixed interest income and subject to repayment within five years or upon the financial covenant violation. As of December 31, 2018, 2019 and 2020 and September 30, 2021, RMB17,420, RMB35,660, RMB53,950 and RMB67,592 of interest were accrued at the benchmark rate of medium and long-term loan announced by PBOC. As of December 31, 2018, 2019 and 2020, and the September 30, 2021, certain bank borrowings of PE WHJV were guaranteed by Wuhan Donghu.

As of September 30, 2021, the Group reclassified the carrying value of the remaining loan from joint venture with the amount of RMB451,592 in current liabilities as a result of the May 17, 2022 maturity date of the loan.

14. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities consist of the following:

| | December 31, 2018 | December 31, 2019 | December 31, 2020 | September 30, 2021 |
|---|------------------------------|------------------------------|------------------------------|-------------------------------|
| Deferred revenue | 193,524 | 295,915 | 677,824 | 1,258,537 |
| Warranty liabilities | 130,719 | 291,843 | 655,500 | 1,211,023 |
| Deferred government grants | 351,896 | 340,667 | 326,373 | 315,073 |
| Non-current finance lease liabilities | – | 88,790 | 55,107 | 35,950 |
| Deferred construction allowance | 124,678 | 72,762 | 49,484 | 19,096 |
| Rental payable | 129,995 | – | – | – |
| Others | – | 61,836 | 85,618 | 215,891 |
| | <u>930,812</u> | <u>1,151,813</u> | <u>1,849,906</u> | <u>3,055,570</u> |

Deferred government grants mainly consist of specific government subsidies for purchase of land use right and buildings, product development and renewal of production facilities, which is amortized using the straight-line method as a deduction of the amortization expense of the land use right over its remaining estimated useful life.

As of December 31, 2018, rental payable represents the difference between the straight-line rental expenses and the actual rental fee paid for long term rental agreements. On January 1, 2019, the Group adopted ASC 842 Leases and used the additional transition method to initially apply this new lease standard at the adoption date. Lease liabilities were recognized on the Company's consolidated financial statements.

Deferred construction allowance consists of long-term payable of construction projects, with payment terms over one year.

15. LEASE

The Group has entered into various non-cancellable operating and finance lease agreements for certain offices, warehouses, retail and service locations, equipment and vehicles worldwide. The Group determines if an arrangement is a lease, or contains a lease, at inception and record the leases in the financial statements upon lease commencement, which is the date when the underlying asset is made available for use by the lessor.

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

| | As of December 31, 2019 | As of December 31, 2020 | As of September 30, 2021 |
|--|-------------------------------|-------------------------------|--------------------------------|
| Operating leases: | | | |
| Right-of-use assets — operating lease | 1,997,672 | 1,350,294 | 2,348,642 |
| Current portion of operating lease liabilities | 608,747 | 547,142 | 646,887 |
| Non-current operating lease liabilities | 1,598,372 | 1,015,261 | 1,792,738 |
| Total operating lease liabilities | <u>2,207,119</u> | <u>1,562,403</u> | <u>2,439,625</u> |
| Finance leases: | | | |
| Right-of-use assets — finance lease | 155,051 | 95,887 | 69,946 |
| Current portion of finance lease liabilities | 40,334 | 33,237 | 27,541 |
| Non-current finance lease liabilities | 88,790 | 55,107 | 35,950 |
| Total finance lease liabilities | <u>129,124</u> | <u>88,344</u> | <u>63,491</u> |

The components of lease expenses were as follows:

| Lease cost: | Year Ended December 31, 2019 | Year Ended December 31, 2020 | For the Nine Months Ended September 30, 2020 | For the Nine Months Ended September 30, 2021 |
|--|------------------------------------|------------------------------------|--|--|
| | | | (Unaudited) | |
| Amortization of right-of-use assets | 522,035 | 499,225 | 349,362 | 439,201 |
| Interest of operating lease liabilities | 137,459 | 96,430 | 84,444 | 66,932 |
| Expenses for short-term leases within 12 months and other non-lease component | 155,613 | 81,022 | 57,877 | 169,955 |
| Total lease cost | <u>815,107</u> | <u>676,677</u> | <u>491,683</u> | <u>676,088</u> |

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

| | As of December 31, 2019 | As of December 31, 2020 | As of September 30, 2021 |
|---|-------------------------------|-------------------------------|--------------------------------|
| Weighted-average remaining lease term: | | | |
| Operating leases | 4.7 years | 3.8 years | 5.9 years |
| Finance leases | 3.9 years | 3.1 years | 2.5 years |
| Weighted-average discount rate: | | | |
| Operating leases | 5.83% | 5.82% | 5.61% |
| Finance leases | 5.77% | 5.70% | 5.79% |

Supplemental cash flow information related to leases where the Group are the lessee is as follows (in thousands):

| | Year Ended December 31, 2019 | Year Ended December 31, 2020 | For the Nine Months Ended September 30, 2020 | For the Nine Months Ended September 30, 2021 |
|---|------------------------------------|------------------------------------|--|--|
| | | | (Unaudited) | |
| Operating cash outflows from operating leases | 482,782 | 544,896 | 407,697 | 469,014 |
| Operating cash outflows from finance leases (interest payments) | 5,969 | 5,729 | 5,680 | 3,606 |
| Financing cash outflows from finance leases | 43,916 | 42,529 | 32,571 | 25,164 |
| Right-of-use assets obtained in exchange for lease liabilities | 777,169 | 279,274 | 116,714 | 1,289,501 |

As of December 31, 2019, 2020, and September 30, 2021, the maturities of the Group's operating and finance lease liabilities (excluding short-term leases) are as follows (in thousands):

| | As of December 31, 2019 | | As of December 31, 2020 | | As of September 30, 2021 | |
|--|-------------------------|-------------------|-------------------------|-------------------|--------------------------|-------------------|
| | Operating Leases | Finance Leases | Operating Leases | Finance Leases | Operating Leases | Finance Leases |
| 2020 | 716,289 | 50,043 | – | – | – | – |
| 2021 | 574,702 | 36,585 | 609,011 | 36,494 | 200,307 | 8,096 |
| 2022 | 466,041 | 28,206 | 421,579 | 29,561 | 736,431 | 29,140 |
| 2023 | 332,357 | 20,042 | 287,087 | 22,515 | 584,967 | 22,196 |
| 2024 | 173,133 | 7,858 | 146,459 | 7,996 | 358,595 | 8,067 |
| 2025 | 107,809 | – | 84,925 | 36 | 251,987 | 106 |
| Thereafter | 146,798 | – | 175,950 | – | 749,371 | 35 |
| Total minimum lease payments | 2,517,129 | 142,734 | 1,725,011 | 96,602 | 2,881,658 | 67,640 |
| Less: Interest | (310,010) | (13,610) | (162,608) | (8,258) | (442,033) | (4,149) |
| Present value of lease obligations | 2,207,119 | 129,124 | 1,562,403 | 88,344 | 2,439,625 | 63,491 |
| Less: Current portion | (608,747) | (40,334) | (547,142) | (33,237) | (646,887) | (27,541) |
| Long-term portion of lease obligations | <u>1,598,372</u> | <u>88,790</u> | <u>1,015,261</u> | <u>55,107</u> | <u>1,792,738</u> | <u>35,950</u> |

As of December 31, 2019, 2020 and September 30, 2021, the Group had future minimum lease payments for non-cancelable short-term operating leases of RMB33,580, RMB55,977 and RMB133,058, respectively.

For the year ended December 31, 2018, the Company recognized lease expense of RMB490,936 under ASC 840.

16. REVENUES

Revenues by source consists of the following:

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|--|---------------------------------|------------------|-------------------|---|-------------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| Vehicle sales | 4,852,470 | 7,367,113 | 15,182,522 | 9,008,474 | 23,954,365 |
| Sales of automotive regulatory credits | – | – | 120,648 | – | 516,549 |
| Sales of packages | 10,220 | 111,448 | 244,072 | 162,975 | 368,433 |
| Battery upgrade service | – | – | 5,346 | – | 270,828 |
| Sales of charging piles | 82,184 | 127,632 | 229,781 | 133,135 | 243,740 |
| Others | 6,297 | 218,711 | 475,564 | 312,258 | 881,766 |
| Total | <u>4,951,171</u> | <u>7,824,904</u> | <u>16,257,933</u> | <u>9,616,842</u> | <u>26,235,681</u> |

For the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, revenue recognised at a point in time was RMB4,939.3 million, RMB7,696.2 million, RMB15,969.4 million, RMB9,418.9 million and RMB25,755.8 million, respectively, and revenue recognised over time was RMB11.9 million, RMB128.7 million, RMB288.5 million, RMB198.0 million and RMB479.9 million, respectively.

17. DEFERRED REVENUE/INCOME

The following table shows a reconciliation in the current reporting period related to carried-forward deferred revenue/income.

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|---|---------------------------------|----------------|------------------|---|------------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| Deferred revenue/income — beginning of year | – | 301,774 | 485,087 | 485,087 | 1,061,254 |
| Additions | 384,116 | 428,786 | 1,013,397 | 611,030 | 1,376,346 |
| Recognition | (82,342) | (246,861) | (432,069) | (282,991) | (560,611) |
| Effects on foreign exchange adjustment | – | 1,388 | (5,161) | (1,900) | (330) |
| Deferred revenue/income — end of year | <u>301,774</u> | <u>485,087</u> | <u>1,061,254</u> | <u>811,226</u> | <u>1,876,659</u> |

Deferred revenue mainly includes the transaction price allocated to the performance obligations that are unsatisfied, or partially satisfied, which mainly arises from the undelivered home chargers, the vehicle connectivity service, the extended warranty service, the points offered to customers as well as battery swapping service embedded in the vehicle sales contract, with unrecognized deferred revenue balance of RMB181,539, RMB405,326, RMB1,006,824 and RMB1,837,595 as of December 31, 2018, 2019 and 2020 and September 30, 2021, respectively.

The Group expects that 33% of the transaction price allocated to unsatisfied performance obligation as at September 30, 2021 will be recognized as revenue during the period from October 1, 2021 to September 30, 2022. The remaining 67% will be recognized during the period from October 1, 2022 to March 31, 2026.

Deferred income includes the reimbursement from a depository bank in connection with the advancement of the Company's ADS and investor relations programs in the next five years. The Company initially recorded the payment from the depository bank as deferred revenue and then recognized as other income over the beneficial period, with unrecognized deferred income balance of RMB99,684, RMB79,761, RMB54,430 and RMB39,064 as of December 31, 2018, 2019 and 2020 and September 30, 2021.

18. MANUFACTURING IN COLLABORATION WITH JAC

In May 2016, April 2019 and March 2020, the Group entered into several agreements with JAC for the manufacture of the ES8, the ES6 and the EC6 for five years. Pursuant to the arrangements, JAC built up a new manufacturing plant ("Hefei Manufacturing Plant") and is responsible for the equipment used on the product line while NIO is responsible for the tooling. For each vehicle produced the Group pays processing fee to JAC on a per-vehicle basis monthly for the first three years on the basis that NIO provides all the raw materials to JAC. In addition, for the first 36 months after agreed time of start of production, which was April 2018, the Group should compensate JAC operating losses incurred in Hefei Manufacturing Plant. In May 2021, the Group and JAC entered into a renewed manufacturing agreement pursuant to which, from May 2021 to May 2024, JAC will continue to manufacture the ES8, ES6, EC6, ET7 and other NIO models. The fee arrangements under the renewed arrangements consist of the following: (i) asset depreciation and amortization with regard to the assets JAC invested and to invest for the manufacture of NIO models as actually incurred, payable monthly and subject to adjustment annually; (ii) vehicle production and processing fees recorded on per-vehicle basis, payable monthly and subject to adjustment annually; and (iii) certain compensatory arrangements up to a capped amount for JAC's investment into JAC-NIO manufacturing plant, including for the land, factory and equipment; (iv) relevant tax; and (v) purchase amount of certain production materials. For the years ended December 31, 2018, 2019 and 2020 and nine months ended September 30, 2020 and 2021, the Company recorded manufacturing and processing fees and relevant expenses in cost of sales of RMB115.4 million, RMB234.1 million, RMB466.2 million, RMB231.4 million and RMB531.3 million, respectively, and compensation in cost of sales of RMB126,425, RMB206,736, RMB65,384, RMB65,384 and nil, respectively, for operating losses incurred at Hefei Manufacturing Plant during the same periods.

19. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses consist of the following:

| | Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|---|-------------------------|------------------|------------------|--|------------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| Employee compensation | 1,850,886 | 2,004,931 | 1,362,231 | 991,252 | 1,659,053 |
| Design and development expenses | 1,827,980 | 2,041,024 | 778,463 | 452,833 | 873,510 |
| Depreciation and amortization expenses | 103,427 | 187,137 | 255,544 | 149,050 | 146,466 |
| Rental and related expenses | 33,105 | 57,401 | 51,123 | 39,443 | 39,721 |
| Travel and entertainment expenses | 104,949 | 63,998 | 15,720 | 10,315 | 25,470 |
| Others | 77,595 | 74,089 | 24,689 | 15,434 | 19,116 |
| Total | <u>3,997,942</u> | <u>4,428,580</u> | <u>2,487,770</u> | <u>1,658,327</u> | <u>2,763,336</u> |

20. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses consist of the following:

| | Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|--|-------------------------|------------------|------------------|--|------------------|
| | 2018 | 2019 | 2020 | 2020 (Unaudited) | 2021 |
| Employee compensation | 2,256,455 | 2,231,698 | 1,687,945 | 1,176,369 | 1,960,373 |
| Marketing and promotional expenses | 1,158,519 | 818,053 | 675,142 | 401,842 | 969,543 |
| Rental and related expenses | 450,113 | 737,578 | 498,601 | 371,361 | 544,291 |
| Professional services | 578,469 | 487,537 | 307,658 | 224,556 | 276,061 |
| Depreciation and amortization expenses | 249,765 | 457,364 | 325,478 | 252,740 | 253,091 |
| IT consumable, office supply and other low value consumable | 167,323 | 109,501 | 69,954 | 47,096 | 141,352 |
| Travel and entertainment expenses | 197,187 | 126,571 | 39,328 | 24,857 | 49,894 |
| Expected credit losses | – | – | 9,654 | 5,945 | 38,283 |
| Allowance against receivables | – | 108,459 | – | – | – |
| Others | 283,959 | 375,026 | 318,511 | 220,699 | 286,995 |
| Total | 5,341,790 | 5,451,787 | 3,932,271 | 2,725,465 | 4,519,883 |

21. CONVERTIBLE REDEEMABLE PREFERRED SHARES

In March 2015, the Company issued 165,000,000 shares of Series A-1 convertible redeemable preferred shares (“Series A-1 Preferred Shares”) for US\$1.00 per share for cash of US\$165,000. The total consideration was paid in three installments and were fully paid in January 2017. In March and May 2015, the Company issued 130,000,000 shares of Series A-2 convertible redeemable preferred shares (“Series A-2 Preferred Shares”) for US\$1.00 per share for cash of US\$130,000. In September 2015, the Company issued 24,210,431 shares of Series A-3 Preferred Shares for US\$1.6522 per share for cash of US\$40,000. The Series A-1, A-2 and A-3 Preferred Shares are collectively referred to as the “Series A Preferred Shares”.

In June, July, August, September 2016 and February 2017, the Company issued 114,867,321 shares of Series B convertible redeemable preferred shares (“Series B Preferred Shares”) for US\$2.751 per share for cash of US\$316,000.

In March, April, May and July 2017, the Company issued 166,205,830 shares of Series C convertible redeemable preferred shares (“Series C Preferred Shares”) for US\$3.885 per share for cash of US\$645,709.

In November and December 2017, the Company issued 211,156,415 shares of Series D convertible redeemable preferred shares (“Series D Preferred Shares”) for US\$5.353 per share for cash of US\$1,130,320. US\$12,000 out of the total consideration from one of the investor was not paid until March 28, 2018 and it was treated as a reduction of Series D Preferred Shares until it was paid. In addition, a finder’s commission of US\$26,000 was incurred for the Series D Preferred Shares financing. The Company paid 50% of the commission in cash amounted US\$13,000 and the remaining 50% by issuance of 2,428,588 shares of Series D Preferred Shares for free to the financial advisory. The total of the finder’s commission was also recorded as an issuance cost as a deduction of the preferred shares.

The Series A-1, A-2, A-3, B, C and D Preferred Shares are collectively referred to as the “Preferred Shares”. All series of Preferred Shares have the same par value of US\$0.00025 per share.

The Company classified the Preferred Shares in the mezzanine section of the consolidated balance sheets because they were redeemable at the holders’ option any time after a certain date and were contingently redeemable upon the occurrence of certain liquidation events outside of the Company’s control, that being the Company’s failure to complete a QIPO by December 31, 2021. The Preferred Shares are recorded initially at fair value, net of issuance costs. The issuance costs for Series A-1, A-2, A-3, B, C, and D were RMB1,892, RMB1,177, RMB1,296, RMB11,857, RMB10,039 and RMB6,033 (US\$301, US\$189, US\$208, US\$1,782, US\$1,489 and US\$901, equivalent).

The major rights, preferences and privileges of the Preferred Shares are as follows:

Voting Rights

The holders of the Preferred Shares shall have the right to one vote for each ordinary share into which each outstanding Preferred Share held could then be converted. The holders of the Preferred Shares vote together with the Ordinary Shareholders, and not as a separate class or series, on all matters put before the shareholders. The holders of the Preferred Shares are entitled to appoint a total of 10 out of 11 directors of the Board.

Dividends

Subject to the approval and declaration by the Board of Directors, the holders of the Preferred Shares (exclusive of unpaid shares) are entitled to receive dividends in the following order:

- Series D Preferred Shareholders are entitled to receive dividends at an amount equal to 5% of the issue price prior to and in preference to any dividend on the Series C preferred Shares, Series B preferred shares, Series A Preferred Shares and ordinary shares;
- Series C Preferred Shareholders are entitled to receive dividends at an amount equal to 5% of the issue price prior to and in preference to any dividend on the Series B preferred shares, Series A Preferred Shares and ordinary shares;
- Series B Preferred Shareholders are entitled to receive dividends at an amount equal to 5% of the issue price prior to and in preference to any dividend on the Series A Preferred Shares and ordinary shares;
- Series A Preferred Shareholders are entitled to receive dividends at an amount equal to 5% of the issue price prior to and in preference to any ordinary shares;
- any remaining dividends shall be distributed on a pro rata basis to holders of all the Preferred Shares and ordinary shares on a fully diluted and as-if converted basis.

No dividends on preferred and ordinary shares have been declared since the issuance date through December 31, 2018, 2019, 2020, and the September 30, 2020 and 2021.

Liquidation

In the event of any liquidation, the holders of Preferred Shares have preference over holders of ordinary shares with respect to payment of dividends and distribution of assets. Upon Liquidation, Series D Preferred Shares shall rank senior to Series C Preferred Shares, Series C Preferred Shares shall rank senior to Series B Preferred Shares, Series B Preferred Shares shall rank senior to Series A-3 Preferred Shares, Series A-3 Preferred Shares shall rank senior to Series A-1 and A-2 Preferred Shares, Series A-1 and A-2 Preferred Shares shall rank senior to ordinary shares.

The holders of Preferred Shares (exclusive of unpaid shares) shall be entitled to receive an amount per share equal to (A) an amount equal to the higher of (1) 100% of the original issue price of such Preferred Shares, and (2) the amount that would be payable on such Preferred Shares if converted into ordinary shares immediately before such Liquidation; and (B) the amount of all declared but unpaid dividends on such Preferred Shares based on such holder's pro rata portion of the total number of the Preferred Shares. If there are still assets of the Company legally available for distribution, such remaining assets of the Company shall be distributed to the holders of issued and outstanding Ordinary Shares on pro rata basis among themselves.

Conversion

The Preferred Shares (exclusive of unpaid shares) would automatically be converted into common shares 1) upon a QIPO; or 2) upon the written consent of the holders of a majority of the outstanding Preferred Share of each class with respect to conversion of each class.

The initial conversion ratio of Preferred Shares to ordinary shares shall be 1:1, subject to adjustments in the event of (i) share splits, share dividends, combinations, recapitalization and similar events, or (ii) issuance of Ordinary Shares (excluding certain events such as issuance of ordinary shares pursuant to a public offering) at a price per share less than the conversion price in effect on the date of or immediately prior to such issuance.

The Company determined that there were no beneficial conversion features identified for any of the Preferred Shares during any of the periods. In making this determination, the Company compared the fair value of the ordinary shares into which the Preferred Shares are convertible with the respective effective conversion price at the issuance date. In all instances, the effective conversion price was greater than the fair value of the ordinary shares. To the extent a conversion price adjustment occurs, as described above, the Company will re-evaluate whether or not a beneficial conversion feature should be recognized.

Redemption

The Company shall redeem, at the option of any holder of outstanding Preferred Shares, all of the outstanding Preferred Shares (other than the unpaid shares) held by the requesting holder, at any time after the earliest to occur of (a) December 31, 2021, if no QIPO or Approved Sale has been consummated prior to such date, (b) any material change in applicable law that would prohibit or otherwise make it illegal to continue to operate the business under the then-existing equity structure of the Group, which could not be solved by alteration or adjustment of the equity structure of the Group after good faith consultation among the Company and its shareholders, (c) the early termination of employment or service contracts of no less than 30% of the certain key employees (or subsequent persons holding their respective positions) with the Group during any six-month period (excluding any early termination with cause) which has resulted in material adverse effect with respect to the Business of the Group as a whole, and (d) termination or disruption of the business of the Group as a whole, which is attributable to any Group Company's non-compliance with applicable laws or breach or early termination of material business contracts or business arrangements with any supplier, clients or otherwise (any matter or event as described in items (a) to (d), hereinafter a "Redemption Event"), or (e) any other Preferred Share holder has requested the Company to redeem its shares in any Redemption Event by delivery of a notice.

The redemption amount payable for each Preferred Share (other than the unpaid shares) will be an amount equal to the greater of (a) 100% of the Preferred Shares' original issue price, plus all accrued but unpaid dividends thereon up to the date of redemption and compound interest on the preferred shares' original issue price at the rate of 8% per annum, proportionally adjusted for share subdivisions, share dividends, reorganizations, reclassifications, consolidations, mergers or similar transactions, and (b) the fair market value of such Preferred Shares at the date of redemption.

Upon the redemption, Series D Preferred Shares shall rank senior to Series C Preferred Shares, Series C Preferred Shares shall rank senior to Series B Preferred Shares, Series B Preferred Shares shall rank senior to Series A-3 Preferred Shares, Series A-3 Preferred Shares shall rank senior to Series A-1 and A-2 Preferred Shares, Series A-1 and A-2 Preferred Shares shall rank *pari passu* to each other.

Conversion upon IPO

On September 14, 2018, in connection with the completion of IPO, all of the Preferred Shares were automatically converted to 821,378,518 ordinary shares based on the aforementioned conversion price.

Accounting for Preferred Shares

The Company recognized accretion to the respective redemption value of the Preferred Shares over the period starting from issuance date to September 12, 2018, the earliest redemption date. According to the redemption price calculation described above, the Company recognized accretion of the Preferred Shares amounted to RMB13,667,291, nil and nil for the years ended December 31, 2018, 2019 and 2020.

The Company's convertible redeemable preferred shares activities for the year ended December 31, 2018 are summarized below.:

| | Series A-1 & A-2 | | Series A-3 | | Series B | | Series C | | Series D | | Total | |
|---|------------------|--------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|--------------|
| | Number of shares | Amount (RMB) | Number of shares | Amount (RMB) | Number of shares | Amount (RMB) | Number of shares | Amount (RMB) | Number of shares | Amount (RMB) | Number of shares | Amount (RMB) |
| Balances as of | | | | | | | | | | | | |
| December 31, 2017 | 295,000,000 | 5,011,731 | 24,210,431 | 427,129 | 114,867,321 | 2,294,980 | 166,205,830 | 4,454,596 | 213,585,003 | 7,469,350 | 813,868,585 | 19,657,786 |
| Issuance of Series A-3 Preferred Shares (note 24(c)) | - | - | 7,509,933 | - | - | - | - | - | - | - | 7,509,933 | - |
| Proceeds from Series D Preferred Shares | - | - | - | - | - | - | - | - | - | 78,651 | - | 78,651 |
| Accretion on convertible redeemable preferred shares to redemption value | - | 7,091,163 | - | 565,979 | - | 2,417,979 | - | 2,375,943 | - | 1,216,227 | - | 13,667,291 |
| Conversion of Series A-1 and A-2 Preferred Shares to Ordinary shares | (295,000,000) | (12,102,894) | - | - | - | - | - | - | - | - | (295,000,000) | (12,102,894) |
| Conversion of Series A-3 Preferred Shares to Ordinary shares | - | - | (31,720,364) | (993,108) | - | - | - | - | - | - | (31,720,364) | (993,108) |
| Conversion of Series B Preferred Shares to Ordinary shares | - | - | - | (114,867,321) | (4,712,959) | - | - | - | - | - | (114,867,321) | (4,712,959) |
| Conversion of Series C Preferred Shares to Ordinary shares | - | - | - | - | - | (166,205,830) | (6,830,539) | - | - | - | (166,205,830) | (6,830,539) |
| Conversion of Series D Preferred Shares to Ordinary shares | - | - | - | - | - | - | - | (213,585,003) | (8,764,228) | (213,585,003) | (8,764,228) | - |
| Balances as of | | | | | | | | | | | | |
| December 31, 2018 | - | - | - | - | - | - | - | - | - | - | - | - |

22. REDEEMABLE NON-CONTROLLING INTERESTS

Investment in XPT Auto

XPT Auto, the Group's wholly owned subsidiary had its redeemable preferred share ("XPT Auto PS") financing of RMB1,269,900 to certain third party strategic investors in the second quarter of 2018. These third party strategic investors' contributions in XPT Auto were accounted for as the Group's redeemable non-controlling interests, and were classified as mezzanine equity. Pursuant to XPT Auto's share purchase agreement, the XPT Auto PS issued to third party strategic investors have the same rights as the existing ordinary shareholder of XPT Auto except that they have following privileges:

Redemption

The holders of XPT Auto PS have the option to request XPT Auto to redeem those shares under certain circumstance: (1) a qualified initial public offering of XPT Auto has not occurred by the fifth anniversary after the issuance of XPT Auto PS; (2) XPT Auto doesn't meet its performance target (revenue and net profit) for each of the year during FY2019 and FY2023; or (3) a deadlock event lasts for 60 working days and cannot be resolved.

The redemption price should be equal to the original issue price plus simple interest on the original issue price at the rate of 10% per annum minus the dividends paid up to the date of redemption.

Liquidation

In the event of any liquidation, the holders of XPT Auto PS have preference over holders of ordinary shares. On a return of capital on liquidation, XPT Auto's assets available for distribution among the investors shall first be paid to XPT Auto PS investors at the amount equal to the original issue price plus simple interest on the original issue price at the rate of 10% per annum minus the dividends paid up to the date of liquidation. The remaining assets of XPT Auto shall all be distributed to its ordinary shareholders.

The Company recognized accretion to the respective redemption value of the XPT Auto PS as a reduction of additional paid in capital over the period starting from issuance date. For the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, the Company recorded RMB63,297, RMB126,590, RMB104,270, RMB95,029 and nil, respectively, of accretion on redeemable non-controlling interests to redemption value.

In November 2020, the Company, through its wholly owned subsidiary, purchased all the equity interests in XPT Auto held by its minority shareholders with a cash consideration of RMB1.6 billion, which equaled the redemption price. As a result, the Company indirectly wholly owned XPT Auto thereafter. The Company accounted for such transaction as an equity transaction. The equity interests held by the minority shareholders, which were recorded as redeemable non-controlling interests with the carrying value of RMB1.6 billion, were derecognized accordingly.

Investment in NIO China

On April 29, 2020, the Company entered into definitive agreements, as amended and supplemented in May and June 2020, for investments in NIO China, with a group of investors (collectively, the "Strategic Investors"), pursuant to which, the Strategic Investors agreed to invest an aggregate of RMB7.0 billion in cash into NIO China for its 24.115% non-controlling interest. In June and July 2020, the Company received RMB5.0 billion. On September 16, 2020, pursuant to a share transfer agreement, the Company repurchased 8.612% equity interests owned by one of the Strategic Investors with the total consideration of RMB511.5 million, consisting of the actual capital investment plus accrued interest, and the Company assumed the remaining cash consideration obligation of RMB2.0 billion of the Strategic Investors. On February 2021, the Company, purchased from two of the Strategic Investors an aggregate of 3.305% equity interests in NIO China for a total consideration of RMB5.5 billion and subscribed for newly increased registered capital of NIO China at a subscription price of RMB10.0 billion. In September 2021, the Company, 1.418% equity interests from the strategic investors for a total consideration of RMB2.5 billion and recorded an amount of RMB2,023.5 million (US\$314.0 million) in accretion on redeemable non-controlling interests to redemption value. As of September 30, 2021, the Group paid RMB500 million and the remaining RMB2.0 billion was recorded in other payable, which was subsequently paid in December 2021. As of September 30, 2021, the registered capital of NIO China was approximately RMB6.429 billion, and the Company hold 92.114% controlling equity interests in NIO China.

Each of the Strategic Investors has the right to request the Company to redeem their equity interests in NIO China at an agreed price in case of NIO China's failure to submit the application for a qualified initial public offering in 48 months commencing from June 29, 2020, failure to complete a qualified initial public offering in 60 months commencing from June 29, 2020, or other events as set forth in the share purchase agreement. The agreed price is calculated based on each non-controlling shareholder's cash investment to NIO China plus an annual interest rate of 8.5% that is not solely within the control of the Company.

As the redemption is at the holders' option and is upon the occurrence of the events that are not solely within the control of the Company, these Strategic Investors' contributions in NIO China were classified as mezzanine equity and is subsequent accreted to the redemption price using the agreed interest rate as a reduction of additional paid in capital. The Company recorded nil, nil, RMB207,400, RMB110,835 and RMB6,519,698 of accretion on redeemable non-controlling interests to redemption value for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, respectively.

23. ORDINARY SHARES

Upon inception, each ordinary share was issued at a par value of US\$0.00025 per share. Various numbers of ordinary shares were issued to share-based compensation award recipients. Each Class A ordinary share shall entitle the holder thereof to one (1) vote on all matters subject to vote at general meetings of our company, each Class B ordinary share shall entitle the holder thereof to four (4) votes on all matters subject to vote at general meetings of our company, and each Class C ordinary share shall entitle the holder thereof to eight (8) votes on all matters subject to vote at general meetings of our company.

In 2020, the Company consummated the follow-on offering of a total of 82,800,000, 101,775,000 and 78,200,000 American depositary shares (the "ADS") at a price of US\$5.95, US\$17.00 and US\$39.00 per ADS, respectively.

As disclosed in Note 13 (ii), the Company induced early conversion of its outstanding 2024 Notes and with US\$581,685 principal amount (including additional 9% premium) in January 2021 and issued a total of 62,192,017 ADSs. In May 2021, US\$1,000 in aggregate principal amount of such notes were converted, pursuant to which the Company issued 115,665 ADSs to the holders of such notes. In August and September 2021, US\$1,765 in aggregate principal amount of such notes were converted, pursuant to which the Company issued 178,729 ADSs to the holders of such notes.

In 2021, the Company issuance completed the sales of 2,593,179 ADSs with net proceeds of RMB602,814 (US\$94,215) through an ATM offering.

As of December 31, 2018, 2019 and 2020 and September 30, 2021, 4,000,000,000 ordinary shares were authorized, 1,057,731,012, 1,067,467,877, 1,529,031,103 and 1,609,056,068 shares were issued and 1,050,799,032, 1,064,472,660, 1,526,539,388 and 1,590,573,377 shares were outstanding as of December 31, 2018, 2019 and 2020 and September 30, 2021, respectively. The share number excludes 32,356,429 Class A Ordinary Shares issued to the depository bank for bulk issuance of ADSs reserved for future issuance upon the exercise or vesting of awards granted under the Company's share incentive plans.

24. SHARE-BASED COMPENSATION

Compensation expenses recognized for share-based awards granted by the Company were as follows:

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|--|---------------------------------|----------------|----------------|---|----------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| Cost of sales | 9,289 | 9,763 | 5,564 | 3,575 | 22,065 |
| Selling, general and administrative expenses | 561,055 | 241,052 | 130,506 | 90,725 | 373,928 |
| Research and development expenses | 109,124 | 82,680 | 51,024 | 32,595 | 217,456 |
| Total | <u>679,468</u> | <u>333,495</u> | <u>187,094</u> | <u>126,895</u> | <u>613,449</u> |

There was no income tax benefit recognized in the consolidated statements of comprehensive loss for share-based compensation expenses and the Group did not capitalize any of the share-based compensation expenses as part of the cost of any assets in the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021.

(a) Prime Hubs' Restricted Shares Plan

In 2015, the Company adopted the Prime Hubs Restricted Shares Plan (the "Prime Hubs Plan"). Pursuant to the Prime Hubs Plan, restricted shares were granted to certain employees and non-employee consultants of the Group as approved by the board of directors. The restricted shares granted require the non-employee consultants to serve the Group for a period of one year with 100% of the restricted shares vesting upon the completion of the service period and the employees to serve the Group for a period of four years with 25% of the restricted shares vesting at each anniversary of the service commencement date. The restricted shares issued under the Prime Hubs Plan are held by Prime Hubs, a consolidated variable interest entity of the Company, and are accounted for as treasury stocks of the Company prior to their vesting.

The following table summarizes activities of the Company's restricted shares granted to employees under the Prime Hubs Plan:

| Employees | Number of Shares Outstanding | Weighted Average Grant Date Fair Value US\$ |
|---|---------------------------------|--|
| Unvested as of December 31, 2017 | 7,058,338 | 1.04 |
| Vested | (7,058,338) | 1.04 |
| Unvested as of December 31, 2018, 2019 and 2020 and September 30, 2021 | — | — |

In August 2018, the Company agreed to repurchase 562,500 vested Prime Hubs restricted shares from a former employee who passed away with total cash consideration of RMB7,490 at the fair value.

For the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, total share-based compensation expenses recognized for the employee restricted shares granted under the Prime Hubs Plan were RMB39,560, nil, nil, nil and nil respectively.

As of December 31, 2018, all the employee restricted shares granted under the Prime Hubs Plan had been fully vested and hence all related share-based compensation expenses had been recognized.

(b) NIO Incentive Plans

In 2015, the Company adopted the 2015 Stock Incentive Plan (the "2015 Plan"), which allows the plan administrator to grant share options and restricted shares of the Company to its employees, directors, and consultants.

The Company granted both share options and restricted shares to the employees. The share options and restricted shares of the Company under 2015 Plan have a contractual term of ten years from the grant date, and vest over a period of four years of continuous service, one fourth (1/4) of which vest upon the first anniversary of the stated vesting commencement date and the remaining vest ratably over the following 36 months. Under the 2015 Plan, share options granted to the non-NIO US employees of the Group are only exercisable upon the occurrence of an initial public offering by the Company.

In 2016, 2017 and 2018, the Board of Directors further approved the 2016 Stock Incentive Plan (the "2016 Plan"), the 2017 Stock Incentive Plan (the "2017 Plan") and the 2018 Stock Incentive Plan (the "2018 Plan"). The share options of the Company under 2016, 2017 and 2018 Plans have a contractual term of seven or ten years from the grant date, and vest immediately or over a period of four or five years of continuous service.

The Group did not recognize any share-based compensation expenses for share options granted to the non-NIO US employees of the Group until completion of the Company's IPO on September 12, 2018. The Group recognized the share options and restricted shares of the Company granted to the employees of NIO US on a straight-line basis over the vesting term of the awards, net of estimated forfeitures. Share-based compensation expenses for share options granted to the non-NIO US employees of the Group before IPO were recognized by using the graded-vesting method.

(i) Share Options

The following table summarizes activities of the Company's share options under the 2015, 2016, 2017 and 2018 Plans for the years ended December 31, 2018, 2019 and 2020 and nine months ended September 30, 2021:

| | Number of Options Outstanding | Weighted Average Exercise Price US\$ | Weighted Average Remaining Contractual Life In Years | Aggregate Intrinsic Value US\$ |
|--|-------------------------------------|--|---|---|
| Outstanding as of December 31, 2017 | 57,775,914 | 0.57 | 8.52 | 114,299 |
| Granted | 47,216,792 | 2.79 | – | – |
| Exercised | (7,732,317) | 0.40 | – | – |
| Cancelled | (5,498,453) | 1.17 | – | – |
| Expired | (687,796) | 0.62 | – | – |
| Outstanding as of December 31, 2018 | 91,074,140 | 1.69 | 8.23 | 425,988 |
| Granted | 33,964,176 | 3.29 | – | – |
| Exercised | (20,133,668) | 0.49 | – | – |
| Cancelled | (14,759,778) | 2.69 | – | – |
| Expired | (1,300,898) | 4.11 | – | – |
| Outstanding as of December 31, 2019 | 88,843,972 | 2.38 | 6.77 | 164,363 |
| Granted | 16,077,700 | 8.09 | – | – |
| Exercised | (15,253,500) | 1.55 | – | – |
| Cancelled | (9,030,781) | 3.02 | – | – |
| Expired | (1,318,892) | 4.49 | – | – |
| Outstanding as of December 31, 2020 | 79,318,499 | 3.59 | 6.39 | 3,581,119 |
| Granted | 2,402,150 | 40.21 | – | – |
| Exercised | (7,552,207) | 2.30 | – | – |
| Cancelled | (1,891,646) | 12.75 | – | – |
| Expired | (5,039) | 17.21 | – | – |
| Outstanding as of September 30, 2021 | 72,271,757 | 4.70 | 5.70 | 2,267,508 |
| Vested and expected to vest as of | | | | |
| December 31, 2018 | 88,168,431 | 1.67 | 8.21 | 413,978 |
| Exercisable as of December 31, 2018 | 32,959,964 | 0.73 | 7.45 | 185,787 |
| Vested and expected to vest as of | | | | |
| December 31, 2019 | 85,578,313 | 2.37 | 6.76 | 159,483 |
| Exercisable as of December 31, 2019 | 32,925,154 | 1.78 | 6.34 | 80,801 |
| Vested and expected to vest as of | | | | |
| December 31, 2020 | 78,405,625 | 3.58 | 6.39 | 3,540,734 |
| Exercisable as of December 31, 2020 | 32,504,454 | 2.28 | 6.24 | 1,510,113 |
| Vested and expected to vest as of | | | | |
| September 30, 2021 | 71,689,546 | 4.68 | 5.70 | 2,250,540 |
| Exercisable as of September 30, 2021 | 42,414,771 | 2.77 | 5.69 | 1,397,359 |

The weighted-average grant date fair value for options granted under the Company's 2017, 2018 and 2019 Plans during the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, was US\$1.93, US\$1.46, US\$4.03, US\$1.47 and US\$34.03, respectively, computed using the binomial option pricing model.

The total share-based compensation expenses recognized for share options during the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, was RMB437,320, RMB329,693, RMB177,543, RMB123,781 and RMB389,202, respectively.

The fair value of each option granted under the Company's 2017, 2018 and 2019 Plans during 2018, 2019 and 2020 and 2021 was estimated on the date of each grant using the binomial option pricing model with the assumptions (or ranges thereof) in the following table:

| | For the Year Ended December 31 | | | For the Nine Months Ended September 30 | |
|--|--------------------------------|---------------|---------------|--|---------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| Exercise price (US\$) | 0.10 – 6.74 | 1.80 – 7.09 | 2.38 – 48.45 | 2.38 – 13.36 | 2.39 – 41.53 |
| Fair value of the ordinary shares on the date of option grant (US\$) | 3.38 – 6.74 | 1.80 – 7.09 | 2.38 – 48.45 | 2.38 – 13.36 | 39.54 – 41.53 |
| Risk-free interest rate | 2.74% – 3.15% | 1.66% – 2.54% | 0.50% – 1.00% | 0.47% – 0.55% | 1.08% – 1.47% |
| Expected term (in years) | 7 – 10 | 7 – 10 | 7 – 10 | 7 – 10 | 7 – 10 |
| Expected dividend yield | 0% | 0% | 0% | 0% | 0% |
| Expected volatility | 47% – 51% | 44% – 52% | 54% – 55% | 54% | 55% |
| Expected forfeiture rate (post-vesting) | 5% – 8% | 6% – 8% | 2% – 6% | 6% | 2% |

Risk-free interest rate is estimated based on the yield curve of US Sovereign Bond as of the option valuation date. The expected volatility at the grant date and each option valuation date is estimated based on annualized standard deviation of daily stock price return of comparable companies with a time horizon close to the expected expiry of the term of the options. The Company has never declared or paid any cash dividends on its capital stock, and the Group does not anticipate any dividend payments in the foreseeable future. Expected term is the contract life of the options.

As of December 31, 2018, 2019 and 2020 and September 30, 2021, there were RMB117,367, RMB89,896, RMB109,905 and RMB68,965 of unrecognized compensation expenses related to the stock options granted to the employees of NIO US, which is expected to be recognized over a weighted-average period of 2.67, 2.78, 2.73 and 2.05 years, respectively.

As of December 31, 2018, 2019, 2020 and September 30, 2021, there were RMB345,072, RMB269,425, RMB430,414 and RMB483,798 of unrecognized compensation expenses related to the stocks options granted to the Group's non-NIO US employees which is expected to be recognized over a weighted-average period of 3.02 years, 2.67 years, 2.01 years and 1.40 years, respectively.

(ii) Restricted shares

The fair value of each restricted share granted with service conditions is estimated based on the fair market value of the underlying ordinary shares of the Company on the date of grant.

The following table summarizes activities of the Company's restricted shares to US employees under the 2016 Plan:

| | Number of Restricted Shares Outstanding | Weighted Average Grant Date Fair Value |
|--|--|---|
| | | US\$ |
| Unvested at December 31, 2017 | 1,112,977 | 0.96 |
| Vested | (608,406) | 0.96 |
| Forfeited | (63,058) | 0.96 |
| Unvested at December 31, 2018 | 441,513 | 0.96 |
| Vested | (362,685) | 0.96 |
| Forfeited | (78,828) | 0.96 |
| Unvested at December 31, 2019, 2020 and September 30, 2021 | - | - |

Share-based compensation expenses of RMB3,790, RMB2,357, nil, nil and RMB7,444 related to restricted shares granted to the employees of NIO US was recognized for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, respectively.

As of December 31, 2018, 2019 and 2020, and the September 30, 2021, there were nil, nil, nil and RMB127,724 of unrecognized compensation expenses related to restricted shares granted to the employees of NIO US, which is expected to be recognized over a weighted-average period of nil, nil, nil and 3.65 years, respectively.

The following table summarizes activities of the Company's restricted shares to non-US employees under the 2017 and 2018 Plan:

| | Number of Restricted Shares Outstanding | Weighted Average Grant Date Fair Value |
|--------------------------------------|--|---|
| | | US\$ |
| Unvested at December 31, 2018 | 63,897 | 6.60 |
| Vested | (31,949) | 6.60 |
| Unvested at December 31, 2019 | 31,948 | 6.60 |
| Granted | 3,869,213 | 20.07 |
| Vested | (2,165,417) | 3.85 |
| Unvested at December 31, 2020 | 1,735,744 | 40.05 |
| Granted | 9,197,669 | 33.90 |
| Vested | (584,963) | 41.33 |
| Forfeited | (188,343) | 38.12 |
| Unvested at September 30, 2021 | 10,160,107 | 33.29 |

Share-based compensation expenses of RMB20,323, RMB1,445, RMB9,551, RMB3,114 and RMB216,803 related to restricted shares granted to the non-US employees was recognized for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, respectively.

As of December 31, 2018, 2019 and 2020 and September 30, 2021, there were RMB2,798, RMB1,028, RMB472,628 and RMB2,046,492 of unrecognized compensation expenses related to restricted shares granted to the non-US employees, which is expected to be recognized over a weighted-average period of 1.7, 0.7, 3.65 and 3.64 years, respectively.

(c) Non-recourse Loan

In November 2015, the Company issued an offer letter to one of its key management team member (“the Borrower”). In the offer letter, the Company offered the Borrower to purchase 7,509,933 Series A-3 Preferred Shares of the Company at the price of US\$1.6522 per share, which equals to the purchase price same class of preferred shares by other third party investors in the most recent round of financing prior to the offer letter. In addition, the Company agreed to provide a loan in the amount of US\$12,408 with an interest rate of 1.8% compounded semiannually to paid for the fund the purchase of such Series A-3 Preferred Shares by the Borrower (“the Loan”). The Loan agreement was signed on March 10, 2016. The Loan is subject to a three-year service condition with 25% immediately vested on the grant date and 25% cliff vesting annually. The Borrower’s personal liability on the Loan, and the Company’s recourse against the Borrower personally on the Loan, shall be limited to 50% of the then-outstanding principal amount of the Loan, including any interest accrued thereon.

In June 2018, the Borrower repaid the loan pursuant to the agreement, including the interest accrued, to the Company, amounting to RMB82,863. By the time of the repayment, 75% of the Award was vested and considered as exercised while 25% remained as unvested.

Pursuant to ASC 718, the Company accounted for the Loan as a stock liability (the “Award”). Given the underlying of the Award is Series A-3 Preferred Shares, it was treated as a liability award following ASC 480. The Award was initially recognized at fair value and subsequently re-measured by recognizing the change in fair value as an adjustment to the compensation costs. The fair value of the Award granted was estimated on each reporting date using the Black-Scholes option pricing model with the assumptions (or ranges thereof) in the following table:

| | <u>2018</u> |
|--|-------------|
| Exercise price | 1.74 |
| Fair value of the Preferred Shares on the measurement date | 4.54 |
| Risk-free interest rate | 2% |
| Remaining life (in years) | 0.26 |
| Expected dividend yield | 0% |
| Expected volatility | 43% – 44% |

As of December 31, 2018, the Award was fully vested and exercised.

Share-based compensation expenses related to the Award of RMB178,475, nil, nil, nil and nil were recognized for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, respectively.

25. TAXATION

(a) Income taxes

Cayman Islands

The Group is incorporated in the Cayman Islands. The Cayman Islands currently have no form of income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or, after execution, brought within the jurisdiction of the Cayman Islands.

PRC

Generally, the Company's PRC subsidiaries are subject to enterprise income tax on their taxable income in China at a statutory rate of 25%, except for certain PRC subsidiaries that are qualified as high and new technology enterprises under the PRC Enterprise Income Tax Law and are eligible for a preferential enterprise income tax rate of 15%. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

Dividends paid by the Company's PRC subsidiaries in China to its Hong Kong subsidiaries will be subject to a withholding tax rate of 10%, unless the relevant Hong Kong entity satisfies all the requirements under the Double Taxation Avoidance Arrangement and receives approval from the relevant tax authority. If Hong Kong subsidiaries satisfy all the requirements under the tax arrangement and receive approval from the relevant tax authority, then the dividends paid to the Hong Kong subsidiaries would be subject to withholding tax at the standard rate of 5%. Effective from November 1, 2015, the above-mentioned approval requirement has been abolished, but a Hong Kong entity is still required to file application package with the relevant tax authority, and settle the overdue taxes if the preferential 5% tax rate is denied based on the subsequent review of the application package by the relevant tax authority.

If the Company or any of its subsidiaries outside of China were deemed to be a "resident enterprise" under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%.

Under the PRC Enterprise Income Tax Law, research and development expenses incurred by an enterprise in the course of carrying out research and development activities that have not formed intangible assets and are included in the profit and loss account for the current year. Besides deducting the actual amount of research and development expenses incurred, an enterprise is allowed an additional 75% deduction of the amount in calculating its taxable income for the relevant year. For research and development expenses that have formed intangible assets, the tax amortization is based on 175% of the costs of the intangible assets.

Hong Kong

Subsidiaries incorporated in Hong Kong are subject to 8.25% profit tax on the first HKD2 million taxable income and 16.5% profit tax on the remaining taxable income generated from operations in Hong Kong. There is no withholding tax in Hong Kong on remittance of dividends.

Other Countries

The maximum applicable income tax rates of other countries where the Company's subsidiaries having significant operations for the years ended December 31, 2018, 2019 and 2020 and nine months ended September 30, 2021 are as follows:

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, |
|----------------------|---------------------------------|--------|--------|---|
| | 2018 | 2019 | 2020 | 2021 |
| United States | 29.84% | 29.84% | 29.84% | 29.84% |
| United Kingdom | 19.00% | 19.00% | 19.00% | 19.00% |
| Germany | 32.98% | 32.98% | 32.98% | 32.98% |
| Netherlands | — | — | — | 25% |
| Norway | — | — | — | 22% |

Subsidiaries incorporated in Netherlands are subject to 15% profit tax on the first EUR245 taxable income and 25% profit tax on remaining taxable income generated from operations in Netherlands.

Composition of income tax expense for the periods presented are as follows:

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|------------------------------------|---------------------------------|-------|-------|---|-------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| Current income tax expense | 22,044 | 7,888 | 6,368 | 4,704 | 9,018 |

Reconciliations of the income tax expense computed by applying the PRC statutory income tax rate of 25% to the Group's income tax expense of the years presented are as follows:

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|--|---------------------------------|--------------|-------------|---|-------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| Loss before income tax expense | (9,616,935) | (11,287,764) | (5,297,714) | (3,840,845) | (1,864,502) |
| Income tax expense computed at PRC statutory income tax rate of 25% | (2,404,234) | (2,821,941) | (1,324,429) | (960,211) | (466,125) |
| Non-deductible expenses | 96,684 | 58,374 | 47,151 | 6,861 | 13,589 |
| Foreign tax rates differential | 167,180 | 107,617 | (81,668) | 85,595 | 123,775 |
| Additional 75% tax deduction for qualified research and development expenses | (216,993) | (22,630) | (36,775) | – | (404,770) |
| Tax exempted interest income | (10,377) | (3,093) | – | – | (1,619) |
| Non-taxable offshore income | – | – | (523,276) | – | – |
| US tax credits | (42,781) | (72,448) | (21,633) | (60,563) | (22,845) |
| Prior year adjustments | (1,422) | (16,259) | (4,324) | (2,606) | (5,269) |
| Tax benefit contributed by Non-controlling interest | – | 2,285 | 1,241 | – | – |
| Tax benefit not utilized | 2,433,987 | 2,775,983 | 1,950,081 | 934,952 | 772,235 |
| Others | – | – | – | 676 | 47 |
| Income tax expense | 22,044 | 7,888 | 6,368 | 4,704 | 9,018 |

The PRC statutory income tax rate was used because the majority of the Group's operations are based in PRC.

(b) Deferred tax

The Group considers positive and negative evidence to determine whether some portion or all of the deferred tax assets will be more-likely-than-not realized. This assessment considers, among other matters, the nature, frequency and severity of recent losses and forecasts of future profitability. These assumptions require significant judgment and the forecasts of future taxable income are consistent with the plans and estimates the Group is using to manage the underlying business. The statutory income tax rate of 25% or applicable preferential income tax rates were applied when calculating deferred tax assets.

The Group's deferred tax assets consist of the following components:

| | As of December 31, | | | As of September 30, |
|--|--------------------|--------------------|--------------------|---------------------------|
| | 2018 | 2019 | 2020 | 2021 |
| Deferred tax assets | | | | |
| Net operating loss carry-forwards | 3,777,696 | 6,005,461 | 6,831,387 | 7,049,709 |
| Accrued and prepaid expenses | 255,240 | 420,714 | 534,693 | 814,367 |
| Deferred Revenue | 83,877 | 105,840 | 251,778 | 487,878 |
| Tax credit carry-forwards | 117,801 | 213,773 | 233,326 | 258,983 |
| Property, plant and equipment, net | 17,467 | 10,584 | 64,191 | 70,200 |
| Unrealized financing cost | 41,939 | 29,200 | 40,800 | 37,780 |
| Intangible assets | 15,687 | 36,362 | 36,702 | 48,853 |
| Allowance against receivables | – | 27,196 | 9,027 | 24,829 |
| Deferred rent | 36,729 | 19,035 | 9,791 | 26,992 |
| Share-based compensation | 8,962 | 7,688 | 6,857 | 11,283 |
| Write-downs of inventory | – | 2,607 | 1,162 | 533 |
| Advertising expenses in excess of deduction limit | 14,234 | 353 | 507 | 602 |
| Unrealized foreign exchange loss | 55 | 55 | (971) | (928) |
| Others | – | 162 | 269 | 1,024 |
| Total deferred tax assets | <u>4,369,687</u> | <u>6,879,030</u> | <u>8,019,519</u> | <u>8,832,105</u> |
| Less: Valuation allowance | <u>(4,369,687)</u> | <u>(6,879,030)</u> | <u>(8,019,519)</u> | <u>(8,832,105)</u> |
| Total deferred tax assets, net | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> |

Full valuation allowances have been provided where, based on all available evidence, management determined that deferred tax assets are not more likely than not to be realizable in future tax years. Movement of valuation allowance is as follow:

| Valuation allowance | As of December 31, | | | As of September 30, |
|--|--------------------|------------------|------------------|---------------------------|
| | 2018 | 2019 | 2020 | 2021 |
| Balance at beginning of the year | 1,878,643 | 4,369,687 | 6,879,030 | 8,019,519 |
| Additions | <u>2,491,044</u> | <u>2,509,343</u> | <u>1,140,489</u> | <u>812,586</u> |
| Balance at end of the year | <u>4,369,687</u> | <u>6,879,030</u> | <u>8,019,519</u> | <u>8,832,105</u> |

The Group has tax losses arising in Mainland China of RMB21,419,766, that will expire in one to nine years for deduction against future taxable profit.

| | |
|-----------------------|-------------------|
| Loss expiring in 2021 | 26,311 |
| Loss expiring in 2022 | 52,884 |
| Loss expiring in 2023 | 2,413,090 |
| Loss expiring in 2024 | 3,370,830 |
| Loss expiring in 2025 | 3,726,951 |
| Loss expiring in 2026 | 309,211 |
| Loss expiring in 2027 | 2,799,057 |
| Loss expiring in 2028 | 3,386,869 |
| Loss expiring in 2029 | 5,334,563 |
| Total | <u>21,419,766</u> |

The Group has tax losses arising in Hong Kong of RMB2,601,564 for which could be carried forward indefinitely against future taxable income.

The Group has tax losses arising in United States of RMB22,731, RMB230,117, RMB806,692 and RMB2,366,316 that will expire in sixteen, seventeen, eighteen and infinite years for deduction against future taxable income.

Uncertain Tax Position

The Group did not identify any significant unrecognized tax benefits for each of the periods presented. The Group did not incur any interest related to unrecognized tax benefits, did not recognize any penalties as income tax expense and also does not anticipate any significant change in unrecognized tax benefits within 12 months from September 30, 2021.

26. LOSS PER SHARE

Basic loss per share and diluted loss per share have been calculated in accordance with ASC 260 on computation of earnings per share for the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021 as follows:

| | <u>For the Year Ended December 31,</u> | | | <u>For the Nine Months Ended September 30,</u> | |
|--|--|----------------------|----------------------|--|----------------------|
| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2020</u> | <u>2021</u> |
| | | | | (Unaudited) | |
| Numerator: | | | | | |
| Net loss | (9,638,979) | (11,295,652) | (5,304,082) | (3,915,459) | (1,873,520) |
| Accretion on convertible redeemable preferred shares to redemption value | (13,667,291) | - | - | - | - |
| Accretion on redeemable non-controlling interests to redemption value | (63,297) | (126,590) | (311,670) | (205,864) | (6,519,698) |
| Net loss attributable to non-controlling interests | 41,705 | 9,141 | 4,962 | 2,703 | 131 |
| Net loss attributable to ordinary shareholders of NIO Inc. for basic/dilutive net loss per share | <u>(23,327,862)</u> | <u>(11,413,101)</u> | <u>(5,610,790)</u> | <u>(4,118,620)</u> | <u>(8,393,087)</u> |
| Denominator: | | | | | |
| Weighted-average number of ordinary shares outstanding – basic and diluted | <u>332,153,211</u> | <u>1,029,931,705</u> | <u>1,182,660,948</u> | <u>1,100,928,485</u> | <u>1,561,225,055</u> |
| Basic and diluted net loss per share attributable to ordinary shareholders of NIO Inc. | <u>(70.23)</u> | <u>(11.08)</u> | <u>(4.74)</u> | <u>(3.74)</u> | <u>(5.38)</u> |

For the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, the Company had potential ordinary shares, including non-vested restricted shares, options granted, Convertible Notes and Preferred Shares. As the Group incurred losses for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, these potential ordinary shares were anti-dilutive and excluded from the calculation of diluted net loss per share of the Company. Such weighted average numbers of ordinary shares outstanding are as following:

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|--|---------------------------------|--------------------|--------------------|---|--------------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| Non-vested restricted shares | 340,518 | 459,199 | – | – | – |
| Outstanding weighted average options granted | 72,735,288 | 31,276,979 | 52,558,756 | 50,760,592 | 57,438,555 |
| Convertible Notes | – | 92,512,382 | 183,942,782 | 233,488,685 | 47,836,368 |
| Preferred Shares | 678,614,152 | – | – | – | – |
| Total | <u>751,689,958</u> | <u>124,248,560</u> | <u>236,501,538</u> | <u>284,249,277</u> | <u>105,274,923</u> |

27. RELATED PARTY BALANCES AND TRANSACTIONS

The principal related parties with which the Group had transactions during the years presented are as follows:

| Name of Entity or Individual | Relationship with the Company |
|---|---|
| Baidu Capital L.P. | Shareholder |
| Ningbo Meishan Bonded Port Area Weilan Investment Co., Ltd. | Controlled by Principal Shareholder |
| Shanghai NIO Hongling Investment Management Co., Ltd. | Controlled by Principal Shareholder |
| Miracle Mission Limited | Controlled by Principal Shareholder |
| Beijing Chehui Hudong Guanggao Co., Ltd. | Controlled by Principal Shareholder |
| Beijing Xinyi Hudong Guanggao Co., Ltd. | Controlled by Principal Shareholder |
| Bite Shijie (Beijing) Keji Co., Ltd. | Controlled by Principal Shareholder |
| Shanghai Weishang Business Consulting Co., Ltd. | Controlled by Principal Shareholder |
| Beijing Bit Ep Information Technology Co., Ltd. | Controlled by Principal Shareholder |
| Serene View Investment Limited | Controlled by Principal Shareholder |
| Huang River Investment Limited | Controlled by Principal Shareholder |
| Tianjin Boyou Information Technology Co., Ltd. | Controlled by Principal Shareholder |
| Beijing Yiche Information Science and Technology Co., Ltd. | Controlled by Principal Shareholder |
| Beijing Yiche Interactive Advertising Co., Ltd. | Controlled by Principal Shareholder |
| Shanghai Yiju Information Technology Co., Ltd. | Controlled by Principal Shareholder |
| Beijing Bitauto Interactive Technology Co., Ltd. | Controlled by Principal Shareholder |
| Beijing Weixu Business Consulting Co., Ltd. | Controlled by Principal Shareholder |
| Xunjie Energy (Wuhan) Co., Ltd. | Affiliate |
| Suzhou Zenlead XPT New Energy Technologies Co., Ltd | Affiliate |
| Kunshan Siwopu Intelligent Equipment Co., Ltd. | Affiliate |
| Nanjing Weibang Transmission Technology Co., Ltd. | Affiliate |
| Wuhan Weineng Battery Assets Co., Ltd. | Affiliate |
| Wistron Info Comm (Kunshan) Co., Ltd. | Subsidiary's Non-controlling shareholder |
| Xtronics Innovation Ltd. | Subsidiary's Non-controlling shareholder |
| Beijing Changxing Information Technology Co., Ltd. | Significantly influenced by Principal Shareholder |

In June 2018, Wenjie Wu, originally appointed by Baidu Capital L.P. to be a board director of the Company, resigned and since then, Baidu Capital L.P. ceased to have significant influence over the Company and was no longer the Group's related party.

In December 2020, Mr. Bin Li resigned as chairman of the Board in Beijing Bitauto Interactive Technology Co., Ltd.. Since then, Beijing Bitauto Interactive Technology Co., Ltd., Beijing Xinyi Hudong Guanggao Co., Ltd., Bite Shijie (Beijing) Keji Co., Ltd. and Beijing Chehui Hudong Guanggao Co., Ltd. were no longer controlled by Mr. Bin Li, and were no longer the Group's related parties.

(a) The Group entered into the following significant related party transactions:

(i) Provision of service

For the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, service income was primarily generated from property management, administrative support, design and research and development services the Group provided to its related parties.

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|--|---------------------------------|--------------|--------------|---|---------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| Wuhan Weineng Battery Assets Co., Ltd. | - | - | 38 | - | 37,948 |
| Nanjing Weibang Transmission Technology Co., Ltd. | - | 2,417 | 1,523 | 1,163 | 1,197 |
| Beijing Weixu Business Consulting Co., Ltd. | - | - | - | - | 165 |
| Shanghai Weishang Business Consulting Co., Ltd. | 905 | 1,806 | - | - | - |
| Shanghai NIO Hongling Investment Management Co., Ltd. | 2,707 | - | - | - | - |
| | <u>3,612</u> | <u>4,223</u> | <u>1,561</u> | <u>1,163</u> | <u>39,310</u> |

(ii) Acceptance of advertising and IT support services

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|---|---------------------------------|---------------|----------------|---|--------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| Beijing Bit Ep Information Technology Co., Ltd. | - | 3,627 | 4,159 | 4,159 | 3,802 |
| Beijing Yiche Interactive Advertising Co., Ltd. | - | 6,132 | - | - | 472 |
| Tianjin Boyou Information Technology Co., Ltd. | - | 264 | 1,594 | 1,594 | 217 |
| Beijing Chehui Hudong Guanggao Co., Ltd. | 6,915 | 29,599 | 92,356 | 61,171 | - |
| Beijing Xinyi Hudong Guanggao Co., Ltd. | 28,245 | 37,935 | 39,919 | 20,404 | - |
| Beijing Yiche Information Science and Technology Co., Ltd. | 32 | 466 | 280 | 234 | - |
| Shanghai Yiju Information Technology Co., Ltd. | - | 76 | 142 | 123 | - |
| Bite Shijie (Beijing) Keji Co., Ltd. | 2,865 | 1,664 | 47 | - | - |
| | <u>38,057</u> | <u>79,763</u> | <u>138,497</u> | <u>87,685</u> | <u>4,491</u> |

(iii) Loan to related party

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|-----------------------------------|---------------------------------|------|------|---|------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| Miracle Mission Limited | 66,166 | – | – | – | – |

On January 12, 2018, the Group granted two interest free loans to Miracle Mission Limited, with principal amount of US\$5,000 each. The loans mature in six months. One of the loan has been received by the Group and the other has been converted into the investment in ordinary shares of a subsidiary of Miracle Mission Limited, which was further disposed in 2019.

(iv) Cost of manufacturing consignment

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|--|---------------------------------|---------|---------|---|--------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| Suzhou Zenlead XPT New Energy Technologies Co., Ltd. | 132,152 | 132,511 | 174,680 | 106,188 | 84,915 |

(v) Purchase of raw material, property and equipment

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|---|---------------------------------|--------|---------|---|---------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| Kunshan Siwopu Intelligent Equipment Co., Ltd. | 11,107 | 7,982 | 22,797 | 8,142 | 455,070 |
| Nanjing Weibang Transmission Technology Co., Ltd. | – | 34,220 | 114,329 | 35,859 | 153,981 |
| Xunjie Energy (Wuhan) Co., Ltd. | – | – | 460 | – | 24,920 |
| | 11,107 | 42,202 | 137,586 | 44,001 | 633,971 |

(vi) Interest payment

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|----------------------------|---------------------------------|------|------|---|------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| Baidu Capital L.P. | 8,065 | – | – | – | – |

(vii) Acceptance of R&D and maintenance service

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|---|---------------------------------|------------|--------------|---|---------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| Kunshan Siwopu Intelligent Equipment Co., Ltd. | 2,436 | 341 | 1,449 | 554 | 12,767 |
| Xunjie Energy (Wuhan) Co., Ltd. | – | – | – | – | 231 |
| Suzhou Zenlead XPT New Energy Technologies Co., Ltd. | 14,776 | – | 1,953 | – | – |
| | <u>17,212</u> | <u>341</u> | <u>3,402</u> | <u>554</u> | <u>12,998</u> |

(viii) Payment on behalf of related party

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|---|---------------------------------|----------|----------|---|----------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| Nanjing Weibang Transmission Technology Co., Ltd. ... | <u>2,790</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> |

(ix) Loan from related party

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|---|---------------------------------|---------------|----------------|---|----------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| Beijing Bitauto Interactive Technology Co., Ltd. ... | – | – | 260,000 | 133,419 | – |
| Beijing Changxing Information Technology Co., Ltd. | – | 25,799 | – | – | – |
| | <u>–</u> | <u>25,799</u> | <u>260,000</u> | <u>133,419</u> | <u>–</u> |

In 2019, the Company signed a loan agreement with Beijing Changxing Information Technology Co., Ltd. for a loan of RMB25,799 at an interest rate of 15%. As of September 30, 2021, the loan has been fully repaid by the Company.

In 2020, the Company signed loan agreements with Beijing Bitauto Interactive Technology Co., Ltd. for an aggregate loan amount of RMB260,000 at an interest rate of 6%. As of September 30, 2021, the loans have been fully repaid by the Company.

(x) Sale of raw material, property and equipment

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|---|---------------------------------|------|------|---|------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| Wistron Info Comm (Kunshan) Co., Ltd. | – | 725 | 358 | – | – |
| Wuhan Weineng Battery Assets Co., Ltd. | – | – | 120 | – | – |
| | – | 725 | 478 | – | – |

(xi) Convertible notes issued to related parties and interest accrual (Note 13)

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|---|---------------------------------|-----------|---------|---|--------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| Huang River Investment Limited | – | 920,914 | 22,018 | 101,087 | 11,875 |
| Serene View Investment Limited | – | 614,926 | 101,927 | 18,136 | – |
| | – | 1,535,840 | 123,945 | 119,223 | 11,875 |

(xii) Sales of goods

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | |
|--|---------------------------------|------|---------|---|-----------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| | | | | (Unaudited) | |
| Wuhan Weineng Battery Assets Co., Ltd. | – | – | 290,135 | 30,973 | 2,796,637 |
| Beijing Yiche Interactive Advertising Co., Ltd. | – | – | 1,453 | – | 485 |
| Kunshan Siwopu Intelligent Equipment Co., Ltd. | – | – | – | – | 370 |
| Shanghai Weishang Business Consulting Co., Ltd. | – | – | – | – | 157 |
| Beijing Bit Ep Information Technology Co., Ltd. | – | – | 4,402 | – | – |
| Beijing Bitauto Interactive Technology Co., Ltd. | – | – | 1,974 | – | – |
| Beijing Yiche Information Science and Technology Co., Ltd. | – | – | 525 | – | – |
| | – | – | 298,489 | 30,973 | 2,797,649 |

(b) The Group had the following significant related party balances:

(i) Amounts due from related parties

| | As of December 31, | | | As of |
|---|--------------------|--------|---------|-----------------------|
| | 2018 | 2019 | 2020 | September 30, 2021 |
| Due from related parties, current: | | | | |
| Trade related | | | | |
| Due from Wuhan Weineng Battery Assets Co. Ltd. | – | – | 118,779 | 998,388 |
| Due from Wistron Info Comm (Kunshan) Co., Ltd. | – | 109 | – | – |
| Non-trade related | | | | |
| Due from Ningbo Meishan Bonded Port Area Weilan Investment Co., Ltd. | 50,000 | 50,000 | 50,000 | 50,000 |
| Due from Nanjing Weibang Transmission Technology Co., Ltd. | 2,790 | 674 | 509 | 268 |
| Due from Miracle Mission Limited | 34,316 | – | – | – |
| Due from Shanghai NIO Hongling Investment Management Co., Ltd. | 960 | – | – | – |
| | 88,066 | 50,783 | 169,288 | 1,048,656 |
| Due from related parties, non-current: | | | | |
| Non-trade related | | | | |
| Due from Kunshan Siwopu Intelligent Equipment Co., Ltd.. | 7,970 | – | 617 | – |
| Total | 96,036 | 50,783 | 169,905 | 1,048,656 |

In 2017, the Company grant interest-free loans to Ningbo Meishen Bonded Port Area Weilan Investment Co., Ltd. As of September 30, 2021, the loans remain outstanding.

(ii) Amounts due to related parties

| | As of December 31, | | | As of |
|--|--------------------|----------------|----------------|-----------------------|
| | 2018 | 2019 | 2020 | September 30, 2021 |
| Due to related parties, current: | | | | |
| Trade related | | | | |
| Due to Kunshan Siwopu Intelligent Equipment Co., Ltd.. | 761 | 379 | 11,986 | 473,930 |
| Due to Suzhou Zenlead XPT New Energy Technologies Co., Ltd. . | 210,868 | 180,687 | 273,982 | 279,099 |
| Due to Nanjing Weibang Transmission Technology Co., Ltd. | – | 33,018 | 51,687 | 33,608 |
| Due to Xunjie Energy (Wuhan) Co., Ltd. | – | – | 513 | 18,419 |
| Non-trade related | | | | |
| Due to Wistron Info Comm (Kunshan) Co., Ltd. | – | – | 3,007 | 2,339 |
| Due to Xtronics Innovation Ltd. . . | – | – | 1,493 | 1,161 |
| Due to Beijing Bit Ep Information Technology Co., Ltd. | – | 2,598 | 1,768 | 1,076 |
| Due to Beijing Yiche Interactive Advertising Co., Ltd. | – | 3,500 | – | 472 |
| Due to Beijing Yiche Information Science and Technology Co., Ltd. | – | 205 | 167 | – |
| Due to Beijing Xinyi Hudong Guanggao Co., Ltd. | 3,530 | 36,714 | – | – |
| Due to Beijing Changxing Information Technology Co., Ltd. | – | 25,799 | – | – |
| Due to Beijing Chehui Hudong Guanggao Co., Ltd. | 4,085 | 25,170 | – | – |
| Due to Bite Shijie (Beijing) Keji Co., Ltd. | 339 | 1,549 | – | – |
| Due to Shanghai Yiju Information Technology Co., Ltd. | – | 80 | – | – |
| Due to Tianjin Boyou Information Technology Co., Ltd. | – | 30 | – | – |
| Total | <u>219,583</u> | <u>309,729</u> | <u>344,603</u> | <u>810,104</u> |

(iii) Short-term borrowings and interest payable

| | As of December 31, | | | As of |
|--------------------------------------|--------------------|----------------|--------------|-----------------------|
| | 2018 | 2019 | 2020 | September 30, 2021 |
| Huang River Investment Limited . . . | – | 354,840 | 3,391 | 75 |
| Serene View Investment Limited . . . | – | 350,255 | – | – |
| Total | <u>–</u> | <u>705,095</u> | <u>3,391</u> | <u>75</u> |

(iv) Long-term borrowings and interest payable

| | As of December 31, | | | As of |
|--------------------------------------|--------------------|---------|---------|-----------------------|
| | 2018 | 2019 | 2020 | September 30, 2021 |
| Huang River Investment Limited . . . | – | 560,325 | 531,507 | 384,429 |
| Serene View Investment Limited . . . | – | 258,213 | – | – |
| Total | – | 818,538 | 531,507 | 384,429 |

28. COMMITMENTS AND CONTINGENCIES**(a) Capital commitments**

Capital expenditures contracted for at the balance sheet dates but not recognized in the Group's consolidated financial statements are as follows:

| | As of December 31, | | | As of |
|----------------------------------|--------------------|---------|---------|-----------------------|
| | 2018 | 2019 | 2020 | September 30, 2021 |
| Property and equipment | 1,454,031 | 551,582 | 428,448 | 2,636,325 |
| Leasehold improvements | 149,551 | 68,652 | 54,911 | 483,446 |
| Total | 1,603,582 | 620,234 | 483,359 | 3,119,771 |

(b) Contingencies

Between March and July 2019, several putative securities class action lawsuits were filed against the Company, certain of the Company's directors and officers, the underwriters in the IPO and the process agent, alleging, in sum and substance, that the Company's statements in the Registration Statement and/or other public statements were false or misleading and in violation of the U.S. federal securities laws. Some of these actions have been withdrawn, transferred or consolidated. Currently, three securities class actions remain pending in the U.S. District Court for the Eastern District of New York (E.D.N.Y.), Supreme Court of the State of New York, New York County (N.Y. County), and Supreme Court of the State of New York, County of Kings (Kings County) respectively. In the E.D.N.Y. action, the Company and other defendants filed their Motion to Dismiss on October 19, 2020. Certain of the Company's directors and officers, who were named as defendants in this action, joined the company's Motion. On August 12, 2021, the Court denied the Motion to Dismiss. The action has since proceeded to the discovery stage. The Company and other Defendants submitted their respective Answers to Plaintiffs' Complaint on October 25, 2021, and will continue to proceed with the discovery process, subject to further negotiations with Plaintiffs regarding the scope, steps and timeline for the exchange of documents. In the New York county action, by an order dated March 23, 2021, the Court granted the plaintiffs' motion to lift the stay in favor of the federal action. Plaintiffs subsequently filed an amended complaint on April 2, 2021. The Company and other defendants filed a motion to dismiss on May 17, 2021. Briefing on the Motion to Dismiss was completed on August 2, 2021. The Court's decision on the Motion is pending. On October 4, 2021, the Court granted the Company and other Defendants' Motion to Dismiss. The Court dismissed Plaintiffs' claims with respect to the subsidy issue with prejudice (not permitting Plaintiffs to amend their claims), and dismissed Plaintiffs' claims with respect to the quality and design of ES8 without prejudice (allowing Plaintiffs, if they choose, to amend their claims by November 5, 2021). In the Kings County action, the judge has yet to be assigned and there has not been any major development. These actions remain in their preliminary stages. The Company is currently unable to determine any estimate of the amount or range of any potential loss, if any, associated with the resolution of such lawsuits, if they proceed.

The Group is subject to legal proceedings and regulatory actions in the ordinary course of business, such as disputes with landlords, suppliers, employees, etc. The results of such proceedings cannot be predicted with certainty, but the Group does not anticipate that the final outcome arising out of any of such matters will have a material adverse effect on the consolidated balance sheets, comprehensive loss or cash flows on an individual basis or in the aggregate. As of December 31, 2018, 2019 and 2020 and September 30, 2021, other than as discussed above, the Group is not a party to any material legal or administrative proceedings.

29. PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION

The Company performed a test on the restricted net assets of its consolidated subsidiaries and VIEs in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), "General Notes to Financial Statements" and concluded that it was applicable for the Company to disclose the financial information for the Company only.

The subsidiaries did not pay any dividend to the Company for the years and periods presented. Certain information and footnote disclosures generally included in financial statements prepared in accordance with U.S. GAAP have been condensed and omitted. The footnote disclosures contain supplemental information relating to the operations of the Company, as such, these statements are not the general-purpose financial statements of the reporting entity and should be read in conjunction with the notes to the consolidated financial statements of the Company.

The Company did not have significant capital and other commitments or guarantees as of September 30, 2021.

Condensed Balance Sheets

| | As of December 31, | | | As of September 30, | |
|--|--------------------|------------------|-------------------|---------------------|------------------|
| | 2018 | 2019 | 2020 | 2021 | 2021 |
| | RMB | RMB | RMB | RMB | US\$ |
| | | | | | Note 2(e) |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | 17,179 | 11,629 | 22,173,454 | 2,862,130 | 444,195 |
| Short-term investment | – | – | – | 3,543,870 | 550,000 |
| Amounts due from related parties | 20,701 | 22,698 | 19,680 | 121 | 19 |
| Prepayments and other current assets | 54,847 | – | 34,664 | 2,097 | 325 |
| Total current assets | 92,727 | 34,327 | 22,227,798 | 6,408,218 | 994,539 |
| Non-current assets: | | | | | |
| Investments in subsidiaries and VIEs | 8,891,882 | 2,884,635 | 10,540,521 | 28,951,970 | 4,493,275 |
| Total non-current assets | 8,891,882 | 2,884,635 | 10,540,521 | 28,951,970 | 4,493,275 |
| Total assets | 8,984,609 | 2,918,962 | 32,768,319 | 35,360,188 | 5,487,814 |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Short-term borrowings | – | 697,620 | – | – | – |
| Amounts due to subsidiaries of the Group | 2,046,971 | 2,555,511 | 246,800 | 33,971 | 5,272 |
| Current portion of long-term borrowings | – | – | – | 1,071,345 | 166,270 |
| Accruals and other liabilities | 913 | 100,772 | 101,750 | 42,156 | 6,541 |
| Total current liabilities | 2,047,884 | 3,353,903 | 348,550 | 1,147,472 | 178,083 |
| Long-term borrowings | – | 5,784,984 | 5,196,507 | 9,774,392 | 1,516,962 |
| Deferred revenue | 99,684 | 79,761 | 54,431 | 19,018 | 2,952 |
| Total non-current liabilities | 99,684 | 5,864,745 | 5,250,938 | 9,793,410 | 1,519,914 |
| Total liabilities | 2,147,568 | 9,218,648 | 5,599,488 | 10,940,882 | 1,697,997 |

| | As of December 31, | | | As of September 30, | |
|---|--------------------|--------------------|-------------------|---------------------|------------------|
| | 2018 | 2019 | 2020 | 2021 | 2021 |
| | RMB | RMB | RMB | RMB | US\$ |
| | | | | | Note 2(e) |
| SHAREHOLDERS' EQUITY | | | | | |
| Class A Ordinary Shares | 1,329 | 1,347 | 2,205 | 2,334 | 362 |
| Class B Ordinary Shares | 226 | 226 | 220 | 220 | 34 |
| Class C Ordinary Shares | 254 | 254 | 254 | 254 | 39 |
| Treasury shares | (9,186) | – | – | (1,849,600) | (287,053) |
| Additional paid in capital | 41,918,936 | 40,227,856 | 78,880,014 | 80,022,293 | 12,419,265 |
| Accumulated other comprehensive loss | (34,708) | (203,048) | (65,452) | (234,396) | (36,378) |
| Accumulated deficit | (35,039,810) | (46,326,321) | (51,648,410) | (53,521,799) | (8,306,452) |
| Total shareholders' equity/(deficit) | 6,837,041 | (6,299,686) | 27,168,831 | 24,419,306 | 3,789,817 |
| Total liabilities and shareholders' equity | 8,984,609 | 2,918,962 | 32,768,319 | 35,360,188 | 5,487,814 |

Condensed Statements of Comprehensive Loss

| | For the Year Ended December 31, | | | For the Nine Months Ended September 30, | | |
|--|---------------------------------|---------------------|--------------------|---|--------------------|--------------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 | 2021 |
| | RMB | RMB | RMB | RMB | RMB | US\$ |
| | | | | | | Note 2(e) |
| | | | | | | (Unaudited) |
| Operating expenses: | | | | | | |
| Selling, general and administrative | (178,479) | (97) | (7,463) | (6,680) | (3,783) | (587) |
| Total operating expenses | (178,479) | (97) | (7,463) | (6,680) | (3,783) | (587) |
| Loss from operations | (178,479) | (97) | (7,463) | (6,680) | (3,783) | (587) |
| Interest income | 7,692 | 4,212 | 10,086 | 6,621 | 43,349 | 6,728 |
| Interest expense | – | (237,374) | (312,662) | (247,386) | (447,133) | (69,394) |
| Equity in loss of subsidiaries and VIEs | (9,432,640) | (11,076,907) | (5,089,371) | (3,761,603) | (1,424,223) | (221,036) |
| Investment loss | – | – | – | – | (19,432) | (3,016) |
| Other income | 6,153 | 23,655 | 100,290 | 96,274 | (22,167) | (3,441) |
| Loss before income tax expense | (9,597,274) | (11,286,511) | (5,299,120) | (3,912,756) | (1,873,389) | (290,746) |
| Income tax expense | – | – | – | – | – | – |
| Net loss | (9,597,274) | (11,286,511) | (5,299,120) | (3,912,756) | (1,873,389) | (290,746) |
| Accretion on convertible redeemable preferred shares to redemption value | (13,667,291) | – | – | – | – | – |
| Accretion on redeemable non-controlling interests to redemption value | (63,297) | (126,590) | (311,670) | (205,864) | (6,519,698) | (1,011,841) |
| Net loss attributable to ordinary shareholders of NIO Inc. | (23,327,862) | (11,413,101) | (5,610,790) | (4,118,620) | (8,393,087) | (1,302,587) |

Condensed Statements of Cash Flows

| | For The Year Ended December 31, | | | For the Nine Months Ended September 30, | | |
|---|---------------------------------|-------------|--------------|--|--------------|-------------|
| | 2018 | 2019 | 2020 | 2020 | 2021 | 2021 |
| | RMB | RMB | RMB | RMB | RMB | US\$ |
| | | | | | Note 2(e) | |
| | | | | (Unaudited) | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Net cash provided by/(used in) operating activities | 3,917,654 | 438,465 | (2,460,216) | (2,336,328) | (287,328) | (44,593) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Net cash used in investing activities | (11,693,144) | (4,817,498) | (12,998,602) | (12,804,266) | (29,199,735) | (4,531,729) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Net cash provided by financing activities | 7,762,745 | 4,373,247 | 37,867,127 | 18,145,362 | 10,286,842 | 1,596,493 |
| Effects of exchange rate changes on cash and cash equivalents | 6,654 | 236 | (246,484) | (205,590) | (111,103) | (17,243) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | | | | | |
| Cash and cash equivalents at beginning of the period | (6,091) | (5,550) | 22,161,825 | 2,799,178 | (19,311,324) | (2,997,072) |
| Cash and cash equivalents at end of the period | 23,270 | 17,179 | 11,629 | 11,629 | 22,173,454 | 3,441,267 |
| Cash and cash equivalents at end of the period | 17,179 | 11,629 | 22,173,454 | 2,810,807 | 2,862,130 | 444,195 |

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' consolidated financial statements.

30. SUBSEQUENT EVENTS

In October 2021, the Company, through its wholly owned subsidiary, completed the launch of RMB1,030 million of asset-backed securities by issuing senior debt securities to investors.

On November 19, 2021, the Company completed its at-the-market offering, 50,699,222 ADS are sold with net proceeds of RMB12,075 million subsequent to September 30, 2021.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to September 30, 2021 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company in respect of any period subsequent to September 30, 2021.

The following information does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the Company's reporting accountant as set out in Appendix I to this document, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountant's Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Listing on the consolidated net tangible assets of Group attributable to the ordinary shareholders of the Company as at September 30, 2021 as if the Listing had taken place on September 30, 2021.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of NIO Inc. and its subsidiaries and consolidated variable interest entities, or collectively the Group, had the Listing been completed as at September 30, 2021 or at any future date.

| Audited consolidated net tangible assets attributable to ordinary shareholders of the Company as at September 30, 2021 | Estimated listing expenses | Unaudited pro forma adjusted net tangible assets attributable to ordinary shareholders of the Company as at September 30, 2021 | Unaudited pro forma adjusted net tangible assets per Share | Unaudited pro forma adjusted net tangible assets per ADS | Unaudited pro forma adjusted net tangible assets per Share | Unaudited pro forma adjusted net tangible assets per ADS |
|--|----------------------------|--|--|--|--|--|
| | | | (RMB'000) | (RMB'000) | (RMB'000) | RMB |
| (Note 1) | (Note 2) | | (Note 3) | (Note 4) | (Note 5) | (Note 5) |

Based on 1,590,573,377

Shares in issue

immediately prior to

the Listing

| | | | | | | |
|------------|----------|------------|-------|-------|-------|-------|
| 24,419,303 | (58,278) | 24,361,025 | 15.32 | 15.32 | 18.51 | 18.51 |
|------------|----------|------------|-------|-------|-------|-------|

Notes:

- (1) The audited consolidated net tangible assets attributable to ordinary shareholders of the Company as at September 30, 2021 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the audited consolidated net assets attributable to ordinary shareholders of the Company as of September 30, 2021 of approximately RMB24,419,306,000 as set out in Appendix I with an adjustment for the intangible assets attributable to the ordinary shareholders of the Company of approximately RMB3,000.
- (2) In relation to the Listing, the Company expects to incur listing expenses in an aggregate amount of approximately RMB58.3 million which mainly include professional fees to the Joint Sponsors, legal advisers, the legal advisers to the Joint Sponsors and the Reporting Accountant.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,590,573,377 ordinary shares were in issue immediately prior to the Listing, assuming that the Listing has been completed on September 30, 2021 and the completion of conversion of all of the Class B ordinary shares into Class A ordinary shares, without taking into account of 18,482,691 treasury shares held by the Company, 59,950,066 Class A ordinary shares issued after September 30, 2021 and the Shares to be issued pursuant to the Stock Incentive Plans including pursuant to the exercise of options or the vesting of restricted shares or other awards that have been or may be granted from time to time, and any issuance or repurchase and cancellation of Shares and/or ADSs by the Company.
- (4) The unaudited pro forma adjusted net tangible assets per ADS is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that one ADS represent one Share.
- (5) For the purpose of this pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at a rate of RMB0.8277 to HK\$1.00.
- (6) Save as disclosed above, no other adjustment has been made to the pro forma adjusted net tangible assets of the Company to reflect any trading results or other transactions of the Company entered into subsequent to September 30, 2021.

B. REPORT FROM THE REPORTING ACCOUNTANT ON PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of NIO Inc.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of NIO Inc. (the "Company") and its subsidiaries and consolidated variable interest entities (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at September 30, 2021 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's listing document dated February 28, 2022 (the "Listing Document"), in connection with the proposed listing of the shares of the Company (the "Listing"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Listing Document.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Listing on the Group's financial position as at September 30, 2021 if the Listing had taken place at September 30, 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the nine months ended September 30, 2021, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*, ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a listing document is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Listing at September 30, 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers*Certified Public Accountants*

Hong Kong, February 28, 2022

(A) BASES

Our Directors have prepared the estimate of the consolidated net loss and the consolidated net loss attributable to ordinary shareholders of the Company for the year ended December 31, 2021 (the “Loss Estimate”) based on the audited consolidated results of our Group for the nine months ended September 30, 2021 and the unaudited consolidated results based on the management accounts of our Group for three months ended December 31, 2021. The Loss Estimate has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by our Group as summarised in the Accountant’s Report, the text of which is set out in Appendix I to this document.

(B) LOSS ESTIMATE

On the basis set out in Appendix III to this document, and in the absence of unforeseen circumstances, we estimate that our unaudited consolidated net loss and consolidated net loss attributable to ordinary shareholders of the Company is as follows:

| | |
|---|-------------------------------|
| Estimated consolidated net loss | Not more than RMB4.2 billion |
| Estimated consolidated net loss attributable to ordinary shareholders of the Company (Note) | Not more than RMB10.8 billion |

Note: Estimated consolidated net loss attributable to ordinary shareholder of the Company includes the estimated accretion on redeemable non-controlling interests to redemption value.

(C) LETTER FROM THE REPORTING ACCOUNTANT

The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



羅兵咸永道

The Board of Directors
NIO Inc.
Morgan Stanley Asia Limited
Credit Suisse (Hong Kong) Limited
China International Capital Corporation Hong Kong Securities Limited

February 28, 2022

Dear Sirs,

NIO Inc. (the “Company”)

Loss Estimate for Year Ended December 31, 2021

We refer to the estimate of the consolidated net loss and the estimate of the consolidated net loss attributable to ordinary shareholders of the Company for the year ended December 31, 2021 (the “Loss Estimate”) set forth in Appendix III in the listing document of the Company dated February 28, 2022 (the “Listing Document”).

Directors’ Responsibilities

The Loss Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries and consolidated variable interest entities (collectively referred to as the “Group”) for the nine months ended September 30, 2021 and the unaudited consolidated results based on the management accounts of the Group for the three months ended December 31, 2021.

The Company’s directors are solely responsible for the Loss Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

*PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Loss Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Loss Estimate in accordance with the bases adopted by the directors and as to whether the Loss Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Loss Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix III of the Listing Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountant’s report dated February 28, 2022, the text of which is set out in Appendix I of the Listing Document.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

D. LETTER FROM THE JOINT SPONSORS ON LOSS ESTIMATE

The following is the text of a letter, prepared for inclusion in this document by the Joint Sponsors in connection with the estimate of our consolidated net loss and the estimate of our consolidated net loss attributable to equity shareholders of the Company for the year ended December 31, 2021.

Morgan Stanley

**Morgan Stanley
Asia Limited**
Level 46, International
Commerce Centre,
1 Austin Road West,
Kowloon, Hong Kong



**Credit Suisse
(Hong Kong) Limited**
Level 88, International
Commerce Centre,
1 Austin Road West,
Kowloon, Hong Kong



**China International
Capital Corporation Hong
Kong Securities Limited**
29th Floor,
One International
Finance Centre,
1 Harbour View Street,
Central, Hong Kong

The Board of Directors
NIO Inc.

February 28, 2022

Dear Sirs,

We refer to the estimate of the consolidated net loss and the estimate of the consolidated net loss attributable to the owners of NIO Inc. (the “**Company**”, together with its subsidiaries, collectively referred to as the “**Group**”) for the year ended December 31, 2021 (the “**Loss Estimate**”), for which the directors of the Company (the “**Directors**”) are solely responsible, as set forth in Appendix III in the listing document of the Company dated February 28, 2022 (the “**Listing Document**”).

The Loss Estimate has been prepared by the Directors based on (i) the audited consolidated results of the Group for the nine months ended September 30, 2021, and (ii) the unaudited consolidated results based on the management accounts of the Group for the three months ended December 31, 2021.

We have discussed with you the bases and assumptions made by the Directors as set out in Appendix III to the Listing Document, upon which the Loss Estimate has been made. We have also considered the letter dated February 28, 2022 addressed to you and us from the Company’s reporting accountants, PricewaterhouseCoopers, regarding the accounting policies and calculations upon which the Loss Estimate has been made.

On the basis of the information comprising the Loss Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, we are of the opinion that the Loss Estimate, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
**Morgan Stanley
Asia Limited**

Robin Zhao
Managing Director

For and on behalf of
**Credit Suisse
(Hong Kong) Limited**

Allan Chu
Managing Director

For and on behalf of
**China International
Capital Corporation Hong
Kong Securities Limited**

Barry Chan
Managing Director

SUMMARY OF OUR CONSTITUTION

Notwithstanding the current provisions of the Articles, the Company undertakes to comply with (a) the applicable articles requirements under Chapter 8A of, and Appendix 3 to, the Hong Kong Listing Rules that are not currently met by the Articles and (b) the requirement that where a general meeting is postponed by the directors, the specific date, time and place of the postponed meeting must be specified, before the Articles are formally amended in the First AGM such that immediately upon the Listing, the Company will be subject to, and will fully comply with, such articles requirements as if they have already been incorporated into the existing Articles upon the Listing (save for certain specified exceptions). For further details, please see “Waivers and Exemptions – Requirements Relating to the Articles of Association of the Company.”

1 Memorandum of Association

Our Memorandum of Association, as currently in effect, states, inter alia, that the liability of the members of our Company is limited, that the objects for which our Company is established are unrestricted and our Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

Our Memorandum of Association is available on display at the websites specified in Appendix VI in the section headed “Documents available on display”.

2 Articles of Association

Our Articles of Association, as currently in effect, include provisions to the following effect:

Objects of Our Company

The objects of our company are unrestricted and we have the full power and authority to carry out any object not prohibited by the law of the Cayman Islands.

Shares

Our ordinary shares are divided into Class A ordinary shares, Class B ordinary shares and Class C ordinary shares. Holders of Class A ordinary shares, Class B ordinary shares and Class C ordinary shares have the same rights except for voting and conversion rights. All of our outstanding 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 shares.

Our board of directors may issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our board of directors will have the authority, without shareholder approval, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, rights and terms of redemption and liquidation preferences.

Conversion

Each Class B ordinary share is convertible into one (1) Class A ordinary share at any time at the option of the holder thereof. Each Class C ordinary share is convertible into one (1) Class A ordinary share at any time at the option of the holder thereof. In no event shall Class A ordinary shares be convertible into Class B ordinary shares or Class C ordinary shares. Upon any sale, transfer, assignment or disposition of any Class B ordinary share or Class C ordinary share by a shareholder to any person who is not an affiliate of such shareholder, or upon a change of ultimate beneficial ownership of any Class B ordinary share or Class C ordinary share to any person who is not an affiliate of the registered shareholder of such share, each such Class B ordinary share and Class C ordinary share, as applicable, shall be automatically and immediately converted into one (1) Class A ordinary share.

Dividends

The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors, subject to Articles of Association. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. In either case, under the laws of the Cayman Islands, our company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

There are no provisions in our Articles governing the time limit after which entitlement to dividend lapses and an indication of the party in whose favour the lapse operates.

Voting Rights

Voting at any shareholders' meeting is by show of hands unless a poll is demanded. Each Class A ordinary share shall entitle the holder thereof to one (1) vote on all matters subject to vote at general meetings of our company, each Class B ordinary share shall entitle the holder thereof to four (4) votes on all matters subject to vote at general meetings of our company, and each Class C ordinary share shall entitle the holder thereof to eight (8) votes on all matters subject to vote at general meetings of our company. A poll may be demanded by the chairman of such meeting or any one or more shareholders present in person or by proxy at the meeting.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes cast attaching to the outstanding ordinary shares at a meeting. A special resolution will be required for important matters such as a change of name or making changes to our Memorandum of Association and/or our Articles of Association. Holders of our ordinary shares may effect certain changes by ordinary resolution,

including increasing the amount of our authorized share capital, consolidating all or any of our share capital into shares of larger amount than our existing shares, subdividing our shares or any of them into shares of an amount smaller than that fixed by our Memorandum and Articles of Association, and canceling any unissued shares. Both ordinary resolution and special resolution may also be passed by a unanimous written resolution signed by all the shareholders of our Company, as permitted by the Companies Act and our Memorandum and Articles of Association.

Transfer of Shares

Subject to the restrictions of our Memorandum and Articles of Association, as applicable, any of our shareholders may transfer any or all of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of shares which is not fully paid up or on which we have lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- (a) 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;
- (b) the instrument of transfer is in respect of only one class of ordinary shares;
- (c) the instrument of transfer is properly stamped, if required;
- (d) 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
- (e) a fee of such maximum sum as the Designated Stock Exchange (as defined in the Articles of Association) 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 notify the transferee within three months after the date on which the instrument of transfer was lodged.

The registration of transfers may be suspended at such time and for such period as our directors may from time to time determine, provided always that such registration shall not be suspended for more than 30 days in any year.

Liquidation

On the winding-up of our company, if the assets available for distribution among our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding-up, the surplus shall be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding-up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or

otherwise. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them.

Calls on Shares and Forfeiture of Shares

Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption, Repurchase and Surrender of Shares

We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner as may be determined by our board of directors or by special resolution of our shareholders. Our company may also repurchase any of our shares on such terms and in such manner as have been approved by our board of directors or by an ordinary resolution of our shareholders.

Under the Companies Act, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a new issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if our company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares

If at any time, our share capital is divided into different classes of shares, the rights attached to any class of shares (unless otherwise provided by the terms of issue of the shares of that class), whether or not our company is being wound-up, may be varied with the consent in writing of holders of not less than two-thirds of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued shall not, subject to any rights or restrictions for the time being attached to the shares of that class, be deemed to be materially adversely varied by, inter alia, the creation, allotment or issue of further shares ranking *pari passu* with such existing class of shares.

Changes in Capital

We may by ordinary resolution:

- (a) increase our share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;
- (b) consolidate and divide all or any of our share capital into shares of larger amount than our existing shares;

- (c) sub-divide our existing shares, or any of them into shares of a smaller amount, provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; and
- (d) 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 our share capital by the amount of the shares so cancelled.

Limitations on the Right to Own Shares

There are no limitations on the right to own our Shares.

Directors

Unless otherwise determined by the Company in general meeting, the number of directors shall not be less than three (3) directors, the exact number of directors to be determined from time to time by our board of directors.

A director may vote with respect to any contract, proposed contract or arrangement in which he is interested provided (a) such director has declared the nature of his interest at the earliest meeting of the board at which it is practicable for him to do so, 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 our company to borrow money, mortgage our company's undertaking, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of our company or of any third party.

The remuneration of the directors may be determined by the directors or by ordinary resolution. The directors shall be entitled to be paid their travelling, hotel and other expenses properly incurred by them in going to, attending and returning from meetings of the directors, or any committee of the directors, or general meetings of our Company, or otherwise in connection with the business of our Company, or to receive such fixed allowance in respect thereof as may be determined by our board of directors from time to time, or a combination partly of one such method and partly the other.

Our directors shall not be required to hold any shares in our Company by way of qualification.

There are no age limitations or retirement requirements in respect of our directors.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 28, 2014 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which

constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or

surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

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 (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the

contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, our Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to our Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of our Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to our Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, our Company's legal advisers on Cayman Islands law, have sent to our Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available on display as referred to in the section headed "Documents available on display" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT US**Our Incorporation**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on November 28, 2014. We have registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance with an address at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. Chiu Ming King has been appointed as our authorized representative for the acceptance of service of process and notices in Hong Kong.

As we were incorporated in the Cayman Islands, our corporate structure and Memorandum and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum and Articles of Association is set out in “Summary of our Constitution and Cayman Companies Act” in Appendix IV.

Changes in Our Share Capital

As at November 30, 2021, we had an authorized share capital of US\$1,000,000 divided into 4,000,000,000 shares comprising of (i) 2,500,000,000 Class A Ordinary Shares of a par value of US\$0.00025 each, (ii) 132,030,222 Class B Ordinary Shares of a par value of US\$0.00025 each (all of which shall have been converted to Class A ordinary shares upon Listing pursuant to the conversion notice delivered by the relevant shareholders), (iii) 148,500,000 Class C Ordinary Shares of a par value of US\$0.00025 each and (iv) 1,219,469,778 shares of a par value of US\$0.00025 each of such class or classes (however designated) as the board of directors may determine, and our issued share capital was 1,378,749,165 Class A ordinary shares, 128,293,932 Class B Ordinary Shares (all of which shall have been converted to Class A ordinary shares upon Listing pursuant to the conversion notice delivered by the relevant shareholders) and 148,500,000 Class C ordinary shares.

As of December 31, 2017, the authorized share capital of the Company was US\$500 divided into 2,000,000,000 shares, comprising of: 1,151,269,325 ordinary shares, 165,000,000 Series A-1 convertible redeemable preferred shares, 130,000,000 Series A-2 convertible redeemable preferred shares, 31,720,364 Series A-3 convertible redeemable preferred shares, 114,867,321 Series B convertible redeemable preferred shares, 167,142,990 Series C convertible redeemable preferred shares and 240,000,000 Series D convertible redeemable preferred shares, each at a par value of US\$0.00025 per share.

On September 12, 2018, i.e. the date of the initial offering of our ADSs on NYSE, all of our issued and outstanding ordinary shares and preferred shares were automatically converted into ordinary shares on a one-for one basis upon the completion of the ADS offering on the NYSE and 160,000,000 Class A ordinary shares were issued in the form of ADSs in the offering.

The following tables set out the changes in the share capital of our Company during the periods presented in this document:

| Fiscal year ended December 31, 2018 | | | | |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------|
| | Class A ordinary share | Class B ordinary share | Class C ordinary share | Shareholders' Equity |
| | | | | (US\$) |
| Balances as at September 12, 2018 | 745,479,824 | 132,030,222 | 148,500,000 | 256,503 |
| Issuance of Shares | 24,000,000 | – | – | 6,000 |
| Repurchase and/or retirement of Shares | – | – | – | – |
| Balances as at December 31, 2018 | <u>769,479,824</u> | <u>132,030,222</u> | <u>148,500,000</u> | <u>262,503</u> |
| Fiscal year ended December 31, 2019 | | | | |
| | Class A ordinary share | Class B ordinary share | Class C ordinary share | Shareholders' Equity |
| | | | | (US\$) |
| Balances as at January 1, 2019 | 769,479,824 | 132,030,222 | 148,500,000 | 262,503 |
| Issuance of Shares | 63,185,653 | – | – | 15,796 |
| Repurchase and/or retirement of Shares | (737,500) | – | – | (184) |
| Balances as at December 31, 2019 | <u>831,927,977</u> | <u>132,030,222</u> | <u>148,500,000</u> | <u>278,115</u> |
| Fiscal year ended December 31, 2020 | | | | |
| | Class A ordinary share | Class B ordinary share | Class C ordinary share | Shareholders' Equity |
| | | | | (US\$) |
| Balances as at January 1, 2020 | 831,927,977 | 132,030,222 | 148,500,000 | 278,115 |
| Issuance of Shares | 456,648,021 | – | – | 114,162 |
| Repurchase and/or retirement of Shares | – | – | – | – |
| Conversion of Shares | 3,736,290 | (3,736,290) | – | – |
| Balances as at December 31, 2020 | <u>1,292,312,288</u> | <u>128,293,932</u> | <u>148,500,000</u> | <u>392,277</u> |

| Eleven months ended November 30, 2021 | | | | |
|---|------------------------------|------------------------------|------------------------------|-----------------------------------|
| | Class A ordinary share | Class B ordinary share | Class C ordinary share | Shareholders' Equity (US\$) |
| Balances as at | | | | |
| January 1, 2021 | 1,292,312,288 | 128,293,932 | 148,500,000 | 392,277 |
| Issuance of Shares | 123,005,499 | – | – | 21,609 |
| Repurchase and/or retirement of Shares | – | – | – | – |
| Conversion of Shares | – | – | – | – |
| Balances as at | | | | |
| November 30, 2021 | <u>1,415,317,787</u> | <u>128,293,932</u> | <u>148,500,000</u> | <u>413,886</u> |

Changes in the Share Capital of Our Major Subsidiaries

The following alterations in the share capital of our Major Subsidiaries have taken place within the two years immediately preceding the date of this document:

- (a) On November 9, 2021, the registered share capital of XPT (Jiangsu) Investment Co., Ltd. was increased from US\$561,500,000 to US\$600,000,000;
- (b) On September 26, 2021, the registered share capital of NIO Holding Co., Ltd. was increased from RMB6,166,577,937.06 to RMB6,428,815,699.30;
- (c) On September 18, 2021, the registered share capital of NIO Co., Ltd. was increased from US\$2,500,000,000 to US\$3,000,000,000.
- (d) On September 9, 2021, the registered share capital of NIO Sales and Services Co., Ltd. was increased from US\$1,000,000,000 to US\$1,500,000,000;
- (e) On September 8, 2021, the registered share capital of NIO Technology (Anhui) Co., Ltd. was increased from RMB2,000,000,000 to RMB3,000,000,000;
- (f) On September 7, 2021, the registered share capital of NIO Automobile (Anhui) Co., Ltd. was increased from RMB6,000,000,000 to RMB9,000,000,000;
- (g) On June 29, 2021, the registered share capital of XPT (Jiangsu) Investment Co., Ltd. was increased from US\$461,500,000 to US\$561,500,000;
- (h) On April 30, 2021, the registered share capital of NIO Automobile Technology (Anhui) Co., Ltd. was increased from RMB10,000,000 to RMB2,000,000,000;
- (i) On March 26, 2021, the registered share capital of NIO Sales and Services Co., Ltd. was increased from US\$500,000,000 to US\$1,000,000,000;
- (g) On March 10, 2021, the registered share capital of NIO Automobile (Anhui) Co., Ltd. was increased from RMB50,000,000 to RMB6,000,000,000;

- (k) On February 5, 2021, the registered share capital of NIO Holding Co., Ltd. was increased from RMB5,816,927,587.41 to RMB6,166,577,937.06;
- (l) On November 17, 2020, the registered share capital of XPT (Jiangsu) Automotive Technology Co., Ltd. was increased from US\$273,730,000 to US\$285,500,000;
- (m) On November 23, 2020, the registered share capital of XPT (Nanjing) E-Powertrain Technology Co., Ltd. was increased from RMB1,011,932,000 to RMB1,732,232,000;
- (n) On November 23, 2020, the registered share capital of XPT (Nanjing) Energy Storage System Co., Ltd. was increased from RMB320,000,000 to RMB708,500,000;
- (o) On October 13, 2020, the registered share capital of NIO Holding Co., Ltd. was increased from RMB5,074,773,741.26 to RMB5,816,927,587.41;
- (p) On September 2, 2020, the registered share capital of NIO Holding Co., Ltd. was increased from RMB3,850,997,517.47 to RMB5,074,773,741.26;
- (q) On September 1, 2020, the registered share capital of XPT (Jiangsu) Investment Co., Ltd. was increased from US\$250,000,000 to US\$461,500,000;
- (r) On June 2, 2020, the registered share capital of NIO Holding Co., Ltd. was increased from RMB11,000,000 to RMB3,850,997,517.47;
- (s) On May 25, 2020, NIO Nextev Limited transferred 100% of its equity interest in NIO Co., Ltd. to NIO Holding Co., Ltd.;
- (t) On April 7, 2020, the registered share capital of NIO Holding Co., Ltd. was increased from RMB10,000,000 to RMB11,000,000, and NIO Sales and Services Co., Ltd. transferred 50% of its equity interest in NIO Holding Co., Ltd. to NIO Nextev Limited and 50% of its equity interest in NIO Holding Co., Ltd. to NIO User Enterprise Limited; and
- (u) On January 19, 2020, the registered share capital of XTRONICS (Nanjing) Automotive Intelligent Technologies Co., Ltd. was decreased from RMB150,000,000 to RMB120,000,000.

FURTHER INFORMATION ABOUT OUR BUSINESS**Summary of Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this document and are or may be material, as well as contracts required to be disclosed pursuant to the Hong Kong Stock Exchange's Guidance Letter HKEX-GL94-18 and Listing Decision HKEX-LD43-3:

1. a power of attorney dated April 12, 2021 executed by Bin Li (李斌) in favor of and accepted by NIO Co., Ltd. (上海蔚來汽車有限公司), pursuant to which Bin Li (李斌) agreed to, among others things, exclusively authorize NIO Co., Ltd. (上海蔚來汽車有限公司) or its designated person(s) to exercise all of his rights as shareholder of Beijing NIO Network Technology Co., Ltd. (北京蔚來網絡科技有限公司);
2. a power of attorney dated April 12, 2021 executed by Lihong Qin (秦力洪) in favor of and accepted by NIO Co., Ltd. (上海蔚來汽車有限公司), pursuant to which Lihong Qin (秦力洪) agreed to, among others things, exclusively authorize NIO Co., Ltd. (上海蔚來汽車有限公司) or its designated person(s) to exercise all of his rights as shareholder of Beijing NIO Network Technology Co., Ltd. (北京蔚來網絡科技有限公司);
3. a loan agreement dated April 12, 2021 entered into between Bin Li (李斌) and NIO Co., Ltd. (上海蔚來汽車有限公司), pursuant to which NIO Co., Ltd. (上海蔚來汽車有限公司) agreed to provide a loan in aggregate amount of RMB8 million to Bin Li (李斌) to be used exclusively as investment in Beijing NIO Network Technology Co., Ltd. (北京蔚來網絡科技有限公司);
4. a loan agreement dated April 12, 2021 entered into between Lihong Qin (秦力洪) and NIO Co., Ltd. (上海蔚來汽車有限公司), pursuant to which NIO Co., Ltd. (上海蔚來汽車有限公司) agreed to provide a loan in aggregate amount of RMB2 million to Lihong Qin (秦力洪) to be used exclusively as investment in Beijing NIO Network Technology Co., Ltd. (北京蔚來網絡科技有限公司);
5. an equity pledge agreement dated April 12, 2021 entered into between Bin Li (李斌), NIO Co., Ltd. (上海蔚來汽車有限公司) and Beijing NIO Network Technology Co., Ltd. (北京蔚來網絡科技有限公司), pursuant to which Bin Li (李斌) agreed to pledge all of his existing and future equity interests in Beijing NIO Network Technology Co., Ltd. (北京蔚來網絡科技有限公司) to NIO Co., Ltd. (上海蔚來汽車有限公司);
6. an equity pledge agreement dated April 12, 2021 entered into between Lihong Qin (秦力洪), NIO Co., Ltd. (上海蔚來汽車有限公司) and Beijing NIO Network Technology Co., Ltd. (北京蔚來網絡科技有限公司), pursuant to which Lihong Qin (秦力洪) agreed to pledge all of his existing and future equity interests in Beijing NIO Network Technology Co., Ltd. (北京蔚來網絡科技有限公司) to NIO Co., Ltd. (上海蔚來汽車有限公司);

7. an exclusive business cooperation agreement dated April 12, 2021 entered into between Beijing NIO Network Technology Co., Ltd. (北京蔚來網絡科技有限公司) and NIO Co., Ltd. (上海蔚來汽車有限公司), pursuant to which Beijing NIO Network Technology Co., Ltd. (北京蔚來網絡科技有限公司) agreed to engage NIO Co., Ltd. (上海蔚來汽車有限公司) as the exclusive services provider of technical support, consultation and other services in return for service fees;
8. an exclusive call option agreement dated April 12, 2021 entered into between Bin Li (李斌), NIO Co., Ltd. (上海蔚來汽車有限公司) and Beijing NIO Network Technology Co., Ltd. (北京蔚來網絡科技有限公司), pursuant to which Bin Li (李斌) agreed to grant NIO Co., Ltd. (上海蔚來汽車有限公司) an exclusive and irrevocable option to purchase, or designate one or more persons to purchase, from Bin Li (李斌) all or part of his equity interests in Beijing NIO Network Technology Co., Ltd. (北京蔚來網絡科技有限公司) for a total consideration of RMB8 million;
9. an exclusive call option agreement dated April 12, 2021 entered into between Lihong Qin (秦力洪), NIO Co., Ltd. (上海蔚來汽車有限公司) and Beijing NIO Network Technology Co., Ltd. (北京蔚來網絡科技有限公司), pursuant to which Lihong Qin (秦力洪) agreed to grant NIO Co., Ltd. (上海蔚來汽車有限公司) an exclusive and irrevocable option to purchase, or designate one or more persons to purchase, from Lihong Qin (秦力洪) all or part of his equity interests in Beijing NIO Network Technology Co., Ltd. (北京蔚來網絡科技有限公司) for a total consideration of RMB2 million; and
10. a sponsor agreement relating to the Listing dated February 28, 2022 entered into among the Company and the Joint Sponsors relating to the engagement of the Joint Sponsors by the Company in connection with the Introduction.

Our Intellectual Property Rights

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on copyright, trademark and patent law and confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. As of September 30, 2021, we held 2,700 issued patents and 1,747 pending patent applications in the U.S., China, Europe and other jurisdictions. We held 3,570 registered trademarks and 1,167 pending trademark applications in the U.S., China, Europe and other jurisdictions. We also held 148 registered copyrights for software or works of art and 689 registered domain names, including www.nio.io.

FURTHER INFORMATION ABOUT DIRECTORS AND EXECUTIVE OFFICERS**Disclosure of Interests**

See “Major Shareholders” for disclosure of interests of directors and executive officers.

Directors’ Service Contracts

We have entered into employment agreements with each of our directors who is also an officer. See “Directors and Senior Management — Compensation — Employment Agreements and Indemnification Agreements.”

Directors’ Remuneration

See “Directors and Senior Management — Compensation” for a discussion of Directors’ remuneration.

Disclosures relating to Directors and Experts

Save as disclosed in this document:

- None of our directors nor any of the persons listed in “— Other Information — Qualification of Experts” below is materially interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to our subsidiaries and our consolidated affiliated entities, or are proposed to be acquired or disposed of by or leased to our subsidiaries and our consolidated affiliated entities.
- None of our directors nor any of the persons listed in “— Other Information — Qualification of Experts” below is materially interested in any contract or arrangement with us subsisting at the date of this document which is unusual in its nature or conditions or which is significant in relation to our business as a whole.
- None of the persons listed in “— Other Information — Qualification of Experts” below has any shareholding in us or any of our Major Subsidiaries or has the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in us or any of our Major Subsidiaries.

STOCK INCENTIVE PLANS

See “Directors and Senior Management — Compensation” for details about our Stock Incentive Plans.

OTHER INFORMATION**Estate duty**

Our directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

Litigation

See “Our Business — Legal Proceedings and Compliance” for further information.

Joint Sponsors

The Joint Sponsors made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Stock Incentive Plans, including pursuant to the exercise of options or other awards that have been or may be granted from time to time and the Shares to be issued on the conversion of convertible notes. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

Morgan Stanley Asia Limited, Credit Suisse (Hong Kong) Limited and China International Capital Corporation Hong Kong Securities Limited satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Hong Kong Listing Rules.

The fee payable to each of the Joint Sponsors is US\$500,000 and is payable by our Company.

No Material Adverse Change

Our directors confirm that there has been no material adverse change in our financial or trading position since September 30, 2020 (being the date to which our latest audited consolidated financial statements were prepared).

Qualification of Experts

The following are the qualifications of the experts (as defined under the Hong Kong Listing Rules) who have given opinions or advice which are contained in this document:

| Name | Qualification |
|-----------------------------------|--|
| Morgan Stanley Asia Limited | A licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contract), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO |
| Credit Suisse (Hong Kong) Limited | A licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities as defined under the SFO |

| Name | Qualification |
|---|---|
| China International Capital Corporation Hong Kong Securities Limited | A licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO |
| PricewaterhouseCoopers | Certified Public Accountant under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong) |
| Frost & Sullivan International Limited | Industry consultant |
| Han Kun Law Offices | Qualified PRC lawyers |
| Shân Warnock-Smith QC | Cayman Islands attorney |
| Maples and Calder (Hong Kong) LLP | Cayman Islands attorneys-at-law |

Consents of Experts

Each of the experts above has given and has not withdrawn its consent to the issue of this document with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

Preliminary Expenses

Our Company did not incur any material preliminary expenses.

Promoter

Our Company has no promoter for the purpose of the Hong Kong Listing Rules. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Listing and the related transactions described in this document.

Bilingual Document

The English language and Chinese language versions of this document are being published separately.

Miscellaneous

- Save as disclosed in this document or otherwise waived or exempted from disclosure pursuant to the waivers and exemptions disclosed in this document, within the two years immediately preceding the date of this document:
 - to the best of our knowledge, neither we nor any of our Major Subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
 - no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
 - no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any share capital or debentures of our Company or any of our Major Subsidiaries;
 - no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and
 - there is no arrangement under which future dividends are waived or agreed to be waived.
- Our branch register of members will be maintained in Hong Kong by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Unless the directors otherwise agree, all transfers and other documents of title of Shares must be lodged for registration with and registered by our share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.
- Our directors confirm that:
 - there has not been any interruption in our business which may have or have had a material adverse effect on our financial position in the 12 months immediately preceding the date of this document;
 - there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group;
 - save for the 2024 Notes, 2026 Notes, 2027 Notes and the Affiliate Notes, we and our Major Subsidiaries have no outstanding debentures or convertible debt securities; and
 - The English version of this document shall prevail over the Chinese version.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at <http://ir.nio.com/> for 14 days from the date of this document (both dates inclusive):

- the Memorandum and Articles of Association of our Company;
- our audited consolidated financial statements for the years ended December 31, 2018, 2019 and 2020;
- the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I;
- the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set out in Appendix II;
- the letters from PricewaterhouseCoopers and the Joint Sponsors relating to the loss estimate, the texts of which are set out in Appendix III;
- the legal opinion issued by Han Kun Law Offices, our PRC Legal Adviser, in respect of certain aspects of us;
- the legal opinion issued by Shân Warnock-Smith QC, our Cayman Islands legal adviser, in respect of certain aspects of NIO Users Trust;
- the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our Cayman Islands legal adviser, summarizing certain aspects of the Cayman Companies Act referred to in Appendix IV to this document;
- the report issued by Frost & Sullivan International Limited, a summary of which is set forth in “Industry Overview”;
- the material contracts referred to in the section headed “Statutory and General Information — Further Information About Our Business — Summary of Material Contracts” in Appendix V to this document;
- the written consents referred to in the section headed “Statutory and General Information — Other Information — Consents of Experts” in Appendix V to this document; and
- the Cayman Companies Act.

NIO 蔚来

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