NIO Inc.
(Exact Name of Registrant as Specified in Its Charter)

Cayman Islands
(Jurisdiction of Incorporation or Organization)

Building 20, No. 56 AnTuo Road, Anting Town, Jiading District
Shanghai 201804, People's Republic of China
(Address of Principal Executive Offices)

Wei Feng, Chief Financial Officer
Building 20, No. 56 AnTuo Road, Anting Town, Jiading District
Shanghai 201804, People’s Republic of China
Telephone: +8621-6908 2018
Email: ir@nio.com

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

<table>
<thead>
<tr>
<th>Title of Each Class</th>
<th>Trading Symbol</th>
<th>Name of Each Exchange On Which Registered</th>
</tr>
</thead>
<tbody>
<tr>
<td>American depositary shares (each representing one Class A ordinary share, par value US$0.00025 per share)</td>
<td>NIO</td>
<td>New York Stock Exchange</td>
</tr>
<tr>
<td>Class A ordinary shares, par value US$0.00025 per share</td>
<td>9866</td>
<td>The Stock Exchange of Hong Kong Limited</td>
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</table>

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

None

(Title of Class)

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

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer’s classes of capital or common stock as of the close of the period covered by the annual report:
As of December 31, 2021, there were (i) 1,415,333,557 Class A ordinary shares outstanding, par value US$0.00025 per share, (ii) 128,293,932 Class B ordinary shares outstanding, par value US$0.00025 per share and (iii) 148,500,000 Class C ordinary shares outstanding, par value US$0.00025 per share. All of the Class B ordinary shares were converted to Class A ordinary shares on March 10, 2022.

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

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

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

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

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

Large accelerated filer ☒ Accelerated filer ☐
Non-accelerated filer ☐ Emerging growth company ☐

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

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

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

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

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

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 17 ☒ Item 18

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

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

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

In this annual report on Form 20-F, or this annual report, except where the context otherwise requires and for purposes of this annual report only:

- “AD” refers to autonomous driving.
- “ADAS” refers to advanced driver assistance system;
- “ADRs” refer to the American depositary receipts that evidence the ADSs;
- “ADSs” refer to our American depositary shares, each of which represents one Class A ordinary share;
- “AI” refers to artificial intelligence;
- “BEVs” refer to battery electric passenger vehicles;
- “China” or the “PRC” refers to the People’s Republic of China, excluding, for the purpose of this annual report only, Hong Kong, Macau and Taiwan;
- “Class A ordinary shares” refer to our Class A ordinary shares, par value US$0.00025 per share;
- “Class B ordinary shares” refer to our Class B ordinary shares, par value US$0.00025 per share;
- “Class C ordinary shares” refer to our Class C ordinary shares, par value US$0.00025 per share;
- “EVs” refer to electric passenger vehicles;
- “FOTA” refers to firmware over-the-air;
- “Hong Kong” or “HK” refers to the Hong Kong Special Administrative Region of the People’s Republic of China;
- “Hong Kong Listing Rules” are to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time;
- “Hong Kong Stock Exchange” are to The Stock Exchange of Hong Kong Limited;
- “ICE” refers to internal combustion engine;
- “Main Board” are to 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;
- “NEVs” refer to new energy passenger vehicles;
- “NIO,” “we,” “us,” “our company,” and “our” refer to NIO Inc., our Cayman Islands holding company and its subsidiaries, and, in the context of describing our operations and consolidated financial information, the VIE as of the date of this annual report, and depending on the context, may also refer to Shanghai Anbin Technology Co., Ltd., or Shanghai Anbin, which is no longer a consolidated VIE as of March 31, 2021, and its subsidiaries;
- “Ordinary shares” refer to our Class A ordinary shares, Class B ordinary shares and Class C ordinary shares, each of par value US$0.00025 per share;
- “RMB” or “Renminbi” refers to the legal currency of China;
“US$,” “dollars” or “U.S. dollars” refer to the legal currency of the United States.

Unless otherwise noted, all translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this annual report are made at a rate of RMB6.3726 to US$1.00, the exchange rate in effect as of December 30, 2021 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, or at all. Unless otherwise specified, the description of our vehicles, services and business models in this report refers to our business in China.
FORWARD-LOOKING INFORMATION

This annual report contains forward-looking statements that reflect our current expectations and views of future events. These forward-looking statements are made under the “safe-harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. Known and unknown risks, uncertainties and other factors, including those listed under “Item 3. Key Information—D. Risk Factors,” may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “likely to,” “potential,” “continue” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, but are not limited to, statements about:

- our goals and growth strategies;
- the impact of the COVID-19 pandemic;
- our future business development, financial condition and results of operations;
- the expected growth of the electric vehicles industry;
- our expectations regarding demand for and market acceptance of our products and services;
- our expectations regarding our relationships with customers, contract manufacturers, component suppliers, third-party service providers, strategic partners and other stakeholders;
- competition in our industry;
- relevant government policies and regulations relating to our industry; and
- assumptions underlying or related to any of the foregoing.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. Other sections of this annual report include additional factors that could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. You should read thoroughly this annual report and the documents that we refer to with the understanding that our actual future results may be materially different from, or worse than, what we expect. We qualify all of our forward-looking statements by these cautionary statements.

This annual report contains certain data and information that we obtained from various government and private publications. Statistical data in these publications also include projections based on a number of assumptions. The electric vehicles industry may not grow at the rate projected by market data, or at all. Failure of this market to grow at the projected rate may have a material adverse effect on our business and the market price of our ADSs or Class A ordinary shares. In addition, the rapidly evolving nature of the electric vehicles industry results in significant uncertainties for any projections or estimates relating to the growth prospects or future condition of our market. Furthermore, if any one or more of the assumptions underlying the market data are later found to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.
The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this annual report and the documents that we refer to in this annual report completely and with the understanding that our actual future results may be materially different from what we expect.
PART I.

ITEM 1. IDENTIFY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Our Holding Company Structure and Contractual Arrangements with the VIE

NIO Inc. is not an operating company in China but a Cayman Islands holding company with no equity ownership in its consolidated variable interest entities, or VIEs. We conduct our operations in China through (i) our PRC subsidiaries and (ii) Beijing NIO Network Technology Co., Ltd., or Beijing NIO, the VIE with which we have maintained contractual arrangements. We have also established subsidiaries in the United States, Germany, the United Kingdom, Norway and other overseas jurisdictions to promote our services and businesses, entering into business contracts with offshore counterparties and holding overseas intellectual properties.

PRC laws and regulations restrict and impose conditions on foreign investment in value-added telecommunication services, including without limitation, performing internet information services as well as holding certain related licenses. Accordingly, we operate these businesses in China through the VIE, and rely on contractual arrangements among a PRC subsidiary of ours, the VIE and its nominee shareholders to control the business operations of the VIE. As used in this annual report, “NIO,” “we,” “us,” “our company,” and “our” refer to NIO Inc., our Cayman Islands holding company and its subsidiaries, and in the context of describing our operations and consolidated financial information, the VIE, Beijing NIO, and its subsidiaries, and depending on the context, may also refer to Shanghai Anbin, which is no longer a VIE as of March 31, 2021, and its subsidiaries.
In April 2018, we entered into a series of contractual arrangements with Shanghai Anbin and Beijing NIO, the two VIEs at the time, and their respective shareholders, to conduct certain future operations in China. These contractual arrangements enable us to:

- receive the economic benefits that could potentially be significant to the VIEs in consideration for the services provided by our subsidiaries;
- exercise effective control over the VIEs; and
- hold an exclusive option to purchase all or part of the equity interests in the VIEs when and to the extent permitted by PRC law.

These contractual agreements include an exclusive business cooperation agreement, exclusive option agreement, equity interest pledge agreement, loan agreement and power of attorney. For more details of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure—Contractual Agreements with the VIE and Its Shareholders.”
We intended to rely on the subsidiaries of Shanghai Anbin to conduct vehicle manufacturing, and we operate value-added telecommunication services, including without limitation, performing internet information services as well as holding certain related licenses, through Beijing NIO. The contractual arrangements with Shanghai Anbin were terminated in March 2021. Beijing NIO and Shanghai Anbin, the current and past VIEs, and their subsidiaries, taking into account all of their respective business with or without foreign investment restrictions under PRC laws, did not contribute any external revenue to our total revenues in 2019, 2020 and 2021. The current and past VIEs and their subsidiaries provided services internally to our subsidiaries, and such services amounted to nil, RMB0.2 million, and RMB0.6 million (US$0.1 million) for the years ended December 31, 2019, 2020 and 2021, respectively. As of December 31, 2020 and 2021, Beijing NIO and Shanghai Anbin, the current and past consolidated VIEs, did not have significant operations or any material assets or liabilities.

Holdings of our ADSs and Class A ordinary shares are not holding equity interests in the VIE in China but instead hold equity interests in a holding company incorporated in the Cayman Islands. We do not have any equity interests in the VIE, Beijing NIO. However, as a result of contractual arrangements, we have effective control over and are considered the primary beneficiary of Beijing NIO, and we have consolidated the financial results of it in our consolidated financial statements. The nominee shareholders of Beijing NIO, Bin Li and Lihong Qin, are directors of our company. We consider Mr. Li and Mr. Qin suitable to act as the nominee shareholders of Beijing NIO because of, among other considerations, their contribution to our company, their competence and their length of service with and loyalty to our company. However, the contractual arrangements may not be as effective as direct ownership in providing us with control over the VIE and we may incur substantial costs to enforce the terms of the arrangements. If Beijing NIO or the nominee shareholders fail to perform their respective obligations under the contractual arrangements, we could be limited in our ability to enforce the contractual arrangements that give us effective control over Beijing NIO. Furthermore, if we are unable to maintain effective control, we would not be able to continue to consolidate the financial results of Beijing NIO in our financial statements. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—We rely on contractual arrangements with the VIE and its shareholders to exercise control over our business, which may not be as effective as direct ownership in providing operational control” and “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—The shareholders of the VIE may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.”

There are also substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules regarding the status of the rights of our Cayman Islands holding company with respect to its contractual arrangements with the VIE and its nominee shareholders. It is uncertain whether any new PRC laws or regulations relating to contractual arrangements will be adopted or if adopted, what they would provide. If we or any of the existing or past VIEs is found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures. Our Cayman Islands holding company, our PRC subsidiaries and VIE, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the VIE and, consequently, significantly affect the financial performance of the VIE and our company as a whole. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure—If the PRC government deems that our contractual arrangements with the VIE 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.”

PRC government’s significant authority in regulating our operations and its oversight and control over offerings conducted overseas by, and foreign investment in, China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. Implementation of industry-wide regulations in this nature may cause the value of such securities to significantly decline or become worthless. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—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.”

Risks and uncertainties arising from the legal system in China, including risks and uncertainties regarding the enforcement of laws and quickly evolving rules and regulations in China, could result in a material adverse change in our operations and the value of our ADSs. For more details, see “Item 3. Key Information—D. 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.”
Permissions Required from the PRC Authorities for Our Operations

Our operations in China are governed by PRC laws and regulations. As of the date of this annual report, our PRC subsidiaries and VIE have obtained the requisite licenses and permits from the PRC government authorities that are material for the main business operations of our holding company, our PRC subsidiaries and the VIE in China, including, among others, the ICP license. Given the uncertainties of interpretation and implementation of relevant laws and regulations and the enforcement practice by relevant government authorities, we may be required to obtain additional licenses, permits, filings or approvals for our business operations in the future. For more detailed information, see “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — 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 and VIE.”

Meanwhile, the PRC government has recently indicated an intent to exert more oversight and control over capital raising activities of listed companies that are conducted overseas and/or foreign investment in China-based issuers. For more detailed information, see “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — The approval of or the filing with the CSRC or other PRC government authorities may be required in connection with our future offshore listings and 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 Holding Foreign Companies Accountable Act

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 Public Company Accounting Oversight Board (United States), or 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. Since our auditor is located in China, a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities, our auditor is not currently inspected by the PCAOB, which may impact our ability to remain listed on a United States or other foreign exchange. The related risks and uncertainties could cause the value of our ADSs to significantly decline. For more details, see “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—The PCAOB is currently unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections over our auditor deprives our investors with the benefits of such inspections” and “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Our ADSs will be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, in 2024 if the PCAOB is unable to inspect or fully investigate auditors located in China, or in 2023 if proposed changes to the law are enacted. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.”

Cash Flows through Our Organization

NIO Inc. is a holding company with no material operations of its own. We conduct our operations in China primarily through our subsidiaries and the VIE in China. As a result, although other means are available for us to obtain financing at the holding company level, NIO Inc.’s ability to pay dividends to the shareholders and to service any debt it may incur may depend upon dividends paid by our PRC subsidiaries and service fees paid by the VIE in China. If any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing such debt may restrict its ability to pay dividends to NIO Inc. In addition, our PRC subsidiaries are permitted to pay dividends to NIO Inc. only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Further, our PRC subsidiaries and VIE are required to make appropriations to certain discretionary funds, which are not distributable as cash dividends except in the event of a solvent liquidation of the companies. For more details, see “Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Holding Company Structure”.

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Under PRC laws and regulations, our PRC subsidiaries and VIE are subject to certain restrictions with respect to paying dividends or otherwise transferring any of their net assets to us. Remittance of dividends by a wholly foreign-owned enterprise out of China is also subject to examination by the banks designated by the State Administration of Foreign Exchange of the PRC, or SAFE. The amounts restricted include the paid-up capital and the statutory reserve funds of our PRC subsidiaries and the net assets of the VIE in which we have no legal ownership, totaling RMB20,733.5 million, RMB20,656.8 million and RMB38,902.1 million (US$6,104.6 million) as of December 31, 2019, 2020 and 2021, respectively, and the net assets of the VIE that are restricted was nil as of each of these dates. For risks relating to the fund flows of our operations in China, see “Item 3. Key Information — D. 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”.

For purposes of illustration, the following discussion reflects the hypothetical taxes that might be required to be paid within China, assuming that: (i) we have taxable earnings, and (ii) we determine to pay dividends in the future.

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<th>Net earnings available for distribution</th>
<th>Withholding tax at standard rate of 10%</th>
<th>Net distribution to Parent/Shareholders</th>
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<tbody>
<tr>
<td></td>
<td>100%</td>
<td>(25)%</td>
<td>75%</td>
<td>(7.5)%</td>
<td>67.5%</td>
</tr>
</tbody>
</table>

Notes:

(1) For purposes of this example, the tax calculation has been simplified. The hypothetical book pre-tax earnings amount, not considering timing differences, is assumed to equal taxable income in China.

(2) Certain of our subsidiaries qualifies for a 15% preferential income tax rate in China. For purposes of this hypothetical example, the table above reflects a maximum tax scenario under which the full statutory rate would be effective.

(3) The PRC Enterprise Income Tax Law imposes a withholding income tax of 10% on dividends distributed by a foreign invested enterprise to its immediate holding company outside of China. A lower withholding income tax rate of 5% is applied if the FIE’s immediate holding company is registered in Hong Kong or other jurisdictions that have a tax treaty arrangement with China, subject to a qualification review at the time of the distribution. For purposes of this hypothetical example, the table above assumes a maximum tax scenario under which the full withholding tax would be applied.

Under PRC law, NIO Inc. may provide funding to our PRC subsidiaries only through capital contributions or loans, and to the VIE only through loans, subject to satisfaction of applicable government registration and approval requirements. In 2019, 2020 and 2021, NIO Inc. provided funding to our intermediate holding companies and subsidiaries through capital contributions. NIO Inc. also extended loans to its intermediate holding companies and subsidiaries with outstanding principal amount of RMB22.7 million, RMB19.7 million and RMB80.08 million (US$0.01 million) as of December 31, 2019, 2020 and 2021, respectively. These amounts were subsequently loaned to the nominee shareholders of the VIE for their investment in the VIE. In addition, the Company, through its subsidiary, also extended loans of RMB100 million to Shanghai Anbin and its subsidiary for the investment in NIO New Energy for the Company’s manufacturing plant in Shanghai in 2018. Upon the cancellation of this plan in 2020, Shanghai Anbin and its subsidiary incurred loss of RMB38.5 million for this investment due to start-up expenditure in manufacturing plant, and repaid the remaining RMB61.5 million to the Company’s subsidiary accordingly.

Pursuant to the exclusive business cooperation agreements dated April 19, 2018 and April 12, 2021, respectively, between Beijing NIO and NIO Co., Ltd., or Shanghai NIO, Shanghai NIO may adjust the payment time and payment method of the service fees, and Beijing NIO will accept any such adjustment. For the years ended December 31, 2019, 2020 and 2021, Shanghai NIO paid Beijing NIO nil, RMB0.2 million and RMB0.6 million (US$0.1 million), respectively, of service fees pursuant to the contractual arrangements.

NIO Inc. has not declared or paid any cash dividends, nor does it 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 “Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Dividend Policy.” For Cayman Islands, PRC and United States federal income tax considerations of an investment in our ADSs or Class A ordinary shares, see “Item 10. Additional Information — E. Taxation.”
As of December 31, 2020 and 2021 and for the years ended December 31, 2019, 2020 and 2021, Beijing NIO and Shanghai Anbin, the current and past consolidated VIEs, did not have significant operations or any material assets or liabilities. As a result, the financial information related to the consolidated VIEs were insignificant to our consolidated financial statements.

**Selected Consolidated Financial Data**

The following selected consolidated statements of comprehensive loss data for the years ended December 31, 2019, 2020 and 2021, selected consolidated balance sheet data as of December 31, 2020 and 2021 and selected consolidated cash flow data for the years ended December 31, 2019, 2020 and 2021 have been derived from our audited consolidated financial statements included elsewhere in this annual report. The following selected consolidated statements of comprehensive loss data for the year ended December 31, 2017 and 2018, the selected consolidated balance sheet data as of December 31, 2017, 2018 and 2019, and the selected consolidated cash flow data for the year ended December 31, 2017 and 2018 have been derived from our audited consolidated financial statements that are not included in this annual report. Our historical results do not necessarily indicate results expected for any future periods. The selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements and related notes and “Item 5. Operating and Financial Review and Prospects” below. Our consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP.
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.
The following table presents our selected consolidated balance sheet data as of the dates indicated.

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</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>7,505,954</td>
<td>3,133,847</td>
<td>862,839</td>
<td>38,425,541</td>
<td>15,333,719</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>10,606</td>
<td>57,012</td>
<td>82,507</td>
<td>78,010</td>
<td>2,994,408</td>
</tr>
<tr>
<td>Long-term restricted cash</td>
<td>14,293</td>
<td>33,528</td>
<td>44,523</td>
<td>41,547</td>
<td>46,437</td>
</tr>
<tr>
<td>Property, plant and equipment, net</td>
<td>1,911,013</td>
<td>4,853,157</td>
<td>5,533,064</td>
<td>4,996,228</td>
<td>7,399,516</td>
</tr>
<tr>
<td>Total assets</td>
<td>10,468,034</td>
<td>18,842,552</td>
<td>14,582,029</td>
<td>54,641,929</td>
<td>82,883,601</td>
</tr>
<tr>
<td>Total mezzanine equity</td>
<td>19,657,786</td>
<td>1,329,197</td>
<td>1,455,787</td>
<td>4,691,287</td>
<td>3,277,866</td>
</tr>
<tr>
<td>Ordinary shares</td>
<td>60</td>
<td>1,809</td>
<td>1,827</td>
<td>2,679</td>
<td>2,892</td>
</tr>
<tr>
<td>Total shareholders’ (deficit)/equity</td>
<td>(11,591,780)</td>
<td>6,821,145</td>
<td>(6,277,599)</td>
<td>27,170,956</td>
<td>34,785,557</td>
</tr>
<tr>
<td>Total shares outstanding</td>
<td>23,850,343</td>
<td>1,050,799,032</td>
<td>1,064,472,660</td>
<td>1,526,539,388</td>
<td>1,643,669,180</td>
</tr>
</tbody>
</table>

The following table presents our selected consolidated cash flow data for the years indicated.

<table>
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<tbody>
<tr>
<td>Net cash used in/provided by operating activities</td>
<td>(4,574,719)</td>
<td>(7,911,768)</td>
<td>(8,271,706)</td>
<td>1,950,894</td>
<td>1,966,386</td>
</tr>
<tr>
<td>Net cash provided by investing activities</td>
<td>(1,190,273)</td>
<td>(7,940,843)</td>
<td>3,382,069</td>
<td>(5,071,060)</td>
<td>(39,764,704)</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>12,867,334</td>
<td>11,603,092</td>
<td>3,094,953</td>
<td>41,357,435</td>
<td>18,128,743</td>
</tr>
<tr>
<td>Effects of exchange rate changes on cash, cash equivalents and restricted cash</td>
<td>(168,120)</td>
<td>(56,947)</td>
<td>10,166</td>
<td>(682,040)</td>
<td>(500,959)</td>
</tr>
<tr>
<td>Net increase/(decrease) in cash, cash equivalents and restricted cash</td>
<td>7,334,222</td>
<td>(4,306,466)</td>
<td>(2,234,518)</td>
<td>37,555,229</td>
<td>(20,170,534)</td>
</tr>
<tr>
<td>Cash and cash equivalents and restricted cash at the beginning of year</td>
<td>596,631</td>
<td>7,530,853</td>
<td>3,224,387</td>
<td>989,869</td>
<td>38,545,098</td>
</tr>
<tr>
<td>Cash and cash equivalents and restricted cash at the end of year</td>
<td>7,530,853</td>
<td>3,224,387</td>
<td>989,869</td>
<td>38,545,098</td>
<td>18,374,564</td>
</tr>
</tbody>
</table>
B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Summary of Risk Factors

An investment in our ADSs and Class A ordinary shares involves significant risks. Below is a summary of material risks we face, organized under relevant headings. These risks are discussed more fully in Item 3. Key Information—D. Risk Factors.

Risks Related to Our Business and Industry

Risks and uncertainties related to our business and industry include, but are not limited to, the following:

● 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, 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;

● 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;

● 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 may face challenges providing our power solutions;

● 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;

● 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 are dependent on our suppliers, many of whom are our single source suppliers for the components they supply; and

● 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.
Risks Related to Our Corporate Structure

We are also subject to risks and uncertainties related to our corporate structure, including, but not limited to, the following:

- We are a Cayman Islands holding company with no equity ownership in the VIE and we conduct our operations in China through (i) our PRC subsidiaries and (ii) the VIE with which we have maintained contractual arrangements. Investors in our ADSs and Class A ordinary shares thus are not purchasing equity interests in the VIE in China but instead are purchasing equity interests in a Cayman Islands holding company. If the PRC government deems that our contractual arrangements with the VIE 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. Our holding company in the Cayman Islands, the VIE and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the VIE and, consequently, significantly affect the financial performance of the VIE and our company as a group;

- We rely on contractual arrangements with the VIE and its shareholders to exercise control over our business, which may not be as effective as direct ownership in providing operational control;

- Our ability to enforce the equity pledge agreements between us and the VIE’s shareholders may be subject to limitations based on PRC laws and regulations; and

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

Risks Related to Doing Business in China

We face risks and uncertainties related to doing business in China in general, including, but not limited to, the following:

- 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;

- Risks and uncertainties arising from the legal system in China, including risks and uncertainties regarding the enforcement of laws and quickly evolving rules and regulations in China, could result in a material adverse change in our operations and the value of our ADSs and Class A ordinary shares. For more details, see “Item 3. Key Information — D. 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”;

- The PRC government’s significant authority in regulating our operations and its oversight and control over capital raising activities of listed companies conducted overseas by, and foreign investment in, China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. Implementation of industry-wide regulations in this nature may cause the value of such securities to significantly decline. For more details, see "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — 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";

- The approval of or the filing with the CSRC or other PRC government authorities may be required in connection with our future offshore listings and 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;

- 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 and VIE; and
● Our ADSs will be delisted or prohibited from being traded over-the-counter under the HFCA Act if the PCAOB is unable to inspect auditors who are located in China. The delisting or the cessation of trading of our ADSs, or the threat of their being delisted or prohibited from being traded, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections deprives our investors with the benefits of such inspections. The work of our auditor as it relates to the China operations of itself and of any registrant that it serves is currently not inspected by the PCAOB. On December 16, 2021, the PCAOB issued a report to notify the SEC its determinations that it is unable to inspect or investigate completely registered public accounting firms headquartered in the mainland of China, and identifies the registered public accounting firms in the mainland of China that are subject to such determinations. Our auditor is identified by the PCAOB and is subject to the determination.

Risks Related to Our ADSs and Class A Ordinary Shares

In addition to the risks described above, we are subject to risks related to our ADSs and Class A ordinary shares:

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

● 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;

● The trading prices of our listed securities have been and are likely to continue to be, volatile, which could result in substantial losses to investors;

● If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding 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; and

● Our multi-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.

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 current and future vehicle models 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 started its delivery 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, 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 RMB11,295.7 million, RMB5,304.1 million and RMB4,016.9 million (US$630.3 million) for the years ended December 31, 2019, 2020 and 2021, respectively. In addition, although we generated positive cash flows from operation in 2020 and 2021, we had negative cash flows from operating activities of RMB8,721.7 million in 2019 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 obligations 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 network, 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.

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 particular, in late March and April 2022, our vehicle production has been impacted by 
the supply chain volatilities and other constraints caused by a new wave of COVID-19 outbreaks in certain regions in China. The vehicle 
production has not reached full capacity of operations as of the date of this annual report. We will closely monitor the situation and its 
impact to our business and financial conditions. 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 annual 
report, 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 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 EC6, in September 2020. In January 2021, 
we launched the ET7, a flagship premium smart electric sedan, and started its delivery 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 our current and future vehicle 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.

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 50% equity interests as of the date of this annual report. 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. For the years ended December 31, 2019, 2020 and 2021, we paid JAC for each vehicle produced on a per-vehicle basis monthly, and 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.
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, 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, 2020 and 2021 was negatively affected by the reduction in the subsidy standard to some extent. In addition, the current 2022 subsidy standard, effective from January 1, 2022, reduced by 30% compared to the standard of 2021, which could further affect our sales performance in 2022.

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 Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version), or 2021 Negative List, most recently jointly promulgated by the Ministry of Commerce of the PRC, or the MOFCOM, and the National Development and Reform Commission of the PRC, or the NDRC, on December 27, 2021 and became effective 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 an 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 Ministry of Industry and Information Technology of the PRC, or the MIIT. For further information relating to automotive regulatory credits, please refer to “Item 4. Information on the Company—B. Business Overview—Regulations—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 RMB516.5 million (US$81.1 million) in 2021. The credits earned are calculated based on the formula published by the 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 “Item 4. Information on the Company—B. Business Overview—Regulations—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 our consolidated financial statements included elsewhere in this annual report. 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 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 have delivered the ET7 with certain features of the NAD, our next generation, proprietary full stack autonomous driving technology, and plan to gradually turn on more features of the NAD. 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 and NAD 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.

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 at least one 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 our current or future vehicle 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. For each of our vehicle models, we currently offer two battery options: (i) the 70 kWh and 75 kWh battery, or the Standard Range Battery; (ii) the 100 kWh battery, or the Long Range Battery. In January 2021, we announced the 150 kWh battery, or the Ultra-long Range Battery, with the next generation battery technology.
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.

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 a vehicle and subscribe for the battery under the BaaS, they can enjoy a deduction off the original vehicle purchase price and pay a monthly subscription fee for the battery.

Under the BaaS, we sell a battery to Wuhan Weineng Battery Asset Co., Ltd., or 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 annual report. We and the Initial BaaS Investors each invested RMB200 million and held 25% equity interests in the Battery Asset Company at its establishment. In August 2021, we invested an additional RMB270 million in the Battery Asset Company in connection with its series B financing. As a result of the several rounds of financings of the Battery Asset Company, 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 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 December 31, 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. 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 our vehicles, 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 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 our current or future vehicle 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 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. 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. There have been fluctuations in the retail sales of the passenger vehicles in China in recent years. If the demand for automobiles in China decreases, our business, results of operations and financial condition could be materially adversely affected.

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;
- 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;
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, 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 our vehicle models 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.

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

Each of our vehicle models 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.

Furthermore, qualifying alternative suppliers or developing our own replacements for certain highly customized components of our vehicles, 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 2021, our vehicle delivery was adversely impacted for several days due to the volatility of semiconductor supply and certain logistical adjustments. In April 2022, we suspended our vehicle production as a result of the component shortages. See “Item 3. Key Information — D. 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.” 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.
In general, we expect that data security and data protection compliance will receive greater attention and focus from regulators, both domestically and globally, as well as attract continued or greater public scrutiny and attention going forward, which could increase our compliance costs and subject us to heightened risks and challenges associated with data security and protection. If we are unable to manage these risks, we could become subject to penalties, including fines, suspension of business and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected.

The PRC regulatory and enforcement regime with regard to data security and data protection is evolving and may be subject to different interpretations or significant changes. Moreover, different PRC regulatory bodies, including the Standing Committee of the National People’s Congress of China, or the SCNPC, the Ministry of Industry and Information Technology, or the MIIT, the Cyberspace Administration of China, or the CAC, the Ministry of Public Security, or the MPS and the State Administration for Market Regulation, or the SAMR, have enforced data privacy and protections laws and regulations with varying standards and applications. See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Internet Information Security and Privacy Protection.” The following are examples of certain recent PRC regulatory activities in this area:

**Data Security**

- In June 2021, the SCNPC promulgated the Data Security Law, which took effect in September 2021. The Data Security Law, among other things, provides for security review procedure for data-related activities that may affect national security. In July 2021, the State Council of the PRC promulgated the Regulations on the Protection of the Security of Critical Information Infrastructure, which became effective on September 1, 2021. Pursuant to this regulation, critical information infrastructure means key network facilities or information systems of critical industries or sectors, such as public communication and information service, energy, transportation, water conservation, finance, public services, e-government affairs and national defence science, the damage, malfunction or data leakage of which may endanger national security, people’s livelihoods and the public interest. In December 2021, the CAC, together with other authorities, jointly promulgated the Cybersecurity Review Measures, which became effective on February 15, 2022 and replaces its predecessor regulation. Pursuant to the Cybersecurity Review Measures, critical information infrastructure operators that procure internet products and services and network platform operators that conduct data process activities must be subject to the cybersecurity review if their activities affect or may affect national security. The Cybersecurity Review Measures further stipulates that network platform operators that hold personal information of over one million users shall apply with the Cybersecurity Review Office for a cybersecurity review before any public offering at a foreign stock exchange. As of the date of this annual report, no detailed rules or implementation rules have been issued by any authority and we have not been informed that we are a critical information infrastructure operator by any government authorities. Furthermore, the exact definition, scope or criteria of “critical information infrastructure operators”, “network platform operators” and “users’ personal information” under the current regulatory regime remains unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of the applicable laws. Therefore, it is uncertain whether we would be deemed to be a critical information infrastructure operator or network platform operator under PRC law. If we are deemed to be a critical information infrastructure operator or network platform operator under the PRC cybersecurity laws and regulations, we may be subject to obligations in addition to what we have fulfilled under the PRC cybersecurity laws and regulations.
● In November 2021, the CAC released the Administration Regulations on the Cyber Data Security (Draft for Comments), or the Draft Regulations. The Draft Regulations provide that data processors refer to individuals or organizations that, during their data processing activities such as data collection, storage, utilization, transmission, publication and deletion, have autonomy over the purpose and the manner of data processing. In accordance with the Draft Regulations, data processors shall apply for a cybersecurity review for certain activities, including, among other things, (i) the listing abroad of data processors that process the personal information of more than one million users and (ii) any data processing activity that affects or may affect national security. However, there have been no clarifications from the relevant authorities as of the date of this annual report as to the standards for determining whether an activity is one that “affects or may affect national security.” In addition, the Draft Regulations requires that data processors that process “important data” or are listed overseas must conduct an annual data security assessment by itself or commission a data security service provider to do so, and submit the assessment report of the preceding year to the municipal cybersecurity department by the end of January each year. As of the date of this annual report, the Draft Regulations was released for public comment only, and their respective provisions and anticipated adoption or effective date may be subject to change with substantial uncertainty.

Personal Information and Privacy

● In August 2021, the SCNPC promulgated the Personal Information Protection Law, which integrates the scattered rules with respect to personal information rights and privacy protection and took effect on November 1, 2021. We update our policies and binding contracts related to personal data and cybersecurity protection from time to time to meet the latest regulatory requirements of applicable PRC laws and regulations, and adopt technical measures to protect such data and ensure cybersecurity in a systematic manner. Nonetheless, the Personal Information Protection Law elevates the protection requirements for personal information processing, and many specific requirements of this law remain to be clarified by the CAC, other regulatory authorities, and courts in practice. We may be required to make further adjustments to our business practices to comply with the personal information protection laws and regulations.

Many of the data-related legislations are relatively new and certain concepts thereunder remain subject to interpretation by the regulators. If any data that we possess belongs to data categories that are subject to heightened scrutiny, we may be required to adopt stricter measures for protection and management of such data. The Cybersecurity Review Measures and the Draft Regulations remain unclear on whether the relevant requirements will be applicable to companies that are already listed in the United States, such as us. We cannot predict the impact of the Cybersecurity Review Measures and the Draft Regulations, if any, at this stage, and we will closely monitor and assess any development in the rule-making process. If the Cybersecurity Review Measures and the enacted version of the Draft Regulations mandate clearance of cybersecurity review and other specific actions to be taken by issuers like us, we face uncertainties as to whether these additional procedures can be completed by us timely, or at all, which may subject us to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, or removal of our app from the relevant application stores, and materially and adversely affect our business and results of operations. As of the date of this annual report, we have not been involved in any formal investigations on cybersecurity review made by the CAC on such basis.

In general, compliance with the existing PRC laws and regulations, as well as additional laws and regulations that PRC regulatory bodies may enact in the future, related to data security and personal information protection, may be costly and result in additional expenses to us, and subject us to negative publicity, which could harm our reputation and business operations. There are also uncertainties with respect to how such laws and regulations will be implemented and interpreted in practice.

In addition, regulatory authorities around the world have adopted or are considering a number of legislative and regulatory proposals concerning data protection. These legislative and regulatory proposals, if adopted, and the uncertain interpretations and application thereof could, in addition to the possibility of fines, result in an order requiring that we change our data practices and policies, which could have an adverse effect on our business and results of operations. The European Union General Data Protection Regulation (“GDPR”), which came into effect on May 25, 2018, includes operational requirements for companies that receive or process personal data of residents of the European Economic Area. The GDPR establishes new requirements applicable to the processing of personal data, affords new data protection rights to individuals and imposes penalties for serious data breaches. Individuals also have a right to compensation under the GDPR for financial or non-financial losses. Although we do not conduct any business in the European Economic Area, in the event that residents of the European Economic Area access our website or our mobile platform and input protected information, we may become subject to provisions of the GDPR.
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 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.

**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;
- 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 RMB 100,000 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 RMB 100,000 deduction in the purchase price and users adopting this arrangement pay RMB 1,660 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 December 31, 2021, the amount of auto financing receivables was RMB3,974.0 million (US$623.6 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.

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. In 2021, we recorded RMB54.3 million (US$8.5 million) expected credit loss expense in selling, general and administrative expenses. As of December 31, 2021, the expected credit loss provision for the current and non-current assets were RMB91.3 million (US$14.3 million). 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.

For the years ended December 31, 2019, 2020 and 2021, our short-term investments consisted 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.

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 any of our current or future vehicle models 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 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.

The long-term viability of our distribution model is unproven.

Our vehicles are generally made to order. We conduct vehicle sales directly to users primarily through our mobile application, NIO Houses and NIO Spaces, rather than through dealerships. This model of vehicle distribution 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 commonly applied for the sales of ICE vehicles and other EV companies. 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.

In addition, 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 annual report. Under the Hefei Agreements, the Hefei Strategic Investors agreed 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 RMB 17.77 billion in total, into NIO China, and invest RMB4.26 billion in cash into NIO China. For more information, see “Item 4. Information on the Company—B. Business Overview—Certain Other Cooperation Arrangements—Hefei Strategic Investors” included elsewhere in this annual report.

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, as of the date of this annual report, the registered capital of NIO China is 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 date of this annual report.

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. 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. In addition, if we pursue the initial public offering of NIO China, we will be subject to various requirements under the Hong Kong Listing Rules 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 laws, 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.
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 customers, 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, 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 our vehicles in China, in addition to the warranty required under the relevant PRC law, including (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.

However, because we only started making delivery of the ES8 in June 2018, of the ES6 in June 2019, of the EC6 in September of 2020 and of the ET7 in March 2022, and we will not start making deliveries of the ET5 until September 2022, we have little experience with warranty claims regarding our vehicles or with estimating warranty reserves. As of December 31, 2021, we had warranty reserves in respect of our vehicles of RMB1,963.0 million (US$308.0 million). We cannot assure you that such reserves will be sufficient to cover future claims. We could, in the future, become subject to 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.

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.

As of December 31, 2021, we had RMB9,739.2 million (US$1,528.3 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), (ii) and (iv) that are due within one year from December 31, 2021. Meanwhile, as of December 31, 2021, we had RMB7,298.0 million (US$1,145.2 million) in total short-term borrowings including the current portions of long-term borrowings.

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.
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. 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 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. In 2020, the 360-day Affiliate Notes issued to each of an affiliate of Tencent Holdings Limited and Mr. Bin Li were converted to Class A ordinary shares and the three-year Affiliate Notes issued to the wholly owned company of Mr. Bin Li were 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 had 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 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 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 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 annual report, 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 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 December 31, 2021, awards to purchase an aggregate amount of 94,536,087 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. In addition, one of our subsidiaries also adopted a share incentive plan in 2021, pursuant to which the subsidiary can grant share options to its employees. As of December 31, 2021, our unrecognized share-based compensation expenses related to the stock option and restricted shares amounted to RMB5,909.0 million (US$925.9 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 of 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.
We implemented a number of remedial measures to address the material weakness, including (i) establishing clear roles and responsibilities for accounting and financial reporting staff to address accounting and financial reporting issues; (ii) strengthening our financial reporting team by hiring additional personnel with experience in U.S. GAAP and SEC reporting from reputable accounting firms; (iii) 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; (iv) 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; (v) establishing related policies and procedures to support the operation of internal controls at the entity level and process level; and (vi) 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 had been remediated as of December 31, 2020.

Our management has concluded that our internal control over financial reporting was effective as of December 31, 2021. In addition, our independent registered public accounting firm has audited the effectiveness of our internal control over financial reporting as of December 31, 2021.

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 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.

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.

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 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 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 vehicle 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. The conflicts in Ukraine and the imposition of broad economic sanctions on Russia could raise energy prices and disrupt global markets. 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 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.
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**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.

**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. See “Item 4. Information on the Company—B. Business Overview—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, depending on the proposed use of the economic interests of the shares held by the NIO Users Trust in the future, there could be accounting implications to us that cannot presently be ascertained.

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 “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings” 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 the VIE 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 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, 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 the VIE under U.S. GAAP. On March 31, 2021, NIO Co., Ltd., and 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, 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 “Item 4. Information on the Company—C. Organizational Structure—Contractual Agreements with the VIE and Its Shareholders.”
In the opinion of Han Kun Law Offices, our PRC legal counsel, (i) the ownership structures of NIO Co., Ltd. and the VIE 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., the VIE 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 counsel 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 counsel. See “Item 4. Information on the Company—B. Business Overview—Regulations— Regulations on Foreign Investment in China” and “Item 3. Key Information—D. Risk Factors—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 VIE structures will be adopted or, if adopted, what they would provide.

If the ownership structure, contractual arrangements and businesses of our PRC subsidiaries or the VIE are found to be in violation of any existing or future PRC laws or regulations, or our PRC subsidiaries or the VIE 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 VIE;
- imposing fines, confiscating the income from our PRC subsidiaries or the VIE, or imposing other requirements with which we or the VIE may not be able to comply;
- requiring us to restructure our ownership structure or operations, including terminating the contractual arrangements with the VIE and deregistering the equity pledge of the VIE, which in turn would affect our ability to consolidate, derive economic interests from, or exert effective control over the VIE; 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 the VIE that most significantly impact their economic performance, and/or our failure to receive the economic benefits from the VIE, we may not be able to consolidate the entities in our consolidated financial statements in accordance with U.S. GAAP. Currently, Beijing NIO and Shanghai Anbin, the current and past consolidated VIEs, did not contribute any external revenue to our total revenues in 2019, 2020 and 2021. As of December 31, 2020 and 2021, the consolidated VIEs did not have significant operations or any material assets or liabilities.

We rely on contractual arrangements with the VIE 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 “Item 4. Information on the Company—C. Organizational Structure—Contractual Agreements with the VIE and Its Shareholders” 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 “Item 4. Information on the Company—C. Organizational Structure—Contractual Agreements with the VIE and Its Shareholders.” 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 the VIE, or VIE, we would be able to exercise our rights as a shareholder to control the VIE to exercise rights of shareholders to effect changes in the board of directors of the 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 VIE 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 the VIE, 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.”

**Our ability to enforce the equity pledge agreements between us and the VIE’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, the current and past VIEs, 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 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 “Item 4. Information on the Company—C. Organizational Structure—Contractual Agreements with the VIE and Its Shareholders” for more information.

The equity pledge agreements with the VIE’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 VIE. 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 the VIE 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 the VIEs, Shanghai Anbin and Beijing NIO. On March 31, 2021, the contractual agreements with Shanghai Anbin and its shareholders were terminated. See “Item 4. Information on the Company—C. Organizational Structure—Contractual Agreements with the VIE and Its Shareholders” for more information. As shareholders of Beijing NIO, they may have potential conflicts of interest with us. These shareholders may breach, or cause the VIE to breach, or refuse to renew, the existing contractual arrangements we have with them and the VIE, which would have a material and adverse effect on our ability to effectively control the VIE 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 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 the current and past VIEs may be subject to scrutiny by the PRC tax authorities and they may determine that we or the current or past VIEs 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, the current and past VIEs 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 “Item 4. Information on the Company—C. Organizational Structure—Contractual Agreements with the VIE and Its Shareholders” 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 the current and past VIEs’ 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 the VIE that are material to the operation of our business if the VIE goes bankrupt or becomes subject to dissolution or liquidation proceedings.

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

The Hong Kong Stock Exchange has granted us 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 of our Class A ordinary shares on the Hong Kong Stock Exchange. 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 our listing in Hong Kong. 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 or entities to be spun-off at the time of the listing of our Class A ordinary shares on the Hong Kong Stock Exchange (calculated cumulatively if more than one entity is spun-off).

Risks Related to Doing Business in China

The PCAOB is currently unable to inspect our auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections over our auditor deprives our investors with the benefits of such inspections.

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or 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 China, a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities, our auditor is not currently inspected by the PCAOB. As a result, we and investors in our ADSs 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 ADSs to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

Our ADSs will be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, in 2024 if the PCAOB is unable to inspect or fully investigate auditors located in China, or in 2023 if proposed changes to the law are enacted. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

The Holding Foreign Companies Accountable Act, or the HFCAA, was signed into law on December 18, 2020. The HFCAA 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 for 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 United States. On December 2, 2021, the SEC adopted final amendments implementing the disclosure and submission requirements of the HFCAA, pursuant to which the SEC will identify an issuer as a “Commission Identified Issuer” if the issuer has filed an annual report containing an audit report issued by a registered public accounting firm that the PCAOB has determined it is unable to inspect or investigate completely, and will then impose a trading
prohibition on an issuer after it is identified as a Commission-Identified Issuer for three consecutive years. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong. The PCAOB identified our auditor as one of the registered public accounting firms that the PCAOB is unable to inspect or investigate completely. Therefore, we expect to be identified as a “Commission Identified Issuer” shortly after the filing of this annual report on Form 20-F.

Whether the PCAOB will be able to conduct inspections of our auditor before the issuance of our financial statements on Form 20-F for the year ending December 31, 2023 which is due by April 30, 2024, or at all, is subject to substantial uncertainty and depends on a number of factors out of our, and our auditor’s, control. If our shares and ADSs are prohibited from trading in the United States, there is no certainty that we will be able to list on a non-U.S. exchange or that a market for our shares will develop outside of the United States. Such a prohibition would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our ADSs. Also, such a prohibition 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.

On June 22, 2021, the U.S. Senate passed a bill which would reduce the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two. On February 4, 2022, the U.S. House of Representatives passed a bill which contained, among other things, an identical provision. If this provision is enacted into law and the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA is reduced from three years to two, then our shares and ADSs could be prohibited from trading in the United States in 2023.

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 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 of China, or the NPC, 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 VIEs 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.

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 the VIE through which we operate our business is not treated as domestic investment and our operations carried out through such VIE 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 the filing with the CSRC or other PRC government authorities may be required in connection with our future offshore listings and 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 Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or 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 China Securities Regulatory Commission, or 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 uncertain. If the CSRC approval is required for any of our offshore listings and capital raising activities, 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 our offshore listings and capital raising activities 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, 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 date of this annual report, 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 determined that we are subject to any CSRC approval, filing, other governmental authorisation or requirements for our future offshore listings and 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 our future offshore listings and 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 our future offshore listings and 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) (the “Draft Administration Provisions”) and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (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 “Item 4. Information on the Company—B. Business Overview—Regulations—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 our offshore listings 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 our offshore listings 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 and VIE.

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 “Item 4. Information on the Company—B. Business Overview—Regulations—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 “Item 4. Information on the Company—B. Business Overview—Regulations—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 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, the VIE, 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 value-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 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 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 in China. 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 may intervene or influence our operations as the government deems appropriate to advance regulatory and societal goals and policy positions. The PRC government has recently published new policies that significantly affected certain industries and we cannot rule out the possibility that it will in the future release regulations or policies that directly or indirectly affect our industry or require us to seek additional permission to continue our operations, which could result in a material adverse change in our operation and/or the value of our ADSs. Therefore, investors of our company and our business face potential uncertainty from actions taken by the PRC government affecting 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 December 31, 2021, most of our PRC subsidiaries and the VIE had not made appropriations to statutory reserves as our PRC subsidiaries and the VIE reported accumulated loss. For a detailed discussion of applicable PRC regulations governing distribution of dividends, see “Item 4. Information on the Company—B. Business Overview—Regulations—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 the VIE 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 the current and past VIEs may be subject to scrutiny by the PRC tax authorities and they may determine that we or the current or past VIEs owe additional taxes, which could negatively affect our financial condition.” In 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 designated government agencies for the benefit of our employees. Pursuant to the PRC Social Insurance Law, companies registered and operating in China are required to pay for certain types of social insurance, including basic medical insurance, basic pension insurance, work-related injury insurance, and unemployment compensation insurance. Failure to register and/or pay required amounts of these social benefits could result in penalties and adverse consequences for our business and our employees. Pursuant to the PRC Labor Contract Law, employers are subject to stricter requirements in terms of employing workers, extending contracts, paying wages, paying social insurance, and 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.
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 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 “Item 4. Information on the Company—B. Business Overview—Regulations—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 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 VIEs 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 “Item 4. Information on the Company—B. Business Overview—Regulations—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.

**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 “Item 4. Information on the Company—B. Business Overview—Regulations—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 undertakings 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 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 “Item 4. Information on the Company—B. Business Overview—Regulations—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 State Taxation Administration, or the STA 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 controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect the STA’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 Treaties 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 “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Taxation—PRC.” As of December 31, 2021, most of our subsidiaries and VIE located in the PRC reported accumulated loss and therefore they had no retained earnings for offshore distribution. In the future, we intend to re-invest all earnings, if any, generated from our PRC subsidiaries for the operation and expansion of our business in China. Should our tax policy change to allow for offshore distribution of our earnings, we would be subject to a significant withholding tax. 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 STA 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 transferee and transferor (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 STA 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.

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 VIE 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 VIE are members of our senior management team who have signed employment agreements with us or our PRC subsidiaries and VIE 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 VIE. 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 VIE, we or our PRC subsidiaries or VIE 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 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 ADSs and Class A Ordinary Shares

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

The trading of our Class A ordinary shares on the Hong Kong Stock Exchange commenced on March 10, 2022 under the stock code “9866.” As a company listed on the Hong Kong Stock Exchange pursuant to Chapter 19C of the Hong Kong Listing Rules, we are not 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 of our Class A ordinary shares on the Hong Kong Stock Exchange, we have applied for a number of waivers and/or exemptions from strict compliance with the Hong Kong Listing Rules, the Codes on Takeovers and Mergers and Shares Buy-backs issued by the SFC, or the Takeovers Codes, and the Securities and Futures Ordinance, or 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.
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 annual general meeting after the listing of our Class A ordinary shares on the Hong Kong Stock Exchange, or the First AGM, we refer to Relevant Period as the period commencing from the date on which any of our Class A ordinary 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 weighted voting right structure, or 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.

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 Hong Kong 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 Securities and Futures Commission of Hong Kong, or 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 to be put forth in the First AGM particularly in the case where the Company de-lists from the Hong Kong Stock Exchange.

As we are listed as a Non-Grandfathered Greater China Issuer pursuant to Chapter 19C, our articles of association must comply with the requirements of 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 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 under the Hong Kong Listing Rules 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. 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 listed securities have been and are likely to continue to be, volatile, which could result in substantial losses to investors.

The trading prices of our listed securities have been and are likely to continue to be volatile and could fluctuate widely in response to a variety of factors, many of which are beyond our control. For example, in 2021, the trading price of our ADSs ranged from a low of US$28.16 to a high of US$62.84. The trading price of our Class A ordinary shares, likewise, have been and may continue to be volatile for similar or different reasons. The market price for our listed securities 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;
- 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 also impact the attitudes of investors towards Chinese companies listed in the United States in general, which consequently may affect the operating 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.

Our multi-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 had historically adopted a triple-class voting structure such that our ordinary shares consisted of Class A ordinary shares, Class B ordinary shares and Class C ordinary shares. Upon the listing of our Class A ordinary shares on the Hong Kong Stock Exchange, all of our Class B ordinary shares, which used to be beneficially owned by Tencent entities, namely, Image Frame Investment (HK) Limited and Mount Putuo Investment Limited, were converted to Class A ordinary shares pursuant to the conversion notice delivered by the relevant shareholders. Currently, our ordinary shares consist of Class A ordinary shares and Class C ordinary shares. Holders of Class A 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, 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 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 C ordinary share is convertible into one Class A ordinary share, whereas Class A ordinary shares are not convertible into Class C ordinary shares under any circumstances. Upon any transfer of Class C ordinary shares by a holder thereof to any person or entity which is not an affiliate of such holder, such Class C ordinary shares are automatically and immediately converted into the equal number of Class A ordinary shares.

We had historically adopted a triple-class voting structure such that our ordinary shares consisted of Class A ordinary shares, Class B ordinary shares and Class C ordinary shares. Upon the listing of our Class A ordinary shares on the Hong Kong Stock Exchange, all of our Class B ordinary shares, which used to be beneficially owned by Tencent entities, namely, Image Frame Investment (HK) Limited and Mount Putuo Investment Limited, were converted to Class A ordinary shares pursuant to the conversion notice delivered by the relevant shareholders. Currently, our ordinary shares consist of Class A ordinary shares and Class C ordinary shares. Holders of Class A 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, 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 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 C ordinary share is convertible into one Class A ordinary share, whereas Class A ordinary shares are not convertible into Class C ordinary shares under any circumstances. Upon any transfer of Class C ordinary shares by a holder thereof to any person or entity which is not an affiliate of such holder, such Class C ordinary shares are automatically and immediately converted into the equal number of Class A ordinary shares.

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As of the date of this annual report, Mr. Bin Li, our founder, chairman and chief executive officer, together with his affiliates, beneficially own all of our issued Class C ordinary shares. Due to the disparate voting powers associated with our multi classes of ordinary shares, Mr. Li has considerable influence over important corporate matters. As of March 31, 2021, Mr. Li beneficially owned over 40% 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. 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.

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 controls 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 shareholders 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.
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 Class A ordinary shares and/or 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 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 to elect to settle all or a portion of the respective zero-strike call 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 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 the 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 the VIE for U.S. federal income tax purposes, and based upon our current and expected income and assets, we do not believe that we were a PFIC for the taxable year ended December 31, 2021 and 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 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 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 Unites 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 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 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 depositary, 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 depositary, 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 depositary. If we ask for instructions of ADS holders, then upon receipt of such voting instructions, the depositary will try to vote the underlying Class A ordinary shares in accordance with these instructions. If we do not instruct the depositary to ask for instructions of ADS holders, the depositary 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 depositary 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 depositary 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 depositary to vote their shares. In addition, the depositary 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 depositary 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 depositary 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 depositary with notice of meeting and related voting materials;
- we have instructed the depositary that we do not wish a discretionary proxy to be given;
we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting;

- a matter to be voted on at the meeting would have 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 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 or Class A ordinary shares.

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

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 depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary 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 listed in the United States and Hong Kong, we incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act, rules subsequently implemented by the SEC and the New York Stock Exchange and the Hong Kong Listing Rules impose various requirements on the corporate governance practices of public companies. 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.

We are 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 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 of our Class A ordinary shares on the Hong Kong Stock Exchange.

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 depositary 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 depositary in exchange for ADSs or vice versa, the liquidity and trading price of our Class A ordinary shares on the Hong Kong Stock Exchange and our ADSs on 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 depositary 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, cancelation 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.
ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We were founded in November 2014, as Nextev Inc., which was changed to our current name NIO Inc. in July 2017. Significant milestones in our development since 2021 include the following:

- 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. Shortly after the pricing of the 2026 Notes and the 2027 Notes, 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 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. 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).

- In May 2021, we entered into renewed manufacturing agreements regarding the joint manufacturing of NIO vehicles and related fee arrangements with JAC and Jianglai Advanced Manufacturing Technology (Anhui) Co., Ltd., or Jianglai. Pursuant to the renewed joint manufacturing arrangements, 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 September 2021, we, through one of our wholly-owned subsidiaries, purchased from one of the Hefei Strategic Investors an aggregate of 1.418% equity interests in NIO China and subscribed for certain newly increased registered capital of NIO China. As a result of these transactions, as of the date of this annual report, the registered capital of NIO China is approximately RMB6.429 billion, and we hold 92.114% controlling equity interests in NIO China.

- In November 2021, we completed an at-the-market offering of 53,292,401 ADSs and raised gross proceeds of US$2 billion, before deducting commissions paid to the distribution agents of approximately US$26 million and certain offering expenses.

- In January 2022, we notified holders of 2024 Notes that pursuant to the 2024 Notes Indenture dated as of February 4, 2019 by and between us and The Bank of New York Mellon, as trustee, each holder has the right, at the option of such holder, to require us to repurchase all of such holder’s 2024 Notes or any portion thereof that is an integral multiple of US$1,000 principal amount for cash on February 1, 2022. The opportunity for holders of 2024 Notes to exercise the repurchase right commenced at 9:00 a.m., New York City time on January 3, 2022, and terminated at 5:00 p.m., New York City time, on Friday, January 28, 2022. Based on information from The Bank of New York Mellon as the paying agent for 2024 Notes, none of 2024 Notes were surrendered for repurchase. The aggregate amount of the Repurchase Price is nil.

- On March 10, 2022, our Class A ordinary shares commenced trading, by way of introduction, on the Main Board of the Hong Kong Stock Exchange under the stock code “9866” in board lots of 10 Class A ordinary shares, and the stock short name is “NIO-SW”. Our ADSs remain primarily listed and traded on the New York Stock Exchange. The Class A ordinary shares listed on the Main Board of the Hong Kong Stock Exchange are fully fungible with the ADSs listed on the NYSE.

- We have applied for secondary listing by way of introduction on the Main Board of SGX-ST, and the application is undergoing review by SGX-ST as of the date of the annual report.
Our principal executive offices are located at Building 20, No. 56 AnTuo Road, Jiading District, Shanghai 201804, PRC. Our telephone number at this address is +86-21-6908-2018. Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Our agent for service of process in the United States is Puglisi & Associates, located at 850 Library Avenue, Suite 204, Newark, Delaware 19711. We maintain our website at http://ir.nio.com/. The information contained on, or linked from, our website is not a part of this annual report.

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


B. Business Overview

Our Chinese name, Weilai (蔚来), 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 consumers. In 2021, we delivered 91,429 vehicles, including 20,050 ES8s, 41,474 ES6s and 29,905 EC6s.
Our Vehicles

We design, develop, jointly manufacture and sell our vehicles in the premium smart electric vehicle market. We currently sell our diversified product offerings in China and Norway and plan to expand into more global markets in the near future to capture the fast-growing EV demand.

<table>
<thead>
<tr>
<th>Model</th>
<th>ES8</th>
<th>ES6</th>
<th>EC6</th>
<th>ET7</th>
<th>ET5*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Segment</strong></td>
<td>Mid-large SUV</td>
<td>Mid-size SUV</td>
<td>Mid-size coupe SUV</td>
<td>Mid-large sedan</td>
<td>Mid-size sedan</td>
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<tr>
<td><strong>Wheelbase (mm)</strong></td>
<td>3,010</td>
<td>2,900</td>
<td>2,900</td>
<td>3,060</td>
<td>2,888</td>
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<tr>
<td><strong>Driving range</strong></td>
<td>450/580/850</td>
<td>465/610/900**</td>
<td>475/615/910****</td>
<td>550/705/1000</td>
<td>550/700/1000</td>
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<tr>
<td>(with 75/100/150kWh battery pack)**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Acceleration time from 0 to 100km/h (s)</strong></td>
<td>4.9</td>
<td>4.7******</td>
<td>4.5****</td>
<td>3.8</td>
<td>4.3</td>
</tr>
<tr>
<td><strong>Peak Power (kW)</strong></td>
<td>400</td>
<td>400******</td>
<td>400*****</td>
<td>480</td>
<td>360</td>
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<tr>
<td><strong>Maximum Torque (NM)</strong></td>
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<td>725*****</td>
<td>850</td>
<td>700</td>
</tr>
<tr>
<td><strong>Autonomous driving package</strong></td>
<td>NIO Pilot</td>
<td>NIO Pilot</td>
<td>NIO Pilot</td>
<td>NIO Autonomous Driving</td>
<td>NIO Autonomous Driving</td>
</tr>
</tbody>
</table>

* The delivery of ET5 is expected to commence in September 2022.
** 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

ES8

The ES8 is a flagship mid-large smart electric SUV.

In December 2017, we launched the ES8, which is equipped with our proprietary electric powertrain. 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 offers six-seater and seven-seater configurations.

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, Long Range Battery and Ultra-long Range Battery, the all-new ES8’s NEDC range reaches up to 450 km, 580 km and 850 km, respectively. The all-new ES8 was awarded the five-star safety rating by C-NCAP (Chinese New Car Assessment Program) and Euro-NCAP (European New Car Assessment Program).

ES6

The ES6 is a mid-size 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, Long Range Battery Pack and Ultra-long Range Battery, the ES6’s NEDC range reaches up to 465 km, 610 km and 900 km, respectively.
EC6

The EC6 is a mid-size 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, Long Range Battery and Ultra-long Range Battery, the EC6’s NEDC range reaches up to 475 km, 615 km and 910 km, respectively.

ET7

The ET7 is a flagship mid-large 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 Standard Range Battery, Long Range Battery and the Ultra-long Range Battery, the ET7’s CLTC range reaches up to 550 km, 705 km and 1,000 km, respectively. We have started the delivery of the ET7 in March 2022.

ET5

The ET5 is a mid-size 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 is expected to reach up to 550 km, 700 km and 1,000 km, respectively. We estimate to start delivery of the ET5 in September 2022.

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. 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 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 and allows users to subscribe for battery usage separately. 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. If users opt to purchase a NIO vehicle and subscribe for the battery under BaaS, they can enjoy a deduction off the original vehicle purchase price while paying a monthly subscription fee for the battery. 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.

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. 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.

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 an 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 (ultra-wideband), Wi-Fi 6, 5.2 Bluetooth and V2X (vehicle-to-everything), 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. In addition, we have been dedicated to safeguarding vehicle cybersecurity. In January 2022, we were certified under UN Regulation No. 155 (UN-R155) on the cybersecurity management system (CSMS), which makes us the first company in China and one of the first in the world to be certified as compliant with this regulation.

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. The Standard Range Battery currently on offer 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 (battery management system). 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.

**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 smoothing 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.

**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 chairman of the board of directors and chief executive officer, transferred a certain amount of his ordinary shares to NIO User Trust in January 2019. Our users have the opportunity to discuss and propose the use of the economic benefits from the shares in NIO User Trust through a User Council consisting of members of our user community elected by our users. The User Council helps coordinate user activities in our community. 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.

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 smart home chargers and high-speed smart home chargers.

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.

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.

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. 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 power plan, including 15 times of One Click for Power valet services and 1,000 kWh power quota every month, for a fixed monthly fee. 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 plan and worry-free insurance plan. 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.

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 Plan

We offer our users a worry-free service plan, 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.

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 plan, we have also started to offer a worry-free insurance plan since March 1, 2020. Users can supplement their insurance with designated insurance providers, and pay an annual fee 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 used 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 covering vehicle repair, replacement and refund. See “Item 3. Key Information — D. 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. While we obtain components from multiple sources whenever possible, many of the components used in our vehicles are purchased from a single source. Eventually we plan to implement a multi-source volume purchasing strategy in order to reduce our reliance on sole source suppliers.

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 such as prohibition of forced labor and child labor, environmental protection and anti-corruption, and incorporate these standards in our cooperation agreements with our suppliers.
Manufacturing

Vehicle Manufacturing

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. 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. As of the date of this annual report, we hold 50% equity interest in Jianglai. 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, EC6 and ET7, in the Hefei JAC-NIO manufacturing plant designed and constructed for NIO vehicles. For the years ended December 31, 2019, 2020 and 2021, all of our vehicles were manufactured in the JAC-NIO manufacturing plant. 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. 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.

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. 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. 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.

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, together with our partners, we are building a new manufacturing plant in Xinqiao Industrial Park with a designed annual production capacity of up to 300,000 units (calculated based on 5,000 work hours per year).

Electric Powertrain Manufacturing

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.
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 have established a Quality Committee for the overall quality management of our company. The Quality Committee is chaired by our executive vice president, and is responsible for formulating the group-level quality assurance policies, strategies, goals and initiatives and reviewing the progress of quality goals. 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.

In the research and development stage, we have established an FMA (Failure Mode Analysis) sub-committee and a reliability working group to continuously improve the awareness, knowledge and ability of problem prevention in product design, process design, service design and other aspects. We have built an NPDP (NIO Product Development Platform) to manage the entire product development process, efficiently integrating the workflows of various business departments, and achieving high-quality management of vehicles to be delivered.

In the manufacturing stage, we implement end-to-end quality planning based on product and process characteristics, covering quality issue prevention, incoming material inspection, in-process inspection, customer review, pre-shipment inspection and rapid problem resolution. In the meantime, we actively promote the digitalization of manufacturing quality management in various use cases, including problem management, change point management, vehicle management, personnel management and others. Through intelligent data monitoring and analysis, we are able to timely detect abnormalities and make corrections.

In terms of supply chain, we have established the NIO Quality Premium Partner evaluation system, which comprehensively evaluates our partners from various dimensions to achieve effective quality control of the supply chain. On top of the regular audit and training of our supply chain partners, we organize expert resources of different fields and functions to work together with the supply chain partners in need of capability enhancement to quickly improve their process assurance and quality control capabilities.

In addition, we collect users’ feedbacks through various channels, such as hotline, NIO App, NIO Fellow, user service group, and NOMI in our vehicles, and direct these feedback to our product experience, service and quality assurance team so as to drive the fast iteration and improvement in terms of product development, manufacturing and supply chain.

We have obtained the ISO9001 quality management system certification across our group, including our offices in Europe and the United States, as well as the JAC-NIO manufacturing facility, which provides a strong guarantee for the systematic efficiency of the company’s operations.

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 under the investment agreement and assume 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 annual report. The Hefei Investment Agreement and the Hefei Shareholders Agreement are collectively referred to as Hefei Agreements in this annual report.

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 date of this annual report, 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 date of this annual report, we hold 92.114% controlling equity interests in NIO China.

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, the immediate holding companies of NIO China, 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.
• **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 CSRC, 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.

• **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 Investment Agreement.

We ensure effective control in NIO China through the following measures: (i) at the shareholder level, as of the date of this annual report, 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.
As a result of these transactions, as of the date of this annual report, 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 date of this annual report.

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 the Battery Asset Company Investors jointly established the Battery Asset Company. 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.

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.

The 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. Our vehicles also compete with ICE vehicles in the premium segment. Given the quality and performance of our vehicles and their attractive pricing, we believe that we are strategically positioned in the 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.

Corporate Social Responsibility

With the mission of shaping a joyful lifestyle for our users, we are committed to leverage our technologies, products and services to be 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 the following three important pillars in our ESG initiatives, which have been integrated into our business operations and corporate governance.

Environmental Sustainability

Global climate change has already had observable effects on the world. We therefore commit to playing our part by implementing the low carbon strategy. To respond to the impact of climate change and examine the corresponding risks and opportunities, we align with the Task Force on Climate-related Financial Disclosure (TCFD) framework to identify the strategy for tackling the risks.

With the growing focus on climate change, the world is gradually shifting away from fossil fuels to renewable energy. To contribute to this transition, 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 and development. We actively carry out product lifecycle carbon emission evaluation, develop analysis models based on industry standards (ISO 14067 and PAS 2050), collect and monitor all vehicle material information based on CAMDS (China Automotive Material Data System), and establish NIO’s internal material database-Material WorX, which studies and calculates the carbon emission of the entire vehicle lifecycle from raw material sourcing, production, utilization and recycling.

At the product design and development stage, based on the philosophy of design for recyclability, we conduct comprehensive research on the availability and application of sustainable materials on our products, including PCR (post-consumer recycling) materials. For instance, we apply Karuun® renewable rattan on ET7 and Clean+ sustainable material on ET5. In the meantime, we are constantly improving our technologies and material application to reduce the carbon emission and energy consumption of our product portfolio. For example, we had successfully reduced our product energy consumption by over 25% in the past few years. During the manufacturing process, we actively leverage clean energy both in our plant and our partners’ facilities, including applying photovoltaic technology and ground-source heat pump system. In March 2022, we reached a strategic cooperation agreement with Chinalco to join forces on new material research and carbon reduction efforts. In addition, we implemented water, aluminium and other scrap material recycling in our plant and aim to further expand our recycling efforts throughout the product lifecycle. 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, including leather, fabric and others.
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 Blue Points Plan to help users certify emission reductions and trade carbon credits. We have also launched Clean Parks, an ecosystem co-construction initiative. As of now, we have rolled out the initiative in six ecologically sensitive areas in China. We aim to contribute to ecosystem building, support the adoption of smart electric vehicles and clean energy infrastructure in the nature reserves, and establish a clean and low-carbon energy circulation to protect the authenticity and integrity of ecosystem. In April 2022, we joined hands with WWF China (World Wide Fund for Nature) in the Clean Parks initiative and expect to work with more partners to build a more sustainable environment. Our environmental protection efforts also extend to our partners and employees. We have obtained ISO14001 certification on Environmental Management System, established a self-regulation mechanism for environmental management based on PDCA (Plan, Do, Check and Action) of ISO14001, and asked everyone in our company to pay attention to environmental protection in our daily activities and business operations. We select business partners based on various parameters, including quality, technical capabilities, cost and carbon emission commitment. We provide comprehensive trainings to our partners in terms of quality, technology, sustainability, digitalization, intellectual property protection and others.

Social Sustainability

At NIO, we are fully committed to be socially responsible and make a 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. Based on global safety and quality standards (Euro-NCAP, China-NCAP and CIASI) and internal quality management system, we conduct vigorous tests on our products during the development and manufacturing phases and cascade all the requirements to the subsystems and components, including crash load case, occupant protection, pedestrian protection, high voltage safety, prototype validation, system integration and functional safety. In terms of manufacturing, we have obtained ISO9001 and IATF16949 certifications. Internally, we have set up a Quality Committee to coordinate cross-functional resources to solve quality issues, while our quality control team tracks, monitors and analyses potential quality issues through daily operations. Users can provide their feedback and complaints to us through various touch points, including our NIO debug system, NIO app, NIO fellows and service hotlines.

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. In addition to complying with relevant laws and regulations in respect of occupational health and safety, we have adopted a series of policies and measures, provided relevant safety, compliance and security trainings, and received ISO45001 certification on Occupational Health and Safety Management System. Based on the characteristics of our company, we have developed our comprehensive NIO Career Path, covering nine job sectors, 40 job categories and over 130 positions, to enable employees to choose suitable professional or management career path. To better support the career development of our employees, we offer around 64 online and offline courses, including general courses, technical courses and leadership courses in addition to compulsory trainings on corporate values, compliance, information security, environment health and safety and others. In 2021, our employees received around 43 hours of training on average. On top of our employee stock ownership plan and compulsory benefits and insurances covering all employees, we also offer our employees various supplementary insurance such as medical insurance, critical illness insurance, accident insurance and life insurance, housing provident fund and other benefits. We have conducted annual employee satisfaction survey in our regional companies and received positive feedback from our employees regarding the work environment, corporate culture, teamwork and internal communication.

We have established various corporate social responsibility initiatives to comprehensively give back to the communities and to create value for the society. 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. 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. In the face of the COVID-19 resurgence in some parts of China in April 2022, we delivered Power Up Food Boxes to our users and employees to support those in need.

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Governance

We strictly abide by all laws and regulations and aim to protect the rights and interests of shareholders, enhance corporate value, guide the formulation of business strategies and policies and increase corporate transparency. To promote our sustainable development and strengthen the effectiveness of governance, we appropriately balance the diversity among board members and management team. As a vital part of our company, our management and board members contribute their insights into the strategic decision-making process by drawing on their gender perspective and diversified industry and technical background, including automotive, internet, real estate, consulting, etc. We also aim to develop a pipeline of potential female successors to the Board to increase the percentage of female Board representatives in the coming years.

As a responsible company, we serve the long-term value of our business and act with integrity and ethics. We established comprehensive internal ethics and compliance system and polices to manage our business behaviour and prohibit corruption, bribery, extortion, fraud, money laundering, monopoly and unfair competition, and insider trading. For enabling a comprehensive supervision of ethics, we set up the reporting mechanism and conduct the protection of whistle-blowers.

To support our mission and advance our ESG and sustainability initiatives, we established a cross-functional working group focusing on sustainability and ESG related topics and initiatives, which is led by our senior management team consisting of the chief financial officer and one of our executive vice presidents. The working group has established an environmental, social and governance communication and management mechanism, involving both internal teams and external partners, to comprehensively protect the environment, improve our corporate governance and benefit society.

We have been continuously improving our environmental, social and governance initiatives under the guidance of our sustainability framework. We actively engage relevant stakeholders in our ESG and sustainability endeavours and 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.

Seasonality

Demand for new cars in the automotive industry in general typically declines over the summer season, while sales are generally higher in the fourth quarter and spring time, 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.

Insurance

We maintain various insurance policies required by PRC laws and regulations to safeguard against risks and unexpected events. 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. For the years ended December 31, 2019, 2020 and 2021, we have not made, nor been the subject of, any material insurance claim.

Regulation

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

Regulations and Approvals Covering the Manufacturing of New Energy Vehicles

The NDRC promulgated the Provisions on Administration of Investment in Automobile Industry (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 (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 (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 (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, 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.

Regulations on Compulsory Product Certification

Under the Administrative Regulations on Compulsory Product Certification 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 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 (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 x Vehicle Mileage + 0.4) x Mileage Adjustment Coefficient x Battery Energy Density Adjustment Coefficient x 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 Passenger Vehicles, will not be listed in the Announcement of the Vehicle Manufacturers and Products 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*, 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*, which became effective on September 29, 2015, the *Guidance on the Development of Electric Vehicle Charging Infrastructure* (2015-2020), which became effective on October 9, 2015, and the *Development Plan for the New-energy Vehicle Industry* (2021-2035), 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* 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* 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*, 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, 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*, 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*, pursuant to which automobiles 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, 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), 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) by 2025, the average power consumption of NEVs will drop to 12.0 kWh per 100 kilometers. The sales volume of NEVs will reach around 20% of the total sales volume of new vehicles, and highly autonomous vehicles will achieve commercial applications in limited areas and specific scenarios; (ii) by 2035, pure electric vehicles shall become the mainstream of new vehicles for sale. Vehicle use in public areas shall achieve full electrification, fuel cell vehicles shall achieve commercialized application, and highly autonomous vehicles shall achieve large-scale application, in order to effectively promote the improvement of energy saving and emission reduction level and social operation efficiency.

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 Financial Support Policies on the Promotion and Application of New Energy Vehicles in 2016-2020 (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 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 (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 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, 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 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 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 STA, the MIIT and the MOST jointly issued the Announcement on Exemption of Vehicle Purchase Tax for New Energy Vehicle (the “Announcement on Exemption of Vehicle Purchase Tax”). On June 28, 2019, the MOF and the STA jointly issued the Renewal of Preferential Policies on Vehicle Purchase Tax (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 (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 STA and the MIIT jointly issued the Announcement on Exemption of Vehicle Purchase Tax for New Energy Vehicle, 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, which was jointly promulgated by the MOF, the Ministry of Transport, the STA 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, 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 (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, 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, 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, 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, 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.
The Regulations for the Administration of Foreign-Invested Telecommunications Enterprises, promulgated by the State Council on December 11, 2001 and last amended with immediate effect on April 7, 2022, requires that foreign investors shall not acquire more than 50% of the equity interest of such an enterprise unless otherwise required by the state. In addition, the telecommunications enterprises must obtain approval from the MIIT, or its authorized local counterparts, before launching the value-added telecommunications business in China.

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) (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 security of tested vehicles and remote monitoring platform; (ii) the tested vehicle must be equipped with a driving system that can switch to 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 corresponing 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.

During the road testing and demonstration application, the tested vehicle shall be marked with the words such as “autonomous driving road test” or “for autonomous driving demonstration purposes” 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 MPS issued the Draft Proposed Amendments of the Road Traffic Safety Law (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, 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 December 2012, the SCNPC promulgated the Decision on Strengthening Network Information Protection, or the Network Information Protection Decision, to enhance the legal protection of information security and privacy on the internet. The Network Information Protection Decision also requires internet operators to take measures to ensure confidentiality of information of users.

In July 2013, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users to regulate the collection and use of users’ personal information in the provision of telecommunication service and internet information service in China.

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

In August 2015, the SCNPC promulgated the Ninth Amendment to the Criminal Law, which became effective in November 2015 and amended the standards of crime of infringing citizens’ personal information and reinforced the criminal culpability of unlawful collection, transaction, and provision of personal information. It further provides that any ICP provider that fails to fulfill the obligations related to internet information security administration as required by applicable laws and refuses to rectify upon orders will be subject to criminal liability.

In November 2016, the SCNPC promulgated the Cyber Security Law of the PRC (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 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), which took effect in May 2018, and the Standard of Information Security Technology — Personal Information Security Specification (2020 edition), 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, 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.

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

On May 12, 2021, the CAC issued the Several Provisions on Automobile Data Security Management (Draft for Comment), 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 Security Management (Trial Implementation) 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 June 10, 2021, the SCNPC promulgated the Data Security Law (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. Furthermore, the Data Security Law also provides that any organization or individual within the territory of the PRC shall not provide any foreign judicial body and law enforcement body with any data without the approval of the competent PRC governmental authorities. 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.

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 (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 annual report, we have not received any inquiry, notice, warning, or sanctions from PRC governmental authorities in connection with the above contents of Opinions.
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. The cybersecurity review will evaluate, among others, the risk of critical information infrastructure, core data, important data, or the risk of a large amount of personal information being influenced, controlled or maliciously used by foreign governments after going public, and Cyber information security risk.

On August 12, 2021, the MIIT issued the Opinion on Strengthening the Access Administration of Intelligent Connected Vehicles Manufacturing Enterprises and Their Products, 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, 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, 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 SCNPC promulgated the Personal Information Protection Law of the PRC, or the Personal Information Protection Law, which took effect in November 2021. As the first systematic and comprehensive law specifically for the protection of personal information in the PRC, the Personal Information Protection Law provides, among others, that (i) an individual’s separate consent shall be obtained before operation of such individual’s sensitive personal information, e.g., biometric characteristics and individual location tracking, (ii) personal information operators operating sensitive personal information shall notify individuals of the necessity of such operations and the influence on the individuals’ rights, (iii) if personal information operators reject individuals’ requests to exercise their rights, individuals may file a lawsuit with a People’s Court.

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.

On October 29, 2021, the CAC issued the Measures for the Security Assessment of Data Exit (Draft for Comment), 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 November 14, 2021, the Administration Regulations on Cyber Data Security (Draft for Comments) was proposed by the CAC for public comments until December 13, 2021. 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 district city level cyberspace administration department. The draft measures reiterate that data processors which process the personal information of at least one million users must 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.

On February 10, 2022, the MIIT published an updated the Draft Administration Measures on Data Security in the Field of Industry and Information Technology to solicit public comments. Such draft regulation requires the industrial and telecom data processors to further implement data classification and hierarchical management, take necessary measures to ensure that data remains effectively protected and being lawfully applied and conduct data security risk monitoring. Such draft regulation also provides the definitions of “core data” and “important data” in the field of industry and information technology.

Regulations on E-Commerce

On August 31, 2018, the SCNPC promulgated the E-Commerce Law of the People’s Republic of China (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.
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, 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 and the Law of the PRC on Urban Real Estate Administration, 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 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 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 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 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 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.

Regulations on Environmental Protection and Work Safety

Regulations on Environmental Protection

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

Regulations on Intellectual Property Rights

Patent Law

According to the Patent Law of the PRC 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.

Copyright Law

According to the Patent Law of the PRC 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.

Copyright Law

The Copyright Law of the PRC (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 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 which was adopted on August 23, 1982 and latest amended in 2019, as well as by the Implementation Regulations of the PRC Trademark Law adopted by the State Council in 2002 and as most recently amended on April 29, 2014. The Trademark Office under the SAMR, 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 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 (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 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 (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) (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) (the “2020 Encouraging Catalogue”), which was jointly promulgated by the MOFCOM and the NDRC on December 27, 2020 and came into effect on January 1, 2022. 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, 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 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 NPC promulgated the Foreign Investment Law of PRC, which has become effective on January 1, 2020 and replaced three laws on foreign investments in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law and the PRC Wholly Foreign-owned Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic invested enterprises in China. The Foreign Investment Law establishes the basic framework for the access to, and the promotion, protection and administration of foreign investments in view of investment protection and fair competition.

According to the Foreign Investment Law, “foreign investment” refers to investment activities directly or indirectly conducted by one or more natural persons, business entities, or otherwise organizations of a foreign country (collectively referred to as “foreign investor”) within China, and the investment activities include the following situations: (i) a foreign investor, individually or collectively with other investors, establishes a foreign-invested enterprise within China; (ii) a foreign investor acquires stock shares, equity shares, shares in assets, or other 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 before the implementation of the Foreign Investment Law 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 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, 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 (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. 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 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 capital accounts may be either retained or sold to a financial institution engaged in settlement and sale of foreign exchange pursuant to relevant SAFE rules and regulations. For foreign exchange proceeds under the capital accounts, approval from the SAFE is generally required for the retention or sale of such proceeds to a financial institution engaged in settlement and sale of foreign exchange.

Pursuant to the Circular of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (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 Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (the “SAFE Circular No. 16”), promulgated by SAFE on June 9, 2016, provides that enterprises registered in the PRC may also convert their foreign debt 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, 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 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. 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, the Interim Provisions on the Management of Foreign Debts, the Statistical Monitoring of Foreign Debts Tentative Provisions (Revised in 2020), the Detailed Rules for the Implementation of Provisional Regulations on Statistics and Supervision of External Debt, and the Administrative Measures for Registration of Foreign Debts. Under these rules and regulations, a shareholder loan in the form of foreign debt made to a PRC entity does not require the prior approval of the SAFE. However, such foreign debt must be registered with and recorded by the SAFE or its local branches within fifteen (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”).

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 (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 (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 regarding the procedures for SAFE registration under SAFE Circular 37, which became effective on July 4, 2014 as an attachment of SAFE Circular 37.

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 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 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 (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.

Value-added Tax

The Provisional Regulations of the PRC on Value-added Tax 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) 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 (the "Order 691"). On March 20, 2019, the MOF, the STA and the General Administration of Customs jointly issued the Announcement on Relevant Policies on Deepen the Reform of Value-added Tax (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 (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 (the “STA Circular 81”), issued on February 20, 2009 by the STA, 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, which was issued on February 3, 2018 by the STA 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, 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.

Tax on Indirect Transfer

On February 3, 2015, the STA issued the Circular on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises (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 STA issued the Circular on Issues of Tax Withholding regarding Non-PRC Resident Enterprise Income Tax (the “Circular 37”), which was amended by the Announcement of the State Taxation Administration on Revising Certain Taxation Normative Documents issued on June 15, 2018 by the STA. The 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 (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.
Interim Provisions on Labor Dispatch

Pursuant to the Interim Provisions on Labor Dispatch promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, which became effective on March 1, 2014, dispatched workers are entitled to 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. Pursuant to the Labor Contract Law, if the employer violates the relevant labor dispatch regulations, the labor administrative department shall order it to make corrections within a prescribed time limit; if it fails to make corrections within the time limit, a fine of more than RMB5,000 but less than RMB10,000 per person will be imposed on the employer.

Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labor Injury implemented on January 1, 2004 and amended in 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Old-Aged Pension Insurance of the State Council issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council promulgated on December 14, 1998, the Unemployment Insurance Measures promulgated on January 22, 1999 and the Social Insurance Law of the PRC implemented on July 1, 2011 and amended on December 29, 2018, employers are required to provide their employees in the PRC with welfare benefits covering pension insurance, unemployment insurance, maternity insurance, 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 which was promulgated by the State Council in 1999 and latest amended in March 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, 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.

In addition, the STA 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 Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the "M&A Rules"), governing the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006 and was revoked 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 listings 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, depositary 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 occurred 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 RMB 1-10 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 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.

On April 2, 2022, the CSRC released the revised Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (the "Draft Archives Rules"). The Draft Archives Rules were open for public consultations until April 17, 2022. The Draft Archives Rules includes both overseas direct offerings and overseas indirect offerings. The Draft Archives Rules provides that, among other things, (i) in relation to the overseas listing activities of domestic enterprises, the domestic enterprises are required to strictly comply with the relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities; (ii) during the course of an overseas offering and listing, if a domestic enterprise needs to publicly disclose or provide to securities companies, accounting firms or other securities service providers and overseas regulators, any materials that contain relevant state secrets or that have a sensitive impact (i.e. be detrimental to national security or the public interest if divulged), the domestic enterprise should complete the relevant approval/filing and other regulatory procedures; and (iii) working papers produced in the PRC by securities companies and securities service institutions, which provide domestic enterprises with securities services during their overseas issuance and listing, should be stored in the PRC, and the transmission of all such working papers to recipients outside of the PRC is required to be approved by competent authorities of the PRC.
C. Organizational Structure

The following diagram illustrates our corporate structure, including our principal subsidiaries and the VIE, as of the date of this annual report:

![Organizational Structure Diagram]

Contractual Agreements with the VIE and Its Shareholders

Historically, we had two sets of contractual agreements with two VIEs, Beijing NIO and Shanghai Anbin, and their respective shareholders. 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 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 the VIE under U.S. GAAP. We had originally established Shanghai Anbin and its subsidiaries, including 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 decided to terminate the contractual agreements with Shanghai Anbin and its shareholders and wind down NIO New Energy as none of Shanghai Anbin or its subsidiaries currently engage in any material business activities or carry any material assets.

The following is a summary of the contractual agreements with Shanghai NIO and Beijing NIO.

Exclusive Business Cooperation Agreements

Under the exclusive business cooperation agreements dated April 19, 2018 and April 12, 2021, respectively, between 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.
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.

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 its shareholders, namely Mr. Bin Li and Mr. Lihong Qin (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;

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(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;

(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 prior 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.

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;
(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, appoint or remove 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.

In the opinion of Han Kun Law Offices, our PRC legal counsel:

(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.

For a description of the risks related to our corporate structure, please see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure.”

D. Property, Plants and Equipment

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.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations is based upon and should be read in conjunction with our consolidated financial statements and their related notes included elsewhere in this annual report. This annual report contains forward-looking statements. See “Forward-Looking Information.” In evaluating our business, you should carefully consider the information provided under the caption “Item 3. Key Information—D. Risk Factors” in this annual report. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.
A. Operating Results

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. In December 2017, we launched the ES8, which is a six- or seven-seater flagship premium smart electric SUV. Subsequently, we launched the 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 2021, we delivered 91,429 vehicles, including 20,050 ES8s, 41,474 ES6s and 29,905 EC6s. The table below sets forth delivery data relating to our vehicles for the periods indicated.

<table>
<thead>
<tr>
<th></th>
<th>2021 Q1</th>
<th>2021 Q2</th>
<th>2021 Q3</th>
<th>2021 Q4</th>
<th>2021 Full Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>ES8s</td>
<td>4,516</td>
<td>4,433</td>
<td>5,418</td>
<td>5,683</td>
<td>20,050</td>
</tr>
<tr>
<td>ES6s</td>
<td>8,088</td>
<td>9,935</td>
<td>11,271</td>
<td>12,180</td>
<td>41,474</td>
</tr>
<tr>
<td>EC6s</td>
<td>7,456</td>
<td>7,528</td>
<td>7,750</td>
<td>7,171</td>
<td>29,905</td>
</tr>
<tr>
<td>Total</td>
<td>20,060</td>
<td>21,896</td>
<td>24,439</td>
<td>25,034</td>
<td>91,429</td>
</tr>
</tbody>
</table>

We recorded revenues of RMB7,824.9 million, RMB16,257.9 million and RMB36,136.4 million (US$5,670.6 million) for the years ended December 31, 2019, 2020 and 2021, 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 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.

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.

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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 2021 was 91,429, showing an increase of 109.1% from 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, 2021, we had cash and cash equivalents, restricted cash and short-term investments of RMB55,385.7 million (US$8,691.2 million). We believe this level of liquidity is sufficient to successfully navigate an extended period of uncertainty.


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.

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
<td>2021</td>
</tr>
<tr>
<td></td>
<td>RMB (in thousands)</td>
<td>%</td>
<td>RMB (in thousands)</td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicle sales</td>
<td>7,367,113</td>
<td>94.1</td>
<td>15,182,522</td>
</tr>
<tr>
<td>Other sales(1)</td>
<td>457,791</td>
<td>5.9</td>
<td>1,075,411</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>7,824,904</td>
<td>100.0</td>
<td>16,257,933</td>
</tr>
</tbody>
</table>

Note:
(1) Other sales are comprised as below:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
<td>2021</td>
</tr>
<tr>
<td></td>
<td>RMB (in thousands)</td>
<td>%</td>
<td>RMB (in thousands)</td>
</tr>
<tr>
<td><strong>Other sales:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales of automotive regulatory credits</td>
<td>—</td>
<td>—</td>
<td>120,648</td>
</tr>
<tr>
<td>Sales of packages</td>
<td>111,448</td>
<td>1.4</td>
<td>244,072</td>
</tr>
<tr>
<td>Battery upgrade service</td>
<td>—</td>
<td>—</td>
<td>5,346</td>
</tr>
<tr>
<td>Sales of charging piles</td>
<td>127,632</td>
<td>1.6</td>
<td>229,781</td>
</tr>
<tr>
<td>Others</td>
<td>218,711</td>
<td>2.9</td>
<td>475,564</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>457,791</td>
<td>5.9</td>
<td>1,075,411</td>
</tr>
</tbody>
</table>
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 new vehicles, (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 new vehicles, 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 December 2021, we launched the ET5, a mid-size premium smart electric sedan. Users can pre-order the ET5 through the NIO app and we expect to generate revenues from sales of the ET5 as soon as we begin making deliveries, which is expected to occur in September 2022.

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.

<table>
<thead>
<tr>
<th>Cost of Sales:</th>
<th>2019</th>
<th>RMB</th>
<th>%</th>
<th>2020</th>
<th>RMB</th>
<th>%</th>
<th>2021</th>
<th>RMB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicle sales</td>
<td>(8,096,035)</td>
<td>89.7</td>
<td></td>
<td>(13,255,770)</td>
<td>92.2</td>
<td></td>
<td>(26,516,643)</td>
<td>4,161,040</td>
</tr>
<tr>
<td>Other sales</td>
<td>(927,691)</td>
<td>10.3</td>
<td></td>
<td>(1,128,744)</td>
<td>7.8</td>
<td></td>
<td>(2,798,347)</td>
<td>(439,122)</td>
</tr>
<tr>
<td>Total cost of sales</td>
<td>(9,023,726)</td>
<td>100.0</td>
<td>(14,384,514)</td>
<td>100.0</td>
<td>(29,314,990)</td>
<td>4,600,162</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

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.
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, 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 and Investment Income

Interest and investment income primarily consists of interest and gain earned on cash deposits, short-term investment and long-term investment.

Interest Expense

Interest expense consists of interest expense with respect to our indebtedness.
Share of (Loss)/Income of Equity Investees

Share of (loss)/income of equity investees primarily consists of our share of the losses, net of shares of gains of our affiliates in which, as of December 31, 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/(Losses), Net

Other income or losses 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 United States, German, UK, Hong Kong and PRC subsidiaries which are eliminated upon consolidation but were subject to tax in accordance with applicable tax law, and deferred income tax expense, 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.

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 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.

Recently Issued Accounting Pronouncements

For a summary of recently issued accounting pronouncements, see Note 3 to our consolidated financial statements included elsewhere in this annual report.

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 annual report. The operating results in any year are not necessarily indicative of the results that may be expected for any future periods.

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB (in thousands)</td>
<td>US$</td>
<td></td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicle sales</td>
<td>7,367,113</td>
<td>15,182,522</td>
<td>33,169,740</td>
</tr>
<tr>
<td>Other sales(3)</td>
<td>407,791</td>
<td>1,075,411</td>
<td>2,966,683</td>
</tr>
<tr>
<td>Total revenues</td>
<td>7,774,904</td>
<td>16,257,933</td>
<td>36,136,423</td>
</tr>
<tr>
<td>Cost of sales</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicle sales</td>
<td>(8,096,035)</td>
<td>(13,255,770)</td>
<td>(26,516,643)</td>
</tr>
<tr>
<td>Other sales</td>
<td>(927,691)</td>
<td>(1,128,744)</td>
<td>(2,798,347)</td>
</tr>
<tr>
<td>Total cost of sales</td>
<td>(9,023,726)</td>
<td>(14,384,514)</td>
<td>(29,314,990)</td>
</tr>
<tr>
<td>Gross (loss)/profit</td>
<td>(1,198,822)</td>
<td></td>
<td>6,821,433</td>
</tr>
<tr>
<td>Operating expenses(2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>(4,428,580)</td>
<td>(2,487,770)</td>
<td>(4,591,852)</td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>(5,451,787)</td>
<td>(3,932,271)</td>
<td>(6,878,132)</td>
</tr>
<tr>
<td>Other operating (loss)/income, net</td>
<td>—</td>
<td>(61,023)</td>
<td>152,248</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>(9,880,367)</td>
<td>(6,481,490)</td>
<td>(11,177,000)</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(11,079,189)</td>
<td>(4,607,645)</td>
<td>(4,496,303)</td>
</tr>
<tr>
<td>Interest and investment income</td>
<td>160,279</td>
<td>166,904</td>
<td>911,833</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>(370,536)</td>
<td>(426,015)</td>
<td>(637,410)</td>
</tr>
<tr>
<td>Share of (loss)/income of equity investors</td>
<td>(64,478)</td>
<td>(66,030)</td>
<td>62,510</td>
</tr>
<tr>
<td>Other income/(losses), net</td>
<td>(66,160)</td>
<td>(364,928)</td>
<td>184,686</td>
</tr>
<tr>
<td>Loss before income tax expenses</td>
<td>(11,287,764)</td>
<td>(5,297,714)</td>
<td>(3,974,684)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(7,888)</td>
<td>(6,306)</td>
<td>(42,265)</td>
</tr>
<tr>
<td>Net loss</td>
<td>(11,295,652)</td>
<td>(5,304,082)</td>
<td>(4,016,949)</td>
</tr>
<tr>
<td>Other comprehensive (loss)/income</td>
<td>—</td>
<td>—</td>
<td>24,224</td>
</tr>
<tr>
<td>Change in unrealized gains related to available-for-sale debt securities, net of tax</td>
<td>—</td>
<td>—</td>
<td>3,801</td>
</tr>
<tr>
<td>Foreign currency translation adjustment, net of nil tax</td>
<td>(168,340)</td>
<td>137,596</td>
<td>(280,345)</td>
</tr>
<tr>
<td>Total other comprehensive (loss)/income</td>
<td>(168,340)</td>
<td>137,596</td>
<td>(280,345)</td>
</tr>
<tr>
<td>Total comprehensive loss</td>
<td>(11,463,992)</td>
<td>(5,130,817)</td>
<td>(4,214,899)</td>
</tr>
<tr>
<td>Accretion on redeemable non-controlling interests to redemption value</td>
<td>(126,996)</td>
<td>(311,670)</td>
<td>(6,586,579)</td>
</tr>
<tr>
<td>Net loss attributable to non-controlling interests</td>
<td>9,141</td>
<td>4,962</td>
<td>31,219</td>
</tr>
<tr>
<td>Other comprehensive income attributable to non-controlling interests</td>
<td>—</td>
<td>—</td>
<td>9,141</td>
</tr>
<tr>
<td>Comprehensive loss attributable to ordinary shareholders of NIO Inc.</td>
<td>(11,581,441)</td>
<td>(5,473,194)</td>
<td>(10,783,157)</td>
</tr>
</tbody>
</table>

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.
Share-based compensation expenses were allocated in cost of sales and operating expenses as follows:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>9,763</td>
<td>5,564</td>
<td>34,009</td>
<td>5,337</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>82,680</td>
<td>51,024</td>
<td>406,940</td>
<td>63,858</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>241,052</td>
<td>130,506</td>
<td>569,191</td>
<td>89,318</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>333,495</td>
<td>187,094</td>
<td>1,010,140</td>
<td>158,513</td>
</tr>
</tbody>
</table>

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.

**Years Ended December 31, 2021 and 2020**

**Revenues**

Our revenues increased by 122.3% from RMB16,257.9 million in 2020 to RMB36,136.4 million (US$5,670.6 million) in 2021, primarily attributable to (i) an increase of vehicle delivery volume in 2021 as compared to 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 103.8% from RMB14,384.5 million in 2020 to RMB29,315.0 million (US$4,600.2 million) in 2021, mainly due to the increase of vehicle delivery volume in 2021.

**Gross Profit and Gross Margin**

Our gross profit increased significantly from RMB1,873.4 million in 2020 to RMB6,821.4 million (US$1,070.4 million) in 2021. The increase of gross profit compared to 2020 was mainly driven by the increase of vehicle delivery volume and vehicle margin.

Gross margin in 2021 was 18.9%, compared with 11.5% in 2020. The increase of gross margin as compared to 2020 was mainly driven by the increase of vehicle margin in 2021.

Vehicle margin in 2021 was 20.1%, compared with 12.7% in 2020. The increase of vehicle margin as compared to 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 2021 was 5.7%, compared with negative 5% in 2020, which was mainly driven by the increase of sales of packages and automotive regulatory credits.

**Research and Development Expenses**

Research and development expenses increased by 84.6% from RMB2,487.8 million in 2020 to RMB4,591.9 million (US$ 720.6 million) in 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 74.9% from RMB3,932.3 million in 2020 to RMB6,878.1 million (US$1,079.3 million) in 2021, primarily due to the increase in personnel costs in sales and service functions and costs related to sales and service network expansion as well as incremental marketing and promotional expenses.

**Loss from Operations**

As a result of the foregoing, we incurred a loss from operations of RMB4,496.3 million (US$705.6 million) in 2021, representing a slight decrease of 2.4% as compared to a loss of RMB4,607.6 million in 2020.
Interest and Investment Income

We recorded interest and investment income of RMB911.8 million (US$143.1 million) in 2021, representing a significant increase as compared to RMB166.9 million in 2020, primarily due to a significant increase in short-term investment.

Interest Expense

Our interest expense increased from RMB426.0 million in 2020 to RMB637.4 million (US$100.0 million) in 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 (Loss)/Income of Equity Investees

We recorded share of income of equity investees of RMB62.5 million (US$9.8 million) in 2021, as compared to share of loss of equity investee of RMB66.0 million in 2020, primarily due to the investment gains recorded from our equity investments measured under equity method in 2021.

Other (Losses)/Income, Net

We recorded other income of RMB184.7 million (US$29.0 million) in 2021, as compared with other losses of RMB364.9 million in 2020, primarily due to foreign exchange adjustments in connection with the movements between the U.S. dollar and the Renminbi.

Income Tax Expense

In 2021, our income tax expense was RMB42.3 million (US$6.6 million), as compared to RMB6.4 million in 2020.

Net Loss

As a result of the foregoing, we incurred a net loss of RMB4,016.9 million (US$630.3 million) in 2021, representing a decrease of 24.3% as compared to a net loss of RMB5,304.1 million in 2020.

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 vehicle delivery volume in 2020.

Gross Profit/(Loss) and Gross Margin

Gross profit in 2020 was RMB 1,873.4 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.

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 losses 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.

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.
B. Liquidity and Capital Resources

Cash Flows and Working Capital

We had net cash used in operating activities of RMB8,721.7 million in 2019, and net cash provided by operating activities of RMB1,950.9 million and RMB1,966.4 million (US$308.6 million) in 2020 and 2021, respectively. 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, 2021, we had a total of RMB55,432.1 million (US$8,698.5 million) in cash and cash equivalents, restricted cash and short-term investments. As of December 31, 2021, 56.9% of our cash and cash equivalents and restricted cash (including non-current restricted cash) were denominated in Renminbi and held in PRC and Hong Kong, and the other cash and cash equivalents and restricted cash (including non-current restricted cash) were mainly denominated in US$ and held in the PRC, Hong Kong and United States. 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 December 31, 2021, the total size of our bank facilities was RMB29,340.0 million (US$4,604.1 million), of which RMB5,180.0 million (US$812.9 million), RMB590.0 million (US$92.6 million) and RMB3,828.6 million (US$600.8 million) were utilized for borrowing, letters of guarantee and banker’s acceptance, respectively.

As of December 31, 2021, we had RMB9,739.2 million (US$1,528.3 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. 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. 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 December 31, 2021, approximately US$165.2 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.
Meanwhile, payment methods can be a combination of cash and notes payable. 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 control the inventory level of the components. We adopt made-to-order model and do not maintain a high level of inventories of vehicles.

Outstanding convertible notes is approximately 42 million.

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.

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. Such repurchase right offer expired on January 28, 2022. None of the noteholders exercised their repurchase right, and no notes were surrendered for repurchase. In 2020, the 360-day Affiliate Notes issued to each of an affiliate of Tencent Holdings Limited and Mr. Bin Li were converted to Class A ordinary shares and the three-year Affiliate Notes issued to the wholly owned company of Mr. Bin Li were converted to ADSs.

Based on the outstanding principal amount of the 2024 Notes, the 2026 Notes, the 2027 Notes and the Affiliate 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 42 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.
We believe that our current cash, cash equivalents and short-term investments balance as of December 31, 2021 is sufficient to fund our operating activities, capital expenditures and other obligations for at least the next twelve months. However, we may decide to enhance our liquidity position or increase our cash reserve for future expansions and acquisitions through additional capital and/or 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. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

The following table sets forth a summary of our cash flows for the periods indicated.

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2019 RMB</th>
<th>2020 RMB</th>
<th>2021 RMB</th>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summary of Consolidated Cash Flow Data:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash (outflow used in)/inflow generated from operating activities before movements in working capital</td>
<td>(9,158,543)</td>
<td>(2,878,979)</td>
<td>(726,358)</td>
<td>(113,984)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td>436,837</td>
<td>4,829,873</td>
<td>2,692,744</td>
<td>422,550</td>
</tr>
<tr>
<td>Net cash (used in)/provided by operating activities</td>
<td>(8,721,706)</td>
<td>1,950,894</td>
<td>1,966,386</td>
<td>308,566</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td>3,382,069</td>
<td>5,071,060</td>
<td>39,764,704</td>
<td>6,239,949</td>
</tr>
<tr>
<td>Net cash provided by investing activities</td>
<td>3,094,953</td>
<td>41,357,435</td>
<td>18,128,743</td>
<td>2,844,795</td>
</tr>
<tr>
<td>Effects of exchange rate changes on, cash equivalents and restricted cash</td>
<td>10,166</td>
<td>(682,040)</td>
<td>(500,959)</td>
<td>(78,609)</td>
</tr>
<tr>
<td>Net (decrease)/increase in cash, cash equivalents and restricted cash at beginning of the year/period</td>
<td>1,633,497</td>
<td>41,357,435</td>
<td>18,128,743</td>
<td>2,844,795</td>
</tr>
<tr>
<td>Cash, cash equivalents and restricted cash at end of the year/period</td>
<td>989,869</td>
<td>38,545,098</td>
<td>18,374,564</td>
<td>2,883,370</td>
</tr>
</tbody>
</table>

Operating Activities

Net cash provided by operating activities was RMB1,966.4 million (US$308.6 million) in 2021, primarily attributable to a net loss of RMB4,016.9 million (US$630.3 million), adjusted for (i) non-cash items of RMB3,290.6 million (US$516.4 million), which primarily consisted of depreciation and amortization of RMB1,708.0 million (US$268.0 million), share-based compensation expenses of RMB1,010.1 million (US$158.5 million), amortization of right-of-use assets of RMB643.9 million (US$101.0 million) and expected credit loss expense of RMB54.3 million (US$8.5 million), (ii) a net decrease in operating assets and liabilities by RMB2,692.7 million (US$422.6 million), which was primarily attributable to an increase in trade and notes payable of RMB6,260.3 million (US$982.4 million), an increase in other non-current liabilities of RMB1,778.4 million (US$279.1 million), an increase in taxes payable of RMB447.0 million (US$70.1 million) and an increase in amount due to related parties of RMB342.6 million (US$53.8 million), which was partially offset by, among others, an increase in trade and notes receivable of RMB1,717.7 million (US$269.6 million) and an increase of other non-current assets of RMB3,705.8 million (US$581.5 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 RMB3,290.6 million (US$516.4 million), which primarily consisted of depreciation and amortization of RMB1,708.0 million (US$268.0 million), share-based compensation expenses of RMB1,010.1 million (US$158.5 million), amortization of right-of-use assets of RMB643.9 million (US$101.0 million) and expected credit loss expense of RMB54.3 million (US$8.5 million), (ii) a net decrease in operating assets and liabilities by RMB2,692.7 million (US$422.6 million), which was primarily attributable to an increase in trade and notes payable of RMB6,260.3 million (US$982.4 million), an increase in other non-current liabilities of RMB1,778.4 million (US$279.1 million), an increase in taxes payable of RMB447.0 million (US$70.1 million) and an increase in amount due to related parties of RMB342.6 million (US$53.8 million), which was partially offset by, among others, a decrease in operating lease liabilities of RMB448.5 million and an increase in inventory of RMB197.8 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 RMB2,425.1 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 increase in accruals and other liabilities of RMB836.5 million, which was partially offset by, among others, a decrease in operating lease liabilities of RMB448.5 million and an increase in inventory of RMB197.8 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.
Investing Activities

Net cash used in investing activities was RMB39,764.7 million (US$6,239.9 million) in 2021, primarily attributable to (i) purchases of short-term investments of RMB134,316.2 million (US$21,077.1 million), (ii) purchase of property, plant and equipment and intangible assets of RMB4,078.8 million (US$640.0 million), (iii) acquisitions of held to maturity debt investments RMB1,300.0 million (US$204.0 million), (iv) acquisitions of equity investees and equity security investments of RMB592.6 million (US$93.0 million), and (v) purchase of available-for-sale debt investment of RMB650.0 million (US$102.0 million), partially offset by (i) proceeds from sale of short-term investments of RMB101,121.7 million (US$15,868.2 million), and (ii) loan repayment from related parties of RMB50.0 million (US$7.8 million).

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.

Financing Activities

Net cash provided by financing activities was RMB18.1 billion (US$2.8 billion) in 2021, primarily attributable to (i) proceeds from issuance of ordinary shares, net of RMB12,677.6 million (US$1,989.4 million), (ii) proceeds from issuance of convertible promissory note of RMB9,560.8 million (US$1,500.3 million), (iii) proceeds from borrowings from third parties of RMB6,112.0 million (US$959.1 million), and (iv) proceeds from exercise of stock options of RMB144.6 million (US$22.7 million), partially offset by (i) repurchase of redeemable non-controlling interests of RMB8,000.0 million (US$1,255.4 million), (ii) repayments of borrowings from third parties of RMB2,432.3 million (US$381.7 million), and (iii) principal payments of finance leases of RMB32.9 million (US$5.2 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 (US$5,000.0 million), (ii) capital injection from redeemable non-controlling interests holders of RMB5,000.0 million, (iii) proceeds from issuance of convertible promissory note-related 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.
Material Cash Requirements

Our material cash requirements as of December 31, 2021 and any subsequent interim period primarily include our capital commitments, operating and financing lease obligations, short-term and long-term borrowings, convertible notes and asset-backed securities, as below:

<table>
<thead>
<tr>
<th>Payment due by period (in RMB thousands)</th>
<th>Total</th>
<th>Less than 1 year</th>
<th>1-3 years</th>
<th>3-5 years</th>
<th>More than 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital commitments</td>
<td>3,380,653</td>
<td>2,720,739</td>
<td>636,382</td>
<td>19,813</td>
<td>3,719</td>
</tr>
<tr>
<td>Operating lease obligations</td>
<td>3,839,514</td>
<td>1,098,604</td>
<td>1,288,561</td>
<td>632,477</td>
<td>819,872</td>
</tr>
<tr>
<td>Finance lease obligations</td>
<td>63,578</td>
<td>30,900</td>
<td>32,537</td>
<td>141</td>
<td>—</td>
</tr>
<tr>
<td>Short-term and long-term borrowings</td>
<td>5,768,290</td>
<td>5,726,030</td>
<td>42,260</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Interest on bank borrowings</td>
<td>105,072</td>
<td>103,976</td>
<td>1,096</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Convertible notes with principal and interest</td>
<td>10,957,872</td>
<td>1,286,732</td>
<td>47,818</td>
<td>4,829,593</td>
<td>4,793,729</td>
</tr>
<tr>
<td>Asset-backed securities</td>
<td>627,588</td>
<td>366,842</td>
<td>260,746</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>24,742,567</td>
<td>11,333,823</td>
<td>2,309,400</td>
<td>5,482,024</td>
<td>5,617,320</td>
</tr>
</tbody>
</table>

Our capital commitments are commitments in relation to the purchase of property and equipment including leasehold improvements.

Our operating and finance lease obligations consist of leases in relation to certain offices and buildings, NIO Houses and other property for our sales and after-sales network.

Our short-term and long-term borrowings represent borrowings with maturity from eleven months to five years.

Our convertible notes represent the 2024 Notes with principal amount of US$750 million, the 2026 Notes with principal amount of US$750 million and the 2027 Notes with principal amount of US$750 million, which will mature in January 2024, January 2026 and January 2027, respectively.

Our asset-backed securities represent the proceeds from the issuance of debt securities under asset-backed securitization arrangements with the principal amount of RMB812 million, which will be mature in September 2023.

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

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 December 31, 2021. As of December 31, 2021, for the purpose of indebtedness, save as disclosed in our consolidated financial statements included elsewhere in this annual report, we did not have significant contingent liabilities. As of December 31, 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.

Capital Expenditures

In 2019, 2020 and 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 RMB 1,738.3 million, RMB1,378.5 million and RMB4,671.3 million (US$733.0 million) in 2019, 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, the VIE 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 the VIE 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 the VIE 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. The VIE, Beijing NIO, did not have any material assets or liabilities as of December 31, 2021. In the future we expect Beijing NIO to focus on value-added telecommunications services, including, without limitation, performing internet services as well as holding certain related licenses.

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 our consolidated financial statements included elsewhere in this annual report, 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.

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


D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2021 to December 31, 2021 that are reasonably likely to have a material effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires our management to make estimates that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet dates, as well as the reported amounts of revenues and expenses during the reporting periods. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on our own historical experience and other assumptions that we believe are reasonable after taking account of our circumstances and expectations for the future based on available information. We evaluate these estimates on an ongoing basis.

We consider an accounting estimate to be critical if: (i) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (ii) changes in the estimate that are reasonably likely to occur from period to period or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. There are other items within our financial statements that require estimation but are not deemed critical, as defined above. Changes in estimates used in these and other items could have a material impact on our financial statements. For a detailed discussion of our significant accounting policies and related judgments, see Note 2 to our consolidated financial statements included elsewhere in this annual report.
Revenue recognition

Revenue is recognized when or as the control of the goods or services is transferred to a customer. 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.

Vehicle sales

We generate revenue from sales of electric vehicles, together with a number of embedded products and services through a series of contracts. 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 Accounting Standards Codification (“ASC”) 606, Revenue From Contracts With Customers, or ASC 606. Only initial users are entitled to vehicle connectivity services, extended warranty and battery swapping service. 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.

We use a cost plus margin approach to determine the estimated standalone selling price for each individual distinct performance obligation identified, considering the Company'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. As for the extended warranty, given limited operating history and lack of historical data, the Company 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.

When our assumptions relating to the estimates of cost and margin in determining the relative standalone selling price decreased/increased by 5% while holding all other assumptions constant, there would be no significant impact in allocation of transaction price so as to our consolidated results of operations.

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.

When our assumptions relating to the estimates of the projected costs to repair or replace items under warranties decreased/increased by 5% while holding all other assumptions constant, there would be no significant impact to our consolidated results of operations.
### Allowance for current expected credit losses

Our trade receivable, receivables of installment payments, auto financing receivables, deposits and other receivables are within the scope of ASU No. 2016-13, “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“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, 2021, we recorded RMB54.3 million (US$8.5 million) expected credit loss expense in selling, general and administrative expenses. As of December 31, 2021, the expected credit loss provision for the current and non-current assets amounted to RMB91.3 million (US$14.3 million).

Balances as at December 31, 2021 (in RMB thousands) are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Original amount</th>
<th>Expected credit loss rate</th>
<th>Expected credit loss provision</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and notes receivable</td>
<td>2,823,222</td>
<td>0.90 %</td>
<td>25,417</td>
</tr>
<tr>
<td>Amounts due from related parties</td>
<td>1,564,025</td>
<td>0.81 %</td>
<td>12,691</td>
</tr>
<tr>
<td>Prepayments and other current assets</td>
<td>1,854,075</td>
<td>0.21 %</td>
<td>3,932</td>
</tr>
<tr>
<td><strong>Non-current assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>5,598,764</td>
<td>0.88 %</td>
<td>49,309</td>
</tr>
</tbody>
</table>

Our expected credit loss rate for trade and notes receivable decreased from 3.61% as at December 31, 2020 to 0.90% as at December 31, 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.

When our assumptions related to the estimates of loss severity and recoveries and macroeconomic factors decreased/increased by 5% while holding all other estimates constant, there would be no significant impact to our consolidated results of operations.

### Long-term investments

Our available-for-sale debt security 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 the investment is sold or when dividends are declared or payments are received or when other than temporarily impaired. As of December 31, 2021, we valued this investment using a market approach by adopting a backsolve method, which benchmarked the fair value of the investment to a recent financing transaction of this investee. Key assumptions include expected time to exit, expected volatility and probability of each scenario.

When our assumptions related to the estimates of the fair value of the investment decreased/increased by 5% while holding all other estimates constant, there would be no significant impact to our consolidated results of operations.

### 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.
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.

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.

When our assumptions relating to the estimates of fair value of share-based awards decreased/increased by 5% while holding all other estimates constant, there would be no significant impact to our consolidated results of operations.

**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, 2019, 2020 and 2021.

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

**A. Directors and Executive Officers**

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

<table>
<thead>
<tr>
<th>Directors and Executive Officers</th>
<th>Age</th>
<th>Position/Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bin Li</td>
<td>47</td>
<td>Chairman and Chief Executive Officer</td>
</tr>
<tr>
<td>Lihong Qin</td>
<td>48</td>
<td>Director and President</td>
</tr>
<tr>
<td>Feng Shen</td>
<td>58</td>
<td>Executive Vice President</td>
</tr>
<tr>
<td>Xin Zhou</td>
<td>52</td>
<td>Executive Vice President</td>
</tr>
<tr>
<td>Wei Feng</td>
<td>42</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Ganesh V. Iyer</td>
<td>54</td>
<td>Chief Information Officer</td>
</tr>
<tr>
<td>Hai Wu</td>
<td>53</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Denny Ting Bun Lee</td>
<td>54</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Yu Long</td>
<td>49</td>
<td>Independent Director</td>
</tr>
<tr>
<td>James Gordon Mitchell</td>
<td>48</td>
<td>Director</td>
</tr>
</tbody>
</table>
Mr. Bin Li 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 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 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. Feng Shen 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 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.

Mr. Wei Feng 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.

Mr. Hai Wu 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 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 from 1990 to 2001. 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 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 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. 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.

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 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 degree from Oxford University.

B. Compensation

For the year ended December 31, 2021, we paid an aggregate of approximately US$3.1 million in cash to our directors and executive officers. For share incentive grants to our directors and executive officers, see “—Stock Incentive Plans.” We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our directors and executive officers. Our PRC subsidiaries and VIE are required by law to make contributions equal to certain percentages of each employee’s salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund.

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with each of our executive officers. 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.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of the executive officer’s employment and typically for one year following the last date of employment. Specifically, each executive officer has agreed not to (i) approach our suppliers, clients, customers or contacts or other persons or entities introduced to the executive officer in the executive officer’s capacity as a representative of us for the purpose of doing business with such persons or entities that will harm our business relationships with such persons or entities; (ii) assume employment with or provide services to any of our competitors, or engage, whether as principal, partner, licensor or otherwise, with any of our competitors, without our express consent; or (iii) seek directly or indirectly, to solicit the services of any of our employees who is employed by us on or after the date of the executive officer’s termination, or in the year preceding such termination, without our express consent.

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

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 was 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 December 31, 2021, awards to purchase an aggregate amount of 94,536,087 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.
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 2016 Plan.

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.

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.
The following table summarizes, as of December 31, 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.

<table>
<thead>
<tr>
<th>Name</th>
<th>Class A Ordinary Shares Underlying Options and Restricted Share Units</th>
<th>Exercise Price (US$/Share**)</th>
<th>Date of Grant</th>
<th>Date of Expiration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bin Li</td>
<td>15,000,000</td>
<td>2.55</td>
<td>March 1, 2018</td>
<td>February 29, 2028</td>
</tr>
<tr>
<td></td>
<td></td>
<td>N/A</td>
<td>March 5, 2020</td>
<td></td>
</tr>
<tr>
<td>Lihong Qin</td>
<td>*</td>
<td>2.39</td>
<td>April 2, 2020</td>
<td>April 1, 2030</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.55</td>
<td>February 28, 2018</td>
<td>February 27, 2028</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.55</td>
<td>February 1, 2018</td>
<td>January 31, 2028</td>
</tr>
<tr>
<td></td>
<td></td>
<td>N/A</td>
<td>March 5, 2020</td>
<td></td>
</tr>
<tr>
<td>Xin Zhou</td>
<td>*</td>
<td>2.05</td>
<td>September 25, 2019</td>
<td>September 24, 2026</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.39</td>
<td>April 2, 2020</td>
<td>April 1, 2030</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.55</td>
<td>February 28, 2018</td>
<td>February 27, 2028</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.55</td>
<td>February 1, 2018</td>
<td>January 31, 2028</td>
</tr>
<tr>
<td></td>
<td></td>
<td>N/A</td>
<td>March 5, 2020</td>
<td></td>
</tr>
<tr>
<td>Denny Ting Bun Lee</td>
<td>*</td>
<td>N/A</td>
<td>September 12, 2018</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>N/A</td>
<td>August 13, 2020</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>N/A</td>
<td>September 12, 2020</td>
<td></td>
</tr>
<tr>
<td>Hai Wu</td>
<td>*</td>
<td>3.61</td>
<td>May 29, 2019</td>
<td>May 29, 2026</td>
</tr>
<tr>
<td></td>
<td></td>
<td>N/A</td>
<td>June 10, 2021</td>
<td></td>
</tr>
<tr>
<td>Feng Shen</td>
<td>*</td>
<td>1.8</td>
<td>December 31, 2017</td>
<td>December 30, 2027</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.05</td>
<td>September 25, 2019</td>
<td>September 24, 2026</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.39</td>
<td>April 2, 2020</td>
<td>April 1, 2030</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.55</td>
<td>February 1, 2018</td>
<td>January 31, 2028</td>
</tr>
<tr>
<td></td>
<td></td>
<td>N/A</td>
<td>March 5, 2020</td>
<td></td>
</tr>
<tr>
<td>Wei Feng</td>
<td>*</td>
<td>1.8</td>
<td>November 18, 2019</td>
<td>November 17, 2026</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.39</td>
<td>April 2, 2020</td>
<td>April 1, 2030</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3.98</td>
<td>May 29, 2020</td>
<td>May 28, 2027</td>
</tr>
<tr>
<td></td>
<td></td>
<td>N/A</td>
<td>March 5, 2020</td>
<td></td>
</tr>
<tr>
<td>Ganesh V Iyer</td>
<td>*</td>
<td>2.05</td>
<td>September 25, 2019</td>
<td>September 24, 2026</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.27</td>
<td>May 3, 2016</td>
<td>May 2, 2026</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.55</td>
<td>March 1, 2018</td>
<td>February 29, 2028</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.39</td>
<td>April 2, 2020</td>
<td>April 1, 2030</td>
</tr>
<tr>
<td>Yu Long</td>
<td>*</td>
<td>N/A</td>
<td>July 12, 2021</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>25,719,608</td>
<td></td>
</tr>
</tbody>
</table>

* Less than one percent of our total outstanding shares.

As of December 31, 2021, non-executive officers and other grantees as a group held awards of options to purchase 24,464,597 Class A ordinary shares of our company. The exercise prices of the options range from US$0.00 to US$3.61 per share.
C. 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 (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. 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 will adopt 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, Hai Wu and Yu Long. Denny Ting Bun Lee is the chairman of our audit committee. We have determined that Denny Ting Bun Lee, Hai Wu and Yu Long 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
- 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 and Denny Ting Bun Lee 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. Hai Wu, Denny Ting Bun Lee and Yu Long 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.

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.

Our board of directors has all the powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our board of directors include, among others:

- convening shareholders’ annual and extraordinary general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and 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; (ii) resigns his office by notice in writing to the Company; or (iii) dies or is found to be or becomes of unsound mind.

D. 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.

<table>
<thead>
<tr>
<th></th>
<th>As of December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>China:</strong></td>
<td></td>
</tr>
<tr>
<td>User experience (sales and marketing and service)</td>
<td>7,977</td>
</tr>
<tr>
<td>Product and software development</td>
<td>4,516</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>991</td>
</tr>
<tr>
<td>General administration</td>
<td>1,283</td>
</tr>
<tr>
<td><strong>North America:</strong></td>
<td></td>
</tr>
<tr>
<td>Product and software development</td>
<td>153</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>5</td>
</tr>
<tr>
<td>General administration</td>
<td>47</td>
</tr>
<tr>
<td><strong>Europe:</strong></td>
<td></td>
</tr>
<tr>
<td>User experience (sales and marketing and service)</td>
<td>55</td>
</tr>
<tr>
<td>Product and software development</td>
<td>140</td>
</tr>
<tr>
<td>General administration</td>
<td>37</td>
</tr>
<tr>
<td><strong>Total number of employees</strong></td>
<td>15,204</td>
</tr>
</tbody>
</table>

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.

E. Share Ownership

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

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% of our ordinary shares.

The calculations in the table below are based on 1,670,455,882 ordinary shares outstanding as of March 31, 2022, comprising of 1,521,955,882 Class A ordinary shares (excluding 21,844,028 Class A ordinary shares issued and reserved for future issuance upon the exercising or vesting of awards granted under our stock incentive plans) 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, 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.

<table>
<thead>
<tr>
<th>Directors and Executive Officers**:</th>
<th>Class A ordinary shares beneficially owned</th>
<th>Class C ordinary shares beneficially owned</th>
<th>Total ordinary shares beneficially owned</th>
<th>% of beneficial ownership</th>
<th>% of aggregate voting power†</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bin Li†</td>
<td>28,967,776</td>
<td>148,500,000</td>
<td>177,467,776</td>
<td>10.5</td>
<td>44.5</td>
</tr>
<tr>
<td>Lihong Qin</td>
<td>*</td>
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<td>*</td>
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<td>*</td>
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<tr>
<td>Feng Shen</td>
<td>*</td>
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<tr>
<td>Xin Zhou</td>
<td>*</td>
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<tr>
<td>Wei Feng</td>
<td>*</td>
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<td>*</td>
</tr>
<tr>
<td>Ganesh V. Iyer(2)</td>
<td>*</td>
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<tr>
<td>Hai Wu(3)</td>
<td>*</td>
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<td>*</td>
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<td>*</td>
</tr>
<tr>
<td>Denny Ting Bun Lee(4)</td>
<td>*</td>
<td>*</td>
<td>*</td>
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</tr>
<tr>
<td>Yu Long(5)</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>James Gordon Mitchell(6)</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>All Directors and Executive Officers as a Group</td>
<td>47,111,961</td>
<td>148,500,000</td>
<td>195,611,961</td>
<td>11.6</td>
<td>44.9</td>
</tr>
</tbody>
</table>

**Principal Shareholders:**

| Founder vehicles(7) | 16,967,776 | 148,500,000 | 165,467,776 | 9.9     | 44.5     |
| Tencent entities(8) | 164,249,629 | —           | 164,249,629 | 9.8     | 5.6      |
| Baillie Gifford & Co(9) | 88,858,365 | —           | 88,858,365 | 5.3     | 3.3      |

* Less than 1% of our total outstanding shares.

** 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 and Class C ordinary shares as a single class. Each holder of our Class A ordinary shares is entitled to one vote 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 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) Based on the statement on Schedule 13G/A filed on January 27, 2022 jointly by Mr. Bin Li, Originalwish Limited, mobike Global Ltd., NIO Users Limited and NIO Users Trust, as of December 31, 2021, (i) Mr. Bin Li beneficially owned 12,000,000 Class A ordinary shares issuable to Mr. Bin Li upon exercise of options within 60 days of December 31, 2021, (ii) Originalwish Limited, a British Virgin Islands company wholly owned by Mr. Bin Li, held 89,013,451 Class C ordinary shares, (iii) mobike Global Ltd., a British Virgin Islands company wholly owned by Mr. Bin Li, held 26,454,325 Class C ordinary shares, and (iv) NIO Users Limited, a holding company controlled by NIO Users Trust, which is under the control of Mr. Bin Li, held 16,967,776 Class A ordinary shares and 33,032,224 Class C ordinary shares.

(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 Ms. Long is Unit 1610, 16th Floor, West Tower, Genesis Beijing, 8 Xinyuan South Road, Chaoyang District, Beijing 100027, People’s Republic of China.

(6) The business address of Mr. Mitchell is Level 29, Three Pacific Place, 1 Queen’s Road East, Wanchai, Hong Kong.
Based on the statement on Schedule 13G/A filed on January 27, 2022 jointly by Mr. Bin Li, Originalwish Limited, mobike Global Ltd., NIO Users Limited and NIO Users Trust, as of December 31, 2021, (i) Originalwish Limited, a British Virgin Islands company wholly owned by Mr. Bin Li, held 89,013,451 Class C ordinary shares, (ii) mobike Global Ltd., a British Virgin Islands company wholly owned by Mr. Bin Li, held 26,454,325 Class C ordinary shares, and (iii) NIO Users Limited, a holding company controlled by NIO Users Trust, which is under the control of Mr. Bin Li, held 16,967,776 Class A ordinary shares and 33,032,224 Class C ordinary shares. 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.

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, prior to the listing of our Class A ordinary shares on the Hong Kong Stock Exchange and as of March 4, 2021, Mount Putuo Investment Limited held 40,905,125 Class B ordinary shares, Image Frame Investment (HK) Limited held 87,388,807 Class B ordinary shares, a wholly-owned subsidiary of Tencent Holdings Limited held 146,578 Class A ordinary shares, and Huang River Investment Limited beneficially owned 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 annual report 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. All of the Class B ordinary shares held by Tencent entities have been converted to Class A ordinary shares upon the listing of our Class A ordinary shares on the Hong Kong Stock Exchange pursuant to the conversion notice delivered by the affiliates of Tencent Holdings Limited, namely, Image Frame Invest (HK) Limited and Mount Putuo Investment Limited.

Based on the statement on Schedule 13G/A filed on January 27, 2022 by Baillie Gifford & Co., Baillie Gifford & Co. and/or one or more of its investment adviser subsidiaries beneficially own 88,858,365 ADSs representing 88,858,365 Class A ordinary shares. The registered address of Baillie Gifford & Co. is Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, Scotland, UK.

To our knowledge, as of March 31, 2022, 354,643,187 of our Class A ordinary shares were held by one record holder in the United States, which was Deutsche Bank Trust Company Americas, the depositary 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.

Currently, our ordinary shares consist of Class A ordinary shares and Class C ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, and holders of Class C ordinary shares are entitled to eight votes per share. We issued Class A ordinary shares represented by our ADSs in our initial public offering in September 2018. Holders of our Class C ordinary shares may choose to convert their respective Class C ordinary shares into the same number of Class A ordinary shares at any time. Class A ordinary shares are not convertible into Class C ordinary shares under any circumstances. See “Item 10. Additional Information—B. Memorandum and Articles of Association” for a more detailed description of our ordinary shares.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

See “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

B. Related Party Transactions

Contractual Arrangements with The VIE and Its Shareholders

See “Item 4. Information on the Company—C. Organizational Structure.”
Shareholders Agreement and Registration Rights

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.

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.

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.

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.

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.

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.

Employment Agreements and Indemnification Agreements

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


Other Transactions with Related Parties

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 2021, the amount of interest payable to Huang River Investment Limited for the 2024 Notes was US$0.4 million.

In September 2019, we issued US$200 million principal amount of convertible notes to Huang River Investment Limited, to an affiliate of Tencent Holdings Limited, and Mr. Bin Li, our 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$2.90 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 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 2020 and 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 RMB4,139.2 million (US$649.5 million), respectively.

In 2019 and 2020, 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 RMB79.3 million, RMB138.2 million and RMB5.2 million (US$0.8 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. 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 2019, 2020 and 2021, we paid a total of RMB132.5 million, RMB174.7 million and RMB89.3 million (US$14.0 million), respectively, for the cost of manufacturing consignment to Suzhou Zenlead XPT New Energy Technologies Co., Ltd., or Suzhou
Zenlead. Suzhou Zenlead was an affiliate of ours in 2019, 2020 and 2021. In February 2022, we disposed of our equity interests in Suzhou Zenlead. As a result, Suzhou Zenlead is no longer a related party of our company as of the date of this annual report.

In 2019, 2020 and 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 RMB0.3 million, RMB3.4 million and RMB8.2 million (US$1.3 million), respectively.

In 2019, 2020 and 2021, we paid a total of RMB42.2 million, RMB137.6 million and RMB1,157.7 million (US$181.7 million), for purchase of property and equipment and raw material, to Kunshan Siwopu Intelligent Equipment Co., Ltd., Nanjing Weibang Transmission Technology Co., Ltd. and Xunjie Energy (Wuhan) Co., Ltd.

In 2017, we granted interest-free loans to Ningbo Meishan Bonded Port Area Weilan Investment Co., Ltd., a company controlled by our principal shareholders. The loan was fully repaid in 2021. In November 2021, we acquired from Ningbo Meishan Bonded Port Area Weilan Investment Co., Ltd., certain equity interests in companies associated with NIO Capital for RMB50.0 million.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

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

Legal Proceedings

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, our 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 our directors and officers who were named as defendants in this action, joined our Motion. On August 12, 2021, the Court denied the Motion to Dismiss. We have been coordinating with plaintiffs’ counsel to produce discovery pursuant to the court's order and in compliance with applicable PRC laws. 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. We 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 our 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. 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 “Item 3. Key Information—D. 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.

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 “Item 3. Key Information—D. 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.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details

Our ADSs, each representing one Class A ordinary share, have been listed on the NYSE since September 12, 2018 under the symbol “NIO.”

Our Class A ordinary shares have been listed on the Hong Kong Stock Exchange, by way of introduction, since March 10, 2022 under the stock code “9866.”

Currently, our ordinary shares consist of Class A ordinary shares and Class C ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, and holders of Class C ordinary shares are entitled to eight votes per share. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our ADSs and Our Trading Market—Our multi-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.”

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs, each representing one Class A ordinary share, have been listed on the NYSE since September 12, 2018 under the symbol “NIO.”

Our Class A ordinary shares have been listed on the Hong Kong Stock Exchange, by way of introduction, since March 10, 2022 under the stock code “9866.”
D. Selling Shareholders
Not applicable.

E. Dilution
Not applicable.

F. Expenses of the Issue
Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital
Not applicable.

B. Memorandum and Articles of Association

We are an exempted company incorporated under the laws of the Cayman Islands and our affairs are governed by our current twelfth amended and restated memorandum and articles of association, the Companies Act (As Revised) of the Cayman Islands, which we refer to as the Companies Act below, and the common law of the Cayman Islands.

The following are summaries of material provisions of our twelfth amended and restated memorandum and articles of association which became effective in June 2021, insofar as they relate to the material terms of our ordinary shares.

Objects of Our Company

Under our twelfth amended and restated memorandum and articles of association, the objects of our company are unrestricted and we have the full power and authority to carry out any object not prohibited by the law of the Cayman Islands.

Ordinary Shares

Our authorized share capital is US$1,000,000 divided into 4,000,000,000 shares comprising of (i) 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 (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 our board of directors may determine in accordance with our twelfth amended and restated memorandum and articles of association. All of our issued and outstanding ordinary shares are fully paid and non-assessable. Our ordinary shares are issued in registered form, and are issued when registered in our register of members. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their ordinary shares. Under our twelfth amended and restated memorandum and articles of association, our company may not issue bearer shares.

Class of ordinary shares

Holders of Class A ordinary shares, Class B ordinary shares and Class C ordinary shares shall at all times vote together as one class on all resolutions submitted to a vote by the holders of ordinary shares. 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.

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.

Upon any sale, transfer, assignment or disposition of any Class B 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 to any person who is not an affiliate of the registered shareholder of such share, each such Class B ordinary share shall be automatically and immediately converted into one (1) Class A ordinary share. Upon any sale, transfer, assignment or disposition of any Class C ordinary share by a shareholder to any person who is not an existing shareholder of Class C ordinary shares, any affiliate of such shareholder or NIO Users Trust, or upon a change of ultimate beneficial ownership of any Class C ordinary share to any person who is not an existing shareholder of Class C ordinary shares, any affiliate of such shareholder or NIO Users Trust, each such Class C ordinary share 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 our twelfth amended and restated memorandum 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.

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 twelfth amended and restated memorandum and 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, sub-dividing our shares or any of them into shares of an amount smaller than that fixed by our twelfth amended and restated memorandum and articles of association, and cancelling 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 twelfth amended and restated memorandum and articles of association.

Appointment and Removal of Directors

Our board of directors may, by the affirmative vote of a simple majority of the directors present and voting at a board meeting, (i) appoint any person as a director, to fill a casual vacancy on the board or, (ii) subject to the maximum size of the board of directors being nine (9) directors, appoint any person as an addition to the existing board. Directors may be removed by ordinary resolution of our shareholders. Subject to the relevant code, rules and regulations applicable to us as a result of our listing in the United States applicable to the composition of the board and qualifications and appointment of directors, (i) NIO Users Trust shall be entitled to nominate one (1) director to the board; and (ii) in the event that Mr. Bin Li is not an incumbent director and the board is composed of no less than six (6) directors, NIO Users Trust shall be entitled to nominate one (1) extra director to the Board. 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 our company is no longer listed on the Hong Kong Stock Exchange.
General Meetings of Shareholders

As a Cayman Islands exempted company, we are not obliged by the Companies Act to call shareholders’ annual general meetings. Our twelfth amended and restated memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we shall specify the meeting as such in the notices calling it, and the annual general meeting shall be held at such time and place as may be determined by our directors.

Shareholders’ general meetings may be convened by the chairman of board of directors or a majority of our board of directors. Advance notice of at least ten calendar days is required for the convening of our annual general shareholders’ meeting (if any) and any other general meeting of our shareholders. A quorum required for any general meeting of shareholders consists of at least one shareholder present or by proxy, representing not less than one-third of all votes attaching to all of our shares in issue and entitled to vote.

The Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company’s articles of association. Our twelfth amended and restated memorandum and articles of association provide that upon the requisition of shareholders representing in aggregate not less than one-third of the votes attaching to the outstanding shares of our company entitled to vote at general meetings, our board will convene an extraordinary general meeting and put the resolutions so requisitioned to a vote at such meeting. However, our twelfth amended and restated memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

Transfer of Ordinary Shares

Subject to the restrictions in our twelfth amended and restated memorandum and articles of association set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; and
- a fee of such maximum sum as the New York Stock Exchange may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer they shall, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with any notice required of the New York Stock Exchange, be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine; provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year as our board of directors may determine.

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), may only be materially adversely 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.

**Issuance of Additional Shares**

Our twelfth amended and restated memorandum of association authorizes our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our twelfth amended and restated memorandum of association also authorizes our board of directors to establish from time to time one or more series of preference shares and to determine, with respect to any series of preference shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights and voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preference shares without action by our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of ordinary shares.

**Inspection of Books and Records**

Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records (except for our memorandum and articles of association and our register of mortgages and charges).
However, we will provide our shareholders with annual audited financial statements. See “Item 10 Additional Information— H. Documents on Display.”

**Changes in Capital**

Our shareholders may from time to time by ordinary resolution:

- increase our share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- 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; or
- cancel any shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled.

Our shareholders may, by special resolution and subject to confirmation by the Grand Court of the Cayman Islands on an application by our company for an order confirming such reduction, reduce our share capital and any capital redemption reserve in any manner authorized by law.

**Anti-Takeover Provisions**

Some provisions of our twelfth amended and restated memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our twelfth amended and restated memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

**Exempted Company**

We are an exempted company with limited liability under the Companies Act. The Companies Act distinguishes between ordinary resident companies, ordinary non-resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary resident/non-resident company except that an exempted company:

- does not have to file an annual return detailing its shareholders with the Registrar of Companies of the Cayman Islands;
- is not required to open its register of members for inspection;
- does not have to hold an annual general meeting;
- may issue negotiable or bearer shares or shares with no par value;
may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);

may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;

may register as a limited duration company; and

may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4. Information on the Company,” “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions” or elsewhere in this annual report.

D. Exchange Controls


E. Taxation

The following discussion of Cayman Islands, PRC and United States federal income tax consequences of an investment in our ADSs or ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change or differing interpretation, possibly with retroactive effect. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or ordinary shares, such as the tax consequences under U.S. state and local tax laws or under the tax laws of jurisdictions other than the Cayman Islands, the People’s Republic of China and the United States.

Cayman Islands Taxation

The Cayman Islands currently have no form of income, corporate or capital gains tax and no estate duty, inheritance tax of 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. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations under Cayman Islands law.

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

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its global income. The implementation rules of the PRC Enterprise Income Tax Law define a “de facto management body” as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the STA issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the STA’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC. Further to Circular 82, the STA issued the STA Bulletin 45, which took effect in September 2011, to provide more guidance on the implementation of Circular 82. STA Bulletin 45 provides for procedures and administration details of determination on resident status and administration on post-determination matters.

We believe that NIO Inc. is not a PRC resident enterprise for PRC tax purposes. NIO Inc. is not controlled by a PRC enterprise or PRC enterprise group and we do not believe that NIO Inc. meets all of the conditions above. NIO Inc. is a company incorporated outside the PRC. As a holding company, its key assets are its ownership interests in its subsidiaries, and its key assets are located, and its records (including the resolutions of its board of directors and the resolutions of its shareholders) are maintained, outside the PRC. For the same reasons, we believe one or other entities outside of China are not PRC resident enterprises either. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” There can be no assurance that the PRC government will ultimately take a view that is consistent with us.

If the PRC tax authorities determine that NIO Inc. is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of our ADSs. In addition, non-resident enterprise shareholders (including our ADS holders) may be subject to a 10% PRC tax on gains realized on the sale or other disposition of ADSs or Class A ordinary shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC individual shareholders (including our ADS holders) would be subject to any PRC tax on dividends or gains obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends or gains, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. It is also unclear whether non-PRC shareholders of NIO Inc. would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that NIO Inc. is treated as a PRC resident enterprise. Pursuant to the EIT Law and its implementation rules, if a non-resident enterprise has not set up an organization or establishment in China, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, the tax rate in respect to dividends paid by a PRC enterprise to a Hong Kong enterprise is reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to STA Circular 81, a Hong Kong resident enterprise must meet the following conditions, among others, in order to enjoy the reduced tax rate: (i) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (ii) it must have directly owned such percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. Furthermore, the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Treaties, which became effective in January 2020, require that non-resident enterprises must obtain approval from the relevant tax authority in order to enjoy the reduced tax rate. There are also other conditions for enjoying the reduced tax rate according to other relevant tax rules and regulations. Accordingly, our subsidiaries may be able to enjoy the 5% tax rate for the dividends it receives from its PRC incorporated subsidiaries if they satisfy the conditions prescribed under STA Circular 81 and other relevant tax rules and regulations and obtain the approvals as required. However, according to STA Circular 81, if the relevant tax authorities determine our transactions or arrangements are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable tax rate on dividends in the future.
Provided that our Cayman Islands holding company, NIO Inc., is not deemed to be a PRC resident enterprise, holders of our ADSs and Class A ordinary shares who are not PRC residents will not be subject to PRC income tax on dividends distributed by us or gains realized from the sale or other disposition of our shares or ADSs. Circular 7 further clarifies that, if a non-resident enterprise derives income by acquiring and selling shares in an offshore listed enterprise in the public market, such income will not be subject to PRC tax. However, there is uncertainty as to the application of Circular 7, and we and our non-PRC resident investors may be at risk of being required to file a return and being taxed under Circular 7 and we may be required to expend valuable resources to comply with Circular 7 or to establish that we should not be taxed under Circular 7. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.”

United States Federal Income Taxation

The following discussion is a summary of U.S. federal income tax considerations generally applicable to the ownership and disposition of our ADSs or Class A ordinary shares by a U.S. Holder (as defined below) that acquires our ADSs and holds our ADSs as “capital assets” (generally, property held for investment) under the U.S. Internal Revenue Code of 1986, as amended (the “Code”). This discussion is based upon existing U.S. federal tax law, which is subject to differing interpretations or change, possibly with retroactive effect. There can be no assurance that the Internal Revenue Service (the “IRS”) or a court will not take a contrary position. This discussion, moreover, does not address the U.S. federal estate, gift, Medicare, alternative minimum tax, and other non-income tax considerations or any state, local and non-U.S. tax considerations, relating to the ownership or disposition of our ADSs or Class A ordinary shares. The following summary does not address all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual circumstances or to persons in special tax situations such as:

- banks and other financial institutions;
- insurance companies;
- pension plans;
- cooperatives;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- traders that elect to use a mark-to-market method of accounting;
- certain former U.S. citizens or long-term residents;
- tax-exempt entities (including private foundations);
- holders who acquire their ADSs or Class A ordinary shares pursuant to any employee share option or otherwise as compensation;
- investors that will hold their ADSs or Class A ordinary shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes;
- investors that have a functional currency other than the U.S. dollar;
- persons that actually or constructively own 10% or more of our stock (by vote or value); or
- partnerships or other entities taxable as partnerships for U.S. federal income tax purposes, or persons holding ADSs or Class A ordinary shares through such entities.
All of the foregoing may be subject to tax rules that differ significantly from those discussed below.

Each U.S. Holder is urged to consult its tax advisor regarding the application of U.S. federal taxation to its particular circumstances, and the state, local, non-U.S. and other tax considerations of the ownership and disposition of our ADSs or Class A ordinary shares.

**General**

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of our ADSs or Class A ordinary shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created in, or organized under the law of the United States or any state thereof or the District of Columbia;
- an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust (A) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise validly elected to be treated as a U.S. person under the Code.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of our ADSs or Class A ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ADSs or Class A ordinary shares and their partners are urged to consult their tax advisors regarding an investment in our ADSs or Class A ordinary shares.

For U.S. federal income tax purposes, a U.S. Holder of ADSs will generally be treated as the beneficial owner of the underlying shares represented by the ADSs. The remainder of this discussion assumes that a U.S. Holder of our ADSs will be treated in this manner. Accordingly, deposits or withdrawals of Class A ordinary shares for ADSs will generally not be subject to U.S. federal income tax.

**Passive Foreign Investment Company Considerations**

A non-U.S. corporation, such as our company, will be classified as a 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. For this purpose, cash and assets readily convertible into cash are categorized as passive assets and the company’s goodwill and other unbooked intangibles are taken into account. Passive income generally includes, among other things, dividends, interest, rents, royalties, and gains from the disposition of passive assets. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, 25% or more (by value) of the stock.

Although the law in this regard is not entirely clear, we treat the 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 the VIE for U.S. federal income tax purposes, and based upon our current and expected income and assets, we do not believe that we were a PFIC for the taxable year ended December 31, 2021 and 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 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, 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. Under circumstances where our passive income significantly increases relative to our non-passive income, or where we determine not to deploy significant amounts of cash for active purposes, our risk of becoming classified as a PFIC may substantially increase.

If we are classified as a PFIC for any year during which a U.S. Holder holds our ADSs or Class A ordinary shares, the PFIC rules discussed below under “—Passive Foreign Investment Company Rules” generally will apply to such U.S. Holder for such taxable year, and unless the U.S. Holder makes certain elections, will apply in future years even if we cease to be a PFIC.

The discussion below under “—Dividends” and “—Sale or Other Disposition” is written on the basis that we will not be or become classified as a PFIC for U.S. federal income tax purposes. The U.S. federal income tax rules that apply generally if we are treated as a PFIC are discussed below under “—Passive Foreign Investment Company Rules.”

**Dividends**

Subject to the discussion below under “—Passive Foreign Investment Company Rules,” any cash distributions (including the amount of any PRC tax withheld) paid on our ADSs or Class A ordinary shares out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of Class A ordinary shares, or by the depositary, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution we pay will generally be treated as a “dividend” for U.S. federal income tax purposes. Dividends received on our ADSs or Class A ordinary shares will not be eligible for the dividends received deduction allowed to corporations. A non-corporate U.S. Holder will be subject to tax at the lower capital gain tax rate applicable to “qualified dividend income,” provided that certain conditions are satisfied, including that (1) our ADSs are readily tradeable on an established securities market in the United States, or, in the event that we are deemed to be a PRC resident enterprise under the PRC tax law, we are eligible for the benefits of the United States-PRC income tax treaty (the “Treaty”), (2) we are neither a PFIC nor treated as such with respect to such a U.S. Holder (as discussed below) for the taxable year in which the dividend was paid and the preceding taxable year, and (3) certain holding period requirements are met. We expect our ADSs (but not our Class A ordinary shares) will be considered to be readily tradeable on the New York Stock Exchange, which is an established securities market in the United States. There can be no assurance, however, that our ADSs will be considered readily tradeable on an established securities market in later years.

In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law (see “—People’s Republic of China Taxation” above), we may be eligible for the benefits of the Treaty. If we are eligible for such benefits, dividends we pay on our Class A ordinary shares, regardless of whether such shares are represented by the ADSs, would be eligible for the reduced rates of taxation described in the preceding paragraph.

Dividends will generally be treated as income from foreign sources for U.S. foreign tax credit purposes and will generally constitute passive category income. Depending on the U.S. Holder’s individual facts and circumstances, a U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on our ADSs or Class A ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead claim a deduction, for U.S. federal income tax purposes, in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex and their outcome depends in large part on the U.S. Holder’s individual facts and circumstances. Accordingly, U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.
Sale or Other Disposition

Subject to the discussion below under “—Passive Foreign Investment Company Rules,” a U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of ADSs or Class A ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the holder’s adjusted tax basis in such ADSs or Class A ordinary shares. Any capital gain or loss will be long-term if the ADSs or Class A ordinary shares have been held for more than one year and will generally be U.S.-source gain or loss for U.S. foreign tax credit purposes. Long-term capital gain of non-corporate U.S. Holders is generally eligible for a reduced rate of taxation. In the event that gain from the disposition of the ADSs or Class A ordinary shares is subject to tax in the PRC, such gain may be treated as PRC-source gain under the Treaty. The deductibility of a capital loss may be subject to limitations. U.S. Holders are urged to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or Class A ordinary shares, including the availability of the foreign tax credit or deduction under their particular circumstances, their eligibility for benefits under the Treaty and the potential impact of the recently issued Treasury Regulations.

Passive Foreign Investment Company Rules

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares, and unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special tax rules on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125 percent of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder’s holding period for the ADSs or Class A ordinary shares), and (ii) any gain realized on the sale or other disposition of ADSs or Class A ordinary shares. Under the PFIC rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder’s holding period for the ADSs or Class A ordinary shares;
- the amount allocated to the current taxable year and any taxable years in the U.S. Holder’s holding period prior to the first taxable year in which we are classified as a PFIC (each, a “pre-PFIC year”), will be taxable as ordinary income;
- the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect for individuals or corporations, as appropriate, for that year; and
- an additional tax equal to the interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or Class A ordinary shares and any of our subsidiaries, the VIE or any of the subsidiaries of the VIE is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. U.S. Holders are urged to consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries, the VIE or any of the subsidiaries of the VIE.

As an alternative to the foregoing rules, a U.S. Holder of “marketable stock” in a PFIC may make a mark-to-market election with respect to such stock, provided that such stock is regularly traded on a qualified exchange, as defined in applicable U.S. Treasury regulations. For those purposes, our ADSs, but not our Class A ordinary shares, are traded on the New York Stock Exchange which is a qualified exchange. We anticipate that our ADSs should qualify as being regularly traded, but no assurances may be given in this regard.

If a U.S. Holder makes this election, the holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but such deduction will only be allowed to the extent of the amount previously included in income as a result of the mark-to-market election. The U.S. Holder’s adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the holder will not be required to take into account the gain or loss described above during any period that such corporation is not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election.
Because a mark-to-market election technically cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder’s indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

If a U.S. Holder owns our ADSs or Class A ordinary shares during any taxable year that we are a PFIC, the holder must generally file an annual IRS Form 8621. You should consult your tax advisors regarding the U.S. federal income tax consequences of owning and disposing of our ADSs or Class A ordinary shares if we are or become a PFIC.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F no later than four months after the close of each fiscal year. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish Deutsche Bank Trust Company Americas, the depositary of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders’ meetings and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders’ meeting received by the depositary from us.

In accordance with NYSE Rule 203.01, we will post this annual report on our website, http://ir.nio.com/. In addition, we will provide hardcopies of our annual report to shareholders, including ADS holders, free of charge upon request.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

We expect that substantially all of our revenues will be denominated in RMB while our expenses are denominated in RMB and other currencies including the U.S. dollar, the pound sterling and the Euro. As a result, we are exposed to risk related to movements between the Renminbi and such other currencies. In addition, the value of our ADSs and Class A ordinary shares will be affected by the exchange rate between U.S. dollar and RMB because the value of our business is effectively denominated in RMB, while our Class A ordinary shares and the ADSs will be traded in Hong Kong dollars and U.S. dollars, respectively.

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The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People’s Bank of China. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our Class A ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amounts available to us.

**Interest Rate Risk**

Our exposure to interest rate risk relates primarily to the interest rates associated with the outstanding convertible notes we issued and bank loans that bear floating interest rates. The interest rate risk may result from many factors, including government monetary and tax policies, domestic and international economic and political considerations, and other factors that are beyond our control. We may incur additional loans or other financing facilities in the future. The objective of interest rate risk management is to minimize financial costs and uncertainties associated with interest rate changes. We strive to effectively manage our interest rate risk by periodic monitoring and responding to risk factors on a timely basis, improve the structure of long-term and short-term borrowings and maintain the appropriate balance between loans with floating interest rates and fixed interest rates.

We are subject to interest rate sensitivity on our outstanding 2024 Notes, Affiliate Notes, 2026 Notes and 2027 Notes. We account for our convertible notes on an amortized cost basis and our recognized value of the convertible notes does not reflect changes in fair value. Also, because convertible notes we have issued either bear interest at a fixed rate or bear no interest, we have not incurred financial statement impact resulting from changes in interest rates. However, changes in market interest rates impact the fair value of the convertible notes along with other variables such as our credit spreads and the market price and volatility of our ADSs and ordinary shares. Increases in market interest rates would result in a decrease in the fair value of our outstanding convertible notes and decreases in market interest rates would result in an increase in the fair value of our outstanding convertible notes. For information on the maturities and other contractual terms of our convertible notes, see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Cash Flows and Working Capital.”

With regard to interest rate sensitivity on our bank loans, we present the sensitivity analysis below based on the exposure to interest rates for interest bearing bank loans with variable interest rates as of December 31, 2021. The analysis is prepared assuming that those balances outstanding as of December 31, 2021 were outstanding for the whole financial year. A 1.0% increase or decrease which represents our management’s assessment of the reasonably possible change in interest rates is used. Assuming no change in the outstanding balance of our existing interest-bearing bank loans balances with floating interest rates as of December 31, 2021, a 1.0% increase or decrease in each applicable interest rate would add or deduct RMB15.1 million (US$2.4 million) to our interest expense for the year ended December 31, 2021. We have not used any derivative financial instruments to manage our interest risk exposure.

In addition, we may from time to time invest in interest-earning instruments. Investments in both fixed rate and floating rate interest-earning instruments carry certain interest rate risk associated with our investment return. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall.

**Inflation**

To date, inflation in the PRC has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2019, 2020 and 2021 were increases of 4.5%, 0.2% and 1.5%, respectively. Although we have not been materially affected by inflation in the past, we may be affected in the future by higher rates of inflation in the PRC. For example, certain operating costs and expenses, such as employee compensation and office operating expenses may increase as a result of higher inflation. Additionally, because a substantial portion of our assets consists of cash and cash equivalents and short-term investments, high inflation could significantly reduce the value and purchasing power of these assets. We are not able to hedge our exposure to higher inflation in China.
ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS holders May Have To Pay

Holders of our ADSs will be required to pay the following service fees to the depositary bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of ADSs held):

<table>
<thead>
<tr>
<th>Service</th>
<th>Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>● To any person to which ADSs are issued or to any person to which a</td>
<td>Up to US$0.05 per ADS issued</td>
</tr>
<tr>
<td>distribution is made in respect of ADS distributions pursuant to</td>
<td></td>
</tr>
<tr>
<td>stock dividends or other free distributions of stock, bonus</td>
<td></td>
</tr>
<tr>
<td>distributions, stock splits or other distributions (except where</td>
<td></td>
</tr>
<tr>
<td>converted to cash)</td>
<td></td>
</tr>
<tr>
<td>● Cancellation of ADSs, including the case of termination of the</td>
<td>Up to US$0.05 per ADS cancelled</td>
</tr>
<tr>
<td>deposit agreement</td>
<td></td>
</tr>
<tr>
<td>● Distribution of cash dividends</td>
<td>Up to US$0.05 per ADS held</td>
</tr>
<tr>
<td>● Distribution of cash entitlements (other than cash dividends) and/</td>
<td>Up to US$0.05 per ADS held</td>
</tr>
<tr>
<td>or cash proceeds from the sale of rights, securities and other</td>
<td></td>
</tr>
<tr>
<td>entitlements</td>
<td></td>
</tr>
<tr>
<td>● Distribution of ADSs pursuant to exercise of rights</td>
<td>Up to US$0.05 per ADS held</td>
</tr>
<tr>
<td>● Distribution of securities other than ADSs or rights to purchase</td>
<td>Up to US$0.05 per ADS held</td>
</tr>
<tr>
<td>additional ADSs</td>
<td></td>
</tr>
<tr>
<td>● Depositary services</td>
<td>Up to US$0.05 per ADS held on the</td>
</tr>
<tr>
<td>applicable record date(s) established by the depositary bank</td>
<td></td>
</tr>
</tbody>
</table>

Holders of our ADSs will also be responsible to pay certain fees and expenses incurred by the depositary bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of your ADSs) such as:

● Fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares in Cayman Islands (i.e., upon deposit and withdrawal of ordinary shares).

● Expenses incurred for converting foreign currency into U.S. dollars.

● Expenses for cable, telex and fax transmissions and for delivery of securities.

● Taxes and duties upon the transfer of securities, including any applicable stamp duties, any stock transfer charges or withholding taxes (i.e., when ordinary shares are deposited or withdrawn from deposit).

● Fees and expenses incurred in connection with the delivery or servicing of ordinary shares on deposit.

● Fees and expenses incurred in connection with complying with exchange control regulations and other regulatory requirements applicable to ordinary shares, deposited securities, ADSs and ADRs.

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Any applicable fees and penalties thereon.

The depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary bank by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary bank and by the brokers (on behalf of their clients) delivering the ADSs to the depositary bank for cancellation. The brokers in turn charge these fees to their clients. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary bank to the holders of record of ADSs as of the applicable ADS record date.

The depositary fees payable for cash distributions are generally deducted from the cash being distributed or by selling a portion of distributable property to pay the fees. In the case of distributions other than cash (i.e., share dividends, rights), the depositary bank charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary bank generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients’ ADSs in DTC accounts in turn charge their clients’ accounts the amount of the fees paid to the depositary banks.

In the event of refusal to pay the depositary fees, the depositary bank may, under the terms of the deposit agreements, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder.

The depositary may make payments to us or reimburse us for certain costs and expenses, by making available a portion of the ADS fees collected in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary bank agree from time to time.

Fees and Other Payments Made by the Depositary to Us

Deutsche Bank Trust Company Americas, as the depositary, has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADR program upon such terms and conditions as we and the depositary may agree from time to time. The depositary may make available to us a set amount or a portion of the depositary fees charged in respect of the ADR program or otherwise upon such terms and conditions as we and the depositary may agree from time to time. In 2021, we did not receive any after-tax reimbursement payment from the depositary.

Conversion Between Class A Ordinary Shares and ADSs

A. Dealings and Settlement of Class A Ordinary Shares in Hong Kong

Our Class A ordinary shares are traded on the Hong Kong Stock Exchange in board lots of 10 Class A 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;
- 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

● charge by the Hong Kong share registrar 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.

Investors in Hong Kong must settle their trades executed on the Hong Kong Stock Exchange through their brokers directly or through custodians. For an investor in Hong Kong who has deposited his or her Class A ordinary shares in his or her stock account or in his or her designated Participant’s stock account of the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited, or CCASS, maintained with CCASS, settlement will be effected in CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his or her broker or custodian before the settlement date.

An investor may arrange with his or her broker or custodian on a settlement date in respect of his or her trades executed on the Hong Kong Stock Exchange. Under the Hong Kong Listing Rules and the General Rules of CCASS and CCASS Operational Procedures in effect from time to time, the date of settlement must be the second business day (a day on which the settlement services of CCASS are open for use by CCASS Participants) following the trade date (T+2). For trades settled under CCASS, the General Rules of CCASS and CCASS Operational Procedures in effect from time to time provided that the defaulting broker may be compelled to compulsorily buy-in by HKSCC the day after the date of settlement (T+3), or if it is not practicable to do so on T+3, at any time thereafter. HKSCC may also impose fines from T+2 onwards.

B. Conversion between Class A Ordinary Shares Trading in Hong Kong and ADSs

We have established a branch register of members in Hong Kong, or the Hong Kong share register, which are maintained by our Hong Kong share registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members, or the Cayman share register, are maintained by our principal share registrar, Maples Fund Services (Cayman) Limited in the Cayman Islands.

All Class A ordinary shares offered in connection with the listing of our Class A ordinary shares on the Hong Kong Stock Exchange are registered on the Hong Kong share register in order to be listed and traded on the Hong Kong Stock Exchange. As described in further detail below, holders of Class A ordinary shares registered on the Hong Kong share register are able to exchange these Class A ordinary shares into ADSs, and vice versa.

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

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

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 case to the terms of the deposit agreement, the depositary will register the corresponding number of ADSs in the name(s) requested by an investor and will deliver the ADSs as instructed in the letter of transmittal.

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

D. Surrender ADSs to Ordinary Shares Trading in Hong Kong

An investor who holds ADSs and wishes to receive ordinary shares that trade on the Hong Kong Stock Exchange must surrender the ADSs the investor holds and withdraw ordinary shares from the ADS program and cause his or her broker or other financial institution to trade such ordinary shares on the Hong Kong Stock Exchange.

An investor that holds ADSs indirectly through a broker or other financial institution should follow the procedure of the broker or financial institution and instruct the broker to arrange for surrender of the ADSs, and transfer of the underlying Shares from the depositary’s account with the custodian within the CCASS system to the investor’s Hong Kong stock account.

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

● To withdraw ordinary shares from our ADS program, an investor who holds ADSs may turn in such ADSs at the office of the depositary (and the applicable ADR(s) if the ADSs are held in certificated form), and send an instruction to cancel such ADSs to the depositary. Those 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, the depositary will instruct the custodian to deliver ordinary shares underlying the canceled ADSs to the CCASS account designated by an investor.

● If an investor prefers to receive ordinary shares outside CCASS, he or she must so indicate in the instruction delivered to the depositary.

For the 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 the 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 ordinary shares on the Hong Kong Stock Exchange until the procedures are completed.

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 for delivery for ordinary shares in a CCASS account is subject to there being a sufficient number of 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 ordinary shares on the Hong Kong share register to facilitate such withdrawals.

E. 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 that 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 or other financial institution should follow the procedure of the broker or financial institution and instruct the broker to arrange for cancelation of the ADSs, and transfer of the underlying Class A ordinary shares from the depositary’s account with the custodian within the CCASS system to the investor’s Hong Kong stock account.

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

- To withdraw Class A ordinary shares from our ADS program, an investor who holds ADSs may turn in such ADSs at the office of the depositary (and the applicable ADR(s) if the ADSs are held in certificated form), and send an instruction to cancel such ADSs to the depositary.

- Upon payment or net of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, and subject in all cases to the terms of the deposit agreement, the depositary will 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 Class A ordinary shares in CCASS first and then arrange for the 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.

Temporary delays may arise. For example, the transfer books of the depositary may from time to time be closed to ADS cancelations. In addition, completion of the above steps and procedures for delivery for Class A ordinary shares in a CCASS account 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.

F. Depositary Requirements

Before the depositary delivers 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 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 share registrar or Cayman Islands 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 per 100 ADSs (or portion thereof) for each issuance of ADSs and each cancelation of ADSs, as the case may be, in connection with the deposit of Class A ordinary shares into, or withdrawal of Class A ordinary shares from, our ADS program.
PART II.

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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

Material Modifications to the Rights of Security Holders

See “Item 10—Additional Information—B. Memorandum and Articles of Association—Ordinary Shares” for a description of the rights of securities holders, which remain unchanged.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, our management, with the participation of our chief executive officer and chief financial officer, has concluded that, as of December 31, 2021, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that receipts and expenditures of our company are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of our company’s assets that could have a material effect on the consolidated financial statements.

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

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules as promulgated by the Securities and Exchange Commission, our management including our Chief Executive Officer and Chief Financial Officer assessed the effectiveness of internal control over financial reporting as of December 31, 2021 using the criteria set forth in the report “Internal Control—Integrated Framework (2013)” published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the management concluded that our internal control over financial reporting was effective as of December 31, 2021.
Changes in Internal Control over Financial Reporting

As required by Rule 13a-15(d), under the Exchange Act, our management, including our chief executive officer and our chief financial officer, also conducted an assessment of our internal control over financial reporting to determine whether any changes occurred during the period covered by this report have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that assessment, it has been determined that there has been no such change during the period covered by this annual report.

Attestation Report of the Registered Public Accounting Firm

Our independent registered public accounting firm, PricewaterhouseCoopers Zhong Tian LLP, has audited the effectiveness of our company’s internal control over financial reporting as of December 31, 2021, as stated in its report, which appears on page F-2 of this annual report on Form 20-F.

ITEM 16.A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Mr. Denny Ting Bun Lee, a member of our audit committee and independent director (under the standards set forth in Section 303A of the Corporate Governance Rules of the NYSE and Rule 10A-3 under the Securities Exchange Act of 1934), is an audit committee financial expert.

ITEM 16.B. CODE OF ETHICS

Our board of directors has adopted a code of ethics that applies to all of the directors, officers and employees of us and our subsidiaries, whether they work for us on a full-time, part-time, consultative, or temporary basis. Certain provisions of the code apply specifically to our chief executive officer, chief financial officer, senior finance officer, controller, senior vice presidents, vice presidents and any other persons who perform similar functions for us. We have posted a copy of our code of business conduct and ethics on our website at https://www.nio.io/code-of-business-conduct-and-ethics.

ITEM 16.C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by the categories specified below in connection with certain professional services rendered by PricewaterhouseCoopers Zhong Tian LLP and its affiliates, our principal external auditor, for the years indicated. We did not pay any other fees to our principal external auditors during the years indicated below.

<table>
<thead>
<tr>
<th>Service Description</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fees (1)</td>
<td>15,600</td>
<td>14,820</td>
</tr>
<tr>
<td>Audit related fees (2)</td>
<td>—</td>
<td>1,000</td>
</tr>
<tr>
<td>Tax fees (3)</td>
<td>2,338</td>
<td>2,250</td>
</tr>
<tr>
<td>Other fees (4)</td>
<td>336</td>
<td>2,450</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18,274</strong></td>
<td><strong>20,520</strong></td>
</tr>
</tbody>
</table>

Note:

(1) “Audit fees” means the aggregate fees billed for professional services rendered by our principal external auditor, including the audits of our annual financial statements and our internal controls over financial reporting and the quarterly reviews of our condensed consolidated financial information, statutory audits for certain of our subsidiaries, and provision of comfort letters, consents and other professional services in relation to our equity and debt offering, and Hong Kong listing.

(2) “Audit related fees” means the aggregate fees billed for professional services rendered by our principal external auditor that are reasonably related to the performance of the audit or review of our financial statements and are not reported under “Audit fees.”

(3) “Tax fees” means the aggregate fees billed in each of the fiscal years listed for professional services rendered by our principal external auditor for tax compliance, tax advice and tax planning.
(4) “All other fees” means the aggregate fees billed for professional services rendered by our principal external auditor associated with other advisory services.

The policy of our audit committee is to pre-approve all audit and other service provided by PricewaterhouseCoopers Zhong Tian LLP and its affiliates, including audit services, tax services and other services described above, other than those for de minimis services which are approved by the Audit Committee prior to the completion of the audit.

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

Not applicable.

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

None.

ITEM 16.F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16.G. CORPORATE GOVERNANCE

As a Cayman Islands company listed on the New York Stock Exchange, we are subject to the NYSE corporate governance listing standards. However, NYSE rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the 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 exemptions available to foreign private issuers in the future. See “Item 3. Key Information—D. Risk Factors—Risks relating to our ADSs and Trading Market—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.”

Other than the home country practice described above, we are not aware of any significant differences between our corporate governance practices and those followed by U.S. domestic companies under the NYSE corporate governance listing standards. Click or tap here to enter text.

ITEM 16.H. MINE SAFETY DISCLOSURE

Not applicable.

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

Not applicable.

PART III.

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to “Item 18. Financial Statements.”
ITEM 18.  FINANCIAL STATEMENTS

The consolidated financial statements of NIO Inc. and its subsidiaries and the related notes are included at the end of this annual report.
ITEM 19. EXHIBITS

<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Description of Document</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Twelfth Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 99.2 to the current report on Form 6-K (File No. 001-38638), furnished with the SEC on June 7, 2021)</td>
</tr>
<tr>
<td>2.1</td>
<td>Registrant’s Specimen American Depositary Receipt (included in Exhibit 2.3)</td>
</tr>
<tr>
<td>2.2</td>
<td>Registrant’s Specimen Certificate for Class A ordinary shares (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1 (File No. 333-226822), as amended, initially filed with the SEC on August 13, 2018)</td>
</tr>
<tr>
<td>2.3</td>
<td>Deposit Agreement, dated as of September 11, 2018, among the Registrant, Deutsche Bank Trust Company Americas, as the depositary, and all holders and beneficial owners of the American Depositary Shares issued thereunder (incorporated herein by reference to Exhibit 4.3 to the registration statement on Form S-8 (File No. 333-229952), filed with the SEC on February 28, 2019)</td>
</tr>
<tr>
<td>2.4</td>
<td>Fifth Amended and Restated Shareholders’ Agreement, dated as of November 10, 2017, among the Registrant and the other signatories thereto (incorporated herein by reference to Exhibit 4.4 to the registration statement on Form F-1 (File No. 333-226822), as amended, initially filed with the SEC on August 13, 2018)</td>
</tr>
<tr>
<td>2.5</td>
<td>Description of American Depositary Shares of the Registrant (incorporated herein by reference to Exhibit 2.5 to the Company’s Report on Form 20-F (File No. 001-38638), filed with the SEC on May 14, 2020)</td>
</tr>
<tr>
<td>2.6</td>
<td>Description of Class A ordinary shares of the Registrant (incorporated herein by reference to Exhibit 2.6 to the Company’s Report on Form 20-F (File No. 001-38638), filed with the SEC on May 14, 2020)</td>
</tr>
<tr>
<td>4.1</td>
<td>2015 Share Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1 (File No. 333-226822), as amended, initially filed with the SEC on August 13, 2018)</td>
</tr>
<tr>
<td>4.2</td>
<td>2016 Share Incentive Plan (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1 (File No. 333-226822), as amended, initially filed with the SEC on August 13, 2018)</td>
</tr>
<tr>
<td>4.3</td>
<td>2017 Share Incentive Plan (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1 (File No. 333-226822), as amended, initially filed with the SEC on August 13, 2018)</td>
</tr>
<tr>
<td>4.4</td>
<td>2018 Share Incentive Plan (incorporated herein by reference to Exhibit 10.4 to the registration statement on Form F-1 (File No. 333-226822), as amended, initially filed with the SEC on August 13, 2018)</td>
</tr>
<tr>
<td>4.5</td>
<td>Form of Indemnification Agreement, between the Registrant and its directors and executive officers (incorporated herein by reference to Exhibit 10.5 to the registration statement on Form F-1 (File No. 333-226822), as amended, initially filed with the SEC on August 13, 2018)</td>
</tr>
<tr>
<td>4.6†</td>
<td>English translation of Manufacture Cooperation Agreement, dated as of May 23, 2016, between the registrant and Anhui Jianghuai Automobile Co., Ltd. (incorporated herein by reference to Exhibit 10.6 to the registration statement on Form F-1 (File No. 333-226822), as amended, initially filed with the SEC on August 13, 2018)</td>
</tr>
<tr>
<td>4.7</td>
<td>Form of Employment Agreement, between the Registrant and its executive officers (Non-PRC citizens) (incorporated herein by reference to Exhibit 10.7 to the registration statement on Form F-1 (File No. 333-226822), as amended, initially filed with the SEC on August 13, 2018)</td>
</tr>
<tr>
<td>4.8</td>
<td>Form of Employment Agreement, between the Registrant and its executive officers (PRC citizens) (incorporated herein by reference to Exhibit 10.8 to the registration statement on Form F-1 (File No. 333-226822), as amended, initially filed with the SEC on August 13, 2018)</td>
</tr>
<tr>
<td>4.9</td>
<td>Employment Agreement and Severance Agreement, between the Registrant and Padmasree Warrior, dated as of November 23, 2015 and December 16, 2015, respectively (incorporated herein by reference to Exhibit 10.9 to the registration statement on Form F-1 (File No. 333-226822), as amended, initially filed with the SEC on August 13, 2018)</td>
</tr>
<tr>
<td>4.10*</td>
<td>English translation of Power of Attorney, dated as of April 12, 2021, executed by the shareholders of Beijing NIO, Beijing NIO and NIO Co., Ltd.</td>
</tr>
<tr>
<td>4.11*</td>
<td>English translation of Loan Agreements, dated April 12, 2021, between shareholders of Beijing NIO and Shanghai NIO</td>
</tr>
<tr>
<td>4.12*</td>
<td>English translation of Equity Pledge Agreements, dated as of April 12, 2021, among shareholders of Beijing NIO, Beijing NIO and Shanghai NIO</td>
</tr>
<tr>
<td>4.13*</td>
<td>English translation of Exclusive Business Cooperation Agreement, dated as of April 12, 2021, between Beijing NIO and Shanghai NIO</td>
</tr>
<tr>
<td>Section</td>
<td>Description</td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
</tr>
<tr>
<td>4.14*</td>
<td>English translation of Exclusive Option Agreements, dated as of April 12, 2021, among shareholders of Beijing NIO, Beijing NIO and Shanghai NIO.</td>
</tr>
<tr>
<td>4.15*</td>
<td>English translation of Confirmation and Undertaking Letters, dated as of April 12, 2021, executed by shareholders of Beijing NIO.</td>
</tr>
<tr>
<td>4.16*</td>
<td>English translation of Consent Letters, dated as of April 12, 2021, executed by the spouses of the shareholders of Beijing NIO.</td>
</tr>
<tr>
<td>4.17</td>
<td>Indenture, dated as of February 4, 2019, by and between the Registrant, as issuer, and The Bank of New York Mellon, as trustee (incorporated herein by reference to Exhibit 4.22 to the Company’s Report on Form 20-F (File No. 001-38638), filed with the SEC on April 2, 2019).</td>
</tr>
<tr>
<td>4.18</td>
<td>Form of 4.50% Convertible Senior Notes due 2024 (included in Exhibit 4.20) (incorporated herein by reference to Exhibit 4.22 to the Company’s Report on Form 20-F (File No. 001-38638), filed with the SEC on April 2, 2019).</td>
</tr>
<tr>
<td>4.19</td>
<td>Deposit Agreement for Restricted Securities, dated as of February 4, 2019, among the Registrant, Deutsche Bank Trust Company Americas, as the depositary, and all holders and beneficial owners of the American Depositary Shares issued thereunder (incorporated herein by reference to Exhibit 4.24 to the Company’s Report on Form 20-F (File No. 001-38638), filed with the SEC on April 2, 2019).</td>
</tr>
<tr>
<td>4.20†</td>
<td>English translation of NIO ES6 Manufacture Cooperation Agreement, dated as of April 30, 2019, between the registrant and Anhui Jianghuai Automobile Co., Ltd. (incorporated herein by reference to Exhibit 4.23 to the Company’s Report on Form 20-F (File No. 001-38638), filed with the SEC on May 14, 2020).</td>
</tr>
<tr>
<td>4.21†</td>
<td>English translation of NIO Fury (EC6) Manufacture Cooperation Agreement, dated as of March 10, 2020, between the registrant and Anhui Jianghuai Automobile Co., Ltd. (incorporated herein by reference to Exhibit 4.24 to the Company’s Report on Form 20-F (File No. 001-38638), filed with the SEC on May 14, 2020).</td>
</tr>
<tr>
<td>4.22</td>
<td>Convertible Notes Subscription Agreement, dated September 4, 2019, between the Registrant and Huang River Investment Limited (incorporated herein by reference to Exhibit 4.25 to the Company’s Report on Form 20-F (File No. 001-38638), filed with the SEC on May 14, 2020).</td>
</tr>
<tr>
<td>4.23</td>
<td>Convertible Notes Subscription Agreement, dated September 4, 2019, between the Registrant and Serene View Investment Limited (incorporated herein by reference to Exhibit 4.26 to the Company’s Report on Form 20-F (File No. 001-38638), filed with the SEC on May 14, 2020).</td>
</tr>
<tr>
<td>4.24</td>
<td>Form of 0% Convertible Senior Notes due 2020 (included in Exhibit 4.25) (incorporated herein by reference to Exhibit 4.25 to the Company’s Report on Form 20-F (File No. 001-38638), filed with the SEC on May 14, 2020).</td>
</tr>
<tr>
<td>4.25</td>
<td>Form of 0% Convertible Senior Notes due 2022 (included in Exhibit 4.25) (incorporated herein by reference to Exhibit 4.25 to the Company’s Report on Form 20-F (File No. 001-38638), filed with the SEC on May 14, 2020).</td>
</tr>
<tr>
<td>4.27</td>
<td>Form of 0% Convertible Senior Notes due 2021 (included in Exhibit 4.29) (incorporated herein by reference to Exhibit 4.29 to the Company’s Report on Form 20-F (File No. 001-38638), filed with the SEC on May 14, 2020).</td>
</tr>
<tr>
<td>4.29</td>
<td>Form of 0% Convertible Senior Notes due 2021 (included in Exhibit 4.31) (incorporated herein by reference to Exhibit 4.31 to the Company’s Report on Form 20-F (File No. 001-38638), filed with the SEC on May 14, 2020).</td>
</tr>
<tr>
<td>4.31</td>
<td>Form of 0% Convertible Senior Notes due 2021 (included in Exhibit 4.33) (incorporated herein by reference to Exhibit 4.33 to the Company’s Report on Form 20-F (File No. 001-38638), filed with the SEC on May 14, 2020).</td>
</tr>
</tbody>
</table>


4.41 Indenture, dated as of January 15, 2021, by and between the Registrant, as issuer, and Deutsche Bank Trust Company Americas, as trustee, constituting US$750 million 0.00% Convertible Senior Notes due 2026 (incorporated herein by reference to Exhibit 4.39 to the Company’s Report on Form 20-F (File No. 001-38638), filed with the SEC on April 6, 2021).

4.42 Indenture, dated as of January 15, 2021, by and between the Registrant, as issuer, and Deutsche Bank Trust Company Americas, as trustee, constituting US$750 million 0.50% Convertible Senior Notes due 2027 (incorporated herein by reference to Exhibit 4.40 to the Company’s Report on Form 20-F (File No. 001-38638), filed with the SEC on April 6, 2021).

4.43 Form of 0.00% Convertible Senior Notes due 2026 (incorporated herein by reference to Exhibit 4.39 to the Company’s Report on Form 20-F (File No. 001-38638), filed with the SEC on April 6, 2021).

4.44 Form of 0.50% Convertible Senior Notes due 2027 (incorporated herein by reference to Exhibit 4.40 to the Company’s Report on Form 20-F (File No. 001-38638), filed with the SEC on April 6, 2021).


8.1* List of Principal Subsidiaries and Consolidated Variable Interest Entities

11.1 Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1 (File No. 333-226822), as amended, initially filed with the SEC on August 13, 2018).

12.1* CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

12.2* CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Table of Contents

13.1** CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2** CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1* Consent of PricewaterhouseCoopers Zhong Tian LLP
15.2* Consent of Han Kun Law Offices
101.INS* Inline XBRL Instance Document—this instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH* Inline XBRL Taxonomy Extension Schema Document
101.CAL* Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF* Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB* Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE* Inline XBRL Taxonomy Extension Presentation Linkbase Document
104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

** Furnished herewith.

† Confidential treatment has been requested for certain portions of this exhibit pursuant to Rule 406 under the Securities Act and Division of Corporation Finance Staff Legal Bulletin No. 1. In accordance with Rule 406 and Staff Legal Bulletin No. 1, these confidential portions have been omitted and filed separately with the SEC.
SIGNATURES

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

NIO Inc.

By: /s/ Bin Li

Name: Bin Li
Title: Chairman of the Board of Directors
and Chief Executive Officer

Date: April 29, 2022
## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

<table>
<thead>
<tr>
<th>Consolidated Financial Statements</th>
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<td>Consolidated Balance Sheets as of December 31, 2020 and 2021</td>
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<tr>
<td>Consolidated Statements of Comprehensive Loss for the Years Ended December 31, 2019, 2020 and 2021</td>
<td>F-6</td>
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<tr>
<td>Consolidated Statements of Shareholders' (Deficit)/Equity for the Years Ended December 31, 2019, 2020 and 2021</td>
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</tr>
<tr>
<td>Consolidated Statements of Cash Flows for the Years Ended December 31, 2019, 2020 and 2021</td>
<td>F-10</td>
</tr>
<tr>
<td>Notes to Consolidated Financial Statements</td>
<td>F-11</td>
</tr>
</tbody>
</table>
Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of NIO Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

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

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

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for current expected credit losses on certain financial instruments in 2020.

Basis for Opinions

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

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

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

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

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

Critical Audit Matters

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

Accrual of warranty liabilities

As described in Notes 2(p), 12 and 14 to the consolidated financial statements, the Company provides warranty to its customers for all new vehicles it sold. For the year ended December 31, 2021, the Company accrued warranty costs of RMB1,078.9 million. As of December 31, 2021, the Company recorded warranty liabilities of RMB1,963.0 million. The warranty cost is accrued based on the Company’s assumptions related to the nature and frequency of future claims and the 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.

The principal considerations for our determination that performing procedures relating to the accrual of warranty liabilities is a critical audit matter are the significant judgment by management and estimates used in determining the accrual of warranty liabilities; this in turn led to significant auditor judgment, subjectivity, and effort in designing and performing procedures relating to evaluating the reasonableness of management’s estimate of the nature, frequency and costs of future claims, and the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management’s estimate of the accrual of warranty liabilities, including controls over management’s estimate of the nature, frequency and costs of future claims as well as the completeness and accuracy of actual claims incurred to date. These procedures also included, among others, testing management’s process for determining the accrual of warranty liabilities by (a) evaluating the appropriateness of the model applied by management for the accrual of warranty liabilities; (b) evaluating the reasonableness of significant assumptions related to the nature and frequency of future claims and the related projected costs to repair or replace items under warranty, considering current and past performance, including a lookback analysis comparing prior period forecasted claims to actual claims incurred; and (c) testing the completeness, accuracy and relevance of management’s data used in the estimation of future claims. These procedures also included developing an independent estimate of the accrual of warranty liabilities and comparing this estimate to management’s estimate to evaluate its reasonableness. Professionals with specialized skill and knowledge were used to assist in developing an independent estimate of the accrual of warranty liabilities.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People’s Republic of China
April 29, 2022

We have served as the Company’s auditor since 2015.
NIO INC.

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

As of December 31,

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>2020</th>
<th>2021</th>
<th>USD (Note 2(e))</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>38,425,541</td>
<td>15,333,719</td>
<td>2,406,195</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>78,010</td>
<td>2,994,408</td>
<td>469,888</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>3,950,747</td>
<td>37,057,554</td>
<td>5,815,139</td>
</tr>
<tr>
<td>Trade and notes receivables</td>
<td>1,123,920</td>
<td>2,823,222</td>
<td>443,025</td>
</tr>
<tr>
<td>Amounts due from related parties</td>
<td>169,288</td>
<td>1,564,025</td>
<td>245,430</td>
</tr>
<tr>
<td>Inventory</td>
<td>1,081,553</td>
<td>2,056,352</td>
<td>322,687</td>
</tr>
<tr>
<td>Prepayments and other current assets</td>
<td>1,422,403</td>
<td>1,854,075</td>
<td>290,945</td>
</tr>
<tr>
<td>Expected credit loss provision – current</td>
<td>(44,645)</td>
<td>(42,040)</td>
<td>(6,598)</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>46,206,817</td>
<td>63,641,315</td>
<td>9,986,711</td>
</tr>
<tr>
<td><strong>Non-current assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term restricted cash</td>
<td>41,547</td>
<td>46,437</td>
<td>7,287</td>
</tr>
<tr>
<td>Property, plant and equipment, net</td>
<td>4,996,228</td>
<td>7,399,516</td>
<td>1,161,146</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>613</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Land use rights, net</td>
<td>203,968</td>
<td>199,121</td>
<td>31,246</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>300,121</td>
<td>3,059,383</td>
<td>480,084</td>
</tr>
<tr>
<td>Amounts due from related parties</td>
<td>617</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Right-of-use assets – operating lease</td>
<td>1,350,294</td>
<td>2,988,374</td>
<td>468,941</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>1,561,755</td>
<td>5,598,764</td>
<td>878,568</td>
</tr>
<tr>
<td>Expected credit loss provision – non-current</td>
<td>(20,031)</td>
<td>(49,309)</td>
<td>(7,737)</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>8,435,112</td>
<td>19,242,286</td>
<td>3,019,535</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>54,641,929</td>
<td>82,883,601</td>
<td>13,006,246</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>1,550,000</td>
<td>5,230,000</td>
<td>820,701</td>
</tr>
<tr>
<td>Trade and notes payable</td>
<td>6,368,253</td>
<td>12,638,991</td>
<td>1,983,334</td>
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<tr>
<td>Amounts due to related parties</td>
<td>344,603</td>
<td>687,200</td>
<td>107,834</td>
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<tr>
<td>Taxes payable</td>
<td>181,658</td>
<td>627,794</td>
<td>98,515</td>
</tr>
<tr>
<td>Current portion of operating lease liabilities</td>
<td>547,142</td>
<td>744,561</td>
<td>116,838</td>
</tr>
<tr>
<td>Current portion of long-term borrowings</td>
<td>380,560</td>
<td>2,067,962</td>
<td>324,508</td>
</tr>
<tr>
<td>Accruals and other liabilities</td>
<td>4,604,024</td>
<td>7,201,644</td>
<td>1,130,096</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>13,976,240</td>
<td>29,198,152</td>
<td>4,581,829</td>
</tr>
<tr>
<td><strong>Non-current liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>5,938,279</td>
<td>9,739,176</td>
<td>1,528,289</td>
</tr>
<tr>
<td>Non-current operating lease liabilities</td>
<td>1,015,261</td>
<td>2,317,193</td>
<td>363,618</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>—</td>
<td>25,199</td>
<td>3,954</td>
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<tr>
<td>Other non-current liabilities</td>
<td>1,849,906</td>
<td>3,540,458</td>
<td>555,575</td>
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<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>8,803,446</td>
<td>15,622,026</td>
<td>2,451,436</td>
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<tr>
<td><strong>Total liabilities</strong></td>
<td>22,779,686</td>
<td>44,820,178</td>
<td>7,033,265</td>
</tr>
</tbody>
</table>

Commitments and contingencies (Note 27)
# NIO INC.

**CONSOLIDATED BALANCE SHEETS**  
*(All amounts in thousands, except for share and per share data)*

<table>
<thead>
<tr>
<th>Note</th>
<th>2020</th>
<th>2021</th>
<th>2021 USD (Note 2(e))</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MEZZANINE EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redeemable non-controlling interests</td>
<td>4,691,287</td>
<td>3,277,866</td>
<td>514,369</td>
</tr>
<tr>
<td><strong>Total mezzanine equity</strong></td>
<td>4,691,287</td>
<td>3,277,866</td>
<td>514,369</td>
</tr>
<tr>
<td><strong>SHAREHOLDERS’ EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class A Ordinary Shares <em>(US$0.00025 par value; 2,500,000,000 and 2,500,000,000 shares authorized; 1,252,237,171 and 1,384,955,501 shares issued; 1,249,745,456 and 1,366,875,248 shares outstanding as of December 31, 2020 and 2021, respectively)</em></td>
<td>2,205</td>
<td>2,418</td>
<td>379</td>
</tr>
<tr>
<td>Class B Ordinary Shares <em>(US$0.00025 par value; 132,030,222 shares authorized, 128,293,932 shares issued and outstanding as of December 31, 2020 and 2021)</em></td>
<td>220</td>
<td>220</td>
<td>35</td>
</tr>
<tr>
<td>Class C Ordinary Shares <em>(US$0.00025 par value; 148,500,000 shares authorized, issued and outstanding as of December 31, 2020 and 2021)</em></td>
<td>254</td>
<td>254</td>
<td>40</td>
</tr>
<tr>
<td>Less: Treasury shares <em>(2,491,715 and 18,080,253 shares as of December 31, 2020 and 2021, respectively)</em></td>
<td>—</td>
<td>(1,849,600)</td>
<td>(290,243)</td>
</tr>
<tr>
<td>Additional paid in capital</td>
<td>78,880,014</td>
<td>92,467,072</td>
<td>14,510,101</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>(65,452)</td>
<td>(276,300)</td>
<td>(43,357)</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(51,648,410)</td>
<td>(55,634,140)</td>
<td>(8,730,211)</td>
</tr>
<tr>
<td><strong>Total NIO Inc. shareholders’ equity</strong></td>
<td>27,168,831</td>
<td>34,709,924</td>
<td>5,446,744</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>2,125</td>
<td>75,633</td>
<td>11,868</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td>27,170,956</td>
<td>34,785,557</td>
<td>5,458,612</td>
</tr>
<tr>
<td><strong>Total liabilities, mezzanine equity and shareholders’ equity</strong></td>
<td>54,641,929</td>
<td>82,883,601</td>
<td>13,006,246</td>
</tr>
</tbody>
</table>

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

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

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

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>USD</td>
<td>USD</td>
<td></td>
</tr>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicle sales</td>
<td>7,367,113</td>
<td>15,182,522</td>
<td>33,169,740</td>
<td>5,205,056</td>
</tr>
<tr>
<td>Other sales</td>
<td>457,791</td>
<td>1,075,411</td>
<td>2,966,683</td>
<td>465,537</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>7,824,904</td>
<td>16,257,933</td>
<td>36,136,423</td>
<td>5,670,593</td>
</tr>
<tr>
<td><strong>Cost of sales:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicle sales</td>
<td>(8,096,035)</td>
<td>(13,255,770)</td>
<td>(26,516,643)</td>
<td>(4,161,040)</td>
</tr>
<tr>
<td>Other sales</td>
<td>(927,691)</td>
<td>(1,128,744)</td>
<td>(2,798,347)</td>
<td>(439,122)</td>
</tr>
<tr>
<td><strong>Total cost of sales</strong></td>
<td>(9,023,726)</td>
<td>(14,384,514)</td>
<td>(29,314,990)</td>
<td>(4,600,162)</td>
</tr>
<tr>
<td><strong>Gross (loss)/profit</strong></td>
<td>(1,198,822)</td>
<td>1,873,419</td>
<td>6,821,433</td>
<td>1,070,431</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>(4,428,580)</td>
<td>(2,487,770)</td>
<td>(4,591,852)</td>
<td>(720,562)</td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>(5,451,787)</td>
<td>(3,932,271)</td>
<td>(6,878,132)</td>
<td>(1,079,329)</td>
</tr>
<tr>
<td>Other operating (loss)/income, net</td>
<td></td>
<td>(61,023)</td>
<td>152,248</td>
<td>23,891</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>(9,880,367)</td>
<td>(6,481,064)</td>
<td>(11,317,736)</td>
<td>(1,776,000)</td>
</tr>
<tr>
<td><strong>Loss from operations</strong></td>
<td>(11,079,189)</td>
<td>(4,607,645)</td>
<td>(4,496,303)</td>
<td>(705,569)</td>
</tr>
<tr>
<td>Interest and investment income</td>
<td>160,279</td>
<td>166,904</td>
<td>911,833</td>
<td>143,086</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>(370,536)</td>
<td>(426,015)</td>
<td>(637,410)</td>
<td>(100,024)</td>
</tr>
<tr>
<td>Share of (loss)/income of equity investees</td>
<td>(64,478)</td>
<td>(66,030)</td>
<td>62,510</td>
<td>9,809</td>
</tr>
<tr>
<td>Other income/(losses), net</td>
<td>66,160</td>
<td>(364,928)</td>
<td>184,686</td>
<td>28,981</td>
</tr>
<tr>
<td><strong>Loss before income tax expense</strong></td>
<td>(11,287,764)</td>
<td>(5,297,714)</td>
<td>(3,974,684)</td>
<td>(623,717)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(7,888)</td>
<td>(6,368)</td>
<td>(42,265)</td>
<td>(6,632)</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>(11,295,652)</td>
<td>(5,304,082)</td>
<td>(4,016,949)</td>
<td>(630,349)</td>
</tr>
<tr>
<td>Accretion on redeemable non-controlling interests to redemption value</td>
<td>(126,590)</td>
<td>(311,670)</td>
<td>(6,586,579)</td>
<td>(1,033,578)</td>
</tr>
<tr>
<td>Net loss attributable to non-controlling interests</td>
<td>9,141</td>
<td>4,962</td>
<td>31,219</td>
<td>4,899</td>
</tr>
<tr>
<td><strong>Net loss attributable to ordinary shareholders of NIO Inc.</strong></td>
<td>(11,413,101)</td>
<td>(5,610,790)</td>
<td>(10,572,309)</td>
<td>(1,659,028)</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>(11,413,101)</td>
<td>(5,610,790)</td>
<td>(10,572,309)</td>
<td>(1,659,028)</td>
</tr>
<tr>
<td><strong>Other comprehensive (loss)/income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in unrealized gains related to available-for-sale debt securities, net of tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustment, net of nil tax</td>
<td>(168,340)</td>
<td>137,596</td>
<td>(290,345)</td>
<td>(36,146)</td>
</tr>
<tr>
<td><strong>Total other comprehensive (loss)/income</strong></td>
<td>(168,340)</td>
<td>137,596</td>
<td>(290,345)</td>
<td>(36,146)</td>
</tr>
<tr>
<td><strong>Total comprehensive loss</strong></td>
<td>(11,463,992)</td>
<td>(5,166,486)</td>
<td>(4,223,070)</td>
<td>(662,694)</td>
</tr>
<tr>
<td>Accretion on redeemable non-controlling interests to redemption value</td>
<td>(126,590)</td>
<td>(311,670)</td>
<td>(6,586,579)</td>
<td>(1,033,578)</td>
</tr>
<tr>
<td>Net loss attributable to non-controlling interests</td>
<td>9,141</td>
<td>4,962</td>
<td>31,219</td>
<td>4,899</td>
</tr>
<tr>
<td>Other comprehensive income attributable to non-controlling interests</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Comprehensive loss attributable to ordinary shareholders of NIO Inc</strong></td>
<td>(11,581,441)</td>
<td>(5,473,194)</td>
<td>(10,783,157)</td>
<td>(1,692,115)</td>
</tr>
<tr>
<td><strong>Weighted average number of ordinary shares used in computing net loss per share</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic and diluted</td>
<td>1,029,931,705</td>
<td>1,182,660,948</td>
<td>1,572,702,112</td>
<td>1,572,702,112</td>
</tr>
<tr>
<td><strong>Net loss per share attributable to ordinary shareholders</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic and diluted</td>
<td>(11.08)</td>
<td>(4.74)</td>
<td>(6.72)</td>
<td>(1.05)</td>
</tr>
<tr>
<td><strong>Weighted average number of ADS used in computing net loss per ADS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic and diluted</td>
<td>1,029,931,705</td>
<td>1,182,660,948</td>
<td>1,572,702,112</td>
<td>1,572,702,112</td>
</tr>
<tr>
<td><strong>Net loss per ADS attributable to ordinary shareholders</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic and diluted</td>
<td>(11.08)</td>
<td>(4.74)</td>
<td>(6.72)</td>
<td>(1.05)</td>
</tr>
</tbody>
</table>

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

### CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ (DEFICIT) / EQUITY

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

<table>
<thead>
<tr>
<th></th>
<th>Ordinary Shares</th>
<th>Treasury Shares</th>
<th>Additional Paid in Capital</th>
<th>Accumulated Other Comprehensive Loss</th>
<th>Accumulated Deficit</th>
<th>Total Shareholders’ Equity/(Deficit)</th>
<th>Non-Controlling Interests</th>
<th>Total Equity/(Deficit)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as of December 31, 2019</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shares</td>
<td>Par Value</td>
<td>Shares</td>
<td>Amount</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,067,467,877</td>
<td>1.897</td>
<td>2,995,217</td>
<td>40,227,856</td>
<td>(203,048)</td>
<td>(46,326,321)</td>
<td>(6,299,686)</td>
<td>22,087</td>
</tr>
<tr>
<td><strong>Accretion on redeemable non-controlling interests to redemption value</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Purchase of capped call options and zero-strike call options in connection with issuance of convertible senior notes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Exercise of share options</strong></td>
<td>12,775,127</td>
<td>22</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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<tr>
<td><strong>Share based compensation of restricted shares</strong></td>
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<tr>
<td><strong>Share based compensation of share options</strong></td>
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</tr>
<tr>
<td><strong>Cancellation of restricted shares</strong></td>
<td>(3,038,262)</td>
<td>(4)</td>
<td>2,300,762</td>
<td>9,186</td>
<td>(9,186)</td>
<td>(4)</td>
<td>(4)</td>
<td></td>
</tr>
<tr>
<td><strong>Capital injection by non-controlling interests</strong></td>
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<tr>
<td><strong>Foreign currency translation adjustment</strong></td>
<td></td>
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</tr>
<tr>
<td><strong>Net loss</strong></td>
<td></td>
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</tr>
<tr>
<td><strong>Balance as of December 31, 2018</strong></td>
<td>1,057,731,012</td>
<td>1.809</td>
<td>(6,931,980)</td>
<td>(9,186)</td>
<td>41,918,936</td>
<td>(34,708)</td>
<td>(35,039,810)</td>
<td>6,837,041</td>
</tr>
</tbody>
</table>
NIO INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' (DEFICIT)/EQUITY
(All amounts in thousands, except for share and per share data)

<table>
<thead>
<tr>
<th>Balance as of December 31, 2019</th>
<th>Ordinary Shares</th>
<th>Additional Paid in Capital</th>
<th>Accumulated Other Comprehensive Loss</th>
<th>Accumulated Shareholders' Deficit</th>
<th>Total Shareholders’ (Deficit)/Equity</th>
<th>Non-Controlling Interests</th>
<th>Total (Deficit)/Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>Par Value</td>
<td>Shares</td>
<td>Amount</td>
<td>Deficit</td>
<td>Interests</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,067,467,877</td>
<td>1,827</td>
<td>(2,995,217)</td>
<td>40,227,816</td>
<td>(203,048)</td>
<td>(6,299,686)</td>
<td>22,087</td>
<td>(6,277,599)</td>
</tr>
</tbody>
</table>

Cumulative effect of adoption of new accounting standard (Note 2(i))

Accretion on redeemable non-controlling interests to redemption value

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


Share based compensation of the restricted shares — — 51,948 — 9,551 — — 9,551 — 9,551

Share based compensation of the 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


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
### NIO INC.

#### CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ EQUITY

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

<table>
<thead>
<tr>
<th>Balance as of December 31, 2020</th>
<th>Ordinary Shares</th>
<th>Treasury Shares</th>
<th>Additional Paid in Capital</th>
<th>Accumulated Other Comprehensive Loss</th>
<th>Accumulated Shareholders’ Deficit</th>
<th>Total Shareholders’ Equity</th>
<th>Non-Controlling Interests</th>
<th>Total Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>Par value</td>
<td>Shares</td>
<td>Amount</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,529,031,103</td>
<td>2.679</td>
<td>(2,491,715)</td>
<td>—</td>
<td>—</td>
<td>(65,452)</td>
<td>(51,648,410)</td>
<td>27,170,956</td>
<td></td>
</tr>
<tr>
<td>Accretion on redeemable non-controlling interests to redemption value</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(6,586,579)</td>
<td>—</td>
<td>(6,586,579)</td>
<td>—</td>
</tr>
<tr>
<td>Settlement of capped call options and zero strike call options (Note 13(iii))</td>
<td>—</td>
<td>—</td>
<td>(6,586,579)</td>
<td>—</td>
<td>(6,586,579)</td>
<td>—</td>
<td>(6,586,579)</td>
<td>—</td>
</tr>
<tr>
<td>Conversion of convertible senior notes to ordinary shares</td>
<td>7,219,872</td>
<td>12</td>
<td>—</td>
<td>—</td>
<td>148,381</td>
<td>—</td>
<td>148,393</td>
<td>—</td>
</tr>
<tr>
<td>Capital injection from non-controlling interests (Note 2(n))</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>100,000</td>
<td>—</td>
</tr>
<tr>
<td>Shareholder’s contribution (Note 10)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>18,535</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of ordinary shares</td>
<td>62,508,996</td>
<td>101</td>
<td>—</td>
<td>—</td>
<td>4,199,718</td>
<td>—</td>
<td>4,199,819</td>
<td>—</td>
</tr>
<tr>
<td>Exercise of share options</td>
<td>8,891,011</td>
<td>14</td>
<td>228,037</td>
<td>—</td>
<td>120,925</td>
<td>—</td>
<td>120,939</td>
<td>—</td>
</tr>
<tr>
<td>Share based compensation of the restricted shares</td>
<td>842,742</td>
<td>1</td>
<td>—</td>
<td>—</td>
<td>457,985</td>
<td>—</td>
<td>457,986</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of restricted shares (Note 23(a)(i))</td>
<td>549,376</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>148,869</td>
<td>—</td>
<td>148,869</td>
<td>—</td>
</tr>
<tr>
<td>Share based compensation of the share options</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>552,155</td>
<td>—</td>
<td>552,155</td>
<td>—</td>
</tr>
<tr>
<td>Cancellation of restricted shares</td>
<td>586,068</td>
<td>586,068</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(230,345)</td>
<td>—</td>
</tr>
<tr>
<td>Change in fair value of available-for-sale debt securities (Note 10)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>19,497</td>
<td>—</td>
<td>19,497</td>
<td>—</td>
</tr>
<tr>
<td>Balance as of December 31, 2021</td>
<td>1,661,749,433</td>
<td>2.892</td>
<td>(10,080,253)</td>
<td>(1,849,600)</td>
<td>92,467,072</td>
<td>(276,300)</td>
<td>(55,634,140)</td>
<td>34,709,924</td>
</tr>
</tbody>
</table>

F-9
### Supplemental Disclosure

<table>
<thead>
<tr>
<th>Component</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest paid</td>
<td>260,377</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>18,189</td>
</tr>
</tbody>
</table>

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

F-10
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 provides power solutions and comprehensive value-added services to its users. As of December 31, 2020 and 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 December 31, 2021, the Company’s principal subsidiaries and VIEs are as follows:

<table>
<thead>
<tr>
<th>Subsidiaries</th>
<th>Equity interest held</th>
<th>Place and Date of incorporation or date of acquisition</th>
<th>Principal activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIO Nexev Limited (&quot;NIO HK&quot;) (formerly known as Nexev Limited)</td>
<td>100%</td>
<td>Hong Kong, February 2015</td>
<td>Investment holding</td>
</tr>
<tr>
<td>NIO GmbH (formerly known as NextEV GmbH)</td>
<td>100%</td>
<td>Germany, May 2015</td>
<td>Design and technology development</td>
</tr>
<tr>
<td>NIO Holdings Co., Ltd. (&quot;NIO Holding&quot;) (formerly known as NIO (Anhui) Holding Co., Ltd.)</td>
<td>100%</td>
<td>Anhui, PRC, November 2017</td>
<td>Headquarter and technology development</td>
</tr>
<tr>
<td>NIO Co., Ltd. (&quot;NIO SH&quot;) (formerly known as NextEV Co., Ltd.)</td>
<td>100%</td>
<td>Shanghai, PRC, May 2015</td>
<td>Headquarter and technology development</td>
</tr>
<tr>
<td>NIO Automobile (Anhui) Co., Ltd. (&quot;NIO AH&quot;)</td>
<td>100%</td>
<td>Anhui, PRC, August 2020</td>
<td>Industrialization and technology development</td>
</tr>
<tr>
<td>NIO Automobile Technology (Anhui) Co., Ltd. (&quot;NIO R&amp;D&quot;)</td>
<td>100%</td>
<td>Anhui, PRC, August 2020</td>
<td>Design and technology development</td>
</tr>
<tr>
<td>NIO Financial Leasing Co., Ltd. (&quot;NIO Leasing&quot;)</td>
<td>100%</td>
<td>Shanghai, PRC, August 2018</td>
<td>Financial Leasing</td>
</tr>
<tr>
<td>NIO USA, Inc. (&quot;NIO US&quot;) (formerly known as NextEV USA, Inc.)</td>
<td>100%</td>
<td>United States, November 2015</td>
<td>Technology development</td>
</tr>
<tr>
<td>XPT Limited (&quot;XPT&quot;)</td>
<td>100%</td>
<td>Hong Kong, December 2015</td>
<td>Investment holding</td>
</tr>
<tr>
<td>XPT Technology Limited (&quot;XPT Technology&quot;)</td>
<td>100%</td>
<td>Hong Kong, April 2016</td>
<td>Investment holding</td>
</tr>
<tr>
<td>XPT Inc. (&quot;XPT US&quot;)</td>
<td>100%</td>
<td>United States, April 2016</td>
<td>Technology development</td>
</tr>
<tr>
<td>XPT (Jiangsu) Investment Co., Ltd. (&quot;XPT Jiangsu&quot;)</td>
<td>100%</td>
<td>Jiangsu, PRC, May 2015</td>
<td>Investment holding and sales and after sales management</td>
</tr>
<tr>
<td>NIO Norway AS (&quot;NIO NO&quot;)</td>
<td>100%</td>
<td>Norway, January 2021</td>
<td>Investment holding and sales and after sales management</td>
</tr>
<tr>
<td>NEU Battery Asset Co., Ltd. (&quot;BAC Cayman&quot;)</td>
<td>100%</td>
<td>Cayman Islands, May 2021</td>
<td>Investment holding</td>
</tr>
<tr>
<td>NEU Battery Asset (Hong Kong) Co.Limited (&quot;BAC HK&quot;)</td>
<td>100%</td>
<td>Hong Kong, July 2021</td>
<td>Investment holding</td>
</tr>
<tr>
<td>Instant Power Europe B.V. (&quot;BAC NL&quot;) Co., Limited</td>
<td>100%</td>
<td>Netherlands, June 2021</td>
<td>Battery Subscription Service</td>
</tr>
<tr>
<td>NIO Nexev Europe Holding B.V./NIO NL1</td>
<td>100%</td>
<td>Netherlands, December 2020</td>
<td>Investment holding</td>
</tr>
<tr>
<td>Shanghai XPT Technology Limited</td>
<td>100%</td>
<td>Shanghai, PRC, May 2016</td>
<td>Technology development</td>
</tr>
<tr>
<td>XPT (Nanjing) E-Powertrain Technology Co., Ltd. (&quot;XPT NIEP&quot;)</td>
<td>100%</td>
<td>Nanjing, PRC, July 2016</td>
<td>Manufacturing of E-Powertrain</td>
</tr>
<tr>
<td>XPT (Nanjing) Energy Storage System Co., Ltd. (&quot;XPT NIES&quot;)</td>
<td>100%</td>
<td>Nanjing, PRC, October 2016</td>
<td>Manufacturing of battery pack</td>
</tr>
<tr>
<td>NIO Power Express Limited (&quot;PE HK&quot;)</td>
<td>100%</td>
<td>Hong Kong, January 2017</td>
<td>Investment holding</td>
</tr>
<tr>
<td>NIO User Enterprise Limited (&quot;UE HK&quot;)</td>
<td>100%</td>
<td>Hong Kong, February 2017</td>
<td>Investment holding</td>
</tr>
<tr>
<td>NIO Sales and Service Co., Ltd. (&quot;UE CNHC&quot;) (formerly known as Shanghai NIO Sales and Service Co., Ltd.)</td>
<td>100%</td>
<td>Shanghai, PRC, March 2017</td>
<td>Investment holding and sales and after sales management</td>
</tr>
<tr>
<td>NIO Energy Investment (Hubi) Co., Ltd. (&quot;PE CNHC&quot;)</td>
<td>100%</td>
<td>Wuhan PRC, April 2017</td>
<td>Investment holding</td>
</tr>
<tr>
<td>Wuhan NIO Energy Co., Ltd. (&quot;PE WHJV&quot;)</td>
<td>100%</td>
<td>Wuhan, PRC, May 2017</td>
<td>Investment holding</td>
</tr>
<tr>
<td>XTRONICS (Nanjing) Automotive Intelligent Technologies Co. Ltd. (&quot;XPT NJWL&quot;)</td>
<td>50%</td>
<td>Nanjing, PRC, June 2017</td>
<td>Manufacturing of components</td>
</tr>
<tr>
<td>XPT (Jiangsu) Automotive Technology Co., Ltd. (&quot;XPT AUTO&quot;)</td>
<td>100%</td>
<td>Nanjing, PRC, May 2018</td>
<td>Investment holding</td>
</tr>
</tbody>
</table>

As of December 31, 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 21). With the redemption feature of the non-controlling interests, the Company is considered to effectively have 100% equity interest of NIO Holding as of December 31, 2021.

As of December 31, 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 New Technology Development Zone Management Committee ("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 December 31, 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.

**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. On April 30, 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”). According to a series of contractual arrangements with the Nominee Shareholders 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 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. Before the deconsolidation, for the years ended December 31, 2019, 2020 and 2021, the financial position, result of operations and cash flow activities of NIO ABTECH were immaterial to the consolidated financial statements.

In April 2018, NIO SH entered into a series of contractual arrangements with the Nominee Shareholders as well as Beijing NIO, 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 Beijing NIO. These agreements provided the Company, as the only shareholder of NIO SH, with effective control over Beijing NIO 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 Beijing NIO. Management concluded that Beijing NIO is a variable interest entity of the Company and the Company is the ultimate primary beneficiary of Beijing NIO and hence consolidates the financial results of Beijing NIO in the Group’s consolidated financial statements. Beijing NIO conducts certain R&D activities for the Group’s app and website. In addition, Beijing NIO holds Internet Content Provision Licence and the Surveying and Mapping Qualification Certificate to facilitate the Group’s certain innovative business which is still under development where foreign ownership may be restricted. For the years ended December 31, 2019, 2020 and 2021, the financial position, result of operations and cash flow activities of Beijing NIO were immaterial to the consolidated financial statements.

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 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. All restricted shares granted under the Company’s Prime Hubs Restricted Shares Plan have been fully vested.

**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 RMB11.3 billion, RMB5.3 billion and RMB4.0 billion for the years ended December 31, 2019, 2020 and 2021, respectively. Accumulated deficit amounted to RMB51.6 billion and RMB55.6 billion as of December 31, 2020 and 2021, respectively.

As of December 31, 2021, the Group’s balance of cash and cash equivalents was RMB15.3 billion and the Group had net current assets of RMB34.4 billion. Management has evaluated the sufficiency of its working capital and concluded that the Group’s available cash and cash equivalents, short-term investments, and 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 presentation

   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”); 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 VIE 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, fair value of available-for-sale debt security investments as well as warranty liabilities. 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 VIE 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 loss in the consolidated statements of comprehensive income or loss, and the accumulated foreign currency translation adjustments are presented as a component of accumulated other comprehensive loss in the consolidated statements of shareholders’ (deficit)/equity. Total foreign currency translation adjustment income/(losses) were a loss of RMB168,340, an income of RMB137,596 and a loss of RMB230,345 for the years ended December 31, 2019, 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 years ended December 31, 2021 are solely for the convenience of the reader and were calculated at the rate of US$1.00 = RMB6.3726, representing the noon buying rate in The City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2021. No representation is made that the RMB amounts represent or could have been, or could be, converted, realized or settled into US$ at that rate on, or December 31, 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.

As disclosed in Note 2(n), the Group’s equity security with readily determinable fair values is carried at fair value using quoted market prices that currently available on a securities exchange and classified within Level 1.

The Group’s short-term certain 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, 2020 and 2021, such investments aggregated amounted to RMB3,210,000 and RMB27,773,387, respectively.

As disclosed in Note 2(q), 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 10, the Group’s available-for-sale debt security investment includes an investment the Company made in a private company in 2021 which contains substantive redemption and preferential rights, and is classified within Level 3 for fair value measurement. As of December 31, 2021, the carrying value of the investment was RMB680,723. The Company re-measured the fair value using a market approach by adopting a backsolve method, which determined the estimated fair value of the investment through comparison to a recent transaction and applied significant unobservable inputs and assumptions. For the year ended December 31, 2021, RMB24,224 of fair value changes, net of tax, were recorded in other comprehensive income. The significant unobservable inputs adopted in the valuation as of December 31, 2021 are as follows:

<table>
<thead>
<tr>
<th>Unobservable Input</th>
<th>61%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected volatility</td>
<td></td>
</tr>
<tr>
<td>Probability</td>
<td></td>
</tr>
<tr>
<td>Liquidation scenario: 35%</td>
<td></td>
</tr>
<tr>
<td>Redemption scenario: 35%</td>
<td></td>
</tr>
<tr>
<td>IPO scenario: 30%</td>
<td></td>
</tr>
</tbody>
</table>

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, derivative instruments, short-term borrowings and long-term borrowings. As of December 31, 2020 and 2021, other than as discussed above, the carrying values of these financial instruments approximated to their respective 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 statements of cash flows are presented separately on our consolidated balance sheets as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2020</th>
<th>December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>38,425,541</td>
<td>15,333,719</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>78,010</td>
<td>2,994,408</td>
</tr>
<tr>
<td>Long-term restricted cash</td>
<td>41,547</td>
<td>46,437</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>38,545,098</strong></td>
<td><strong>18,374,564</strong></td>
</tr>
</tbody>
</table>

**(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. As of December 31, 2020 and 2021, the investment in fixed deposits that were recorded as short-term investments amounted to RMB3,950,747 and RMB37,057,554, respectively, among which, RMB2,873,398 and RMB6,646,299, were restricted as collateral for notes payable, bank borrowings and letter of guarantee as of December 31, 2020 and 2021, respectively.
(i) Expected credit losses

The Group accounts for the impairment of financial instruments in accordance with ASU No. 2016-13, “Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASC Topic 326”), effective from January 1, 2020. The Group’s trade and notes 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 years ended December 31, 2020 and 2021, the Group recorded RMB9,654 and RMB54,332, respectively, in expected credit loss provisions in selling, general and administrative expenses. As of December 31, 2021, the expected credit loss reserve for current and non-current assets are RMB42,040 and RMB49,309, respectively. As of December 31, 2020, the expected credit loss reserve for current and non-current assets are RMB44,645 and RMB20,031, respectively.

### Balance as at December 31, 2020

<table>
<thead>
<tr>
<th></th>
<th>Original amount</th>
<th>Expected credit loss rate</th>
<th>Expected credit loss provision</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and notes receivable</td>
<td>1,123,920</td>
<td>3.61 %</td>
<td>40,548</td>
</tr>
<tr>
<td>Amounts due from related parties</td>
<td>169,288</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Prepayments and other current assets</td>
<td>1,422,403</td>
<td>0.29 %</td>
<td>4,097</td>
</tr>
<tr>
<td><strong>Non-current assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts due from related parties</td>
<td>617</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>1,561,755</td>
<td>1.28 %</td>
<td>20,031</td>
</tr>
</tbody>
</table>

### Balance as at December 31, 2021

<table>
<thead>
<tr>
<th></th>
<th>Original amount</th>
<th>Expected credit loss rate</th>
<th>Expected credit loss provision</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and notes receivable</td>
<td>2,823,222</td>
<td>0.90 %</td>
<td>25,417</td>
</tr>
<tr>
<td>Amounts due from related parties</td>
<td>1,564,025</td>
<td>0.81 %</td>
<td>12,691</td>
</tr>
<tr>
<td>Prepayments and other current assets</td>
<td>1,854,075</td>
<td>0.21 %</td>
<td>3,932</td>
</tr>
<tr>
<td><strong>Non-current assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>5,598,764</td>
<td>0.88 %</td>
<td>49,309</td>
</tr>
</tbody>
</table>

(j) 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.
(k) 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:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and constructions</td>
<td>20 years</td>
</tr>
<tr>
<td>Production facilities</td>
<td>10 years</td>
</tr>
<tr>
<td>Charging &amp; battery swap equipment</td>
<td>5 to 8 years</td>
</tr>
<tr>
<td>R&amp;D equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Computer and electronic equipment</td>
<td>3 years</td>
</tr>
<tr>
<td>Purchased software</td>
<td>3 to 5 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>Shorter of estimated useful life or remaining lease term</td>
</tr>
<tr>
<td>Others</td>
<td>3 to 5 years</td>
</tr>
</tbody>
</table>

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.

(l) 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:

<table>
<thead>
<tr>
<th>Intangible Asset</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domain names and others</td>
<td>5 years</td>
</tr>
</tbody>
</table>

The estimated useful lives of amortized intangible assets are reassessed if circumstances occur that indicate the original estimated useful lives have changed.

(m) 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.

(n) Long-term investments

The Group’s long-term investments include equity investments in entities and 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 with 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 at fair value, with changes in fair value reported through earnings.

Equity securities without readily determinable fair values and over which the Group has neither significant influence nor control through investments in common stock or in-substance common stock are measured and recorded using a measurement alternative that measures the securities at cost minus impairment, if any, plus or minus changes resulting from qualifying observable price changes.

Available-for-sale debt security 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 the investment is sold or when dividends are declared or payments are received or when other than temporarily impaired.

Held-to-maturity debt security investment are reported at amortized cost. The securities are held to collect contractual cash flows, and the Group has the positive intent and ability to hold those securities to maturity.

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 years ended December 31, 2019, 2020 and 2021.

(o) 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 charges recognized for the years ended December 31, 2019, 2020 and 2021 was RMB75,278, RMB25,757 and nil, respectively.

(p) 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.

<table>
<thead>
<tr>
<th>Warranty – beginning of year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for warranty</td>
<td>283,647</td>
<td>582,069</td>
<td>1,078,854</td>
</tr>
<tr>
<td>Warranty costs incurred</td>
<td>(48,936)</td>
<td>(41,127)</td>
<td>(68,823)</td>
</tr>
<tr>
<td>Warranty– end of year</td>
<td>412,004</td>
<td>952,946</td>
<td>1,962,977</td>
</tr>
</tbody>
</table>

(q) 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 year ended December 31, 2019, 2020 and 2021, nil, nil and RMB228,887 of changes in fair value were recorded in Other (loss)/income, net, respectively.

(r) 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, 2020 and 2021, the balances of contract liabilities from vehicle sales contracts were RMB1,253,620 and RMB2,294,528, respectively. As of December 31, 2020 and 2021, the balances of contract liabilities from the sales of packages were RMB91,486 and RMB180,732, respectively. As of December 31, 2020 and 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. Only initial users are entitled to vehicle connectivity services, extended warranty and battery swapping service. 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 elect 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 arrangements with 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 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 during the estimated beneficial period, based on the estimated length of time that the initial owner owns the vehicles before it is re-sold to secondary market. 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 Wuhan Weineng Battery Asset Co., Ltd. (the “Battery Asset Company”), an equity investee of the Company, 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 the Battery Asset Company by paying a monthly subscription fee to the Battery Asset Company. The promise to transfer the control of the battery packs to the Battery Asset Company is the only performance obligation in the contract with the Battery Asset Company for the sales of battery packs. The Group recognizes 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 the sales of the battery packs, the Group entered into service agreements with the Battery Asset Company, pursuant to which the Group provides services to the Battery Asset Company 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, the Battery Asset Company 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 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 the Group receives 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.

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 December 31, 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. As set forth in the vehicle sales contracts, the initial users can have their battery packs swapped certain times a month free of charge (i.e. monthly free-of-charge quota) during the length of time they own vehicles. For additional consideration, initial users can exceed the monthly swapping quota provided for within the sales agreement. When the vehicles are sold by the initial users, the successor owners are not entitled to such monthly free-of-charge quota and need to pay cash consideration for each battery swapping service. 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 (i.e. monthly free-of-charge quota), the Group recognizes the revenue over time using a straight-line method in the estimated beneficial period, being the estimated length of time that the initial owner owns the vehicle. For the battery swapping beyond monthly free-of-charge quota for which additional considerations are paid by the users, the Group recognizes revenue at the amount of consideration paid by users when the battery swapping service is completed.

**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 the Battery Asset Company, when a user requests battery upgrade, the Group actually upgrades the battery that belongs to the Battery Asset Company and recognize revenue for the battery upgrade service at the amount paid by the Battery Asset Company when 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, 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 as one separate performance obligation within the package. Therefore, other than the customer loyalty program points granted to the customers as discussed below, 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 on a 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 recognizes 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, RMB120,648 and RMB516,549 for the years ended December 31, 2019, 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.

F-22
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 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.

The above customer points arrangement is considered as a separate performance obligation of the energy and service packages sold. The allocated amount to points granted under these packages are deferred and recognized when such points are utilized by the customers. 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, etc. 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, 2019, 2020 and 2021, the revenue portion allocated to the points as a separate performance obligation was RMB66,286, RMB162,485 and RMB371,849, respectively, which is recorded as contract liability (deferred revenue). For the years ended December 31, 2019, 2020 and 2021, the total points recorded as selling and marketing expenses were RMB142,425, RMB78,229 and RMB155,884, respectively.

As of December 31, 2020 and, 2021, liabilities recorded related to unredeemed points were RMB221,450 and RMB468,878, respectively.
(s) Cost of Sales

Vehicle

Cost of vehicle revenue includes parts, 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 direct parts, materials, labor costs, vehicle connectivity costs, and depreciation of assets that are associated with sales of packages.

(t) 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, 2019, 2020 and 2021, advertising costs totaled RMB230,061, RMB266,569 and RMB529,057, respectively.

(a) 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 primarily 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.

(v) 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, depreciation and amortization of fixed assets which are used in general corporate activities, legal and other professional services fees, rental and other general corporate related expenses.

(w) Employee benefits

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, 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 RMB553,523, RMB366,223 and RMB761,417 for the years ended December 31, 2019, 2020 and 2021, respectively.
**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.

**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*. Deferred income taxes 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, 2020 and 2021.

**Share-based compensation**

The Company grants restricted shares and share options of the Company and its subsidiary to eligible employees and non-employee consultants and accounts for share-based compensation in accordance with ASC 718, *Compensation — Stock Compensation* and 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 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.

In April 2019, the Company adopted ASU 2018-07, “Compensation — Stock Compensation (Topic 718): Improvements to Non-employee Share-Based Payment Accounting”. Upon the adoption of this guidance, the Group no longer re-measures equity-classified share-based awards granted to consultants or non-employees at each reporting date through the vesting period and the accounting for these share-based awards to consultants or non-employees and employees was substantially aligned. Share-based compensation expenses for share options and restricted shares granted to non-employees are measured at fair value at the date when such awards are granted and recognized over the period during which the service from the non-employees is provided.

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 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 restricted shares granted by one of the Company’s subsidiaries to employees, determination of related estimated fair values (the subsidiaries are not publicly traded) requires complex and subjective judgments due to limited financial and operating history, unique business risks and limited comparable public information. Key inputs and assumptions underlying the determined fair value of these restricted shares include but are not limited to the pricing of recent rounds of financing, future cash flow forecasts, discount rates, and liquidity factors relevant to each of the respective subsidiaries.

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.

**(aa) Comprehensive income/(loss)**

The Group applies ASC 220, Comprehensive Income, with respect to reporting and presentation of comprehensive loss and its components in a full set of financial statements. Comprehensive loss is defined to include all changes in equity of the Group during a period arising from transactions and other events and circumstances except those resulting from investments by shareholders and distributions to shareholders. For the years presented, the Group’s comprehensive loss includes net loss and other comprehensive income/(loss), which mainly consists of the foreign currency translation adjustment that have been excluded from the determination of net loss.

**(ab) Leases**

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, 2020 and 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, 2020 and 2021.

**(ac) Dividends**

Dividends are recognized when declared. No dividends were declared for the years ended December 31, 2019, 2020 and 2021.

**(ad) 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.
(ae) 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 ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40). 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 (Note 13(ii)).

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.

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(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.

In October 2021, the FASB issued ASU No. 2021-08, Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (Topic 805). This ASU requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities (deferred revenue) from acquired contracts using the revenue recognition guidance in Topic 606. At the acquisition date, the acquirer applies the revenue model as if it had originated the acquired contracts. The ASU is effective for annual periods beginning after December 15, 2022, including interim periods within those fiscal years. Adoption of the ASU should be applied prospectively. Early adoption is also permitted, including adoption in an interim period. If early adopted, the amendments are applied retrospectively to all business combinations for which the acquisition date occurred during the fiscal year of adoption. This ASU is currently not expected to have a material impact on our consolidated financial statements.

In November 2021, the FASB issued ASU No. 2021-10, Government Assistance (Topic 832). This ASU requires business entities to disclose information about government assistance they receive if the transactions were accounted for by analogy to either a grant or a contribution accounting model. The disclosure requirements include the nature of the transaction and the related accounting policy used, the line items on the balance sheets and statements of operations that are affected and the amounts applicable to each financial statement line item and the significant terms and conditions of the transactions. The ASU is effective for annual periods beginning after December 15, 2021. The disclosure requirements can be applied either retrospectively or prospectively to all transactions in the scope of the amendments that are reflected in the financial statements at the date of initial application and new transactions that are entered into after the date of initial application. The ASU is currently not expected to have a material impact on our 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 at the balance sheets as of the balance sheet dates. As of December 31, 2020 and 2021, the great majority 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 the United States 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 RMB6,219,252 and RMB10,453,728 as of December 31, 2020 and 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,  
<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of the total revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer A</td>
<td>*</td>
<td>12%</td>
</tr>
</tbody>
</table>

For December 31,  

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of the account receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer A</td>
<td>*</td>
<td>36%</td>
</tr>
</tbody>
</table>

* Less than 10%

The following tables summarized the supplier with greater than 10% of the total purchase and payables:

Year Ended December 31,  
<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of the total purchase</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplier A</td>
<td>16%</td>
<td>20%</td>
</tr>
</tbody>
</table>

For December 31,  

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of the payables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplier A</td>
<td>*</td>
<td>28%</td>
</tr>
</tbody>
</table>

* Less than 10%

5. Inventory consists of the following:
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 recorded in cost of sales for the years ended December 31, 2019, 2020 and 2021 were RMB10,427, RMB5,803 and RMB1,105, respectively.

6. Prepayments and Other Current Assets

Prepayments and other current assets consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2020</th>
<th>December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deductible VAT input</td>
<td>943,577</td>
<td>1,040,024</td>
</tr>
<tr>
<td>Prepayment to vendors</td>
<td>83,792</td>
<td>167,453</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>—</td>
<td>104,277</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>14,046</td>
<td>97,734</td>
</tr>
<tr>
<td>Deposits</td>
<td>45,891</td>
<td>84,421</td>
</tr>
<tr>
<td>Receivable of reimbursement from the depositary bank</td>
<td>—</td>
<td>80,461</td>
</tr>
<tr>
<td>Receivables from third party online payment service providers</td>
<td>69,009</td>
<td>74,464</td>
</tr>
<tr>
<td>Receivables from JAC</td>
<td>121,012</td>
<td>20,939</td>
</tr>
<tr>
<td>Other receivables</td>
<td>145,076</td>
<td>184,302</td>
</tr>
<tr>
<td>Total</td>
<td>1,422,403</td>
<td>1,854,075</td>
</tr>
</tbody>
</table>

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 Group recorded these currency exchange forward contracts as derivative assets/liabilities at their fair values at each of reporting date.

Receivables from JAC mainly consist of national subsidy applied and collected by JAC on behalf of the Group’s customers.
7. Property, Plant and Equipment, Net

Property and equipment and related accumulated depreciation were as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2020</th>
<th>December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mold and tooling</td>
<td>2,411,164</td>
<td>2,354,411</td>
</tr>
<tr>
<td>Charging &amp; battery swap equipment</td>
<td>721,583</td>
<td>2,279,893</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>997,191</td>
<td>1,876,294</td>
</tr>
<tr>
<td>Construction in process</td>
<td>177,457</td>
<td>1,304,548</td>
</tr>
<tr>
<td>Buildings and constructions</td>
<td>862,603</td>
<td>875,562</td>
</tr>
<tr>
<td>Production facilities</td>
<td>787,039</td>
<td>831,776</td>
</tr>
<tr>
<td>Computer and electronic equipment</td>
<td>372,956</td>
<td>575,364</td>
</tr>
<tr>
<td>R&amp;D equipment</td>
<td>432,781</td>
<td>552,956</td>
</tr>
<tr>
<td>Purchased software</td>
<td>409,445</td>
<td>493,374</td>
</tr>
<tr>
<td>Others</td>
<td>374,219</td>
<td>455,063</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>7,546,438</td>
<td>11,599,241</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(2,470,028)</td>
<td>(4,131,352)</td>
</tr>
<tr>
<td>Less: Accumulated impairment</td>
<td>(80,182)</td>
<td>(68,373)</td>
</tr>
<tr>
<td><strong>Total property and equipment, net</strong></td>
<td>4,996,228</td>
<td>7,399,516</td>
</tr>
</tbody>
</table>

The Group recorded depreciation expenses of RMB993,070, RMB1,041,011 and RMB1,702,559 for the years ended December 31, 2019, 2020 and 2021, respectively.

8. Intangible Assets, Net

Intangible assets and related accumulated amortization were as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2020</th>
<th>December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross carrying value</td>
<td>Accumulated amortization</td>
</tr>
<tr>
<td>Domain names and others</td>
<td>4,071</td>
<td>(3,458)</td>
</tr>
</tbody>
</table>

The Group recorded amortization expenses of RMB1,021, RMB638 and RMB613 for the years ended December 31, 2019, 2020 and 2021, respectively.

9. Land Use Rights, Net

Land use rights and related accumulated amortization were as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2020</th>
<th>December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross carrying value</td>
<td>Accumulated amortization</td>
</tr>
<tr>
<td>Land use rights</td>
<td>216,489</td>
<td>(12,521)</td>
</tr>
<tr>
<td><strong>Total land use rights, net</strong></td>
<td>203,968</td>
<td>199,121</td>
</tr>
</tbody>
</table>

The Group recorded amortization expense for land use rights of RMB4,847, RMB4,847 and RMB4,847 for the years ended December 31, 2019, 2020 and 2021, respectively.
10. Long-term investments

The Company’s long-term investments consisted of the following:

<table>
<thead>
<tr>
<th>Equity investments:</th>
<th>December 31, 2020</th>
<th>December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity method investments (i)</td>
<td>294,679</td>
<td>820,294</td>
</tr>
<tr>
<td>Equity securities without readily determinable fair value (ii)</td>
<td>5,442</td>
<td>237,920</td>
</tr>
<tr>
<td>Equity securities with readily determinable fair value</td>
<td>—</td>
<td>20,446</td>
</tr>
<tr>
<td>Debt investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held-to-maturity debt securities – time deposit (iii)</td>
<td>—</td>
<td>1,300,000</td>
</tr>
<tr>
<td>Available-for-sale debt securities (iv)</td>
<td>—</td>
<td>680,723</td>
</tr>
<tr>
<td>Total</td>
<td>300,121</td>
<td>3,059,383</td>
</tr>
</tbody>
</table>

(i) Equity method investments

In August 2020, the Group and three other third party investors jointly established the Battery Asset Company. The Group invested RMB200,000 in the Battery Asset Company and held 25% of the Battery Asset Company’s equity interests. In December 2020, the Battery Asset Company entered into an agreement with the other third-party investors for a total additional investment of RMB640,000 by those investors. In 2021, the Group further invested RMB270,000 in the Battery Asset Company and upon the consummation of the investment, the Group owns approximately 19.8% equity interests of the Battery Asset Company. The Group, as a major shareholder of the Battery Asset Company, is entitled to appoint one out of nine directors in the Battery Asset Company’s board of directors and can exercise significant influence over the Battery Asset Company. Therefore, the investment in the Battery Asset Company is accounted for using the equity method of accounting.

In November 2021, the Group purchased an equity investment in an investment fund held by Ningbo Meishan Bonded Port Area Weilan Investment Co., Ltd. (“Weilan”), a company controlled by the principal shareholder (and Chief Executive Officer) of the Company (Note 26), with the total consideration of RMB50,000. As at the date of purchase, such investment was recorded at fair value of RMB68,535 with the excessive amount of RMB18,535 over the purchase consideration of RMB50,000 being recorded as an additional paid in capital contribution from the shareholder. The Group has ownership interest of 1.03% in this fund but has the ability to exercise significant influence over this funding its capacity as a member of its investment committee which determines the investment strategies and makes investment decisions for this fund. Therefore, the Group accounts for this investment under equity method.

In April 2018, the Group and certain other third party investors jointly established a private company. The Group invested RMB112,500 and held 22.5% of its equity interests. The Group was entitled to appoint one out of five directors in its board of directors and could exercise significant influence over the private company. Therefore, the investment was accounted for under equity method. As of December 31, 2020, the carrying amount of the investment was nil due to the share of losses of the investee. In February 2021, with the dilution of the Group’s ownership in the investee to 4.5% as a result of a financing transaction completed by the investee which issued new shares to new investors, the Group, after taking into consideration unrecognized losses of the investee (any losses cumulatively in excess of carrying value), recognized a dilution gain of RMB104,653 in the share of income of equity investee as an indirect disposal with a like adjustment to the investment carrying amount. The gain became the Group’s new cost basis in this investment. Upon the completion of the financing transaction of the investee, the Group lost the ability to exercise significant influence, and accordingly, the Group discontinued the equity method accounting and elected to account for this investment as an equity investment without a readily determinable fair value. Immediately following, and in applying this new accounting treatment, the Group remeasured the investment at fair value of 133,767 with reference to the price of the financing and recorded a gain of RMB29,114.

During the years ended December 31, 2019, 2020 and 2021, the Group recognized RMB64,478 and RMB66,030 of shares of loss of equity investees and RMB62,510 of shares of income of equity investees, respectively, from all of its equity method investments.

As of December 31, 2020 and 2021, none of the Group’s equity method investment, both individually or in aggregate, was considered as significant under Reg S-X Rules.
(ii) Equity securities without readily determinable fair value

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2020</th>
<th>December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities without readily determinable fair value:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial cost</td>
<td>5,442</td>
<td>143,209</td>
</tr>
<tr>
<td>Net cumulative fair value adjustments</td>
<td>—</td>
<td>94,711</td>
</tr>
<tr>
<td>Carrying value</td>
<td>5,442</td>
<td>237,920</td>
</tr>
</tbody>
</table>

The Group has certain equity investments which are measured under the measurement alternative. During the years ended December 31, 2019, 2020 and 2021, in addition to the transaction discussed above, the Group invested nil, RMB5,442 and RMB4,000 in equity securities without readily determinable fair value, respectively. The Group re-measured these investments based on recent financing transactions of these investees, which were considered as observable transactions, and recorded fair value gains of nil, nil and RMB94,711 in investment income during the year ended December 31, 2019, 2020 and 2021, respectively.

(iii) Held-to-maturity debt securities – time deposit

Held-to-maturity investments represent time deposits in commercial banks with maturities of more than one year with carrying amounts of nil and RMB1.3 billion as of December 31, 2020 and 2021 respectively. As of December 31, 2021, the weighted average maturities periods are 2.2 years.

(iv) Available-for-sale debt securities

In July 2021, the Company, together with several third party investors, established a fund with total capital contributions of RMB650,000, among which the Group contributed RMB550,000. According to the fund agreement, the fund is established for the sole purpose of investing in a pre-determined private company and the Company is able to unilaterally determine the operation and investment strategy of the fund. Therefore, the Company consolidated the financial statements of the fund. The investments provided by other investors to the fund with amount of RMB100,000 are classified as non-controlling interest. The fund purchased a minority interest of a private company that was pre-determined with total consideration of RMB650,000. Since the investment contains certain substantive preferential rights, including redemption at the holders’ option upon occurrence of certain contingent events that are out of the investee’s control and liquidation preference over the common shareholders, it is not considered as common stock or in-substance common stock and is therefore classified as available-for-sale debt investment which is measured at its fair value with the change of fair value recognized as other comprehensive income. As of December 31, 2021, the Company valued this investment using a market approach by adopting a backsolve method, which benchmarked to a recent comparable financing transaction of this private company and recognized a gain from the increase of the fair value of RMB30,723. After deducting the tax impact of RMB 6,499, the Group recorded RMB24,224 in other comprehensive income, among which RMB4,727 was attributed to non-controlling interests.

No impairment charges were recognized for the years ended December 31, 2019, 2020 and 2021.

11. Other Non-current Assets

Other non-current assets consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2020</th>
<th>December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current portion of auto financing receivables</td>
<td></td>
<td>2,162,417</td>
</tr>
<tr>
<td>Non-current portion of national subsidy receivable</td>
<td>651,006</td>
<td>1,933,971</td>
</tr>
<tr>
<td>Long-term deposits</td>
<td>128,355</td>
<td>636,124</td>
</tr>
<tr>
<td>Non-current portion of receivables of installment payments for battery</td>
<td>637,402</td>
<td>409,197</td>
</tr>
<tr>
<td>Non-current portion of prepayments for purchase of property and equipment</td>
<td>15,072</td>
<td>376,675</td>
</tr>
<tr>
<td>Non-current portion of right of use assets – finance lease</td>
<td>95,887</td>
<td>66,052</td>
</tr>
<tr>
<td>Others</td>
<td>34,033</td>
<td>14,328</td>
</tr>
<tr>
<td>Total</td>
<td>1,561,755</td>
<td>5,598,764</td>
</tr>
</tbody>
</table>

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.
12. Accruals and Other Liabilities

Accruals and other liabilities consist of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 2020</th>
<th>December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payables for purchase of property and equipment</td>
<td>715,561</td>
<td>1,458,767</td>
</tr>
<tr>
<td>Salaries and benefits payable</td>
<td>494,726</td>
<td>972,333</td>
</tr>
<tr>
<td>Payable for R&amp;D expenses</td>
<td>402,777</td>
<td>887,593</td>
</tr>
<tr>
<td>Payables for marketing events</td>
<td>596,110</td>
<td>855,984</td>
</tr>
<tr>
<td>Current portion of deferred revenue/income</td>
<td>383,430</td>
<td>746,453</td>
</tr>
<tr>
<td>Advance from customers</td>
<td>620,907</td>
<td>638,147</td>
</tr>
<tr>
<td>Warranty liabilities</td>
<td>297,446</td>
<td>518,426</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>273,676</td>
<td>497,381</td>
</tr>
<tr>
<td>Payable to employees for options exercised</td>
<td>278,209</td>
<td>151,158</td>
</tr>
<tr>
<td>Interest payables</td>
<td>98,462</td>
<td>41,147</td>
</tr>
<tr>
<td>Current portion of deferred construction allowance</td>
<td>60,695</td>
<td>32,254</td>
</tr>
<tr>
<td>Current portion of finance lease liabilities</td>
<td>33,237</td>
<td>27,815</td>
</tr>
<tr>
<td>Payables for traveling expenses of employees</td>
<td>18,672</td>
<td>26,212</td>
</tr>
<tr>
<td>Other payables</td>
<td>330,116</td>
<td>347,974</td>
</tr>
<tr>
<td>Total</td>
<td>4,604,024</td>
<td>7,201,644</td>
</tr>
</tbody>
</table>

13. Borrowings

Borrowings consist of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 2020</th>
<th>December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term borrowing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank loan (i)</td>
<td>1,550,000</td>
<td>5,230,000</td>
</tr>
<tr>
<td>Current portion of convertible notes(ii)</td>
<td>—</td>
<td>1,228,278</td>
</tr>
<tr>
<td>Current portion of long-term borrowings(iii)</td>
<td>380,560</td>
<td>39,840</td>
</tr>
<tr>
<td>Current portion of loan from joint investor(iv)</td>
<td>—</td>
<td>456,190</td>
</tr>
<tr>
<td>Current portion of Asset-backed Securities(v)</td>
<td>—</td>
<td>343,654</td>
</tr>
<tr>
<td>Long-term borrowings:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank loan (iii)</td>
<td>303,822</td>
<td>42,260</td>
</tr>
<tr>
<td>Convertible notes (ii)</td>
<td>5,196,507</td>
<td>9,440,626</td>
</tr>
<tr>
<td>Asset-backed Securities(v)</td>
<td>—</td>
<td>256,290</td>
</tr>
<tr>
<td>Loan from joint investor (iv)</td>
<td>437,950</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>7,868,839</td>
<td>17,037,138</td>
</tr>
</tbody>
</table>

(i) Short-term bank loan

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 December 31, 2021, the Group obtained short-term borrowings from several banks of RMB5,230,000 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 Group’s assets and certain financial measures. The Group is in compliance with all of the loan covenants as of December 31, 2020 and 2021. As of December 31, 2020 and 2021, certain of the Group’s short-term borrowings were guaranteed by the Company’s subsidiaries or pledged with trade receivable of RMB49,800 and RMB440,159, short-term investments of RMB155,498 and RMB556,299, and restricted cash of nil and RMB1,123,596, respectively.
(ii) Convertible notes

In February 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 Depository 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 instruments 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. In November 2020, US$7.0 in aggregate principal amount of such Notes were converted, pursuant to which the Company issued 735 Class A ordinary shares 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.

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 treasury shares accordingly.

For the 2024 Notes Exchanges, the 2024 Notes with carrying amount of US$578,902 were derecognised with a corresponding amount being recognised 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.

During the year ended December 31, 2021, US$3,080 in aggregate principal amount of such notes were converted, pursuant to which the Company issued 316,979 Class A ordinary shares to the holders of such notes. The balance of the notes converted were derecognized and was recorded as ordinary shares and additional paid-in-capital.

As of December 31, 2021, the Company reclassified the carrying value of the remaining 2024 Notes with the amount of RMB1,053,112 in current liabilities to reflect the early redemption right by 2024 Notes holders on February 1, 2022. Subsequently in 2022, no early redemption right were exercised by 2024 Notes holders.

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. Such notes were derecognized and recorded as ordinary shares and additional paid-in capital. 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, 2020, the balances of these convertible notes outstanding were RMB326,245. As of December 31, 2021, the Company reclassified the carrying amount of the remaining Notes with the amount of RMB175,166 in current liabilities as a result of the early redemption right by Tencent Holdings Limited on February 1, 2022. Subsequently in 2022, Tencent Holdings Limited didn’t exercise its early redemption right.

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, 2020 and 2021, 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 cost 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, 2020 and 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 bear 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 December 31, 2021, the carrying amount of the Notes were RMB9,440,626.
(iii) Long-term bank loan

<table>
<thead>
<tr>
<th>Ref.</th>
<th>Date of borrowing</th>
<th>Lender/Banks</th>
<th>Maturity/ Repayment date</th>
<th>As of December 31, 2020</th>
<th>As of December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Outstanding loan</td>
<td>Current portion according to the repayment schedule</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Long-term portion</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>May 17, 2017</td>
<td>Bank of Nanjing</td>
<td>May 17, 2022</td>
<td>275,382</td>
<td>200,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>75,382</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>January 25, 2018</td>
<td>China Merchants Bank</td>
<td>January 25, 2021</td>
<td>42,000</td>
<td>42,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>September 14, 2018</td>
<td>September 13, 2021</td>
<td>46,000</td>
<td>46,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>February 2, 2018</td>
<td>China CITIC Bank</td>
<td>February 1, 2021</td>
<td>34,500</td>
<td>34,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>August 17, 2018</td>
<td>China CITIC Bank</td>
<td>March 7, 2021</td>
<td>39,500</td>
<td>39,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>March 29, 2019</td>
<td>Hankou Bank</td>
<td>March 29, 2022</td>
<td>197,000</td>
<td>2,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>195,000</td>
</tr>
<tr>
<td>7</td>
<td>December 24, 2020</td>
<td>Bank of Shanghai</td>
<td>December 24, 2023</td>
<td>59,000</td>
<td>16,560</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>33,440</td>
</tr>
<tr>
<td>8</td>
<td>February 8, 2021</td>
<td>Bank of Shanghai</td>
<td>February 8, 2024</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>684,382</td>
<td>380,560</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>303,822</td>
<td>82,100</td>
</tr>
</tbody>
</table>

The long-term borrowings contain covenants including, among others, limitation on liens, consolidation, merger and sale of the Group’s assets and certain financial measures. The Group is in compliance with all of the loan covenants as of December 31, 2020 and 2021. As of December 31, 2020 and 2021, certain of the Group's long-term borrowings were guaranteed by the Company’s subsidiaries or pledged with trade receivable of RMB65,138 and RMB104,424, respectively.

As of December 31, 2020 and 2021, the total size the Group’s bank facilities were RMB16,255,000 and RMB29,340,000, of which RMB1,875,400 and RMB5,180,000, RMB680,000 and RMB985,000 and RMB3,828,600 were utilized for borrowing, letters of guarantee and banker’s acceptance, respectively.

(iv) Loan from joint investor

On May 18, 2017, the Group entered into a joint investment agreement with Wuhan Donghu to set up 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, 2020 and 2021, RMB53,950 and RMB72,190 of interest were accrued at the benchmark rate of medium and long-term loan announced by PBOC.

As of December 31, 2021, the Group reclassified the carrying value of the remaining loan from joint venture with the amount of RMB456,190 in current liabilities as a result of the maturity date of the loan on May 17, 2022.

(v) Asset-backed securities

In October 2021, the Group entered into asset-backed securitization arrangements with third-party financial institutions and set up a securitization vehicle to issue the senior debt securities to third party investors, which are collateralized by the auto financing receivables (the "transferred financial assets"). The Group also acts as servicer to provide management, administration and collection services on the transferred financial assets. As a result, the Group consolidated the securitization vehicle since economic interests are retained in the form of subordinated interests. The proceeds from the issuance of debt securities are reported as securitization debt. The securities are repaid as collections on the underlying collateralized assets occur and the amounts are included in “Current portion of long-term borrowings” or “Long-term borrowings” according to the contractual maturities of the debt securities. As of December 31, 2021, the balance of current and non-current portion of asset-backed securities are RMB343,654 and RMB256,290, respectively.
14. Other Non-Current Liabilities

Other non-current liabilities consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2020</th>
<th>December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred revenue</td>
<td>677,824</td>
<td>1,451,313</td>
</tr>
<tr>
<td>Warranty liabilities</td>
<td>655,500</td>
<td>1,444,551</td>
</tr>
<tr>
<td>Deferred government grants</td>
<td>326,373</td>
<td>312,837</td>
</tr>
<tr>
<td>Non-current finance lease liabilities</td>
<td>55,107</td>
<td>31,646</td>
</tr>
<tr>
<td>Deferred construction allowance</td>
<td>49,484</td>
<td>12,298</td>
</tr>
<tr>
<td>Others</td>
<td>85,618</td>
<td>287,813</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,849,906</strong></td>
<td><strong>3,540,458</strong></td>
</tr>
</tbody>
</table>

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.

Deferred construction allowance consists of long-term payable of construction projects, with payment terms over one year.

15. Leases

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 sheet:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2020</th>
<th>December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating leases</strong>:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Right-of-use assets - operating lease</td>
<td>1,350,294</td>
<td>2,988,374</td>
</tr>
<tr>
<td>Current portion of operating lease liabilities</td>
<td>547,142</td>
<td>744,561</td>
</tr>
<tr>
<td>Non-current operating lease liabilities</td>
<td>1,015,261</td>
<td>2,317,193</td>
</tr>
<tr>
<td><strong>Total operating lease liabilities</strong></td>
<td><strong>1,562,403</strong></td>
<td><strong>3,061,754</strong></td>
</tr>
<tr>
<td><strong>Finance leases</strong>:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Right-of-use assets - finance lease</td>
<td>95,887</td>
<td>66,052</td>
</tr>
<tr>
<td>Current portion of finance lease liabilities</td>
<td>32,237</td>
<td>27,815</td>
</tr>
<tr>
<td>Non-current finance lease liabilities</td>
<td>55,107</td>
<td>31,646</td>
</tr>
<tr>
<td><strong>Total finance lease liabilities</strong></td>
<td><strong>88,344</strong></td>
<td><strong>59,461</strong></td>
</tr>
</tbody>
</table>

The components of lease expenses were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortization of right-of-use assets</td>
<td>499,225</td>
</tr>
<tr>
<td>Interest of operating lease liabilities</td>
<td>96,430</td>
</tr>
<tr>
<td>Expenses for short-term leases within 12 months and other non-lease component</td>
<td>81,022</td>
</tr>
<tr>
<td><strong>Total lease cost</strong></td>
<td><strong>676,677</strong></td>
</tr>
</tbody>
</table>
Other information related to leases where the Group is the lessee is as follows:

<table>
<thead>
<tr>
<th>Weighted-average remaining lease term:</th>
<th>As of December 31, 2020</th>
<th>As of December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating leases</td>
<td>3.8 years</td>
<td>6.1 years</td>
</tr>
<tr>
<td>Finance leases</td>
<td>3.1 years</td>
<td>3.1 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Weighted-average discount rate:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating leases</td>
<td>5.82 %</td>
<td>5.63 %</td>
</tr>
<tr>
<td>Finance leases</td>
<td>5.70 %</td>
<td>5.79 %</td>
</tr>
</tbody>
</table>

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

For the Year Ended December 31, 2020 and 2021,

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cash outflows from operating leases</td>
<td>544,896</td>
<td>707,721</td>
</tr>
<tr>
<td>Operating cash outflows from finance leases (interest payments)</td>
<td>5,729</td>
<td>4,199</td>
</tr>
<tr>
<td>Financing cash outflows from finance leases</td>
<td>42,529</td>
<td>32,873</td>
</tr>
<tr>
<td>Right-of-use assets obtained in exchange for lease liabilities</td>
<td>279,274</td>
<td>2,133,428</td>
</tr>
</tbody>
</table>

As of December 31, 2020 and 2021, the maturities of our operating and finance lease liabilities (excluding short-term leases) are as follows:

<table>
<thead>
<tr>
<th></th>
<th>As of December 31, 2020</th>
<th>As of December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating leases</td>
<td>609,011</td>
<td>36,494</td>
</tr>
<tr>
<td>Finance leases</td>
<td>287,087</td>
<td>29,561</td>
</tr>
<tr>
<td>2021</td>
<td>146,459</td>
<td>22,515</td>
</tr>
<tr>
<td>2022</td>
<td>84,925</td>
<td>7,996</td>
</tr>
<tr>
<td>2023</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>2024</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>2025</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>2026</td>
<td>175,950</td>
<td>—</td>
</tr>
<tr>
<td>Thereafter</td>
<td>1,725,011</td>
<td>3,645,447</td>
</tr>
<tr>
<td>Total minimum lease payments</td>
<td>(162,608)</td>
<td>(583,693)</td>
</tr>
<tr>
<td>Less: Interest</td>
<td>(8,258)</td>
<td>(4,117)</td>
</tr>
<tr>
<td>Present value of lease obligations</td>
<td>1,562,403</td>
<td>3,061,754</td>
</tr>
<tr>
<td>Less: Current portion</td>
<td>(547,142)</td>
<td>(744,561)</td>
</tr>
<tr>
<td>Long-term portion of lease obligations</td>
<td>1,015,261</td>
<td>2,317,193</td>
</tr>
</tbody>
</table>

As of December 31, 2020 and 2021, the Group had future minimum lease payments for non-cancelable short-term operating leases of RMB55,977 and RMB194,067, respectively.

16. Revenue

Revenue by source consists of the following:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicle sales</td>
<td>7,367,113</td>
<td>15,182,522</td>
</tr>
<tr>
<td>Sales of packages</td>
<td>111,448</td>
<td>244,072</td>
</tr>
<tr>
<td>Sales of automotive regulatory credits</td>
<td>—</td>
<td>120,648</td>
</tr>
<tr>
<td>Sales of charging piles</td>
<td>127,632</td>
<td>229,781</td>
</tr>
<tr>
<td>Battery upgrade service</td>
<td>—</td>
<td>5,346</td>
</tr>
<tr>
<td>Others</td>
<td>218,711</td>
<td>475,564</td>
</tr>
<tr>
<td>Total</td>
<td>7,824,904</td>
<td>16,257,933</td>
</tr>
</tbody>
</table>

F-39
For the years ended December 31, 2019, 2020 and 2021, revenue recognised at a point in time was RMB7,696,238, RMB15,969,390 and RMB35,416,050, respectively, and revenue recognised over time was RMB128,666, RMB288,543 and RMB720,373, respectively.

17. Deferred Revenue/Income

The following table shows a reconciliation in the current reporting period related to carried-forward deferred revenue/income.

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred revenue/income–beginning of year</td>
<td>301,774</td>
<td>485,087</td>
<td>1,061,254</td>
</tr>
<tr>
<td>Additions</td>
<td>428,786</td>
<td>1,013,397</td>
<td>1,934,086</td>
</tr>
<tr>
<td>Recognition</td>
<td>(246,861)</td>
<td>(432,069)</td>
<td>(795,878)</td>
</tr>
<tr>
<td>Effects on foreign exchange adjustment</td>
<td>1,388</td>
<td>(5,161)</td>
<td>(1,696)</td>
</tr>
<tr>
<td>Deferred revenue/income–end of year</td>
<td>485,087</td>
<td>1,061,254</td>
<td>2,197,766</td>
</tr>
</tbody>
</table>

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 RMB1,006,824 and RMB2,164,288 as of December 31, 2020 and 2021, respectively.

The Group expects that 34% of the transaction price allocated to unsatisfied performance obligation as at December 31, 2021 will be recognized as revenue during the period from January 1, 2022 to December 31, 2022. The remaining 66% will be recognized during the period from January 1, 2023 to June 30, 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 income and then recognized as other income over the beneficial period, with unrecognized deferred income balance of RMB54,430 and RMB33,478 as of December 31, 2020 and 2021, respectively.

18. Manufacturing in collaboration with JAC

In May 2016, April 2019 and March 2020, the Group entered into several arrangements 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; (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, 2019, 2020 and 2021, the aggregate fees to JAC under the above collaboration arrangement were RMB440,812, RMB531,565 and RMB715,118, respectively, in cost of sales.

F-40
19. Research and Development Expenses  

Research and development expenses consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee compensation</td>
<td>2,004,931</td>
<td>1,362,231</td>
<td>2,658,158</td>
</tr>
<tr>
<td>Design and development expenses</td>
<td>2,041,024</td>
<td>778,463</td>
<td>1,572,834</td>
</tr>
<tr>
<td>Depreciation and amortization expenses</td>
<td>187,137</td>
<td>255,544</td>
<td>214,312</td>
</tr>
<tr>
<td>Rental and related expenses</td>
<td>57,401</td>
<td>51,123</td>
<td>53,846</td>
</tr>
<tr>
<td>Travel and entertainment expenses</td>
<td>63,998</td>
<td>15,720</td>
<td>43,732</td>
</tr>
<tr>
<td>Others</td>
<td>74,089</td>
<td>24,689</td>
<td>48,970</td>
</tr>
<tr>
<td>Total</td>
<td>4,428,580</td>
<td>2,487,770</td>
<td>4,591,852</td>
</tr>
</tbody>
</table>

20. Selling, General and Administrative Expenses  

Selling, general and administrative expenses consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee compensation</td>
<td>2,231,698</td>
<td>1,687,945</td>
<td>2,894,308</td>
</tr>
<tr>
<td>Marketing and promotional expenses</td>
<td>818,053</td>
<td>675,142</td>
<td>1,428,290</td>
</tr>
<tr>
<td>Rental and related expenses</td>
<td>737,578</td>
<td>498,601</td>
<td>845,512</td>
</tr>
<tr>
<td>Professional services</td>
<td>487,537</td>
<td>307,658</td>
<td>521,327</td>
</tr>
<tr>
<td>Depreciation and amortization expenses</td>
<td>457,364</td>
<td>325,478</td>
<td>337,708</td>
</tr>
<tr>
<td>IT consumable, office supply and other low value consumable</td>
<td>109,501</td>
<td>69,954</td>
<td>247,828</td>
</tr>
<tr>
<td>Travel and entertainment expenses</td>
<td>126,571</td>
<td>39,328</td>
<td>80,726</td>
</tr>
<tr>
<td>Expected credit losses</td>
<td>—</td>
<td>9,654</td>
<td>54,332</td>
</tr>
<tr>
<td>Allowance against receivables</td>
<td>108,459</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Others</td>
<td>375,026</td>
<td>318,511</td>
<td>468,101</td>
</tr>
<tr>
<td>Total</td>
<td>5,451,787</td>
<td>3,932,271</td>
<td>6,878,132</td>
</tr>
</tbody>
</table>
21. 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, 2019, 2020 and 2021, the Company recorded RMB126,590, RMB104,270 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 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 RMB511,458, 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 RMB2.5 billion and subscribed for newly increased registered capital of NIO China at a subscription price of RMB10.0 billion. In September 2021, the Company repurchased 1.418% equity interests from the strategic investors for a total consideration of RMB2.5 billion and recorded an amount of RMB2,023,534 in accretion on redeemable non-controlling interests to redemption value. As of December 31, 2021, the Company held 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 subsequently accreted to the redemption price using the agreed interest rate as a reduction of additional paid in capital.

For the years ended December 31, 2019, 2020 and 2021, the Company recorded nil, RMB207,400 and RMB6,586,579 of accretion on redeemable non-controlling interests to redemption value. As of December 31, 2020 and 2021, the balance of redeemable non-controlling interests was RMB4,691,287 and RMB3,277,866, respectively.

22. 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.

As of December 31, 2020 and 2021, the authorized share capital of the Company is US$1,000 divided into 4,000,000,000 shares, comprising of: 2,500,000,000 Class A Ordinary Shares, 132,030,222 Class B Ordinary Shares, 148,500,000 Class C Ordinary Shares, each at a par value of US$0.00025 per share, and 1,219,469,778 shares of a par value of US$0.00025 each of such class or classes as the board of directors may determine.

In 2020, the Company consummated the follow-on offerings of a total of 82,800,000, 101,775,000 and 78,200,000 American depositary shares (the “ADSs”) 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 completed the issuance of 53,292,401 ADSs with net proceeds of RMB12,677,554 (US$1,974,000) through an at-the-market offering.

As of December 31, 2020 and 2021, 4,000,000,000 ordinary shares were authorized, 1,529,031,103 shares and 1,661,749,433 shares were issued, and 1,526,539,388 shares and 1,643,669,180 shares were outstanding, respectively. The share number excludes 30,378,056 Class A Ordinary Shares issued to the depositary 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.

23. Share-based Compensation

Compensation expenses recognized for share-based awards granted by the Company were as follows:

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>9,763</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>82,680</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>241,052</td>
</tr>
<tr>
<td>Total</td>
<td>333,495</td>
</tr>
</tbody>
</table>

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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, 2019, 2020 and 2021.

(a) 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 Plan 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 recognized the share options and restricted shares of the Company granted to the employees of the Group on a straight-line basis over the vesting term of the awards, net of estimated forfeitures.

(i) Share Options

The following table summarizes activities of the Company’s share options under the 2017, 2018 and 2019 Plans for the years ended December 31, 2019, 2020 and 2021:

<table>
<thead>
<tr>
<th></th>
<th>Number of Options Outstanding</th>
<th>Weighted Average Exercise Price</th>
<th>Weighted Average Remaining Contractual Life In Years</th>
<th>Aggregate Intrinsic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding as of December 31, 2018</td>
<td>91,074,140</td>
<td>1.69</td>
<td>8.23</td>
<td>425,988</td>
</tr>
<tr>
<td>Granted</td>
<td>33,964,176</td>
<td>3.29</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exercised</td>
<td>(20,133,668)</td>
<td>0.49</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cancelled</td>
<td>(14,759,778)</td>
<td>2.69</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Expired</td>
<td>(1,300,898)</td>
<td>4.11</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Outstanding as of December 31, 2019</td>
<td>88,843,972</td>
<td>2.38</td>
<td>6.77</td>
<td>164,363</td>
</tr>
<tr>
<td>Granted</td>
<td>16,077,700</td>
<td>8.09</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exercised</td>
<td>(15,253,500)</td>
<td>1.55</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cancelled</td>
<td>(9,030,781)</td>
<td>3.02</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Expired</td>
<td>(1,318,892)</td>
<td>4.49</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Granted</td>
<td>2,468,150</td>
<td>13.89</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exercised</td>
<td>(9,119,048)</td>
<td>2.31</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cancelled</td>
<td>(2,143,711)</td>
<td>12.59</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Expired</td>
<td>(25,940)</td>
<td>19.03</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Outstanding as of December 31, 2021</td>
<td>70,497,950</td>
<td>4.76</td>
<td>5.44</td>
<td>1,944,597</td>
</tr>
<tr>
<td>Vested and expected to vest as of December 31, 2021</td>
<td>70,021,318</td>
<td>4.74</td>
<td>5.44</td>
<td>1,932,535</td>
</tr>
<tr>
<td>Exercisable as of December 31, 2021</td>
<td>46,055,277</td>
<td>3.08</td>
<td>5.48</td>
<td>1,326,035</td>
</tr>
</tbody>
</table>

The total share-based compensation expenses recognized for share options during the years ended December 31, 2019, 2020 and 2021 was RMB329,693, RMB177,543 and RMB534,641, respectively.
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, 2019, 2020 and 2021 was US$1.46, US$4.03 and US$33.54, respectively, computed using the binomial option pricing model with the assumptions (or ranges thereof) in the following table:

<table>
<thead>
<tr>
<th>For the Year Ended December 31,</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exercise price (US$)</td>
<td>1.80 - 7.09</td>
<td>2.38 - 48.45</td>
<td>2.39 - 42.20</td>
</tr>
<tr>
<td>Fair value of the ordinary shares on the date of option grant (US$)</td>
<td>1.80 - 7.09</td>
<td>2.38 - 48.45</td>
<td>39.54 - 42.20</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>1.66 % - 2.54 %</td>
<td>0.50 % - 1.00 %</td>
<td>1.08 % - 1.47 %</td>
</tr>
<tr>
<td>Exercise multiple</td>
<td>2.5 x</td>
<td>2.5 x</td>
<td>2.5 x</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>0 %</td>
<td>0 %</td>
<td>0 %</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>44 % - 52 %</td>
<td>54 % - 55 %</td>
<td>55 %</td>
</tr>
<tr>
<td>Expected forfeiture rate (post-vesting)</td>
<td>6 % - 8 %</td>
<td>2 % - 6 %</td>
<td>2 %</td>
</tr>
</tbody>
</table>

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, 2020, and 2021, there were RMB540,319 and RMB396,098 of unrecognized compensation expenses related to the stock options granted to the employees, which is expected to be recognized over a weighted-average period of 2.10 and 1.32 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.

Share-based compensation expenses of RMB2,357, nil and RMB20,820 related to restricted shares granted to the employees of NIO US was recognized for the years ended December 31, 2019, 2020 and 2021, respectively.

The following table summarizes activities of the Company’s restricted shares to US employees under the 2016 plan:

<table>
<thead>
<tr>
<th>Number of Restricted Shares Outstanding</th>
<th>Number of Shares Outstanding</th>
<th>Weighted Average Grant Date Fair Value US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unvested at December 31, 2019 and December 31, 2020</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Grant</td>
<td>1,179,976</td>
<td>41.87</td>
</tr>
<tr>
<td>Vested</td>
<td>(1,728)</td>
<td>41.53</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(40,052)</td>
<td>40.09</td>
</tr>
<tr>
<td>Unvested at December 31, 2021</td>
<td>1,138,196</td>
<td>41.93</td>
</tr>
</tbody>
</table>

As of December 31, 2020, and 2021, there were nil and RMB283,784 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 and 3.83 years, respectively.

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The following table summarizes activities of the Company’s restricted shares to non-US employees under the 2017 and 2018 plan:

<table>
<thead>
<tr>
<th>Number of Restricted Shares Outstanding</th>
<th>Weighted Average Grant Date Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$</td>
</tr>
<tr>
<td>Unvested at December 31, 2018</td>
<td>63,897</td>
</tr>
<tr>
<td>Vested</td>
<td>(31,949)</td>
</tr>
<tr>
<td>Unvested at December 31, 2019</td>
<td>31,948</td>
</tr>
<tr>
<td>Granted</td>
<td>3,869,213</td>
</tr>
<tr>
<td>Vested</td>
<td>(2,165,417)</td>
</tr>
<tr>
<td>Unvested at December 31, 2020</td>
<td>1,735,744</td>
</tr>
<tr>
<td>Granted</td>
<td>22,551,227</td>
</tr>
<tr>
<td>Vested</td>
<td>(841,014)</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(546,016)</td>
</tr>
<tr>
<td>Unvested at December 31, 2021</td>
<td>22,899,941</td>
</tr>
</tbody>
</table>

During the year ended December 31, 2021, the Company granted and issued 549,376 restricted shares to non-US employees as a settlement of a portion of employee bonus of RMB148,869 for the year ended December 31, 2020, which was accrued during the year ended December 31, 2020.

As of December 31, 2020, and 2021, there were RMB472,628 and RMB5,017,974 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 3.65 and 3.83 years, respectively.

Share-based compensation expenses of RMB1,445, RMB9,551 and RMB437,166 related to restricted shares granted to the non-US employees was recognized for years ended December 31, 2019, 2020 and 2021, respectively.

(b) Share-based compensation of subsidiaries

In November 2021, a subsidiary of the Company (“Subsidiary A”) adopted the 2021 Share Incentive Plan (the “A Plan”) which allows Subsidiary A to grant share options to its employees.

Under the A plan, the share options 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.

Before the completion of Subsidiary A’s possible future initial public offering and listing, its employees are entitled to convert the vested share options to the Class A ordinary shares of the Company at a fixed conversion rate. The corresponding share options will be cancelled if the conversion right is exercised.

The following table summarizes activities of A Plan for the year ended December 31, 2021:

<table>
<thead>
<tr>
<th>Number of Options Outstanding</th>
<th>Weighted Average Exercise Price</th>
<th>Weighted Average Remaining Contractual Life</th>
<th>Aggregate Intrinsic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$</td>
<td>In Years</td>
<td>US$</td>
</tr>
<tr>
<td>Outstanding as of December 31, 2020</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Granted</td>
<td>31,931,249</td>
<td>0.00001</td>
<td>9.84</td>
</tr>
<tr>
<td>Outstanding as of December 31, 2021</td>
<td>31,931,249</td>
<td>0.00001</td>
<td>166,376</td>
</tr>
</tbody>
</table>
The weighted average grant date fair value of options granted was US$1.12 per share. The estimated fair value of each option granted is estimated on the date of grant using the binominal option-pricing model with the assumptions (or ranges thereof) in the following table:

<table>
<thead>
<tr>
<th>For the Year Ended December 31, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of the ordinary shares on the date of option grant (US$)</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
</tr>
<tr>
<td>Expected term (in years)</td>
</tr>
<tr>
<td>Expected dividend yield</td>
</tr>
<tr>
<td>Expected volatility</td>
</tr>
<tr>
<td>Expected forfeiture rate (pre-vesting)</td>
</tr>
</tbody>
</table>

For the year ended December 31, 2021, total share-based compensation expenses for the share options granted under A Plan were RMB17,513. As of December 31, 2021, there were RMB211,178 of unrecognized share-based compensation expenses related to the share options granted. The expenses were expected to be recognized over a weighted-average period of 3.2 years.

24. Taxation

(a) Income taxes

Cayman Islands

The Company was incorporated in the Cayman Islands and conducts most of its business through its subsidiaries located in Mainland China, Hong Kong, United States, United Kingdom, Germany, Norway and Netherlands. Under the current laws of the Cayman Islands, the Company is not subject to tax on either income or capital gain. Additionally, upon payments of dividends to the shareholders, no Cayman Islands withholding tax will be imposed.

PRC

Effective January 1, 2008, the Enterprise Income Tax Law (the “EIT Law”) in China unifies the enterprise income tax rate for the entities incorporated in China at 25%, unless they are eligible for preferential tax treatment, which will be granted to companies conducting businesses in certain encouraged sectors. NIO SH, the Group’s WFOE, was qualified as a “high and new technology enterprise” (“HNTE”) for the fiscal years from 2017 to 2023, which entitled the qualified entity a preferential tax rate of 15%. Its qualification as a HNTE is subject to self-evaluation, and the relevant documents should be retained for future examination purpose. Upon the expiration of qualification, re-accreditation of certification from the relevant authorities is necessary for NIO SH to continue enjoying the preferential tax treatment. Other than NIO SH, the remaining Chinese companies are subject to enterprise income tax (“EIT”) at a uniform rate of 25%.

Under the EIT Law enacted by the National People’s Congress of PRC on March 16, 2007 and its implementation rules which became effective on January 1, 2008, dividends generated after January 1, 2008 and payable by a foreign investment enterprise in the PRC to its foreign investors who are non-resident enterprises are subject to a 10% withholding tax, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. Under the taxation arrangement between the PRC and Hong Kong, a qualified Hong Kong tax resident which is the “beneficial owner” and directly holds 25% or more of the equity interest in a PRC resident enterprise is entitled to a reduced withholding tax rate of 5%. The Cayman Islands, where the Company was incorporated, does not have a tax treaty with PRC.

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose “de facto management body” is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law merely define the location of the “de facto management body” as “the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located.” Based on a review of surrounding facts and circumstances, the Group does not believe that it is likely that its operations outside of the PRC will be considered a resident enterprise for PRC tax purposes. However, due to limited guidance and implementation history of the EIT Law, there is uncertainty as to the application of the EIT Law. Should the Company be treated as a resident enterprise for PRC tax purposes, the Company will be subject to PRC income tax on worldwide income at a uniform tax rate of 25%.
According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 200% or 175% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year (‘Super Deduction’). The additional deduction of 100% or 75% of qualified research and development expenses can only be claimed directly in the annual EIT filing and subject to the approval from the relevant tax authorities.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, the subsidiaries of the Group incorporated in Hong Kong are subject to 8.25% profit tax on the first HKD2,000 taxable income and 16.5% profit tax on the remaining taxable income generated from operations in Hong Kong. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax.

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, 2019, 2020 and 2021 are as follows:

<table>
<thead>
<tr>
<th>Country</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>29.84 %</td>
<td>29.84 %</td>
<td>29.84 %</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>19.00 %</td>
<td>19.00 %</td>
<td>19.00 %</td>
</tr>
<tr>
<td>Germany</td>
<td>32.98 %</td>
<td>32.98 %</td>
<td>32.98 %</td>
</tr>
<tr>
<td>Norway</td>
<td>—</td>
<td>—</td>
<td>22.00 %</td>
</tr>
<tr>
<td>Netherlands</td>
<td>—</td>
<td>—</td>
<td>25.00 %</td>
</tr>
</tbody>
</table>

Composition of income tax expense for the periods presented are as follows:

<table>
<thead>
<tr>
<th>For the Year Ended December 31,</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current income tax expense</td>
<td>7,888</td>
<td>6,368</td>
<td>23,565</td>
</tr>
<tr>
<td>Deferred income tax expense</td>
<td>—</td>
<td>—</td>
<td>18,700</td>
</tr>
<tr>
<td>Total</td>
<td>7,888</td>
<td>6,368</td>
<td>42,265</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>For the Year Ended December 31,</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss before income tax expense</td>
<td>(11,287,764)</td>
<td>(5,297,714)</td>
<td>(3,974,684)</td>
</tr>
<tr>
<td>Income tax benefit computed at PRC statutory income tax rate of 25%</td>
<td>(2,821,941)</td>
<td>(1,324,429)</td>
<td>(993,671)</td>
</tr>
<tr>
<td>Non-deductible expenses</td>
<td>58,374</td>
<td>47,151</td>
<td>29,325</td>
</tr>
<tr>
<td>Foreign tax rates differential</td>
<td>107,617</td>
<td>(91,668)</td>
<td>100,690</td>
</tr>
<tr>
<td>Additional 100%/75% tax deduction for qualified research and development expenses</td>
<td>(22,630)</td>
<td>(36,775)</td>
<td>(546,805)</td>
</tr>
<tr>
<td>Tax exempted interest income</td>
<td>(3,093)</td>
<td>(2,194)</td>
<td>—</td>
</tr>
<tr>
<td>Non-taxable offshore income</td>
<td>—</td>
<td>(523,276)</td>
<td>—</td>
</tr>
<tr>
<td>US tax credits</td>
<td>(72,448)</td>
<td>(21,633)</td>
<td>(30,273)</td>
</tr>
<tr>
<td>Effect of tax rate change</td>
<td>—</td>
<td>—</td>
<td>286,693</td>
</tr>
<tr>
<td>Prior year adjustments</td>
<td>(16,259)</td>
<td>(4,324)</td>
<td>—</td>
</tr>
<tr>
<td>Others</td>
<td>2,285</td>
<td>1,241</td>
<td>(1,206)</td>
</tr>
<tr>
<td>Change in valuation allowance</td>
<td>2,775,983</td>
<td>1,950,081</td>
<td>1,199,706</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>7,888</td>
<td>6,368</td>
<td>42,265</td>
</tr>
</tbody>
</table>

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 primarily considers the nature, frequency and extent of the losses incurred and other historical objective evidences, as well as the considerations of forecasts of future profitability. These assumptions require significant judgment on the forecasts of future taxable income. The PRC 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 and liabilities consist of the following components:

<table>
<thead>
<tr>
<th>Deferred tax assets</th>
<th>As of December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Net operating loss carry-forwards</td>
<td>6,005,461</td>
</tr>
<tr>
<td>Accrued and prepaid expenses</td>
<td>420,714</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>105,840</td>
</tr>
<tr>
<td>Tax credit carry-forwards</td>
<td>213,773</td>
</tr>
<tr>
<td>Property, plant and equipment, net</td>
<td>10,584</td>
</tr>
<tr>
<td>Unrealized financing income</td>
<td>29,200</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>36,362</td>
</tr>
<tr>
<td>Allowance against receivables</td>
<td>27,196</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>19,035</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>7,688</td>
</tr>
<tr>
<td>Write-downs of inventory</td>
<td>2,607</td>
</tr>
<tr>
<td>Advertising expenses in excess of deduction limit</td>
<td>353</td>
</tr>
<tr>
<td>Unrealized foreign exchange loss</td>
<td>55</td>
</tr>
<tr>
<td>Others</td>
<td>162</td>
</tr>
<tr>
<td>Less: Valuation allowance</td>
<td>(6,879,030)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>—</td>
</tr>
</tbody>
</table>

Deferred tax liabilities

<table>
<thead>
<tr>
<th>Deferred tax liabilities</th>
<th>As of December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Equity investments measured at measurement alternative</td>
<td>—</td>
</tr>
<tr>
<td>Available for sale debt investment</td>
<td>—</td>
</tr>
<tr>
<td>Property, plant and equipment, net</td>
<td>—</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>—</td>
</tr>
<tr>
<td>Unrealized foreign exchange loss</td>
<td>—</td>
</tr>
<tr>
<td>Subtotal</td>
<td>—</td>
</tr>
<tr>
<td>Total deferred tax liabilities, net</td>
<td>—</td>
</tr>
</tbody>
</table>

For the year ended December 31, 2021, California Water’s Edge Election for state franchise and income tax purposes was made for NIO US, the Company’s subsidiary in California, the United States. Consequently, the effective state income tax rate of NIO US decreased from 8.84% to 0.045% and the Group made adjustments to the tax benefit accumulated in prior years amount to USD511,506 accordingly. The change in effective tax rate did not give rise to any material impact on the Group’s consolidated balance sheets or consolidated statements of comprehensive loss due to the Group’s historical worldwide loss position and the full valuation allowance recorded against the Group’s net U.S. deferred tax assets.

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:

<table>
<thead>
<tr>
<th>Valuation allowance</th>
<th>As of December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Balance at beginning of the year</td>
<td>4,369,687</td>
</tr>
<tr>
<td>Additions</td>
<td>2,509,343</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>6,879,030</td>
</tr>
</tbody>
</table>
The Group has tax losses arising in Mainland China of RMB22,247,463 that will expire in one to eight years for deduction against future taxable profit.

<table>
<thead>
<tr>
<th>Loss expiring in</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>43,246</td>
</tr>
<tr>
<td>2023</td>
<td>1,532,204</td>
</tr>
<tr>
<td>2024</td>
<td>3,307,450</td>
</tr>
<tr>
<td>2025</td>
<td>4,462,460</td>
</tr>
<tr>
<td>2026</td>
<td>4,884,362</td>
</tr>
<tr>
<td>2027</td>
<td>—</td>
</tr>
<tr>
<td>2028</td>
<td>2,683,178</td>
</tr>
<tr>
<td>2029</td>
<td>5,334,563</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22,247,463</strong></td>
</tr>
</tbody>
</table>

The Group has tax losses arising in Hong Kong of RMB3,674,853 for which could be carried forward indefinitely against future taxable income. The Group has tax losses arising in United States of RMB22,655, RMB229,341, RMB745,183 and RMB1,728,310 that will expire in fourteen, fifteen, sixteen 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 December 31, 2021.

**25. Loss Per Share**

Basic loss per share and diluted loss per share have been calculated in accordance with ASC 260 on computation of earnings per share for the years ended December 31, 2019, 2020 and 2021 as follows:

<table>
<thead>
<tr>
<th>For the Year Ended December 31, 2019, 2020 and 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Numerator:</strong></td>
</tr>
<tr>
<td>Net loss</td>
</tr>
<tr>
<td>Accretion on redeemable non-controlling interests to redemption value</td>
</tr>
<tr>
<td>Net loss attributable to non-controlling interests</td>
</tr>
<tr>
<td>Net loss attributable to ordinary shareholders of NIO Inc. for basic/dilutive net loss per share</td>
</tr>
<tr>
<td><strong>Denominator:</strong></td>
</tr>
<tr>
<td>Weighted-average number of ordinary shares outstanding – basic and diluted</td>
</tr>
<tr>
<td>Basic and diluted net loss per share attributable to ordinary shareholders of NIO Inc.</td>
</tr>
</tbody>
</table>

For the years ended December 31, 2019, 2020 and 2021, the Company had potential ordinary shares, including non-vested restricted shares, option granted and Convertible Notes. As the Group incurred losses for the years ended December 31, 2020 and 2021, these potential ordinary shares were anti-dilutive and excluded from the calculation of diluted net loss per share of the Company. Such weighted average numbers of ordinary shares outstanding are as following:

<table>
<thead>
<tr>
<th>For the Year Ended December 31, 2019, 2020 and 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Restricted shares</strong></td>
</tr>
<tr>
<td><strong>Outstanding weighted average options granted</strong></td>
</tr>
<tr>
<td><strong>Convertible notes</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>
26. Related Party Balances and Transactions

The principal related parties with which the Group had transactions during the years presented are as follows:

<table>
<thead>
<tr>
<th>Name of Entity or Individual</th>
<th>Relationship with the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kunshan Siwopu Intelligent Equipment Co., Ltd.</td>
<td>Affiliate</td>
</tr>
<tr>
<td>Nanjing Weibang Transmission Technology Co., Ltd.</td>
<td>Affiliate</td>
</tr>
<tr>
<td>Suzhou Zenlead XPT New Energy Technologies Co., Ltd.</td>
<td>Affiliate</td>
</tr>
<tr>
<td>Wuhan Weineng Battery Assets Co., Ltd.</td>
<td>Affiliate</td>
</tr>
<tr>
<td>Xunjie Energy (Wuhan) Co., Ltd.</td>
<td>Affiliate</td>
</tr>
<tr>
<td>Beijing Bitauto Interactive Technology Co., Ltd.</td>
<td>Controlled by Principal Shareholder</td>
</tr>
<tr>
<td>Beijing Bit Ep Information Technology Co., Ltd.</td>
<td>Controlled by Principal Shareholder</td>
</tr>
<tr>
<td>Beijing Chehui Hudong Guanggao Co., Ltd.</td>
<td>Controlled by Principal Shareholder</td>
</tr>
<tr>
<td>Beijing Weixu Business Consulting Co., Ltd.</td>
<td>Controlled by Principal Shareholder</td>
</tr>
<tr>
<td>Beijing Xinyi Hudong Guanggao Co., Ltd.</td>
<td>Controlled by Principal Shareholder</td>
</tr>
<tr>
<td>Beijing Yiche Information Science and Technology Co., Ltd.</td>
<td>Controlled by Principal Shareholder</td>
</tr>
<tr>
<td>Beijing Yiche Interactive Advertising Co., Ltd.</td>
<td>Controlled by Principal Shareholder</td>
</tr>
<tr>
<td>Bite Shijie (Beijing) Keji Co., Ltd.</td>
<td>Controlled by Principal Shareholder</td>
</tr>
<tr>
<td>Huang River Investment Limited</td>
<td>Controlled by Principal Shareholder</td>
</tr>
<tr>
<td>Ningbo Meishan Bonded Port Area Weilan Investment Co., Ltd.</td>
<td>Controlled by Principal Shareholder</td>
</tr>
<tr>
<td>Serene View Investment Limited</td>
<td>Controlled by Principal Shareholder</td>
</tr>
<tr>
<td>Shanghai Weishang Business Consulting Co., Ltd.</td>
<td>Controlled by Principal Shareholder</td>
</tr>
<tr>
<td>Shanghai Yiju Information Technology Co., Ltd.</td>
<td>Controlled by Principal Shareholder</td>
</tr>
<tr>
<td>Tianjin Boyou Information Technology Co., Ltd.</td>
<td>Controlled by Principal Shareholder</td>
</tr>
<tr>
<td>Wistrong Info Comm (Kunshan) Co., Ltd.</td>
<td>Subsidiary’s non-controlling shareholder</td>
</tr>
<tr>
<td>Xtronics Innovation Ltd.</td>
<td>Subsidiary’s non-controlling shareholder</td>
</tr>
</tbody>
</table>

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, 2019, 2020 and 2021, service income was primarily generated from property management and miscellaneous research and development services the Group provided to its related parties.

<table>
<thead>
<tr>
<th>Name of Entity or Individual</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wuhan Weineng Battery Assets Co., Ltd.</td>
<td>—</td>
<td>38</td>
<td>56,095</td>
</tr>
<tr>
<td>Nanjing Weibang Transmission Technology Co., Ltd.</td>
<td>2,417</td>
<td>1,523</td>
<td>1,586</td>
</tr>
<tr>
<td>Beijing Weixu Business Consulting Co., Ltd.</td>
<td>—</td>
<td>—</td>
<td>220</td>
</tr>
<tr>
<td>Shanghai Weishang Business Consulting Co., Ltd.</td>
<td>1,806</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,223</strong></td>
<td><strong>1,561</strong></td>
<td><strong>57,901</strong></td>
</tr>
</tbody>
</table>

F-51
(ii) Acceptance of advertising and IT support services

For the Year Ended December 31, 2019

<table>
<thead>
<tr>
<th>Company Name</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beijing Bit Ep Information Technology Co., Ltd.</td>
<td>3,627</td>
<td>4,159</td>
<td>4,533</td>
</tr>
<tr>
<td>Beijing Yiche Interactive Advertising Co., Ltd.</td>
<td>6,132</td>
<td>—</td>
<td>472</td>
</tr>
<tr>
<td>Tianjin Boyou Information Technology Co., Ltd.</td>
<td>264</td>
<td>1,594</td>
<td>217</td>
</tr>
<tr>
<td>Beijing Chehui Hudong Guanggao Co., Ltd.</td>
<td>29,599</td>
<td>92,356</td>
<td>—</td>
</tr>
<tr>
<td>Beijing Xinxi Hudong Guanggao Co., Ltd.</td>
<td>37,935</td>
<td>39,919</td>
<td>—</td>
</tr>
<tr>
<td>Beijing Yiche Information Science and Technology Co., Ltd.</td>
<td>466</td>
<td>280</td>
<td>—</td>
</tr>
<tr>
<td>Shanghai Yijiu Information Technology Co., Ltd.</td>
<td>76</td>
<td>142</td>
<td>—</td>
</tr>
<tr>
<td>Bite Shijie (Beijing) Keji Co., Ltd.</td>
<td>1,664</td>
<td>47</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>79,763</td>
<td>138,497</td>
<td>5,222</td>
</tr>
</tbody>
</table>

(iii) Cost of manufacturing consignment

For the Year Ended December 31, 2019

<table>
<thead>
<tr>
<th>Company Name</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suzhou Zenlead XPT New Energy Technologies Co., Ltd</td>
<td>132,511</td>
<td>174,680</td>
<td>89,286</td>
</tr>
</tbody>
</table>

(iv) Purchase of raw material, property and equipment

For the Year Ended December 31, 2019

<table>
<thead>
<tr>
<th>Company Name</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kunshan Siwopu Intelligent Equipment Co., Ltd.</td>
<td>7,982</td>
<td>22,797</td>
<td>876,510</td>
</tr>
<tr>
<td>Nanjing Weibang Transmission Technology Co., Ltd.</td>
<td>34,220</td>
<td>114,329</td>
<td>213,867</td>
</tr>
<tr>
<td>Xunjie Energy (Wuhan) Co., Ltd</td>
<td>—</td>
<td>460</td>
<td>67,350</td>
</tr>
<tr>
<td>Total</td>
<td>42,202</td>
<td>137,586</td>
<td>1,157,727</td>
</tr>
</tbody>
</table>

(v) Sales of goods

For the Year Ended December 31, 2019

<table>
<thead>
<tr>
<th>Company Name</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wuhan Weineng Battery Assets Co., Ltd.</td>
<td>—</td>
<td>290,135</td>
<td>4,138,187</td>
</tr>
<tr>
<td>Beijing Yiche Interactive Advertising Co., Ltd.</td>
<td>—</td>
<td>1,453</td>
<td>485</td>
</tr>
<tr>
<td>Kunshan Siwopu Intelligent Equipment Co., Ltd.</td>
<td>—</td>
<td>—</td>
<td>370</td>
</tr>
<tr>
<td>Shanghai Weishang Business Consulting Co., Ltd.</td>
<td>—</td>
<td>—</td>
<td>157</td>
</tr>
<tr>
<td>Beijing Bit Ep Information Technology Co., Ltd.</td>
<td>—</td>
<td>4,402</td>
<td>—</td>
</tr>
<tr>
<td>Beijing Bitauto Interactive Technology Co., Ltd.</td>
<td>—</td>
<td>1,974</td>
<td>—</td>
</tr>
<tr>
<td>Beijing Yiche Information Science and Technology Co., Ltd.</td>
<td>—</td>
<td>525</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>—</td>
<td>298,489</td>
<td>4,139,199</td>
</tr>
</tbody>
</table>

(vi) Acceptance of R&D and maintenance service

For the Year Ended December 31, 2019

<table>
<thead>
<tr>
<th>Company Name</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kunshan Siwopu Intelligent Equipment Co., Ltd.</td>
<td>341</td>
<td>1,449</td>
<td>7,265</td>
</tr>
<tr>
<td>Xunjie Energy (Wuhan) Co., Ltd</td>
<td>—</td>
<td>—</td>
<td>929</td>
</tr>
<tr>
<td>Suzhou Zenlead XPT New Energy Technologies Co., Ltd</td>
<td>—</td>
<td>1,953</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>341</td>
<td>3,402</td>
<td>8,194</td>
</tr>
</tbody>
</table>
(vii) Loan from related party

<table>
<thead>
<tr>
<th>Loan from related party</th>
<th>For the Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Beijing Bitauto Interactive Technology Co., Ltd.</td>
<td>—</td>
</tr>
<tr>
<td>Beijing Changxing Information Technology Co., Ltd.</td>
<td>25,799</td>
</tr>
<tr>
<td>Total</td>
<td>25,799</td>
</tr>
</tbody>
</table>

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 December 31, 2020, 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 December 31, 2021, the loans have been fully repaid by the Company.

(viii) Sale of raw material, property and equipment

<table>
<thead>
<tr>
<th>Sale of raw material, property and equipment</th>
<th>For the Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Wistron Info Comm (Kunshan) Co., Ltd.</td>
<td>725</td>
</tr>
<tr>
<td>Wuhan Weineng Battery Assets Co., Ltd.</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>725</td>
</tr>
</tbody>
</table>

(ix) Convertible notes issued to related parties and interest accrual

<table>
<thead>
<tr>
<th>Convertible notes issued to related parties and interest accrual</th>
<th>For the Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Huang River Investment Limited</td>
<td>920,914</td>
</tr>
<tr>
<td>Serene View Investment Limited</td>
<td>614,926</td>
</tr>
<tr>
<td>Total</td>
<td>1,535,840</td>
</tr>
</tbody>
</table>

(x) Purchase of equity investee

<table>
<thead>
<tr>
<th>Purchase of equity investee</th>
<th>Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Weilan (Note 10)</td>
<td>—</td>
</tr>
</tbody>
</table>

F-53
(b) The Group had the following significant related party balances:

(i) Amounts due from related parties

<table>
<thead>
<tr>
<th>Company Name</th>
<th>As of December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2021</td>
</tr>
<tr>
<td>Wuhan Weineng Battery Assets Co., Ltd.</td>
<td>118,779</td>
<td>1,563,757</td>
</tr>
<tr>
<td>Nanjing Weibang Transmission Technology Co., Ltd.</td>
<td>509</td>
<td>268</td>
</tr>
<tr>
<td>Weilan (Note 10)</td>
<td>50,000</td>
<td>—</td>
</tr>
<tr>
<td>Kunshan Siwopu Intelligent Equipment Co., Ltd.</td>
<td>617</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>169,905</strong></td>
<td><strong>1,564,025</strong></td>
</tr>
</tbody>
</table>

In 2017, the Group provided a loan with the amount of RMB 50,000, to Weilan, an entity controlled by a principal shareholder and also the executive of the Company. As of December 31, 2021, RMB50,000 of the loan has been fully repaid by Weilan.

(ii) Amounts due to related parties

<table>
<thead>
<tr>
<th>Company Name</th>
<th>As of December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2021</td>
</tr>
<tr>
<td>Kunshan Siwopu Intelligent Equipment Co., Ltd.</td>
<td>11,986</td>
<td>426,420</td>
</tr>
<tr>
<td>Suzhou Zenlead XPT New Energy Technologies Co., Ltd.</td>
<td>273,982</td>
<td>165,219</td>
</tr>
<tr>
<td>Nanjing Weibang Transmission Technology Co., Ltd.</td>
<td>51,687</td>
<td>58,025</td>
</tr>
<tr>
<td>Xunjie Energy (Wuhan) Co., Ltd.</td>
<td>513</td>
<td>32,186</td>
</tr>
<tr>
<td>Wistron Info Comm (Kunshan) Co., Ltd.</td>
<td>3,007</td>
<td>2,339</td>
</tr>
<tr>
<td>Beijing Bit Ep Information Technology Co., Ltd.</td>
<td>1,768</td>
<td>1,350</td>
</tr>
<tr>
<td>Xtronics Innovation Ltd.</td>
<td>1,493</td>
<td>1,161</td>
</tr>
<tr>
<td>Beijing Yiche Interactive Advertising Co., Ltd.</td>
<td>—</td>
<td>500</td>
</tr>
<tr>
<td>Beijing Yiche Information Science and Technology Co., Ltd.</td>
<td>167</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>344,603</strong></td>
<td><strong>687,200</strong></td>
</tr>
</tbody>
</table>

(iii) Short-term borrowing and interest payable

<table>
<thead>
<tr>
<th>Company Name</th>
<th>As of December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2021</td>
</tr>
<tr>
<td>Huang River Investment Limited</td>
<td>3,391</td>
<td>381,785</td>
</tr>
</tbody>
</table>

(iv) Long-term borrowings and interest payable

<table>
<thead>
<tr>
<th>Company Name</th>
<th>As of December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2021</td>
</tr>
<tr>
<td>Huang River Investment Limited</td>
<td>531,507</td>
<td>—</td>
</tr>
</tbody>
</table>

27. Commitment 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:

<table>
<thead>
<tr>
<th>Type of Expenditure</th>
<th>As of December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2021</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>428,448</td>
<td>2,987,743</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>54,911</td>
<td>392,910</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>483,359</strong></td>
<td><strong>3,380,654</strong></td>
</tr>
</tbody>
</table>
(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. Plaintiffs have not amended their claims by December 31, 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 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, 2020 and 2021, other than as disclosed above, the Group is not a party to any material legal or administrative proceedings.

28. Subsequent Events

In March 2022, the Company, through its wholly owned subsidiary, consummated a selling of RMB1,030 million of asset-backed notes by issuing senior debt notes to investors.

In late March and April 2022, the Group’s vehicle production has been impacted by the supply chain volatilities and other constraints caused by a new wave of COVID-19 outbreaks in certain regions in China. The vehicle production has not reached full capacity of operations as of the date of issuance of financial statements. The Company will closely monitor the situation and its impact to the Company’s business and financial conditions.

29. Parent Company (the “Company”) Only 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 dividends to the Company for the years presented. Certain information and footnote disclosures generally included in financial statements prepared in accordance with U.S. GAAP have been and omitted. The footnote disclosures contain supplemental information relating to the operations of the Company, as such, these statements are not the general-purpose financial statements of the reporting entity and should be read in conjunction with the notes to the consolidated financial statements of the Company.
The Company did not have significant capital and other commitments, or guarantees as of December 31, 2021.

**Condensed Balance Sheets**

<table>
<thead>
<tr>
<th></th>
<th>As of December 31, 2020</th>
<th>2021</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>RMB</td>
<td>US$</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>22,173,454</td>
<td>2,207,347</td>
<td>346,381</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>—</td>
<td>1,123,596</td>
<td>176,317</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>—</td>
<td>11,495,387</td>
<td>1,803,877</td>
</tr>
<tr>
<td>Amounts due from subsidiaries of Group</td>
<td>—</td>
<td>138,415</td>
<td>21,720</td>
</tr>
<tr>
<td>Amounts due from related parties</td>
<td>19,680</td>
<td>80</td>
<td>13</td>
</tr>
<tr>
<td>Prepayments and other current assets</td>
<td>34,664</td>
<td>91,252</td>
<td>14,319</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>22,227,798</td>
<td>15,056,077</td>
<td>2,362,627</td>
</tr>
<tr>
<td>Non-current assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in subsidiaries and VIEs</td>
<td>10,540,521</td>
<td>30,541,632</td>
<td>4,792,649</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>10,540,521</td>
<td>30,541,632</td>
<td>4,792,649</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>32,768,319</td>
<td>45,597,709</td>
<td>7,155,276</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts due to subsidiaries of the Group</td>
<td>246,800</td>
<td>25,348</td>
<td>3,978</td>
</tr>
<tr>
<td>Current portion of long-term borrowings</td>
<td>—</td>
<td>1,228,278</td>
<td>192,744</td>
</tr>
<tr>
<td>Accruals and other liabilities</td>
<td>101,750</td>
<td>179,765</td>
<td>28,209</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>348,550</td>
<td>1,433,391</td>
<td>224,931</td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>5,196,507</td>
<td>9,440,625</td>
<td>1,481,440</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>54,431</td>
<td>13,769</td>
<td>2,161</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>5,250,938</td>
<td>9,454,394</td>
<td>1,483,601</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>5,599,488</td>
<td>10,887,785</td>
<td>1,708,532</td>
</tr>
<tr>
<td><strong>SHAREHOLDERS’ EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class A Ordinary Shares</td>
<td>2,205</td>
<td>2,418</td>
<td>379</td>
</tr>
<tr>
<td>Class B Ordinary Shares</td>
<td>220</td>
<td>220</td>
<td>35</td>
</tr>
<tr>
<td>Class C Ordinary Shares</td>
<td>254</td>
<td>254</td>
<td>40</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>—</td>
<td>(1,849,600)</td>
<td>(290,243)</td>
</tr>
<tr>
<td>Additional paid in capital</td>
<td>78,880,014</td>
<td>92,467,072</td>
<td>14,510,101</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>(65,452)</td>
<td>(276,300)</td>
<td>(43,357)</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(51,648,410)</td>
<td>(55,634,140)</td>
<td>(8,730,211)</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td>27,168,831</td>
<td>34,709,924</td>
<td>5,446,744</td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders’ equity</strong></td>
<td>32,768,319</td>
<td>45,597,709</td>
<td>7,155,276</td>
</tr>
</tbody>
</table>
### Condensed Statements of Comprehensive Loss

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
<td>US$</td>
</tr>
<tr>
<td><strong>Operating expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>(97)</td>
<td>(7,463)</td>
<td>(4,735)</td>
<td>(743)</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>(97)</td>
<td>(7,463)</td>
<td>(4,735)</td>
<td>(743)</td>
</tr>
<tr>
<td>Loss from operations</td>
<td>(97)</td>
<td>(7,463)</td>
<td>(4,735)</td>
<td>(743)</td>
</tr>
<tr>
<td>Interest and investment income</td>
<td>4,212</td>
<td>10,086</td>
<td>61,292</td>
<td>9,618</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(237,374)</td>
<td>(312,662)</td>
<td>(471,270)</td>
<td>(73,953)</td>
</tr>
<tr>
<td>Equity in loss of subsidiaries and VIEs</td>
<td>(11,076,907)</td>
<td>(5,089,371)</td>
<td>(3,632,893)</td>
<td>(570,081)</td>
</tr>
<tr>
<td>Other income</td>
<td>23,655</td>
<td>100,290</td>
<td>61,876</td>
<td>9,709</td>
</tr>
<tr>
<td><strong>Loss before income tax expense</strong></td>
<td>(11,286,511)</td>
<td>(5,299,120)</td>
<td>(3,985,730)</td>
<td>625,450</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net loss</strong></td>
<td>(11,286,511)</td>
<td>(5,299,120)</td>
<td>(3,985,730)</td>
<td>(625,450)</td>
</tr>
<tr>
<td>Accretion on redeemable non-controlling interests to redemption value</td>
<td>(126,590)</td>
<td>(311,670)</td>
<td>(6,586,579)</td>
<td>(1,033,578)</td>
</tr>
<tr>
<td><strong>Net loss attributable to ordinary shareholders of NIO Inc.</strong></td>
<td>(11,413,101)</td>
<td>(5,610,790)</td>
<td>(10,572,309)</td>
<td>(1,659,028)</td>
</tr>
<tr>
<td>Net loss</td>
<td>(11,286,511)</td>
<td>(5,299,120)</td>
<td>(3,985,730)</td>
<td>(625,450)</td>
</tr>
<tr>
<td><strong>Total comprehensive loss</strong></td>
<td>(11,454,851)</td>
<td>(5,161,524)</td>
<td>(4,196,578)</td>
<td>(658,537)</td>
</tr>
<tr>
<td>Accretion on redeemable non-controlling interests to redemption value</td>
<td>(126,590)</td>
<td>(311,670)</td>
<td>(6,586,579)</td>
<td>(1,033,578)</td>
</tr>
<tr>
<td><strong>Comprehensive loss attributable to ordinary shareholders of NIO Inc.</strong></td>
<td>(11,581,441)</td>
<td>(5,473,194)</td>
<td>(10,783,157)</td>
<td>(1,692,115)</td>
</tr>
</tbody>
</table>

### Condensed Statements of Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
<td>US$</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash generated from/(used in) operating activities</td>
<td>438,465</td>
<td>(2,460,216)</td>
<td>(8,697)</td>
<td>(1,365)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(4,817,498)</td>
<td>(12,998,602)</td>
<td>(40,770,898)</td>
<td>(6,397,844)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>4,373,247</td>
<td>37,867,127</td>
<td>22,382,871</td>
<td>3,512,361</td>
</tr>
<tr>
<td>Effects of exchange rate changes on cash and cash equivalents</td>
<td>236</td>
<td>(246,484)</td>
<td>(445,786)</td>
<td>(69,953)</td>
</tr>
<tr>
<td><strong>NET (DECREASE)/INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</strong></td>
<td>(5,550)</td>
<td>22,161,825</td>
<td>(18,842,510)</td>
<td>(2,956,801)</td>
</tr>
<tr>
<td>Cash, cash equivalents and restricted cash at beginning of the year</td>
<td>17,179</td>
<td>11,629</td>
<td>22,173,454</td>
<td>3,479,499</td>
</tr>
<tr>
<td>Cash, cash equivalents and restricted cash at end of the year</td>
<td>11,629</td>
<td>22,173,454</td>
<td>3,330,943</td>
<td>522,698</td>
</tr>
</tbody>
</table>

**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 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 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 Statements of Comprehensive Loss. The parent company only financial information should be read in conjunction with the Group’s consolidated financial statements.
I, Bin Li, a citizen of the People’s Republic of China (“China” or the “PRC”) whose Identification Card No. is ********, and a holder of 80% of the equity interests in Beijing NIO Network Technology Co., Ltd. (“Beijing NIO Network”) as of the date of this Power of Attorney, hereby irrevocably authorize NIO Co., Ltd. (the “WFOE”) to exercise the following rights on my behalf relating to all equity interests held by me now and in the future in Beijing NIO Network (“My Shareholding”), during the term of this Power of Attorney:

The WFOE or the persons(s) designated by the WFOE (including without limitation to the directors of NIO Holding Co., Ltd, the parent company of the WFOE, and their successors as well as any liquidator in replacement of the directors of such parent company, but excluding any non-independent person or person that may cause conflicts of interest) (the “Attorney-In-Fact”) is hereby authorized, as my sole and exclusive agent with full power, to act on behalf of myself with respect to all matters concerning My Shareholding, including without limitation to: 1) convening and attending shareholders’ meetings of Beijing NIO Network; 2) filing all necessary documents with relevant company registry; 3) exercising all of the shareholder’s rights and shareholder’s voting rights that I am entitled to under the laws of China and the articles of association of Beijing NIO Network, including without limitation to the right to receive dividends, sell or transfer or pledge or dispose of My Shareholding (in part or in whole); 4) representing myself in executing any resolutions and minutes and approving the amendments to the articles of association as a shareholder of Beijing NIO Network on my behalf; and 5) nominating, appointing or removing on behalf of myself the legal representative, directors, supervisors, general managers and other senior management members of Beijing NIO Network and filing a lawsuit or taking other legal actions against such legal representative, directors, supervisors, general managers and other senior management members of Beijing NIO Network when their actions harm the interests of Beijing NIO Network or its shareholders. Without written consent by the WFOE, I have no right to increase, decrease, transfer, re-pledge, or by any other manner to dispose of or change My Shareholding.

For the purpose of entrusting the rights under this Power of Attorney, the WFOE or the person(s) designated by the WFOE have the right to know all kinds of relevant information about the corporate operation, business, customers, finance, employees, etc. of Beijing NIO Network, for which I shall provide appropriate assistance at request.

I, without the prior written consent of the WFOE, will not directly or indirectly participate in, engage in, involve or own, or use any information obtained from the WFOE and Beijing NIO Network to participate in, engage in, involve or own any business that may compete with the WFOE, Beijing NIO Network or its affiliated companies or main businesses, nor will I hold any interests or gain benefits from any business that may compete with the WFOE, Beijing NIO Network or its affiliated companies or main businesses. For the avoidance of doubt, this Power of Attorney shall not be considered an authorization for me or other non-independent persons or persons that may cause conflicts of interest to exercise the rights conferred by this Power of Attorney.

If I become a person with no capacity for civil conduct or a person with limited capacity for civil conduct for any reason, all my guardians shall continue to perform their duties and have their rights, provided that they shall covenant to continue to comply with the terms of this Power of Attorney.

The Attorney-In-Fact shall have the right to, on behalf of myself, execute the Exclusive Option Agreement entered into by and among the WFOE, Beijing NIO Network and me on April 12, 2021 and the Equity Interest Pledge Agreement entered into by and among the WFOE, Beijing NIO Network and me on April 12, 2021 (including any modification, amendment and restatement thereto, collectively the “Transaction Documents”) and all the documents I shall sign as stipulated in the Transaction Documents, and to perform the terms of the Transaction Documents.
as scheduled. The exercise of such right shall not constitute any restriction or limit on the authority granted hereunder.

All the actions associated with My Shareholding conducted by the Attorney-In-Fact shall be deemed as my own actions, and all the documents related to My Shareholding executed by the Attorney-In-Fact shall be deemed to be executed by me. I hereby acknowledge and ratify those actions and/or documents by the Attorney-In-Fact.

The Attorney-In-Fact have the right to re-authorize and may, at its own discretion, delegate its rights hereunder to other person or entity in respect of the aforesaid matters without giving prior notice to me or obtaining my consent. The Attorney-In-Fact shall designate a PRC citizen to exercise the aforementioned rights if so required by PRC laws.

Unless otherwise specified in this Power of Attorney, the Attorney-In-Fact has the right to allocate, use or otherwise dispose of cash dividends and other non-cash proceeds generated from My Shareholding in accordance with my oral or written instructions.

During my tenure as a shareholder of Beijing NIO Network, this Power of Attorney shall be irrevocable and continuously effective and valid from the date of execution of this Power of Attorney.

In the event of any dispute arising from the performance of this Power of Attorney or in connection with this Power of Attorney, either I or the Attorney-In-Fact is entitled to submit the dispute to Shanghai International Economic and Trade Arbitration Commission for arbitration in Shanghai in accordance with its arbitration procedures and rules then in effect. The arbitration tribunal shall consist of three arbitrators to be appointed in accordance with the arbitration rules. The claimant and the respondent shall respectively appoint one arbitrator, and the third arbitrator shall be appointed by the first two arbitrators through negotiations or designated by Shanghai International Economic and Trade Arbitration Commission. The arbitration proceedings shall be conducted in Chinese in a confidential manner. The arbitration award shall be final and binding upon the parties thereto. Under appropriate circumstances, the arbitration tribunal or arbitrators may award compensation, injunctive relief in respect of either my or the Attorney-In-Fact’s equities, assets, property rights or land assets in accordance with the dispute resolution clause and/or applicable PRC laws, including restriction on conduct of business, restriction or prohibition of transfer or sale of equities or assets, or proposal for the winding-up of the party concerned. In addition, in the course of forming the tribunal, either I or the Attorney-In-Fact shall have the right to file an application to any court with competent jurisdiction (including courts in Hong Kong, Cayman Islands and places of incorporation of any party of the Attorney-In-Fact (namely Beijing, China and Shanghai, China) and places where either my or the Attorney-In-Fact’s main assets are located) for the grant of temporary reliefs. During the arbitration proceeding, this Power of Attorney shall continue to be valid except for the part which is disputed by either the Attorney-In-Fact or me and subject to arbitration.

During the term of this Power of Attorney, I hereby waive all the rights associated with My Shareholding, which have been authorized to the Attorney-In-Fact through this Power of Attorney, and shall not exercise such rights by myself.

\[\text{(THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK)}\]
IN WITNESS WHEREOF, the Parties have caused their respective authorized representatives to execute this Power of Attorney on April 12, 2021 with immediate effect.

Principal:

Bin LI

Signature:/s/ Bin LI

Accepted by:

NIO Co., Ltd. (seal)

Signed by: /s/ Lihong Qin
Name: Lihong Qin
Title: Legal Representative

Acknowledged by:

Beijing NIO Network Technology Co., Ltd. (seal)

Signed by: /s/ Lihong Qin
Name: Lihong Qin
Title: Legal Representative
I, Lihong Qin, a citizen of the People’s Republic of China ("China" or the "PRC") whose Identification Card No. is ********, and a holder of 20% of the equity interests in Beijing NIO Network Technology Co., Ltd. ("Beijing NIO Network") as of the date of this Power of Attorney, hereby irrevocably authorize NIO Co., Ltd. (the "WFOE") to exercise the following rights on my behalf relating to all equity interests held by me now and in the future in Beijing NIO Network ("My Shareholding"), during the term of this Power of Attorney:

The WFOE or the persons(s) designated by the WFOE (including without limitation to the directors of NIO Holding Co., Ltd, the parent company of the WFOE, and their successors as well as any liquidator in replacement of the directors of such parent company, but excluding any non-independent person or person that may cause conflicts of interest) (the “Attorney-In-Fact”) is hereby authorized, as my sole and exclusive agent with full power, to act on behalf of myself with respect to all matters concerning My Shareholding, including without limitation to: 1) convening and attending shareholders’ meetings of Beijing NIO Network; 2) filing all necessary documents with relevant company registry; 3) exercising all of the shareholder’s rights and shareholder’s voting rights that I am entitled to under the laws of China and the articles of association of Beijing NIO Network, including without limitation to the right to receive dividends, sell or transfer or pledge or dispose of My Shareholding (in part or in whole); 4) representing myself in executing any resolutions and minutes and approving the amendments to the articles of association as a shareholder of Beijing NIO Network on my behalf; and 5) nominating, appointing or removing on behalf of myself the legal representative, directors, supervisors, general managers and other senior management members of Beijing NIO Network and filing a lawsuit or taking other legal actions against such legal representative, directors, supervisors, general managers and other senior management members of Beijing NIO Network when their actions harm the interests of Beijing NIO Network or its shareholders. Without written consent by the WFOE, I have no right to increase, decrease, transfer, re-pledge, or by any other manner to dispose of or change My Shareholding.

For the purpose of entrusting the rights under this Power of Attorney, the WFOE or the person(s) designated by the WFOE have the right to know all kinds of relevant information about the corporate operation, business, customers, finance, employees, etc. of Beijing NIO Network, for which I shall provide appropriate assistance at request.

I, without the prior written consent of the WFOE, will not directly or indirectly participate in, engage in, involve or own, or use any information obtained from the WFOE and Beijing NIO Network to participate in, engage in, involve or own any business that may compete with the WFOE, Beijing NIO Network or its affiliated companies or main businesses, nor will I hold any interests or gain benefits from any business that may compete with the WFOE, Beijing NIO Network or its affiliated companies or main businesses. For the avoidance of doubt, this Power of Attorney shall not be considered an authorization for me or other non-independent persons or persons that may cause conflicts of interest to exercise the rights conferred by this Power of Attorney.

If I become a person with no capacity for civil conduct or a person with limited capacity for civil conduct for any reason, all my guardians shall continue to perform their duties and have their rights, provided that they shall covenant to continue to comply with the terms of this Power of Attorney.

The Attorney-In-Fact shall have the right to, on behalf of myself, execute the Exclusive Option Agreement entered into by and among the WFOE, Beijing NIO Network and me on April 12, 2021 and the Equity Interest Pledge Agreement entered into by and among the WFOE, Beijing NIO Network and me on April 12, 2021 (including any modification, amendment and restatement thereto, collectively the “Transaction Documents”) and all the documents I shall sign as stipulated in the Transaction Documents, and to perform the terms of the Transaction Documents as scheduled. The exercise of such right shall not constitute any restriction or limit on the authority
All the actions associated with My Shareholding conducted by the Attorney-In-Fact shall be deemed as my own actions, and all the documents related to My Shareholding executed by the Attorney-In-Fact shall be deemed to be executed by me. I hereby acknowledge and ratify those actions and/or documents by the Attorney-In-Fact.

The Attorney-In-Fact have the right to re-authorize and may, at its own discretion, delegate its rights hereunder to other person or entity in respect of the aforesaid matters without giving prior notice to me or obtaining my consent. The Attorney-In-Fact shall designate a PRC citizen to exercise the aforementioned rights if so required by PRC laws.

Unless otherwise specified in this Power of Attorney, the Attorney-In-Fact has the right to allocate, use or otherwise dispose of cash dividends and other non-cash proceeds generated from My Shareholding in accordance with my oral or written instructions.

During my tenure as a shareholder of Beijing NIO Network, this Power of Attorney shall be irrevocable and continuously effective and valid from the date of execution of this Power of Attorney.

In the event of any dispute arising from the performance of this Power of Attorney or in connection with this Power of Attorney, either I or the Attorney-In-Fact is entitled to submit the dispute to Shanghai International Economic and Trade Arbitration Commission for arbitration in Shanghai in accordance with its arbitration procedures and rules then in effect. The arbitration tribunal shall consist of three arbitrators to be appointed in accordance with the arbitration rules. The claimant and the respondent shall respectively appoint one arbitrator, and the third arbitrator shall be appointed by the first two arbitrators through negotiations or designated by Shanghai International Economic and Trade Arbitration Commission. The arbitration proceedings shall be conducted in Chinese in a confidential manner. The arbitration award shall be final and binding upon the parties thereto. Under appropriate circumstances, the arbitration tribunal or arbitrators may award compensation, injunctive relief in respect of either my or the Attorney-In-Fact’s equities, assets, property rights or land assets in accordance with the dispute resolution clause and/or applicable PRC laws, including restriction on conduct of business, restriction or prohibition of transfer or sale of equities or assets, or proposal for the winding-up of the party concerned. In addition, in the course of forming the tribunal, either I or the Attorney-In-Fact shall have the right to file an application to any court with competent jurisdiction (including courts in Hong Kong, Cayman Islands and places of incorporation of any party of the Attorney-In-Fact (namely Beijing, China and Shanghai, China) and places where either my or the Attorney-In-Fact’s main assets are located) for the grant of temporary reliefs. During the arbitration proceeding, this Power of Attorney shall continue to be valid except for the part which is disputed by either the Attorney-In-Fact or me and subject to arbitration.

During the term of this Power of Attorney, I hereby waive all the rights associated with My Shareholding, which have been authorized to the Attorney-In-Fact through this Power of Attorney, and shall not exercise such rights by myself.

*(THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK)*
IN WITNESS WHEREOF, the Parties have caused their respective authorized representatives to execute this Power of Attorney on April 12, 2021 with immediate effect.

Principal:

Lihong Qin

Signature: /s/ Lihong Qin

Accepted by:

NIO Co., Ltd. (seal)

Signed by: /s/ Lihong Qin
Name: Lihong Qin
Title: Legal Representative

Acknowledged by:

Beijing NIO Network Technology Co., Ltd. (seal)

Signed by: /s/ Lihong Qin
Name: Lihong Qin
Title: Legal Representative
This Loan Agreement (this “Agreement”) is made and entered into by and between the following parties on April 12, 2021 in Shanghai, the People’s Republic of China (“China” or the “PRC”, for the purpose of this Agreement, excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan Region of the People’s Republic of China).

NIO Co., Ltd. (the “Lender”), a wholly foreign-owned enterprise, organized and existing under the laws of the PRC, with its registered address at Room 115, No. 569 Anchi Road, Anting Town, Jiading District, Shanghai; and

Bin Li (the “Borrower”), a citizen of China with ID card No.: ********.

In this Agreement, each of the Lender and the Borrower shall be hereinafter referred to as a “Party” respectively, and as the “Parties” collectively.

Whereas:

A. Beijing NIO Network Technology Co., Ltd. (the “Borrower Company”) is a limited liability company established in accordance with the PRC laws and effectively continued with the registered capital of RMB 10,000,000. The Borrower is a shareholder of the Borrower Company and holds 80% of the equity interests, representing RMB 8,000,000 in the registered capital of the Borrower Company. All of the equity interest now and hereafter held by the Borrower in the Borrower Company shall be referred to as the “Borrower Equity Interest”; and

B. The Lender acknowledges that it agrees to provide the Borrower, and the Borrower confirms the receipt, with a loan in the aggregate amount of RMB 8,000,000 to be used for the purposes set forth in this Agreement.

Accordingly, through friendly consultation, the Parties agree as follows:

1 Loan

1.1 In accordance with the terms of this Agreement, the Lender agrees to provide to the Borrower a loan in the aggregate amount of RMB 8,000,000 (the “Loan”). The term of the Loan shall be from the effective date hereof until the Lender exercises its exclusive right to purchase pursuant to the Exclusive Option Agreement (as defined below). Once the occurrence of any of the following circumstances, the term of the Loan shall accelerate and the Borrower shall immediately repay the Loan:

1.1.1 Thirty (30) days elapsed after a written notice from the Lender requesting repayment of the Loan;

1.1.2 The Borrower’s death, lack, or limitation of civil capacity;

1.1.3 The Borrower ceases (for any reason) to be a shareholder of the Borrower Company or its affiliates, and the Borrower is not an employee of the Lender, the Borrower Company or their affiliates;

1.1.4 The Borrower engages in criminal act or is involved in criminal activities;

1.1.5 According to the applicable laws of China, foreign investors are permitted to invest in the core business that is currently conducted by the Borrower
Company in China, with a controlling stake and/or in the form of wholly foreign-owned enterprises, the competent government authorities of China begin to approve such investments, and the Lender decides to exercise the exclusive option under the Exclusive Option Agreement (the “Exclusive Option Agreement”) entered into by the Lender, the Borrower and the Borrower Company on April 12, 2021; or the Borrower or the Borrower Company has violated or committed a breach of its representations, warranties, covenants or other obligations under the Exclusive Option Agreement;

1.1.6 The Borrower Company failed to obtain or renew any governmental approval or license necessary for the operation of its core business.

1.2 Without the Lender’s prior written consent, the Borrower shall not transfer the rights and obligations under this Agreement to any other persons.

1.3 The Borrower agrees to accept the aforementioned Loan provided by the Lender, and hereby agrees and undertakes to use the Loan for the contribution of the registered capital of the Borrower Company. Without the Lender’s prior written consent, the Borrower shall not use the Loan for any purpose other than as set forth herein.

1.4 The Lender and the Borrower hereby agree and confirm that the Borrower shall repay the Loan only through the following means (or other means approved by the Lender): by transferring the Borrower Equity Interest in whole to the Lender or the Lender’s designated person (legal person or natural person) pursuant to the Lender’s exercise of its right to acquire the Borrower Equity Interest under the Exclusive Option Agreement, and any proceeds from the transfer of the Borrower Equity Interest (to the extent permitted by the applicable laws) shall be used by the Borrower to repay the Loan (principal and any interest thereon) to the Lender or the Lender’s designated person in accordance with this Agreement and the Exclusive Option Agreement and in the manner designated by the Lender.

1.5 The Lender and the Borrower hereby agree and confirm that to the extent permitted by the applicable laws, the Lender shall have the right (but not the obligation) to purchase or designate any other person (legal person or natural person) to purchase the Borrower Equity Interest in part or in whole at any time, at the price stipulated in the Exclusive Option Agreement.

1.6 When the Borrower transfers the Borrower Equity Interest to the Lender or the Lender’s designated person, in the event that the transfer price of such Borrower Equity Interest equals to or is lower than the principal of the Loan under this Agreement, the Loan under this Agreement shall be deemed an interest-free loan; in the event that the transfer price of such Borrower Equity Interest exceeds the principal of the Loan under this Agreement, the excess over the principal shall be deemed the interest of the Loan under this Agreement, and all of such interest shall be repaid by the Borrower to the Lender. When the Lender or the Lender’s designated person obtains all the Borrower Equity Interest (subject to the AMR registration) and/or the Borrower repays the Loan principal and any interest thereon (if applicable) to the Lender according to this Agreement and the Exclusive Option Agreement, the Borrower is deemed to have fully performed its repayment obligations under this Agreement.

2 Representations and Warranties
2.1 The Lender hereby makes the following representations and warranties to the Borrower at the execution date of this Agreement:

2.1.1 The Lender is a company legally organized and effectively existing in accordance with the laws of China;

2.1.2 The Lender has the legal capacity to execute this Agreement. The execution and performance by the Lender of this Agreement do not violate the Lender’s business scope and the Lender’s articles of association or other organizational documents, and the Lender has obtained all necessary and proper approvals and authorizations for the execution and performance of this Agreement; and

2.1.3 This Agreement, once signed, constitutes the Lender’s legal, valid, and binding obligations enforceable in accordance with its terms.

2.2 The Borrower hereby makes the following representations and warranties to the Lender at the execution date of this Agreement:

2.2.1 The Borrower is a natural person with full civil capacity.

2.2.2 The Borrower has the legal capacity to execute and perform this Agreement. The execution and performance by the Borrower of this Agreement do not violate the Borrower’s business scope and the Borrower’s articles of association or other organizational documents, and the Borrower has obtained all necessary and proper approvals and authorizations for the execution and performance of this Agreement;

2.2.3 This Agreement, once signed, constitutes the Borrower’s legal, valid, and binding obligations enforceable in accordance with its terms; and

2.2.4 There are no disputes, litigations, arbitrations, administrative proceedings, or any other legal proceedings relating to the Borrower, nor are there any potential disputes, litigations, arbitrations, administrative proceedings, or any other legal proceedings relating to the Borrower.

3 Borrower’s Covenants

3.1 As a shareholder of the Borrower Company, the Borrower irrevocably covenants that during the term of this Agreement, the Borrower shall cause the Borrower Company:

3.1.1 to strictly abide by the provisions of the Exclusive Option Agreement to which the Borrower Company is a party, and to refrain from any action or omission that may affect the effectiveness and enforceability of the Exclusive Option Agreement;

3.1.2 at the request of the Lender (or any other person designated by the Lender), to execute the contracts/agreements on business cooperation with the Lender (or any other person designated by the Lender), and to strictly abide by such contracts/agreements;

3.1.3 to provide the Lender with all of the information on the Borrower Company’s business operations and financial condition at the Lender’s request;
3.1.4 to immediately notify the Lender of the occurrence or possible occurrence of any litigation, arbitration, or administrative proceedings relating to the Borrower Company’s assets, business, or income; and

3.1.5 to appoint any designee of the Lender as the director of the Borrower Company at the request of the Lender.

3.2 The Borrower covenants that during the term of this Agreement, he/she shall:

3.2.1 endeavor to keep the Borrower Company to be engaged in its core business and to keep the specific business scope of its business license;

3.2.2 abide by the provisions of this Agreement, the Equity Pledge Agreement (the “Equity Pledge Agreement”) and the Exclusive Option Agreement to which the Borrower is a party, practically perform the obligations under this Agreement, the Equity Pledge Agreement and the Exclusive Option Agreement, and refrain from any action/omission that may affect the effectiveness and enforceability of this Agreement, the Equity Pledge Agreement and the Exclusive Option Agreement;

3.2.3 not sell, transfer, mortgage or dispose of in any other manner the legal or beneficial interest in the Borrower Equity Interest, or allow the encumbrance thereon of any security interest, except in accordance with the Equity Pledge Agreement;

3.2.4 ensure any shareholders’ meeting and/or the board of directors of the Borrower Company not to approve the sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in the Borrower Equity Interest, or allow the encumbrance thereon of any security interest, without the prior written consent of the Lender, except to the Lender or the Lender’s designated person;

3.2.5 ensure any shareholders’ meeting and/or the board of directors of the Borrower Company not to approve the merger or consolidation of the Borrower Company with any person, or its acquisition of or investment in any person, without the prior written consent of the Lender;

3.2.6 immediately notify the Lender of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the Borrower Equity Interest;

3.2.7 to the extent necessary to maintain the ownership of the Borrower Equity Interest, execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defense against all claims;

3.2.8 without the prior written consent of the Lender, refrain the Borrower from any action/omission that may have a material impact on the assets, business and liabilities of the Borrower Company;

3.2.9 appoint any designee of the Lender as the director of the Borrower Company at the request of the Lender;

3.2.10 to the extent permitted by the laws of China, at the request of the Lender at any time, promptly and unconditionally transfer all of the Borrower Equity
Interest to the Lender or the Lender’s designated person at any time, and ensure the other shareholders of the Borrower Company to waive their right of first refusal with respect to the share transfer described in this Article;

3.2.11 to the extent permitted by the laws of China, at the request of the Lender at any time, ensure that the other shareholders of the Borrower Company shall promptly and unconditionally transfer all of their equity interests in the Borrower Company to the Lender or the Lender’s designated person at any time, and the Borrower hereby waives his right of first refusal (if any) with respect to the equity transfer by such other shareholders described in this Article;

3.2.12 in the event that the Lender purchases the Borrower Equity Interest from the Borrower in accordance with the provisions of the Exclusive Option Agreement, use such purchase price obtained thereby to repay the Loan to the Lender; and

3.2.13 without the prior written consent of the Lender, not cause the Borrower Company to supplement, change, or amend its articles of association in any manner, increase or decrease its registered capital or change its share capital structure in any manner.

4 Liability for Default

4.1 If the Borrower materially breaches any provision under this Agreement, the Lender is entitled to terminate this Agreement immediately after delivering a written notice to the Borrower and the Borrower shall compensate all the losses suffered by the Lender as a result of the Borrower’s default or early termination of this Agreement. The remedies set out in this Article 4.1 are not exclusive remedies and shall not prejudice any other remedies of the Lender under this Agreement or the applicable laws.

4.2 The Borrower shall not have any right to terminate this Agreement unilaterally in any event unless otherwise required by the applicable laws.

4.3 In the event that the Borrower fails to perform the repayment obligations set forth in this Agreement, the Borrower shall pay an overdue interest of 0.01% per day for the outstanding payment, until the day the Borrower repays all the amounts (including overdue interests).

5 Notices

5.1 All notices and other communications required to be given pursuant to this Agreement or otherwise given in connection with this Agreement shall be delivered personally, or sent by registered mail, prepaid postage, commercial courier service, facsimile transmission to the address of such Party set forth below. A copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively served shall be determined as follows:

5.1.1 Notices given by personal delivery (including courier service), shall be deemed effectively served on the date of signature for receipt;

5.1.2 Notices given by registered mail, postage prepaid, shall be deemed effectively served on the 15th day after the date on the registered letter receipt; or
5.1.3 Notices given by facsimile transmission, shall be deemed effectively served on the date indicated on the fax transmission record, unless it is delivered after 5 p.m. or on a non-business day per the local time of the recipient, in which case, it shall be deemed effectively served on the business day immediately following the date indicated on the fax transmission record.

5.2 For the purpose of notice, the addresses of the Parties are as follows:

Lender: NIO Co., Ltd.
Address: Building 20, No. 56 Antuo Road, Jiading District, Shanghai
Attn: Lei Liu

Borrower: Bin Li
Address: ********
Attn: Bin Li

Borrower Company: Beijing NIO Network Technology Co., Ltd.
Address: Building 20, No. 56 Antuo Road, Jiading District, Shanghai
Attn: Lei Liu

5.3 Any Party may change its address for notices by a notice delivered to the other Parties in accordance with the terms of this Section.

6 Confidentiality

The Parties acknowledge and confirm that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance of this Agreement are confidential information. Both Parties shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any confidential information to any third party, except for the information that: (a) is in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Article. Disclosure of any confidential information by the shareholders, director, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

7 Governing Law and Disputes Resolution

7.1 The execution, effectiveness, interpretation, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of the PRC.

7.2 In the event of any dispute arising from the performance of this Agreement or in connection with this Agreement, either Party is entitled to submit the dispute to Shanghai International Economic and Trade Arbitration Commission for arbitration in Shanghai in accordance with its arbitration procedures and rules then in effect. The arbitration tribunal shall consist of three arbitrators to be appointed in accordance with the arbitration rules. The claimant and the respondent shall
respectively appoint one arbitrator, and the third arbitrator shall be appointed by the first two arbitrators through negotiations or designated by Shanghai International Economic and Trade Arbitration Commission. The arbitration proceedings shall be conducted in Chinese in a confidential manner. The arbitration award shall be final and binding upon the parties thereto. Under appropriate circumstances, the arbitration tribunal or arbitrators may award compensation, injunctive relief in respect of all the Parties’ equities or assets in accordance with the dispute resolution clause and/or applicable PRC laws, including restriction on conduct of business, restriction or prohibition of transfer or sale of equities or assets, or proposal for the winding-up of all the Parties. In addition, in the course of forming the tribunal, both Parties shall have the right to file an application to any court with competent jurisdiction (including courts in Hong Kong, Cayman Islands and places of incorporation of all the Parties (namely Shanghai, China and Beijing, China)) and places where the principal assets of all the Parties are located for the grant of temporary reliefs.

7.3 When any dispute occurs in interpreting or performing this Agreement or any dispute is under arbitration, except for the matters under dispute, all the Parties shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

8 Miscellaneous

8.1 This Agreement shall become effective upon execution by the Parties, and shall expire upon the date of full performance by the Parties of their respective obligations under this Agreement.

8.2 This Agreement shall be written in Chinese in two copies. The Lender and the Borrower shall hold one copy respectively and each shall have equal legal validity as this Agreement.

8.3 Any amendment and supplement to this Agreement shall be made in writing by the Parties to this Agreement. Any amendment agreement and supplementary agreement duly executed by the Parties hereto with regard to this Agreement shall constitute an integral part of this Agreement, and shall have equal legal validity as this Agreement.

8.4 In the event that one or several of the provisions of this Agreement are held to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

8.5 Attachments of this Agreement (if any) shall constitute an integral part of this Agreement, and shall have equal legal validity as this Agreement.

8.6 Any obligations that occur or that are due as a result of this Agreement upon the expiration or early termination of this Agreement shall survive the expiration or early termination thereof. The provisions under Articles 4, 6, 7 and 8.6 herein of this Agreement shall survive the expiration or termination of this Agreement.
IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Loan Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

**Lender: NIO Co., Ltd. (seal)**

By: /s/ Lihong Qin  
Name: Lihong Qin  
Title: Legal Representative

**Borrower: Bin Li**

Signed by: /s/ Bin Li
Loan Agreement

This Loan Agreement (this “Agreement”) is made and entered into by and between the following parties on April 12, 2021 in Shanghai, the People’s Republic of China (“China” or the “PRC”, for the purpose of this Agreement, excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan Region of the People’s Republic of China).

NIO Co., Ltd. (the “Lender”), a wholly foreign-owned enterprise, organized and existing under the laws of the PRC, with its registered address at Room 115, No. 569 Anchi Road, Anting Town, Jiading District, Shanghai; and

Lihong Qin (the “Borrower”), a citizen of China with ID card No.: ********.

In this Agreement, each of the Lender and the Borrower shall be hereinafter referred to as a “Party” respectively, and as the “Parties” collectively.

Whereas:

C. Beijing NIO Network Technology Co., Ltd. (the “Borrower Company”) is a limited liability company established in accordance with the PRC laws and effectively continued with the registered capital of RMB 10,000,000. The Borrower is a shareholder of the Borrower Company and holds 80% of the equity interests, representing RMB 8,000,000 in the registered capital of the Borrower Company. All of the equity interest now and hereafter held by the Borrower in the Borrower Company shall be referred to as the “Borrower Equity Interest”; and

D. The Lender acknowledges that it agrees to provide the Borrower, and the Borrower confirms the receipt, with a loan in the aggregate amount of RMB 8,000,000 to be used for the purposes set forth in this Agreement.

Accordingly, through friendly consultation, the Parties agree as follows:

9 Loan

9.1 In accordance with the terms of this Agreement, the Lender agrees to provide to the Borrower a loan in the aggregate amount of RMB 8,000,000 (the “Loan”). The term of the Loan shall be from the effective date hereof until the Lender exercises its exclusive right to purchase pursuant to the Exclusive Option Agreement (as defined below). Once the occurrence of any of the following circumstances, the term of the Loan shall accelerate and the Borrower shall immediately repay the Loan:

9.1.1 Thirty (30) days elapsed after a written notice from the Lender requesting repayment of the Loan;

9.1.2 The Borrower’s death, lack, or limitation of civil capacity;

9.1.3 The Borrower ceases (for any reason) to be a shareholder of the Borrower Company or its affiliates, and the Borrower is not an employee of the Lender, the Borrower Company or their affiliates;

9.1.4 The Borrower engages in criminal act or is involved in criminal activities;

9.1.5 According to the applicable laws of China, foreign investors are permitted to invest in the core business that is currently conducted by the Borrower
Company in China, with a controlling stake and/or in the form of wholly foreign-owned enterprises, the competent
government authorities of China begin to approve such investments, and the Lender decides to exercise the
exclusive option under the Exclusive Option Agreement (the “Exclusive Option Agreement”) entered into by the
Lender, the Borrower and the Borrower Company on April 12, 2021; or the Borrower or the Borrower Company
has violated or committed a breach of its representations, warranties, covenants or other obligations under the
Exclusive Option Agreement;

9.1.6 The Borrower Company failed to obtain or renew any governmental approval or license necessary for the operation
of its core business.

9.2 Without the Lender’s prior written consent, the Borrower shall not transfer the rights and obligations under this Agreement
to any other persons.

9.3 The Borrower agrees to accept the aforementioned Loan provided by the Lender, and hereby agrees and undertakes to use
the Loan for the contribution of the registered capital of the Borrower Company. Without the Lender’s prior written consent,
the Borrower shall not use the Loan for any purpose other than as set forth herein.

9.4 The Lender and the Borrower hereby agree and confirm that the Borrower shall repay the Loan only through the following
means (or other means approved by the Lender): by transferring the Borrower Equity Interest in whole to the Lender or the
Lender’s designated person (legal person or natural person) pursuant to the Lender’s exercise of its right to acquire the
Borrower Equity Interest under the Exclusive Option Agreement, and any proceeds from the transfer of the Borrower Equity
Interest (to the extent permitted by the applicable laws) shall be used by the Borrower to repay the Loan (principal and any
interest thereon) to the Lender or the Lender’s designated person in accordance with this Agreement and the Exclusive
Option Agreement and in the manner designated by the Lender.

9.5 The Lender and the Borrower hereby agree and confirm that to the extent permitted by the applicable laws, the Lender shall
have the right (but not the obligation) to purchase or designate any other person (legal person or natural person) to purchase
the Borrower Equity Interest in part or in whole at any time, at the price stipulated in the Exclusive Option Agreement.

9.6 When the Borrower transfers the Borrower Equity Interest to the Lender or the Lender’s designated person, in the event that
the transfer price of such Borrower Equity Interest equals to or is lower than the principal of the Loan under this Agreement,
the Loan under this Agreement shall be deemed an interest-free loan; in the event that the transfer price of such Borrower
Equity Interest exceeds the principal of the Loan under this Agreement, the excess over the principal shall be deemed the
interest of the Loan under this Agreement, and all of such interest shall be repaid by the Borrower to the Lender. When the
Lender or the Lender’s designated person obtains all the Borrower Equity Interest (subject to the AMR registration) and/or
the Borrower repays the Loan principal and any interest thereon (if applicable) to the Lender according to this Agreement
and the Exclusive Option Agreement, the Borrower is deemed to have fully performed its repayment obligations under this
Agreement.

10 Representations and Warranties

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10.1 The Lender hereby makes the following representations and warranties to the Borrower at the execution date of this Agreement:

10.1.1 The Lender is a company legally organized and effectively existing in accordance with the laws of China;

10.1.2 The Lender has the legal capacity to execute this Agreement. The execution and performance by the Lender of this Agreement do not violate the Lender’s business scope and the Lender’s articles of association or other organizational documents, and the Lender has obtained all necessary and proper approvals and authorizations for the execution and performance of this Agreement; and

10.1.3 This Agreement, once signed, constitutes the Lender’s legal, valid, and binding obligations enforceable in accordance with its terms.

10.2 The Borrower hereby makes the following representations and warranties to the Lender at the execution date of this Agreement:

10.2.1 The Borrower is a natural person with full civil capacity.

10.2.2 The Borrower has the legal capacity to execute and perform this Agreement. The execution and performance by the Borrower of this Agreement do not violate the Borrower’s business scope and the Borrower’s articles of association or other organizational documents, and the Borrower has obtained all necessary and proper approvals and authorizations for the execution and performance of this Agreement;

10.2.3 This Agreement, once signed, constitutes the Borrower’s legal, valid, and binding obligations enforceable in accordance with its terms; and

10.2.4 There are no disputes, litigations, arbitrations, administrative proceedings, or any other legal proceedings relating to the Borrower, nor are there any potential disputes, litigations, arbitrations, administrative proceedings, or any other legal proceedings relating to the Borrower.

11 Borrower’s Covenants

3.2 As a shareholder of the Borrower Company, the Borrower irrevocably covenants that during the term of this Agreement, the Borrower shall cause the Borrower Company:

11.1.1 to strictly abide by the provisions of the Exclusive Option Agreement to which the Borrower Company is a party, and to refrain from any action or omission that may affect the effectiveness and enforceability of the Exclusive Option Agreement;

11.1.2 at the request of the Lender (or any other person designated by the Lender), to execute the contracts/agreements on business cooperation with the Lender (or any other person designated by the Lender), and to strictly abide by such contracts/agreements;

11.1.3 to provide the Lender with all of the information on the Borrower Company’s business operations and financial condition at the Lender’s request;
11.1.4 to immediately notify the Lender of the occurrence or possible occurrence of any litigation, arbitration, or administrative proceedings relating to the Borrower Company’s assets, business, or income; and

11.1.5 to appoint any designee of the Lender as the director of the Borrower Company at the request of the Lender.

11.2 The Borrower covenants that during the term of this Agreement, he/she shall:

11.2.1 endeavor to keep the Borrower Company to be engaged in its core business and to keep the specific business scope of its business license;

11.2.2 abide by the provisions of this Agreement, the Equity Pledge Agreement (the “Equity Pledge Agreement”) and the Exclusive Option Agreement to which the Borrower is a party, practically perform the obligations under this Agreement, the Equity Pledge Agreement and the Exclusive Option Agreement, and refrain from any action/omission that may affect the effectiveness and enforceability of this Agreement, the Equity Pledge Agreement and the Exclusive Option Agreement;

11.2.3 not sell, transfer, mortgage or dispose of in any other manner the legal or beneficial interest in the Borrower Equity Interest, or allow the encumbrance thereon of any security interest, except in accordance with the Equity Pledge Agreement;

11.2.4 ensure any shareholders’ meeting and/or the board of directors of the Borrower Company not to approve the sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in the Borrower Equity Interest, or allow the encumbrance thereon of any security interest, without the prior written consent of the Lender, except to the Lender or the Lender’s designated person;

11.2.5 ensure any shareholders’ meeting and/or the board of directors of the Borrower Company not to approve the merger or consolidation of the Borrower Company with any person, or its acquisition of or investment in any person, without the prior written consent of the Lender;

11.2.6 immediately notify the Lender of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the Borrower Equity Interest;

11.2.7 to the extent necessary to maintain the ownership of the Borrower Equity Interest, execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defense against all claims;

11.2.8 without the prior written consent of the Lender, refrain the Borrower from any action/omission that may have a material impact on the assets, business and liabilities of the Borrower Company;

11.2.9 appoint any designee of the Lender as the director of the Borrower Company at the request of the Lender;

11.2.10 to the extent permitted by the laws of China, at the request of the Lender at any time, promptly and unconditionally transfer all of the Borrower Equity Interest.
Interest to the Lender or the Lender’s designated person at any time, and ensure the other shareholders of the Borrower Company to waive their right of first refusal with respect to the share transfer described in this Article;

11.2.11 to the extent permitted by the laws of China, at the request of the Lender at any time, ensure that the other shareholders of the Borrower Company shall promptly and unconditionally transfer all of their equity interests in the Borrower Company to the Lender or the Lender’s designated person at any time, and the Borrower hereby waives his right of first refusal (if any) with respect to the equity transfer by such other shareholders described in this Article;

11.2.12 in the event that the Lender purchases the Borrower Equity Interest from the Borrower in accordance with the provisions of the Exclusive Option Agreement, use such purchase price obtained thereby to repay the Loan to the Lender; and

11.2.13 without the prior written consent of the Lender, not cause the Borrower Company to supplement, change, or amend its articles of association in any manner, increase or decrease its registered capital or change its share capital structure in any manner.

12 Liability for Default

4.4 If the Borrower materially breaches any provision under this Agreement, the Lender is entitled to terminate this Agreement immediately after delivering a written notice to the Borrower and the Borrower shall compensate all the losses suffered by the Lender as a result of the Borrower’s default or early termination of this Agreement. The remedies set out in this Article 4.1 are not exclusive remedies and shall not prejudice any other remedies of the Lender under this Agreement or the applicable laws.

4.5 The Borrower shall not have any right to terminate this Agreement unilaterally in any event unless otherwise required by the applicable laws.

4.6 In the event that the Borrower fails to perform the repayment obligations set forth in this Agreement, the Borrower shall pay an overdue interest of 0.01% per day for the outstanding payment, until the day the Borrower repays all the amounts (including overdue interests).

13 Notices

13.1 All notices and other communications required to be given pursuant to this Agreement or otherwise given in connection with this Agreement shall be delivered personally, or sent by registered mail, prepaid postage, commercial courier service, facsimile transmission to the address of such Party set forth below. A copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively served shall be determined as follows:

13.1.1 Notices given by personal delivery (including courier service), shall be deemed effectively served on the date of signature for receipt;

13.1.2 Notices given by registered mail, postage prepaid, shall be deemed effectively served on the 15th day after the date on the registered letter receipt; or
13.1.3 Notices given by facsimile transmission, shall be deemed effectively served on the date indicated on the fax transmission record, unless it is delivered after 5 p.m. or on a non-business day per the local time of the recipient, in which case, it shall be deemed effectively served on the business day immediately following the date indicated on the fax transmission record.

13.2 For the purpose of notice, the addresses of the Parties are as follows:

Lender: NIO Co., Ltd.
Address: Building 20, No. 56 Antuo Road, Jiading District, Shanghai
Attn: Lei Liu

Borrower: Lihong Qin
Address: ********
Attn: Lihong Qin

Borrower Company: Beijing NIO Network Technology Co., Ltd.
Address: Building 20, No. 56 Antuo Road, Jiading District, Shanghai
Attn: Lei Liu

13.3 Any Party may change its address for notices by a notice delivered to the other Parties in accordance with the terms of this Section.

14 Confidentiality

The Parties acknowledge and confirm that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance of this Agreement are confidential information. Both Parties shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any confidential information to any third party, except for the information that: (a) is in the public domain (other than through the receiving Party’s unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Article. Disclosure of any confidential information by the shareholders, director, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

15 Governing Law and Disputes Resolution

7.4 The execution, effectiveness, interpretation, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the laws of the PRC.

7.5 In the event of any dispute arising from the performance of this Agreement or in connection with this Agreement, either Party is entitled to submit the dispute to Shanghai International Economic and Trade Arbitration Commission for arbitration in Shanghai in accordance with its arbitration procedures and rules then in effect. The arbitration tribunal shall consist of three arbitrators to be appointed in accordance with the arbitration rules. The claimant and the respondent shall
respectively appoint one arbitrator, and the third arbitrator shall be appointed by the first two arbitrators through negotiations or designated by Shanghai International Economic and Trade Arbitration Commission. The arbitration proceedings shall be conducted in Chinese in a confidential manner. The arbitration award shall be final and binding upon the parties thereto. Under appropriate circumstances, the arbitration tribunal or arbitrators may award compensation, injunctive relief in respect of all the Parties’ equities or assets in accordance with the dispute resolution clause and/or applicable PRC laws, including restriction on conduct of business, restriction or prohibition of transfer or sale of equities or assets, or proposal for the winding-up of all the Parties. In addition, in the course of forming the tribunal, both Parties shall have the right to file an application to any court with competent jurisdiction (including courts in Hong Kong, Cayman Islands and places of incorporation of all the Parties (namely Shanghai, China and Beijing, China)) and places where the principal assets of all the Parties are located) for the grant of temporary reliefs.

7.6 When any dispute occurs in interpreting or performing this Agreement or any dispute is under arbitration, except for the matters under dispute, all the Parties shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

16 Miscellaneous

8.7 This Agreement shall become effective upon execution by the Parties, and shall expire upon the date of full performance by the Parties of their respective obligations under this Agreement.

8.8 This Agreement shall be written in Chinese in two copies. The Lender and the Borrower shall hold one copy respectively and each shall have equal legal validity as this Agreement.

8.9 Any amendment and supplement to this Agreement shall be made in writing by the Parties to this Agreement. Any amendment agreement and supplementary agreement duly executed by the Parties hereto with regard to this Agreement shall constitute an integral part of this Agreement, and shall have equal legal validity as this Agreement.

8.10 In the event that one or several of the provisions of this Agreement are held to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

8.11 Attachments of this Agreement (if any) shall constitute an integral part of this Agreement, and shall have equal legal validity as this Agreement.

8.12 Any obligations that occur or that are due as a result of this Agreement upon the expiration or early termination of this Agreement shall survive the expiration or early termination thereof. The provisions under Articles 4, 6, 7 and 8.6 herein of this Agreement shall survive the expiration or termination of this Agreement.
IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Loan Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

**Lender: NIO Co., Ltd.** (seal)

By:  /s/ Lihong Qin
Name:  Lihong Qin
Title:  Legal Representative

**Borrower: Lihong Qin**

Signed by:  /s/ Lihong Qin
This Equity Pledge Agreement (this “Agreement”) is made and entered into by and between the following parties on April 12, 2021 in Shanghai, the People’s Republic of China (“China” or the “PRC”, for the purpose of this Agreement, excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan Region of the People’s Republic of China).

Party A: NIO Co., Ltd. (hereinafter the “Pledgee”)
Address: Room 115, No. 569 Anchi Road, Anting Town, Jiading District, Shanghai

Party B: Bin Li (hereinafter the “Pledgor”)
Address: ********

Party C: Beijing NIO Network Technology Co., Ltd.
Address: Room 112, Beijing Yuxiangqing Hotel, No. 23 Courtyard, Babaozhuang, Haidian District, Beijing

In this Agreement, each of the Pledgee, the Pledgor and Party C shall be hereinafter referred to as a “Party” respectively, and as the “Parties” collectively.

Whereas,

(1) The Pledgor is a citizen of China with ID card No.:********, who as of the date hereof holds 80% of the equity interests of Party C, representing RMB 8,000,000 in the registered capital of Party C. Party C is a limited liability company registered in Beijing, China, and engaged in Internet culture business. Party C hereby acknowledges the respective rights and obligations of the Pledgor and the Pledgee under this Agreement, and intends to provide any necessary assistance in registering the Pledge;

(2) The Pledgee is a wholly foreign-owned enterprise registered in China. The Pledgee and Party C have executed an Exclusive Business Cooperation Agreement (as defined below); Party C, the Pledgee and the Pledgor have executed an Exclusive Option Agreement (as defined below); the Pledgee and the Pledgor have executed a Loan Agreement (as defined below); and the Pledgor has executed a Power of Attorney (as defined below) in favor of the Pledgee;

(3) To ensure that Party C and the Pledgor fully perform their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Load Agreement and the Power of Attorney, the Pledgor hereby pledges to the Pledgee all of the equity interest that the Pledgor holds in Party C as security for the performance by Party C and the Pledgor of their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Loan Agreement and the Power of Attorney.

To perform the provisions of the Transaction Documents (as defined below), the Parties have mutually agreed to execute this Agreement upon the following terms.

Article 1 Definitions

Unless otherwise provided in this Agreement, the terms below shall have the following meanings:
1.1 Pledge: shall refer to the security interest granted by the Pledgor to the Pledgee pursuant to Article 2 of this Agreement, which means the right of the Pledgee to be paid in priority with the Pledged Equity Interest based on the monetary valuation that such Pledged Equity Interest is converted into or from the proceeds from the auction or sale of the Pledged Equity Interest pledged by the Pledgor to the Pledgee.

1.2 Pledged Equity Interest: shall refer to 80% equity interests in Party C currently held by the Pledgor, representing RMB8,000,000 in the registered capital of Party C, and all of the equity interest hereafter held by the Pledgor in Party C.

1.3 Term of the Pledge: shall refer to the term set forth in Article 3 of this Agreement.

1.4 Transaction Documents: shall refer to the Exclusive Business Cooperation Agreement executed by and between Party C and the Pledgee on April 12, 2021, (the “Exclusive Business Cooperation Agreement”), the Loan Agreement executed by and between the Pledgee and the Pledgor on April 12, 2021, (the “Loan Agreement”), the Exclusive Option Agreement executed by and among Party C, the Pledgee and the Pledgor on April 12, 2021, (the “Exclusive Option Agreement”), the Power of Attorney executed on April 12, 2021 by the Pledgor (the “Power of Attorney”) and any modification, amendment and/or restatement to the aforementioned documents.

1.5 Contract Obligations: shall refer to all the obligations of the Pledgor under the Exclusive Option Agreement, the Loan Agreement, the Power of Attorney and this Agreement; all the obligations of Party C under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and this Agreement.

1.6 Secured Indebtedness: shall refer to all the direct, indirect and derivative losses and losses of anticipated profits, suffered by the Pledgee, incurred as a result of any Event of Default on the part of the Pledgor and/or Party C. The amount of such losses shall be calculated based on such factors as the reasonable business plan and profit forecast of the Pledgee, the service fees payable by Party C under the Exclusive Business Cooperation Agreement, the amount of loans repayable by the Pledgor under the Loan Agreement and all expenses occurred by the Pledgee in connection with enforcement of the Pledgor’s and/or Party C’s Contract Obligations.

1.7 Event of Default: shall refer to any of the circumstances set forth in Article 7 of this Agreement.

1.8 Notice of Default: shall refer to the notice issued by the Pledgee in accordance with this Agreement declaring an Event of Default.

**Article 2 Pledge**

2.1 The Pledgor hereby agrees to pledge all the Equity Interest as security for performance of the Contract Obligations and payment of the Secured Indebtedness under this Agreement. Party C hereby agrees that the Pledgor pledges the Equity Interest to the Pledgee pursuant to this Agreement.

2.2 During the Term of the Pledge, the Pledgee is entitled to receive dividends distributed on the Pledged Equity Interest. Without the prior written consent of the Pledgee, the Pledgor shall not receive dividends distributed on the Pledged Equity Interest. Dividends received by the Pledgor on the Pledged Equity Interest after the deduction of individual income tax paid by the Pledgor shall be, as required by the Pledgee, (1) deposited into an account designated and supervised by the Pledgee and
used to secure the Contract Obligations and pay the Secured Indebtedness prior and in preference to making any other payment; or (2) to the extent not prohibited by the applicable PRC laws, unconditionally donated to the Pledgee or any other person designated by the Pledgee.

2.3 The Pledgor may subscribe for a capital increase in Party C only with prior written consent of the Pledgee. Any additional equity interest obtained by the Pledgor as a result of the Pledgor’s subscription of the increased registered capital of Party C shall also be deemed as Pledged Equity Interest, and the Parties shall enter into further equity pledge agreement for this purpose and complete registration of the pledge of such additional equity interest.

2.4 In the event that Party C is required by the PRC law to be liquidated or dissolved, any interest distributed to the Pledgor upon Party C’s dissolution or liquidation shall, upon the request of the Pledgee, be (1) deposited into an account designated and supervised by the Pledgee and used to secure the Contract Obligations and pay the Secured Indebtedness prior and in preference to make any other payment; or (2) to the extent not prohibited by the PRC laws, unconditionally donated to the Pledgee or any other person designated by the Pledgee.

Article 3 Term of the Pledge

3.1 The Pledge shall become effective from the date that the Pledged Equity Interest under this Agreement has been registered with the relevant administration for market regulation ("AMR"). The Pledge shall remain effective until (1) all Contract Obligations have been fully performed and all Secured Indebtedness has been fully paid, or (2) the Pledgee and/or the designated person shall, subject to the PRC laws, decide to purchase the entire Equity Interest of Party C held by the Pledgors in accordance with the Exclusive Option Agreement, and the Equity Interest of Party C has been transferred to the Pledgee and/or the designated person in accordance with the laws, and the Pledgee and the designated person can legally engage in the business of Party C. The Pledgor and Party C shall (I) register the Pledge in the shareholders’ register of Party C within 3 business days following the execution of this Agreement, and (II) submit an application to the relevant AMR for the registration of the Pledge of the Equity Interest under this Agreement within 30 business days following the execution of this Agreement. The Parties covenant that for the purpose of registration of the Pledge, the parties hereto and all other shareholders of Party C shall submit to AMR this Agreement or an equity pledge agreement in the form required by the AMR at the location of Party C which shall truly reflect the information of the Pledge hereunder (the “AMR Pledge Agreement”). For matters not specified in the AMR Pledge Agreement, the Parties shall be bound by the provisions of this Agreement. The Pledgor and Party C shall submit all necessary documents and complete all necessary procedures, as required by the relevant PRC laws and regulations and the competent AMR, to ensure that the Pledge of the Equity Interest shall be registered with the AMR as soon as possible after submission for filing.

3.2 During the Term of the Pledge, in the event that the Pledgor and/or Party C fails to perform the Contract Obligations or pay Secured Indebtedness, the Pledgee shall have the right, but not the obligation, to exercise the Pledge in accordance with the provisions of this Agreement.

Article 4 Custody of Pledge Certificates

4.1 During the Term of the Pledge set forth in this Agreement, the Pledgor shall deliver
to the Pledgee’s custody the certificate of Pledgor’s capital contribution in Party C and the register of shareholders recording
the Pledge within one week from the execution of this Agreement. The Pledgee shall have custody of such documents during
the entire Term of the Pledge set forth in this Agreement.

Article 5 Representations and Warranties of the Pledgor and Party C

As of the execution date of this Agreement, the Pledgor and Party C hereby jointly and severally represent and warrant to the
Pledgee that:

5.1 The Pledgor is the sole legal and beneficial owner of the Pledged Equity Interest;

5.2 The Pledgee shall have the right to dispose of and transfer the Pledged Equity Interest in accordance with the provisions set
forth in this Agreement.

5.3 Except for the Pledge, the Pledgor has not placed any security interest or other encumbrance on the Pledged Equity Interest.

5.4 The Pledgor and Party C have obtained approvals and consents from the government authorities and third parties (if
required) for the execution, delivery and performance of this Agreement.

5.5 The execution, delivery and performance of this Agreement will not: (i) violate any relevant PRC laws; (ii) conflict with
Party C’s articles of association or other constitutional documents; (iii) result in any breach of or constitute any default under
any contract or document to which it is a party or by which it is otherwise bound; (iv) result in any violation of any condition
for the grant and/or maintenance of any permit or approval granted to any Party; or (v) cause any permit or approval granted
to any Party to be suspended, cancelled or attached with additional conditions.

Article 6 Covenants of the Pledgor and Party C

6.1 During the term of this Agreement, the Pledgor and Party C hereby jointly and severally covenant to the Pledgee:

6.1.1 The Pledgor shall not transfer the Pledged Equity Interest, place or permit the existence of any security interest or
other encumbrance on the Pledged Equity Interest or any portion thereof, without the prior written consent of the
Pledgee, except for the performance of the Transaction Documents;

6.1.2 The Pledgor and Party C shall comply with and carry out all requirements under applicable laws and regulations
relating to pledge, and within five (5) days of receipt of any notice, order or recommendation issued or made by the
competent authorities regarding the Pledge, shall present the aforementioned notice, order or recommendation to the
Pledgee, and shall comply with the aforementioned notice, order or recommendation or submit objections and
representations with respect to the aforementioned matters upon the Pledgee’s reasonable request or upon consent of
the Pledgee;

6.1.3 Each of the Pledgor and Party C shall promptly notify the Pledgee of any event or notice received by it that may
have an impact on the Pledged Equity Interest (or any portion thereof) as well as any event or notice received by it
that may have an impact on any guarantees and obligations of the Pledgor under this Agreement or the performance
of obligations of the Pledgor under this Agreement;
6.1.4 Party C shall complete the registration procedures for the extension of the operation term within three (3) months prior to the expiration of such term to maintain the validity of this Agreement.

6.2 The Pledgor agrees that the rights acquired by the Pledgee in accordance with this Agreement with respect to the Pledge shall not be interrupted or harmed by the Pledgor or any successors, heirs or representatives of the Pledgor or any other persons through any legal proceedings.

6.3 To protect or perfect the security interest granted by this Agreement for the Contract Obligations and Secured Indebtedness, the Pledgor hereby undertakes to execute in good faith and to cause other parties who have an interest in the Pledge to execute all certificates, deeds and/or covenants required by the Pledgee. The Pledgor also undertakes to perform and to cause other parties who have an interest in the Pledge to perform actions required by the Pledgee, to facilitate the exercise by the Pledgee of its rights and authority granted thereto by this Agreement, and to enter into all relevant documents regarding ownership of Equity Interest with the Pledgee or designee(s) of the Pledgee (natural persons/legal persons). The Pledgor undertakes to provide the Pledgee within a reasonable time with all notices, the orders and decisions regarding the Pledge that are required by the Pledgee.

6.4 The Pledgor hereby undertakes to comply with and perform all guarantees, promises, agreements, representations and conditions under this Agreement. In the event of failure or partial performance of its guarantees, promises, agreements, representations and conditions, the Pledgor shall indemnify the Pledgee for all losses resulting therefrom.

**Article 7 Event of Breach**

7.1 The following circumstances shall be deemed an Event of Default:

7.1.1 The Pledgor’s any breach to any obligations under the Transaction Documents and/or this Agreement;

7.1.2 Party C’s any breach to any obligations under the Transaction Documents and/or this Agreement.

7.2 Upon notice or discovery of the occurrence of any circumstances or event that may lead to the aforementioned circumstances described in Article 7.1, the Pledgor and Party C shall immediately notify the Pledgee in writing accordingly.

7.3 Unless an Event of Default set forth in Article 7.1 has been successfully resolved to the Pledgee’s satisfaction within twenty (20) days after the Pledgee delivers a notice to the Pledgor and/or Party C requesting ratification of such Event of Default, the Pledgee may issue a Notice of Default to the Pledgor in writing at any time thereafter, demanding to immediately exercise the Pledge in accordance with the provisions of Article 8 of this Agreement.

**Article 8 Exercise of the Pledge**

8.1 The Pledgee shall issue a written Notice of Default to the Pledgor when it exercises the Pledge.

8.2 Subject to the provisions of Article 7.3, the Pledgee may exercise the right to enforce
the Pledge at any time after the issuance of the Notice of Default in accordance with Article 8.1. The Pledgor shall cease to own any Pledged Equity Interest-related rights or interests once the Pledgee decides to exercise the right to enforce the Pledge.

8.3 After the Pledgee issues a Notice of Default to the Pledgor in accordance with Article 8.1, the Pledgee may exercise any remedial measure under the applicable PRC laws, the Transaction Documents and this Agreement, including but not limited to being paid in priority with the Pledged Equity Interest based on the monetary valuation that such Pledged Equity Interest is converted into or from the proceeds from the auction or sale of the Pledged Equity Interest. The Pledgee shall not be liable for any loss incurred by its duly exercise of such rights and powers.

8.4 The proceeds from the exercise of the Pledge by the Pledgee shall be used to pay for the taxes and expenses incurred as a result of disposing the Pledged Equity Interest and to perform the Contract Obligations and pay the Secured Indebtedness to the Pledgee prior and in preference to any other payment. After the payment of the aforementioned amounts, the remaining balance shall be returned to the Pledgor or any other person who have rights to such balance under relevant laws and regulations or be deposited to the local notary public office where the Pledgor resides, with all expenses incurred being borne by the Pledgor. To the extent permitted by the applicable PRC laws, the Pledgor shall unconditionally donate the aforementioned proceeds to the Pledgee or any other person designated by the Pledgee.

8.5 The Pledgee may exercise any remedy measure available to it simultaneously or in any order. The Pledgee may exercise the priority right in compensation based on the monetary valuation that such Pledged Equity Interest is converted into or with the proceeds from the auction or sale of the Pledged Equity Interest under this Agreement, without being required to exercise any other remedy measure first.

8.6 The Pledgee is entitled to designate an attorney or other representatives to exercise the Pledge on its behalf, and the Pledgor or Party C shall not raise any objection to such exercise.

8.7 When the Pledgee disposes of the Pledge in accordance with this Agreement, the Pledgor and Party C shall provide the necessary assistance to enable the Pledgee to enforce the Pledge.

Article 9 Breach of Agreement

9.1 If the Pledgor or Party C materially breaches any provision under this Agreement, the Pledgee is entitled to terminate this Agreement and/or require the Pledgor or Party C to compensate the losses. This Article shall not prejudice any other rights of the Pledgee under this Agreement.

9.2 The Pledgor or Party C shall not have any right to terminate this Agreement unilaterally in any event unless otherwise required by the applicable laws.

Article 10 Assignment

10.1 Without the Pledgee’s prior written consent, neither the Pledgor nor Party C shall grant or assign its/his rights and obligations under this Agreement.

10.2 This Agreement shall be binding on the Pledgor and his/her successors and permitted assignees, and shall be valid with respect to the Pledgee and each of
his/her successors and assignees.

10.3 At any time, the Pledgee may assign any and all of its rights and obligations under the Transaction Documents and this Agreement to its designee(s), in which case the assignees shall have the rights and obligations of the Pledgee under the Transaction Documents and this Agreement, as if it were the original party to the Transaction Documents and this Agreement.

10.4 In the event of change of the Pledgee due to assignment, the Pledgor and/or Party C shall, at the request of the Pledgee, execute a new equity pledge agreement with the new pledgee on the same terms and conditions as this Agreement, and register the same with the competent AMR.

10.5 The Pledgor and Party C shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by the Parties hereto or any of them, including the Transaction Documents, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. Any remaining rights of the Pledgor with respect to the Pledged Equity Interest hereunder shall not be exercised by the Pledgor except in accordance with the written instructions of the Pledgee.

Article 11 Termination

11.1 Upon the fulfillment of all Contract Obligations and the full payment of all Secured Indebtedness by the Pledgor and Party C, the Pledgee shall release the Pledge under this Agreement upon the Pledgor’s request as soon as reasonably practicable and shall assist the Pledgor in de-registering the Pledge from the register of shareholders of Party C and with the competent AMR.

11.2 The provisions under Articles 9, 13, 14 and 11.2 herein of this Agreement shall survive the expiration or termination of this Agreement.

Article 12 Handling Fees and Other Expenses

All fees and actual expenses relating to this Agreement, including but not limited to legal costs, costs of production, stamp tax and any other taxes and fees, shall be borne by Party C.

Article 13 Confidentiality

The Parties acknowledge and confirm that the existence and the content of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance of this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any confidential information to any third party, except for the information that: (a) is or will be in the public domain (other than through the receiving Party’s unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Article. Disclosure of any confidential information by the shareholders, director, employees or of agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party.
Article 14 Governing Law and Disputes Resolution

14.1 The execution, effectiveness, interpretation, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the PRC laws.

14.2 In the event of any dispute arising from the performance of this Agreement or in connection with this Agreement, either Party is entitled to submit the dispute to Shanghai International Economic and Trade Arbitration Commission for arbitration in Shanghai in accordance with its arbitration procedures and rules then in effect. The arbitration tribunal shall consist of three arbitrators to be appointed in accordance with the arbitration rules. The claimant and the respondent shall respectively appoint one arbitrator, and the third arbitrator shall be appointed by the first two arbitrators through negotiations or designated by Shanghai International Economic and Trade Arbitration Commission. The arbitration proceedings shall be conducted in Chinese in a confidential manner. The arbitration award shall be final and binding upon the parties thereto. Under appropriate circumstances, the arbitration tribunal or arbitrators may award compensation, injunctive relief in respect of the Parties’ equities or assets in accordance with the dispute resolution clause and/or applicable PRC laws, including restriction on conduct of business, restriction or prohibition of transfer or sale of equities or assets, or proposal for the winding-up of the Parties. In addition, in the course of forming the tribunal, the Parties shall have the right to file an application to any court with competent jurisdiction (including courts in Hong Kong, Cayman Islands and places of incorporation of the Parties (namely Beijing, China and Shanghai, China)) and places where the principal assets of all the Parties are located) for the grant of temporary reliefs.

14.3 During the arbitration, except for the matters under dispute and pending for arbitration, the Parties shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

Article 15 Notices

15.1 All notices and other communications required or given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid or by commercial courier service or facsimile transmission to the address of such Party set forth below. Each such notice shall also be resent by email. The date on which such notices shall be deemed to have been effectively served shall be determined as follows:

15.1.1 Notices given by personal delivery (including express mail service) shall be deemed effectively given on the day when an acknowledgement of receipt thereof is signed;

15.1.2 Notices given by registered mail (postage prepaid) shall be deemed effectively given on the 15th day after the date of the return receipt thereof.

15.1.3 Notices given by facsimile transmission shall be deemed effectively given on the date of transmission as shown on the facsimile, provided that, if such facsimile is given after 5pm or on a non-business day at the place of receipt, it shall be deemed given on the business day immediately following the transmission date shown on such facsimile.
For the purpose of notices, the addresses of the Parties are as follows:

Party A: NIO Co., Ltd.
Address: NIO Inc., Building 20, No. 56 Antuo Road, Jiading District, Shanghai
Attn: Lei LIU

Party B: Bin LI
Address: ********
Attn: Bin LI

Party C: Beijing NIO Network Technology Co., Ltd.
Address: NIO Inc., Building 20, No. 56 Antuo Road, Jiading District, Shanghai
Attn: Lei LIU

Any party may at any time change its address for receiving notices by a notice delivered to the other party in accordance with the terms hereof.

Article 16 Severability

In the event that one or several of the provisions of this Agreement are held to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

Article 17 Attachments

The attachments set forth herein shall be an integral part of this Agreement.

Article 18 Effectiveness

18.1 This Agreement shall become effective upon execution by the Parties.

18.2 Any amendment, supplement and change to this Agreement shall be made in writing by all of the Parties and take effects after they are executed or stamped by all Parties hereunder and governmental registration procedures (if necessary) are completed.

Article 19 Counterparts

This Agreement is written in Chinese in four copies. The Pledgor, the Pledgee and Party C shall hold one copy respectively and the other copy shall be used for registration.

(The remainder of this page is intentionally left blank. Signature page follows)
IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Party A: NIO Co., Ltd. (seal)

By: /s/ Lihong Qin
Name: Lihong Qin
Title: Legal Representative

Party B: Bin Li

Signed by: /s/ Bin Li

Party C: Beijing NIO Network Technology Co., Ltd. (seal)

Signed by: /s/ Lihong Qin
Name: Lihong Qin
Title: Legal Representative
Equity Pledge Agreement

This Equity Pledge Agreement (this “Agreement”) is made and entered into by and between the following parties on April 12, 2021 in Shanghai, the People’s Republic of China (“China” or the “PRC”, for the purpose of this Agreement, excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan Region of the People’s Republic of China).

Party A: NIO Co., Ltd. (hereinafter the “Pledgee”)
Address: Room 115, No. 569 Anchi Road, Anting Town, Jiading District, Shanghai

Party B: Lihong Qin (hereinafter the “Pledgor”)
Address: ********

Party C: Beijing NIO Network Technology Co., Ltd.
Address: Room 112, Beijing Yuxiangqing Hotel, No. 23 Courtyard, Babaozhuang, Haidian District, Beijing

In this Agreement, each of the Pledgee, the Pledgor and Party C shall be hereinafter referred to as a “Party” respectively, and as the “Parties” collectively.

Whereas,

(4) The Pledgor is a citizen of China with ID card No.:********, who as of the date hereof holds 80% of the equity interests of Party C, representing RMB 8,000,000 in the registered capital of Party C. Party C is a limited liability company registered in Beijing, China, and engaged in Internet culture business. Party C hereby acknowledges the respective rights and obligations of the Pledgor and the Pledgee under this Agreement, and intends to provide any necessary assistance in registering the Pledge;

(5) The Pledgee is a wholly foreign-owned enterprise registered in China. The Pledgee and Party C have executed an Exclusive Business Cooperation Agreement (as defined below); Party C, the Pledgee and the Pledgor have executed an Exclusive Option Agreement (as defined below); the Pledgee and the Pledgor have executed a Loan Agreement (as defined below); and the Pledgor has executed a Power of Attorney (as defined below) in favor of the Pledgee;

(6) To ensure that Party C and the Pledgor fully perform their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Loan Agreement and the Power of Attorney, the Pledgor hereby pledges to the Pledgee all of the equity interest that the Pledgor holds in Party C as security for the performance by Party C and the Pledgor of their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Loan Agreement and the Power of Attorney.

To perform the provisions of the Transaction Documents (as defined below), the Parties have mutually agreed to execute this Agreement upon the following terms.

Article 1 Definitions

Unless otherwise provided in this Agreement, the terms below shall have the following meanings:
Pledge: shall refer to the security interest granted by the Pledgor to the Pledgee pursuant to Article 2 of this Agreement, which means the right of the Pledgee to be paid in priority with the Pledged Equity Interest based on the monetary valuation that such Pledged Equity Interest is converted into or from the proceeds from the auction or sale of the Pledged Equity Interest pledged by the Pledgor to the Pledgee.

Pledged Equity Interest: shall refer to 80% equity interests in Party C currently held by the Pledgor, representing RMB8,000,000 in the registered capital of Party C, and all of the equity interest hereafter held by the Pledgor in Party C.

Term of the Pledge: shall refer to the term set forth in Article 3 of this Agreement.

Transaction Documents: shall refer to the Exclusive Business Cooperation Agreement executed by and between Party C and the Pledgor on April 12, 2021, (the “Exclusive Business Cooperation Agreement”), the Loan Agreement executed by and between the Pledgor and the Pledgee on April 12, 2021, (the "Loan Agreement"), the Exclusive Option Agreement executed by and among Party C, the Pledgee and the Pledgor on April 12, 2021, (the “Exclusive Option Agreement”), the Power of Attorney executed on April 12, 2021 by the Pledgor (the "Power of Attorney") and any modification, amendment and/or restatement to the aforementioned documents.

Contract Obligations: shall refer to all the obligations of the Pledgor under the Exclusive Option Agreement, the Loan Agreement, the Power of Attorney and this Agreement; all the obligations of Party C under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and this Agreement.

Secured Indebtedness: shall refer to all the direct, indirect and derivative losses and losses of anticipated profits, suffered by the Pledgee, incurred as a result of any Event of Default on the part of the Pledgor and/or Party C. The amount of such losses shall be calculated based on such factors as the reasonable business plan and profit forecast of the Pledgee, the service fees payable by Party C under the Exclusive Business Cooperation Agreement, the amount of loans repayable by the Pledgor under the Loan Agreement and all expenses occurred by the Pledgee in connection with enforcement of the Pledgor’s and/or Party C’s Contract Obligations.

Event of Default: shall refer to any of the circumstances set forth in Article 7 of this Agreement.

Notice of Default: shall refer to the notice issued by the Pledgee in accordance with this Agreement declaring an Event of Default.

Article 2 Pledge

The Pledgor hereby agrees to pledge all the Equity Interest as security for performance of the Contract Obligations and payment of the Secured Indebtedness under this Agreement. Party C hereby agrees that the Pledgor pledges the Equity Interest to the Pledgee pursuant to this Agreement.

During the Term of the Pledge, the Pledgee is entitled to receive dividends distributed on the Pledged Equity Interest. Without the prior written consent of the Pledgee, the Pledgor shall not receive dividends distributed on the Pledged Equity Interest. Dividends received by the Pledgor on the Pledged Equity Interest after the deduction of individual income tax paid by the Pledgor shall be, as required by the Pledgee, (1) deposited into an account designated and supervised by the Pledgee and
used to secure the Contract Obligations and pay the Secured Indebtedness prior and in preference to making any other payment; or (2) to the extent not prohibited by the applicable PRC laws, unconditionally donated to the Pledgee or any other person designated by the Pledgee.

2.7 The Pledgor may subscribe for a capital increase in Party C only with prior written consent of the Pledgee. Any additional equity interest obtained by the Pledgor as a result of the Pledgor’s subscription of the increased registered capital of Party C shall also be deemed as Pledged Equity Interest, and the Parties shall enter into further equity pledge agreement for this purpose and complete registration of the pledge of such additional equity interest.

2.8 In the event that Party C is required by the PRC law to be liquidated or dissolved, any interest distributed to the Pledgor upon Party C’s dissolution or liquidation shall, upon the request of the Pledgee, be (1) deposited into an account designated and supervised by the Pledgee and used to secure the Contract Obligations and pay the Secured Indebtedness prior and in preference to make any other payment; or (2) to the extent not prohibited by the PRC laws, unconditionally donated to the Pledgee or any other person designated by the Pledgee.

Article 3 Term of the Pledge

3.3 The Pledge shall become effective from the date that the Pledged Equity Interest under this Agreement has been registered with the relevant administration for market regulation (“AMR”). The Pledge shall remain effective until (1) all Contract Obligations have been fully performed and all Secured Indebtedness has been fully paid, or (2) the Pledgee and/or the designated person shall, subject to the PRC laws, decide to purchase the entire Equity Interest of Party C held by the Pledgors in accordance with the Exclusive Option Agreement, and the Equity Interest of Party C has been transferred to the Pledgee and/or the designated person in accordance with the laws, and the Pledgee and the designated person can legally engage in the business of Party C. The Pledgor and Party C shall (I) register the Pledge in the shareholders’ register of Party C within 3 business days following the execution of this Agreement, and (II) submit an application to the relevant AMR for the registration of the Pledge of the Equity Interest under this Agreement within 30 business days following the execution of this Agreement. The Parties covenant that for the purpose of registration of the Pledge, the parties hereto and all other shareholders of Party C shall submit to AMR this Agreement or an equity pledge agreement in the form required by the AMR at the location of Party C which shall truly reflect the information of the Pledge hereunder (the “AMR Pledge Agreement”). For matters not specified in the AMR Pledge Agreement, the Parties shall be bound by the provisions of this Agreement. The Pledgor and Party C shall submit all necessary documents and complete all necessary procedures, as required by the relevant PRC laws and regulations and the competent AMR, to ensure that the Pledge of the Equity Interest shall be registered with the AMR as soon as possible after submission for filing.

3.4 During the Term of the Pledge, in the event that the Pledgor and/or Party C fails to perform the Contract Obligations or pay Secured Indebtedness, the Pledgee shall have the right, but not the obligation, to exercise the Pledge in accordance with the provisions of this Agreement.

Article 4 Custody of Pledge Certificates

4.2 During the Term of the Pledge set forth in this Agreement, the Pledgor shall deliver
to the Pledgee’s custody the certificate of Pledgor’s capital contribution in Party C and the register of shareholders recording
the Pledge within one week from the execution of this Agreement. The Pledgee shall have custody of such documents during
the entire Term of the Pledge set forth in this Agreement.

Article 5 Representations and Warranties of the Pledgor and Party C

As of the execution date of this Agreement, the Pledgor and Party C hereby jointly and severally represent and warrant to the
Pledgee that:

5.6 The Pledgor is the sole legal and beneficial owner of the Pledged Equity Interest;

5.7 The Pledgee shall have the right to dispose of and transfer the Pledged Equity Interest in accordance with the provisions set
forth in this Agreement.

5.8 Except for the Pledge, the Pledgor has not placed any security interest or other encumbrance on the Pledged Equity Interest.

5.9 The Pledgor and Party C have obtained approvals and consents from the government authorities and third parties (if
required) for the execution, delivery and performance of this Agreement.

5.10 The execution, delivery and performance of this Agreement will not: (i) violate any relevant PRC laws; (ii) conflict with
Party C’s articles of association or other constitutional documents; (iii) result in any breach of or constitute any default under
any contract or document to which it is a party or by which it is otherwise bound; (iv) result in any violation of any condition
for the grant and/or maintenance of any permit or approval granted to any Party; or (v) cause any permit or approval granted
to any Party to be suspended, cancelled or attached with additional conditions.

Article 6 Covenants of the Pledgor and Party C

6.5 During the term of this Agreement, the Pledgor and Party C hereby jointly and severally covenant to the Pledgee:

6.1.5 The Pledgor shall not transfer the Pledged Equity Interest, place or permit the existence of any security interest or
other encumbrance on the Pledged Equity Interest or any portion thereof, without the prior written consent of the
Pledgee, except for the performance of the Transaction Documents;

6.1.6 The Pledgor and Party C shall comply with and carry out all requirements under applicable laws and regulations
relating to pledge, and within five (5) days of receipt of any notice, order or recommendation issued or made by the
competent authorities regarding the Pledge, shall present the aforementioned notice, order or recommendation to the
Pledgee, and shall comply with the aforementioned notice, order or recommendation or submit objections and
representations with respect to the aforementioned matters upon the Pledgee’s reasonable request or upon consent of
the Pledgee;

6.1.7 Each of the Pledgor and Party C shall promptly notify the Pledgee of any event or notice received by it that may
have an impact on the Pledged Equity Interest (or any portion thereof,) as well as any event or notice received by it
that may have an impact on any guarantees and obligations of the Pledgor under this Agreement or the performance
of obligations of the Pledgor under this Agreement;
6.1.8 Party C shall complete the registration procedures for the extension of the operation term within three (3) months prior to the expiration of such term to maintain the validity of this Agreement.

6.6 The Pledgor agrees that the rights acquired by the Pledgee in accordance with this Agreement with respect to the Pledge shall not be interrupted or harmed by the Pledgor or any successors, heirs or representatives of the Pledgor or any other persons through any legal proceedings.

6.7 To protect or perfect the security interest granted by this Agreement for the Contract Obligations and Secured Indebtedness, the Pledgor hereby undertakes to execute in good faith and to cause other parties who have an interest in the Pledge to execute all certificates, deeds and/or covenants required by the Pledgee. The Pledgor also undertakes to perform and to cause other parties who have an interest in the Pledge to perform actions required by the Pledgee, to facilitate the exercise by the Pledgee of its rights and authority granted thereto by this Agreement, and to enter into all relevant documents regarding ownership of Equity Interest with the Pledgee or designer(s) of the Pledgee (natural persons/legal persons). The Pledgor undertakes to provide the Pledgee within a reasonable time with all notices, the orders and decisions regarding the Pledge that are required by the Pledgee.

6.8 The Pledgor hereby undertakes to comply with and perform all guarantees, promises, agreements, representations and conditions under this Agreement. In the event of failure or partial performance of its guarantees, promises, agreements, representations and conditions, the Pledgor shall indemnify the Pledgee for all losses resulting therefrom.

Article 7 Event of Breach

7.4 The following circumstances shall be deemed an Event of Default:

7.1.3 The Pledgor’s any breach to any obligations under the Transaction Documents and/or this Agreement;

7.1.4 Party C’s any breach to any obligations under the Transaction Documents and/or this Agreement.

7.5 Upon notice or discovery of the occurrence of any circumstances or event that may lead to the aforementioned circumstances described in Article 7.1, the Pledgor and Party C shall immediately notify the Pledgee in writing accordingly.

7.6 Unless an Event of Default set forth in Article 7.1 has been successfully resolved to the Pledgee’s satisfaction within twenty (20) days after the Pledgee delivers a notice to the Pledgor and/or Party C requesting ratification of such Event of Default, the Pledgee may issue a Notice of Default to the Pledgor in writing at any time thereafter, demanding to immediately exercise the Pledge in accordance with the provisions of Article 8 of this Agreement.

Article 8 Exercise of the Pledge

8.8 The Pledgee shall issue a written Notice of Default to the Pledgor when it exercises the Pledge.

8.9 Subject to the provisions of Article 7.3, the Pledgee may exercise the right to enforce
the Pledge at any time after the issuance of the Notice of Default in accordance with Article 8.1. The Pledgor shall cease to own any Pledged Equity Interest-related rights or interests once the Pledgee decides to exercise the right to enforce the Pledge.

8.10 After the Pledgee issues a Notice of Default to the Pledgor in accordance with Article 8.1, the Pledgee may exercise any remedial measure under the applicable PRC laws, the Transaction Documents and this Agreement, including but not limited to being paid in priority with the Pledged Equity Interest based on the monetary valuation that such Pledged Equity Interest is converted into or from the proceeds from the auction or sale of the Pledged Equity Interest. The Pledgee shall not be liable for any loss incurred by its duly exercise of such rights and powers.

8.11 The proceeds from the exercise of the Pledge by the Pledgee shall be used to pay for the taxes and expenses incurred as a result of disposing the Pledged Equity Interest and to perform the Contract Obligations and pay the Secured Indebtedness to the Pledgee prior and in preference to any other payment. After the payment of the aforementioned amounts, the remaining balance shall be returned to the Pledgor or any other person who have rights to such balance under relevant laws and regulations or be deposited to the local notary public office where the Pledgor resides, with all expenses incurred being borne by the Pledgor. To the extent permitted by the applicable PRC laws, the Pledgor shall unconditionally donate the aforementioned proceeds to the Pledgee or any other person designated by the Pledgee.

8.12 The Pledgee may exercise any remedy measure available to it simultaneously or in any order. The Pledgee may exercise the priority right in compensation based on the monetary valuation that such Pledged Equity Interest is converted into or with the proceeds from the auction or sale of the Pledged Equity Interest under this Agreement, without being required to exercise any other remedy measure first.

8.13 The Pledgee is entitled to designate an attorney or other representatives to exercise the Pledge on its behalf, and the Pledgor or Party C shall not raise any objection to such exercise.

8.14 When the Pledgee disposes of the Pledge in accordance with this Agreement, the Pledgor and Party C shall provide the necessary assistance to enable the Pledgee to enforce the Pledge.

**Article 9 Breach of Agreement**

9.3 If the Pledgor or Party C materially breaches any provision under this Agreement, the Pledgee is entitled to terminate this Agreement and/or require the Pledgor or Party C to compensate the losses. This Article shall not prejudice any other rights of the Pledgee under this Agreement.

9.4 The Pledgor or Party C shall not have any right to terminate this Agreement unilaterally in any event unless otherwise required by the applicable laws.

**Article 10 Assignment**

10.6 Without the Pledgee’s prior written consent, neither the Pledgor nor Party C shall grant or assign its/his rights and obligations under this Agreement.

10.7 This Agreement shall be binding on the Pledgor and his/her successors and permitted assignees, and shall be valid with respect to the Pledgee and each of
his/her successors and assignees.

10.8 At any time, the Pledgee may assign any and all of its rights and obligations under the Transaction Documents and this Agreement to its designee(s), in which case the assignees shall have the rights and obligations of the Pledgee under the Transaction Documents and this Agreement, as if it were the original party to the Transaction Documents and this Agreement.

10.9 In the event of change of the Pledgee due to assignment, the Pledgor and/or Party C shall, at the request of the Pledgee, execute a new equity pledge agreement with the new pledgee on the same terms and conditions as this Agreement, and register the same with the competent AMR.

10.10 The Pledgor and Party C shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by the Parties hereto or any of them, including the Transaction Documents, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. Any remaining rights of the Pledgor with respect to the Pledged Equity Interest hereunder shall not be exercised by the Pledgor except in accordance with the written instructions of the Pledgee.

Article 11 Termination

11.3 Upon the fulfillment of all Contract Obligations and the full payment of all Secured Indebtedness by the Pledgor and Party C, the Pledgee shall release the Pledge under this Agreement upon the Pledgor’s request as soon as reasonably practicable and shall assist the Pledgor in de-registering the Pledge from the register of shareholders of Party C and with the competent AMR.

11.4 The provisions under Articles 9, 13, 14 and 11.2 herein of this Agreement shall survive the expiration or termination of this Agreement.

Article 12 Handling Fees and Other Expenses

All fees and actual expenses relating to this Agreement, including but not limited to legal costs, costs of production, stamp tax and any other taxes and fees, shall be borne by Party C.

Article 13 Confidentiality

The Parties acknowledge and confirm that the existence and the content of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance of this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any confidential information to any third party, except for the information that: (a) is or will be in the public domain (other than through the receiving Party’s unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Article. Disclosure of any confidential information by the shareholders, directors, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party.
and such Party shall be held liable for breach of this Agreement.

**Article 14 Governing Law and Disputes Resolution**

**14.4** The execution, effectiveness, interpretation, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the PRC laws.

**14.5** In the event of any dispute arising from the performance of this Agreement or in connection with this Agreement, either Party is entitled to submit the dispute to Shanghai International Economic and Trade Arbitration Commission for arbitration in Shanghai in accordance with its arbitration procedures and rules then in effect. The arbitration tribunal shall consist of three arbitrators to be appointed in accordance with the arbitration rules. The claimant and the respondent shall respectively appoint one arbitrator, and the third arbitrator shall be appointed by the first two arbitrators through negotiations or designated by Shanghai International Economic and Trade Arbitration Commission. The arbitration proceedings shall be conducted in Chinese in a confidential manner. The arbitration award shall be final and binding upon the parties thereto. Under appropriate circumstances, the arbitration tribunal or arbitrators may award compensation, injunctive relief in respect of the Parties’ equities or assets in accordance with the dispute resolution clause and/or applicable PRC laws, including restriction on conduct of business, restriction or prohibition of transfer or sale of equities or assets, or proposal for the winding-up of the Parties. In addition, in the course of forming the tribunal, the Parties shall have the right to file an application to any court with competent jurisdiction (including courts in Hong Kong, Cayman Islands and places of incorporation of the Parties (namely Beijing, China and Shanghai, China)) and places where the principal assets of all the Parties are located) for the grant of temporary reliefs.

14.6 During the arbitration, except for the matters under dispute and pending for arbitration, the Parties shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

**Article 15 Notices**

15.4 All notices and other communications required or given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid or by commercial courier service or facsimile transmission to the address of such Party set forth below. Each such notice shall also be resent by email. The date on which such notices shall be deemed to have been effectively served shall be determined as follows:

**15.1.1** Notices given by personal delivery (including express mail service) shall be deemed effectively given on the day when an acknowledgement of receipt thereof is signed;

**15.1.2** Notices given by registered mail (postage prepaid) shall be deemed effectively given on the 15th day after the date of the return receipt thereof.

**15.1.3** Notices given by facsimile transmission shall be deemed effectively given on the date of transmission as shown on the facsimile, provided that, if such facsimile is given after 5pm or on a non-business day at the place of receipt, it shall be deemed given on the business day immediately following the transmission date shown on such facsimile.
15.5 For the purpose of notices, the addresses of the Parties are as follows:

Party A: NIO Co., Ltd.
Address: NIO Inc., Building 20, No. 56 Antuo Road, Jiading District, Shanghai
Attn: Lei LIU

Party B: Lihong Qin
Address: *******
Attn: Lihong Qin

Party C: Beijing NIO Network Technology Co., Ltd.
Address: NIO Inc., Building 20, No. 56 Antuo Road, Jiading District, Shanghai
Attn: Lei LIU

15.6 Any party may at any time change its address for receiving notices by a notice delivered to the other party in accordance with the terms hereof.

Article 16 Severability

In the event that one or several of the provisions of this Agreement are held to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

Article 17 Attachments

The attachments set forth herein shall be an integral part of this Agreement.

Article 18 Effectiveness

18.3 This Agreement shall become effective upon execution by the Parties.

18.4 Any amendment, supplement and change to this Agreement shall be made in writing by all of the Parties and take effects after they are executed or stamped by all Parties hereunder and governmental registration procedures (if necessary) are completed.

Article 19 Counterparts

This Agreement is written in Chinese in four copies. The Pledgor, the Pledgee and Party C shall hold one copy respectively and the other copy shall be used for registration.

(The remainder of this page is intentionally left blank. signature page follows)
IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Equity Pledge Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

**Party A: NIO Co., Ltd. (seal)**

By: /s/ Lihong Qin  
Name: Lihong Qin  
Title: Legal Representative

**Party B: Lihong Qin**  
Signed by: /s/ Lihong Qin

**Party C: Beijing NIO Network Technology Co., Ltd. (seal)**  
Signed by: /s/ Lihong Qin  
Name: Lihong Qin  
Title: Legal Representative
Exhibit 4.13

Exclusive Business Cooperation Agreement

This Exclusive Business Cooperation Agreement (this “Agreement”) is made and entered into by and between the following parties on April 12, 2021, in Shanghai, the People’s Republic of China (the “PRC”, for the purpose of this Agreement, excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan Region of the PRC).

**Party A:** NIO Co., Ltd.
Address: Room 115, No. 569 Anchi Road, Anting Town, Jiading District, Shanghai

**Party B:** Beijing NIO Network Technology Co., Ltd.
Address: Room 112, Beijing Yuxiangqing Hotel, No. 23 Courtyard, Babaozhuang, Haidian District, Beijing

(Each of Party A and Party B shall be hereinafter referred to as a “Party” individually, and as the “Parties” collectively.)

**Whereas,**

(1) Party A is a wholly foreign-owned enterprise established in the PRC, and has sufficient capacity, experience and resources for the R&D of new energy automobiles and related components and for providing technical development, technical services and consultation in relation to new energy automobile;

(2) Party B is a domestic company established in the PRC and is engaged in internet culture activities. The businesses conducted by Party B currently and at any time during the term of this Agreement are collectively referred to as the “Principal Business”;

(3) Party A is willing to provide Party B with technical support, consultation and other related services on an exclusive basis in relation to the Principal Business during the term of this Agreement, utilizing its advantages in technology, personnel and information, and Party B is willing to accept such services provided by Party A or Party A’s designee(s), each pursuant to the terms set forth herein.

Now, therefore, through mutual discussion, the Parties have reached the following agreements:

**Article 1 Service Provision**

1.1 Party B hereby appoints Party A as Party B’s exclusive services provider to provide Party B with comprehensive technical support, consulting services and other related services during the term of this Agreement, in accordance with the terms and conditions of this Agreement, including but not limited to the following services:

(1) Licensing Party B to use the relevant software legally owned by Party A;
(2) Development, maintenance and updating of the relevant application software necessary for Party B’s Principal Business;
(3) Design, installation, daily management, maintenance and updating of computer network system, hardware equipment and database;
(4) Technical support and staff training for relevant employees of Party B;
(5) Assisting Party B in consulting, collection and research of relevant technology and market information (excluding market research business that wholly foreign-owned enterprises are restricted from conducting under PRC laws);
(6) Providing business management consultation for Party B;
(7) Providing marketing and promotional services for Party B;
(8) Developing and testing new products;
(9) Leasing of equipment or properties; and
(10) Other related services requested by Party B from time to time to the extent permitted under PRC laws.

1.2 Party B agrees to accept all the services provided by Party A. Party B further agrees that unless with Party A’s prior written consent, during the term of this Agreement, Party B shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish any similar corporation relationship with any third party regarding the matters contemplated by this Agreement. The Parties agree that Party A may designate other parties to provide Party B with the services under this Agreement (the parties designated by Party A may enter into certain agreements described in Section 1.5 with Party B).

1.3 Party A is entitled to check Party B’s accounts periodically and at any time, and Party B shall keep its accounts accurately and in due course, and provide the accounts to Party A upon its request. During the term of this agreement and without in violation of applicable laws, Party B agrees to coordinate with Party A and Party A’s shareholders (direct or indirect) over auditing (including but not limited to related party transaction auditing and other various auditing contents) and provide related information and materials about Party B’s and its subsidiaries’ operation, business, customers, finance and staffs to Party A, Party A’s shareholders and/or auditor engaged by Party A, and also agrees that Party A’s shareholders can disclose such information and materials to satisfy the requirements of the securities regulation.

1.4 In case of liquidation or dissolution of Party B for various reasons, Party B shall, within the scope permitted by PRC laws, appoint the persons recommended by Party A to form a liquidation team, which takes charge of managing the property of Party B and its subsidiaries. Party B acknowledges
that in case of liquidation or dissolution of Party B, Party B agrees to deliver all the remaining property obtained from the liquidation of Party B conducted according to PRC laws and regulations to Party A, no matter whether the provisions specified in this agreement have been implemented.

1.5 Service Providing Method

1.5.1 Party A and Party B agree that during the term of this Agreement, where necessary, Party B may enter into further service agreements with Party A or any other party designated by Party A, which shall provide the specific contents, methods, personnel, and fees for the specific services.

1.5.2 To better fulfill this Agreement, Party A and Party B agree that during the term of this Agreement, where necessary, Party B may enter into equipment or property lease agreements with Party A or any other party designated by Party A at any time which shall permit Party B to use Party A's relevant equipment or property based on the business needs of Party B.

1.5.3 Party B hereby grants to Party A an irrevocable and exclusive option to purchase from Party B, at Party A's sole discretion, any or all of the assets and business of Party B, to the extent permitted under the PRC laws, and at the lowest purchase price permitted by the PRC laws. Both Parties shall then enter into a separate assets or business transfer agreement, specifying the terms and conditions of the transfer of the assets.

Article 2 Price and Payment Method of the Service

2.1 The service fee hereunder shall consist of 100% of the total consolidated profits of Party B in any fiscal year, setting off the accumulated deficit (if any) of Party B and its subsidiaries in the previous fiscal year and net of the working capital, expenses, taxes and other statutory contributions required in any fiscal year. Notwithstanding the foregoing, Party A may, at its sole discretion, adjust the coverage and amount of the service fee in accordance with the tax regulations and tax practices of the PRC and by reference to Party B’s needs for working capitals, and Party B shall accept such adjustment.

2.2 Party A will provide invoice and calculate the service fee on a monthly basis. Party B shall pay the service fees to the bank account designated by Party A within ten (10) business days upon the receipt of the invoice, and send the copy of the payment voucher to Party A by fax or email within ten (10) business days after the payment. Party A shall issue receipt within ten (10) business days upon receipt of the service fees. Notwithstanding the foregoing, Party A may, at its discretion, adjust the time and method for payment of the service fee. Party B shall accept such adjustment.

Article 3 Intellectual Property Rights and Confidentiality Clauses

3.1 Party A shall have sole and exclusive ownership, rights and interests in any and all intellectual properties or intangible assets arising out of or created or developed during the performance of this Agreement by both Parties, including but not limited to copyrights, patents, patent applications,
software, technical secrets, trade secrets and others (to the extent not prohibited by PRC laws). Unless expressly authorized by Party A, Party B is not entitled to any rights or interests in any intellectual property rights of Party A which are used by Party A in providing the services pursuant to this Agreement. Party B shall execute all appropriate documents, take all appropriate actions, submit all filings and/or applications, render all appropriate assistance and otherwise conduct whatever is necessary as deemed by Party A at its sole discretion, for the purposes of vesting the ownership, right or interest of any such intellectual property rights and intangible assets in Party A, and/or perfecting the protections of any such intellectual property rights and intangible assets for Party A (including but not limited to registering such intellectual property rights and intangible assets under Party A's name).

3.2 The Parties acknowledge and confirm that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance of this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any confidential information to any third party, except for the information that: (a) is or will be in the public domain (other than through the receiving Party’s unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Article. Disclosure of any confidential information by the shareholders, director, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

Article 4 Representations and Warranties

4.1 Party A hereby represents, warrants and covenants as follows:

4.1.1 Party A is a wholly foreign-owned enterprise legally established and validly existing in accordance with the PRC laws; Party A or the service providers designated by Party A will obtain all government permits and licenses necessary for providing the service under this Agreement before providing such services.

4.1.2 Party A has taken all necessary corporate actions, obtained all necessary authorizations as well as all consents and approvals from third parties and government agencies (if required) for the execution, delivery and performance of this Agreement; Party A's execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation.
4.1.3 This Agreement constitutes Party A's legal, valid and binding obligations, enforceable against it in accordance with its terms.

4.2 Party B hereby represents, warrants and covenants as follows:

4.2.1. Party B is a company legally established and validly existing in accordance with the PRC laws and has obtained and will maintain all government permits and licenses necessary for engaging in the Principal Business.

4.2.2. Party B has taken all necessary corporate actions, obtained all necessary authorizations as well as all consents and approvals from third parties and government agencies (if required) for the execution, delivery and performance of this Agreement. Party B’s execution, delivery and performance of this Agreement do not violate any explicit requirements under any law or regulation.

4.2.3. This Agreement constitutes Party B’s legal, valid and binding obligations, enforceable against it in accordance with its terms.

**Article 5 Term of Agreement**

5.1 This Agreement shall become effective upon execution by the Parties. Unless terminated in accordance with the provisions of this Agreement or terminated in writing by Party A, this Agreement shall remain effective forever.

5.2 During the term of this Agreement, each Party shall timely renew its operation term prior to the expiration thereof, so as to enable this Agreement to remain effective and enforceable. This Agreement shall be terminated upon the expiration of the operation term of a Party if the application for the renewal of its operation term is not approved or agreed by the competent authorities.

5.3 The rights and obligations of the Parties under Article 3, 6, 7 and this Article 5.3 shall survive the termination of this Agreement.

**Article 6 Governing Law and Disputes Resolution**

6.1 The execution, effectiveness, interpretation, performance and the resolution of disputes hereunder shall be governed by and construed in accordance with the PRC laws.

6.2 In the event of any dispute arising from the performance of this Agreement or in connection with this Agreement, either Party is entitled to submit the dispute to Shanghai International Economic and Trade Arbitration Commission for arbitration in Shanghai in accordance with its arbitration procedures and rules then in effect. The arbitration tribunal shall consist of three arbitrators to be appointed in accordance with the arbitration rules. The claimant and the respondent shall respectively appoint one arbitrator, and the third arbitrator shall be appointed by the first two arbitrators through negotiations or designated by Shanghai International Economic and Trade
Arbitration Commission. The arbitration proceedings shall be conducted in Chinese in a confidential manner. The arbitration award shall be final and binding upon the parties thereto. Under appropriate circumstances, the arbitration tribunal or arbitrators may award compensation, injunctive relief in respect of both Parties’ equities or assets in accordance with the dispute resolution clause and/or applicable PRC laws, including restriction on conduct of business, restriction or prohibition of transfer or sale of equities or assets, or proposal for the winding-up of both Parties. In addition, in the course of forming the tribunal, both Parties shall have the right to file an application to any court with competent jurisdiction (including courts in Hong Kong, Cayman Islands, places of incorporation of both Parties (namely Beijing and Shanghai) and places where the principal assets of both parties are located) for the grant of temporary reliefs.

6.3 During the arbitration, except for the matters under dispute and pending for arbitration, the Parties shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

**Article 7 Breach of Agreement and Indemnification**

7.1 If Party B materially breaches any provision under this Agreement, Party A is entitled to (1) terminate this Agreement and require Party B to compensate all the losses; or (2) require specific performance of the obligations of Party B under this Agreement and require Party B to compensate all the losses. This Article 7.1 shall not prejudice any other rights of Party A under this Agreement.

7.2 Unless otherwise required by the laws, Party B shall not unilaterally terminate this Agreement in any event.

7.3 Party B shall indemnify Party A and hold Party A harmless from any losses, damages, obligations or expenses caused by any lawsuit, claims or other demands against Party A arising from or caused by the services provided by Party A to Party B pursuant this Agreement, except where such losses, damages, obligations or expenses arise from the gross negligence or willful misconduct of Party A.

**Article 8 Force Majeure**

8.1 In the case of any force majeure events ("Force Majeure") such as earthquakes, typhoons, floods, fires, flu, wars, strikes or any other events that cannot be predicted and are unpreventable and unavoidable by the affected Party, which causes the failure of either Party to perform or completely perform this Agreement, the Party affected by such Force Majeure events shall not be liable for such failure to perform or partial performance. However, the affected Party shall give the other Party written notices without any delay, and shall provide details evidencing such Force Majeure events within 15 days after sending out such notice, explaining the reasons for such failure of, partial or delay of performance.

8.2 If such Party claiming Force Majeure fails to notify the other Party and furnish it with proof pursuant to the above provision, such Party shall not be excused from the non-performance of its obligations hereunder. The Party so affected by such Force Majeure shall use reasonable efforts to
minimize the consequences of such Force Majeure and to promptly resume performance hereunder whenever the causes of such excuse are cured. Should the Party so affected by such Force Majeure fail to resume performance hereunder when the causes of such excuse are cured, such Party shall be liable to the other Party.

8.3 In the event of Force Majeure, the Parties shall immediately consult with each other to find an equitable solution and shall use all reasonable endeavors to minimize the consequences of such Force Majeure.

Article 9 Notices

9.1 All notices and other communications required or given pursuant to this Agreement shall be delivered personally or sent by registered mail, postage prepaid or by commercial courier service or facsimile transmission to the address of such Party set forth below. Each such notice shall also be resent by email. The dates on which such notices shall be deemed to have been effectively served shall be determined as follows:

9.1.1 Notices given by personal delivery (including express mail service) shall be deemed effectively given on the day when an acknowledgement of receipt thereof is signed.

9.1.2 Notices given by registered mail (postage prepaid) shall be deemed effectively given on the 15th day after the date of the return receipt thereof.

9.1.3 Notices given by facsimile transmission shall be deemed effectively given on the date of transmission as shown on the facsimile, provided that, if such facsimile is given after 5 p.m. or on a non-business day at the place of receipt, it shall be deemed given on the business day immediately following the transmission date shown on such facsimile.

9.1 For the purpose of notices, the addresses of the Parties are as follows:

- **Party A:** NIO Co., Ltd.
  Address: NIO Inc., Building 20, No. 56 AnTuo Road, Jiading District, Shanghai
  Attn: Lei Liu

- **Party B:** Beijing NIO Network Technology Co., Ltd.
  Address: NIO Inc., Building 20, No. 56 AnTuo Road, Jiading District, Shanghai
  Attn: Lei Liu

9.3 Any party may at any time change its address for receiving notices by a notice delivered to the other party in accordance with the terms hereof.

Article 10 Assignment of Agreement
10.1 Without Party A’s prior written consent, Party B shall not assign its rights and obligations under this Agreement to any third party.

10.2 Party B hereby agrees that Party A may assign its rights and obligations under this Agreement to any third party and in case of such assignment, Party A is only required to give written notice to Party B and does not need any consent from Party B for such assignment.

Article 11 Miscellaneous

11.1 In the event that one or several of the provisions of this Agreement are held to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. Both Parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of both Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

11.2 Any amendment and supplement to this Agreement may be made in writing by both Parties. Any amendment agreement and supplementary agreement duly executed by the Parties hereto with regard to this Agreement shall constitute an integral part of this Agreement, and shall have equal legal validity as this Agreement.

11.3 This Agreement is written in two copies, each Party having one copy.

(Remainder of this page is intentionally left blank; signature page follows)
IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Business Cooperation Agreement as of the date first above written.

**Party A: NIO Co., Ltd.** (seal)

By: /s/ Lihong Qin  
Name: Lihong Qin  
Title: Legal Representative

**Party B: Beijing NIO Network Technology Co., Ltd.** (seal)

By: /s/ Lihong Qin  
Name: Lihong Qin  
Title: Legal Representative
Exclusive Option Agreement

This Exclusive Option Agreement (this “Agreement”) is executed by and among the following Parties as of April 12, 2021, in Shanghai, the People’s Republic of China (the “PRC”, for the purpose of this Agreement, excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan Region of the PRC):

Party A: NIO Co., Ltd.
Address: Room 115, No. 569 Anchi Road, Anting Town, Jiading District, Shanghai

Party B: Bin Li
Address: ********

Party C: Beijing NIO Network Technology Co., Ltd.
Address: Room 112, Beijing Yuxiangqing Hotel, No. 23 Courtyard, Babaozhuang, Haidian District, Beijing

(Each of Party A, Party B and Party C shall be hereinafter referred to as a “Party” individually, and as the “Parties” collectively.)

Whereas:

1. Party B is the shareholder of Party C and as of the date hereof hold 80% of the equity interests of Party C, representing RMB 8,000,000 in the registered capital of Party C.

2. Party A and Party B executed a Loan Agreement (“Loan Agreement”) on April 12, 2021, according to which Party A agreed to provide to Party B a loan in the amount of RMB 8,000,000 for the purpose of Party B’s contribution to Party C.

Now therefore, upon mutual discussion and negotiation, the Parties have reached the following agreement:

1. Sale and Purchase of Equity Interest

1.1 Option Granted

Party B hereby irrevocably grants Party A an irrevocable and exclusive right to purchase, or designate one or more persons (each, a “Designee”) to purchase the equity interests in Party C then held by Party B once or at multiple times at any time in part or in whole at Party A’s sole and absolute discretion to the extent permitted by PRC laws and at the price described in Section 1.3 herein (such right being the “Equity Purchase Option”). Except for Party A and the Designee(s), no other person shall be entitled to the Equity Purchase Option or other rights with respect to the equity interests of Party B. Party C hereby agrees to the grant by Party B of the Equity Purchase Option to Party A. The term “person” as used herein shall refer to individuals, companies, joint ventures, partnerships, enterprises, trusts or non-corporate organizations.

1.2 Steps for Exercise of the Equity Purchase Option

Subject to the provisions of PRC laws and regulations, Party A may exercise the Equity Purchase Option by issuing a written notice to Party B (the “Equity Purchase Notice”), specifying:(a) Party A or the Designee’s decision to exercise the Equity Purchase Option; (b) the portion of equity interests to be purchased by
Party A or the Designee from Party B (the “Purchased Equity”); and (c) the date for purchasing the Purchased Equity or the date for the transfer of the Purchased Equity. Upon receipt of the Equity Purchase Notice, Party B shall transfer all the Purchased Equity to Party A and/or the Designee as set forth in Article 1.4 hereof.

1.3 Purchase Price

The total price for the purchase by Party A of all equity interests in Party C held by Party B upon exercise of the Equity Purchase Option by Party A shall be RMB 8,000,000; if Party A exercises the Equity Purchase Option to purchase part of the equity interests held by Party B in Party C, then the purchase price shall be calculated on a pro rata basis. If at the time when Party A exercises the Equity Purchase Option, the minimum price permitted under PRC laws is higher than the aforementioned price, then the purchase price shall be such minimum price permitted by PRC laws (collectively, the “Purchase Price”).

1.4 Transfer of Purchased Equity

For each exercise of the Equity Purchase Option by Party A:

1.4.1 Party B shall cause Party C to promptly convene a shareholders’ meeting, at which a resolution shall be adopted approving Party B’s transfer of the Purchased Equity to Party A and/or the Designee(s);

1.4.2 Party B shall obtain written statements from the other shareholders of Party C giving consent to the transfer of the Purchased Equity by Party B to Party A and/or the Designee(s) and waiving any right of first refusal with respect thereto;

1.4.3 Party B shall execute an equity interest transfer contract with respect to each transfer with Party A and/or each Designee (whichever is applicable), in accordance with the provisions of this Agreement and the Equity Purchase Notice regarding the Purchased Equity, in the form and substance satisfactory to Party A and/or the Designee(s);

1.4.4 Party B shall, within thirty (30) days after receipt of the Equity Purchase Notice, execute all necessary contracts, agreements or documents with relevant parties, obtain all necessary government approvals and permits, and take all necessary actions, so as to transfer valid ownership of the Purchased Equity to Party A and/or the Designee(s), unencumbered by any Security Interests, and cause Party A and/or the Designee(s) to become the registered owner(s) of the Purchased Equity. For the purpose of this Section and this Agreement, “Security Interests” shall include securities, mortgages, third party’s rights or interests, any stock options, acquisition rights, right of first refusal, right to offset, ownership retention or other security arrangements, but shall be deemed to exclude any security interest created by this Agreement, Party B’s Equity Pledge Agreement and Party B’s Power of Attorney; “Party B’s Equity Pledge Agreement” as used in this Agreement shall refer to the Equity Pledge Agreement executed by and among Party A, Party B and Party C on the date hereof and any modification, amendment and restatement thereto.; “Party B’s Power of Attorney” as used in this Agreement shall refer to the Power of Attorney executed by Party B on the date hereof granting Party A with a power of attorney and any modification, amendment and restatement thereto.
1.5 **Payment**

The Parties have agreed in the Loan Agreement that any proceeds obtained by Party B through the transfer of its equity interests in Party C shall be used for repayment of the loan provided by Party A (and any interest thereon) in accordance with the Loan Agreement. Accordingly, upon exercise of the Equity Purchase Option, Party A may make the payment of the Purchase Price by way of offset of the outstanding debts owed by Party B to Party A (including without limitation the outstanding amount of the loan owed by Party B to Party A and any interest thereon) (such debts, the “Offset Debts”), in which case Party A shall not be required to pay any additional purchase price to Party B, unless the Purchase Price set forth herein is required to be adjusted in accordance with the PRC laws. If the PRC laws impose mandatory requirements on the Purchase Price agreed under this Agreement, such that the minimum Purchase Price permitted under PRC laws exceeds the price already offset with the Offset Debts, Party B hereby waives its right to receive the amount of price that exceeds the amount offset with the Offset Debts.

2. **Covenants**

2.1 **Covenants regarding Party C**

Party B (as a shareholder of Party C) and Party C hereby covenant as follows:

2.1.1 Without the prior written consent of Party A, they shall not in any manner supplement, change or amend the constitutional documents of Party C, increase or decrease its registered capital, or change its structure of registered capital in other manners;

2.1.2 They shall maintain Party C’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 its business and handling its affairs;

2.1.3 Without the prior written consent of Party A, they shall not at any time following the date hereof, sell, transfer, mortgage or dispose of in any manner any material assets of Party C or legal or beneficial interest in the material business or revenues of Party C, or allow the encumbrance thereon of any Security Interest;

2.1.4 Without the prior written consent of Party A, they shall not incur, inherit, guarantee or assume any debt, except for debts incurred in the ordinary course of business other than payables incurred by loans;

2.1.5 They shall always operate all of Party C’s businesses within the ordinary course of business to maintain the asset value of Party C and refrain from any action/omission that may adversely affect Party C’s operating status and asset value;

2.1.6 Without the prior written consent of Party A, they shall not cause Party C to execute any material contract, except the contracts in the ordinary course of business;

2.1.7 Without the prior written consent of Party A, they shall not cause Party C to provide any person with any loan or credit;
2.1.8 They shall provide Party A with information on Party C’s business operations and financial condition at Party A’s request;

2.1.9 If requested by Party A, they shall procure and maintain insurance in respect of Party C’s assets and business from an insurance carrier acceptable to Party A, at an amount and type of coverage typical for companies that operate similar businesses;

2.1.10 Without the prior written consent of Party A, they shall not cause or permit Party C to merge, consolidate with, acquire or invest in any person;

2.1.11 They shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Party C’s assets, business or revenue;

2.1.12 To maintain the ownership by Party C of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, and raise necessary or appropriate defenses against all claims;

2.1.13 Without the prior written consent of Party A, Party C shall not in any manner distribute dividends to its shareholders, provided that upon Party A’s request, Party C shall immediately distribute all distributable profits to its shareholders;

2.1.14 At the request of Party A, they shall appoint any person designated by Party A as the director or senior management of Party C.

2.1.15 Without Party A’s prior written consent, they shall not engage in any business in competition with Party A or its affiliates;

2.1.16 Unless otherwise mandatorily required by PRC laws, Party C shall not be dissolved or liquidated without prior written consent by Party A;

2.1.17 Once PRC laws permit foreign investors to invest in the principal business of Party C in the PRC, with a controlling stake and/or in the form of wholly foreign-owned enterprise, and the competent PRC government authorities begin to approve such investments, upon Party A’s exercise of the Equity Purchase Option, Party B shall immediately transfer to Party A or the Designee(s) the equity interests in Party C held by Party B, and Party C shall cooperate with the equity transfer procedures; and

2.1.18 With respect to the covenants applicable to Party C under this Article 2.1, Party B and Party C shall cause Party C’s subsidiaries to abide by such covenants where applicable, as if such subsidiaries were Party C under the corresponding paragraphs.

2.2 Covenants of Party B

Party B hereby covenants as follows:

2.2.1 Without the prior written consent of Party A, Party B shall not sell, transfer, mortgage or dispose of in any other manner any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance
thereon, except for the interest placed in accordance with Party B’s Equity Pledge Agreement and Party B’s Power of Attorney;

2.2.2 Without the prior written consent of Party A, Party B shall ensure the shareholders’ meeting and/or the directors (or the executive director) of Party C not to approve any sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon of any Security Interest, except for the interest placed in accordance with Party B’s Equity Pledge Agreement and Party B’s Power of Attorney;

2.2.3 Without the prior written consent of Party A, Party B shall cause the shareholders’ meeting or the directors (or the executive director) of Party C not to approve the merger or consolidation with any person, or the acquisition of or investment in any person;

2.2.4 Party B shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the equity interests in Party C held by Party B;

2.2.5 Party B shall ensure the shareholders’ meeting or the directors (or the executive director) of Party C to vote in favor of the transfer of the Purchased Equity as set forth in this Agreement and to take any and all other actions that may be requested by Party A;

2.2.6 To the extent necessary to maintain Party B’s ownership in Party C, Party B shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, and raise necessary or appropriate defenses against all claims;

2.2.7 Party B shall appoint any designee of Party A as the director or the senior management of Party C, at the request of Party A;

2.2.8 With respect to the transfer of equity interests of Party C by any other shareholders of Party C to Party A, Party B hereby waives all of its right of first refusal (if any); Party B gives consent to the execution by each other shareholder of Party C with Party A and Party C of the exclusive option agreement, the Equity Pledge Agreement and the power of attorney similar to this Agreement, Party B’s Equity Pledge Agreement and Party B’s Power of Attorney, and undertakes not to take any action in conflict with such documents executed by such other shareholders (if any);

2.2.9 If Party B received any profit distribution, interest, dividend or proceeds of liquidation from Party C, Party B shall promptly donate all such profit distribution, interest, dividend or proceeds of liquidation to Party A or any other person designated by Party A in the manner permitted by the applicable PRC laws; and

2.2.10 Party B shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among Party B, Party C and Party A, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. To the extent that Party B has any remaining rights with respect to the equity interests subject to this Agreement hereunder or under the Party B’s Equity Pledge Agreement or under the Party B’s Power of Attorney,
3. **Representations and Warranties**

Party B and Party C hereby represent and warrant to Party A, jointly and severally, as of the date of this Agreement and each date of the transfer of the Purchased Equity, that:

3.1 They have the power, capacity and authority to execute and deliver this Agreement and any equity transfer contract to which they are parties concerning each transfer of the Purchased Equity as described thereunder (each, a "Transfer Contract"), and to perform their obligations under this Agreement and any Transfer Contracts. Party B and Party C agree to enter into Transfer Contracts substantially consistent with the terms of this Agreement upon Party A's exercise of the Equity Purchase Option. This Agreement and the Transfer Contracts to which they are parties constitute or will constitute their legal, valid and binding obligations and shall be enforceable against them in accordance with the provisions thereof;

3.2 Party B and Party C have obtained any and all approvals and consents from the third parties and competent government authorities (if required) for the execution, delivery and performance of this Agreement;

3.3 The execution and delivery of this Agreement or any Transfer Contracts and the obligations under this Agreement or any Transfer Contracts shall not: (i) cause any violation of any applicable PRC laws; (ii) be inconsistent with the articles of association or other organizational documents of Party C; (iii) cause the violation of any contracts or instruments to which they are a party or which are binding on them, or constitute any breach under any contracts or instruments to which they are a party or which are binding on them; (iv) cause any violation of any condition for the grant and/or continued effectiveness of any licenses or permits issued to either of them; or (v) cause the suspension or revocation of or imposition of additional conditions to any licenses or permits issued to either of them;

3.4 Party B has good and marketable title to the equity interests held by it in Party C. Except for Party B’s Equity Pledge Agreement and Party B’s Power of Attorney, Party B has not placed any Security Interest on such equity interests;

3.5 Party C has good and marketable title to all of its assets, and has not placed any Security Interest on the aforementioned assets;

3.6 Party C does not have any outstanding debts, except for (i) debt incurred during the ordinary course of business; and (ii) debts disclosed to Party A for which Party A's written consent has been obtained;

3.7 Party C will comply with all laws and regulations applicable to asset acquisition; and

3.8 There are no pending or threatened litigation, arbitration or administrative proceedings relating to the equity interests in Party C, assets of Party C or Party C.

4. **Term**
This Agreement shall become effective upon execution by the Parties, and remain effective until all equity interests held by Party B in Party C have been transferred or assigned to Party A and/or any other person designated by Party A in accordance with this Agreement.

5. **Governing Law and Disputes Resolution**

5.1 **Governing Law**

The execution, effectiveness, interpretation, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the PRC laws.

5.2 **Methods of Disputes Resolution**

In the event of any dispute arising from the performance of this Agreement or in connection with this Agreement, either Party is entitled to submit the dispute to Shanghai International Economic and Trade Arbitration Commission for arbitration in Shanghai in accordance with its arbitration procedures and rules then in effect. The arbitration tribunal shall consist of three arbitrators to be appointed in accordance with the arbitration rules. The claimant and the respondent shall respectively appoint one arbitrator, and the third arbitrator shall be appointed by the first two arbitrators through negotiations or designated by Shanghai International Economic and Trade Arbitration Commission. The arbitration proceedings shall be conducted in Chinese in a confidential manner. The arbitration award shall be final and binding upon the parties thereto. Under appropriate circumstances, the arbitration tribunal or arbitrators may award compensation, injunctive relief in respect of all the Parties’ equities or assets in accordance with the dispute resolution clause and/or applicable PRC laws, including restriction on conduct of business, restriction or prohibition of transfer or sale of equities or assets, or proposal for the winding-up of all the Parties. In addition, in the course of forming the tribunal, both Parties shall have the right to file an application to any court with competent jurisdiction (including courts in Hong Kong, Cayman Islands, places of incorporation of all the Parties (namely Beijing and Shanghai) and places where the principal assets of all the Parties are located) for the grant of temporary reliefs. During the arbitration, except for the matters under dispute and pending for arbitration, all the Parties shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

6. **Taxes and Fees**

Each Party shall pay any and all transfer and registration taxes, expenses and fees incurred thereby or levied thereon in accordance with the PRC laws in connection with the preparation and execution of this Agreement and the Transfer Contracts, as well as the consummation of the transactions contemplated under this Agreement and the Transfer Contracts.

7. **Notices**

7.1 All notices and other communications required to be given pursuant to this Agreement or otherwise given in connection with this Agreement shall be delivered personally, or sent by registered mail, prepaid postage, a commercial courier service, facsimile transmission to the address of such Party set forth below. A copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
7.1.1 Notices given by personal delivery (including courier service), shall be deemed effectively served on the date of signature for receipt;

7.1.2 Notices given by registered mail, postage prepaid, shall be deemed effectively served on the 15th day after the date on the registered letter receipt;

7.1.3 Notices given by facsimile transmission, shall be deemed effectively served on the date indicated on the fax transmission record, unless it is delivered after 5 o’clock p.m. or on a non-business day per the local time of the recipient, in which case, it shall be deemed effectively served on the business day immediately following the date indicated on the fax transmission record.

7.2 For the purpose of notice, the addresses of the Parties are as follows:

Party A: NIO Co., Ltd.
Address: NIO Inc., Building 20, No. 56 AnTuo Road, Jiading District, Shanghai
Attn: Lei Liu

Party B: Bin LI
Address: ********
Attn: Bin Li

Party C: Beijing NIO Network Technology Co., Ltd.
Address: NIO Inc., Building 20, No. 56 AnTuo Road, Jiading District, Shanghai
Attn: Lei Liu

7.3 Any Party may change its address for notices by a notice delivered to the other Parties in accordance with the terms of this Section.

8. Confidentiality

The Parties acknowledge and confirm that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance of this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any confidential information to any third party, except for the information that: (a) is or will be in the public domain (other than through the receiving Party’s unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Article. Disclosure of any confidential information by the shareholders, directors, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

9. Further Warranties
The Parties agree to promptly execute documents that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement and take further actions that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement.

10. **Breach of Agreement**

10.1 If Party B or Party C commits any material breach of any term of this Agreement, Party A shall have right to terminate this Agreement and/or require Party B or Party C to indemnify all damages. This Article 10 shall not prejudice any other rights of Party A hereunder.

10.2 Unless otherwise provided for by laws, Party B and Party C shall in no case be entitled to terminate or cancel this Agreement.

11. **Miscellaneous**

11.1 **Amendments, changes and supplements**

Any amendment, change or supplement to this Agreement shall be made in a written agreement signed by each Party.

11.2 **Entire agreement**

Except for the amendments, supplements or changes in writing executed after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties hereto with respect to the subject matter hereof, and shall supersede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement.

11.3 **Headings**

The headings of this Agreement are for convenience only, and shall not be used to interpret, explain or otherwise affect the meanings of the provisions of this Agreement.

11.4 **Severability**

In the event that one or several of the provisions of this Agreement are held to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

11.5 **Successors**

This Agreement shall be binding upon and inure to the benefit of the respective successors and permitted assigns of the Parties.

11.6 **Survival**
11.6.1 Any obligations that occurred or that are due in connection with this Agreement before the expiration or early termination of this Agreement shall survive the expiration or early termination thereof.

11.6.2 The provisions of Sections 5, 8, 10 and this Section 11.6 shall survive the termination of this Agreement.

11.7 Waivers

Any Party may waive the terms and conditions of this Agreement, provided that such a waiver must be provided in writing and shall require the signatures of the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall operate as a waiver by such a Party with respect to any similar breach in other circumstances.

11.8 Language and Counterpart

This Agreement is written in Chinese in three copies, each Party having one copy.

[Remainder of this page is intentionally left blank]
IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

Party A: NIO Co., Ltd. (seal)

By: /s/ Lihong Qin
Name: Lihong Qin
Title: Legal Representative

Party B: Bin Li

By: /s/ Bin Li

Party C: Beijing NIO Network Technology Co., Ltd. (seal)

By: /s/ Lihong Qin
Name: Lihong Qin
Title: Legal Representative
Exclusive Option Agreement

This Exclusive Option Agreement (this “Agreement”) is executed by and among the following Parties as of April 12, 2021, in Shanghai, the People’s Republic of China (the “PRC”, for the purpose of this Agreement, excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan Region of the PRC):

Party A: NIO Co., Ltd.
Address: Room 115, No. 569 Anchi Road, Anting Town, Jiading District, Shanghai

Party B: Lihong Qin
Address: ********

Party C: Beijing NIO Network Technology Co., Ltd.
Address: Room 112, Beijing Yuxiangqing Hotel, No. 23 Courtyard, Babaozhuang, Haidian District, Beijing

(Each of Party A, Party B and Party C shall be hereinafter referred to as a “Party” individually, and as the “Parties” collectively.)

Whereas:

3. Party B is the shareholder of Party C and as of the date hereof hold 80% of the equity interests of Party C, representing RMB 8,000,000 in the registered capital of Party C.

4. Party A and Party B executed a Loan Agreement (“Loan Agreement”) on April 12, 2021, according to which Party A agreed to provide to Party B a loan in the amount of RMB 8,000,000 for the purpose of Party B’s contribution to Party C.

Now therefore, upon mutual discussion and negotiation, the Parties have reached the following agreement:

12. Sale and Purchase of Equity Interest

1.6 Option Granted

Party B hereby irrevocably grants Party A an irrevocable and exclusive right to purchase, or designate one or more persons (each, a “Designee”) to purchase the equity interests in Party C then held by Party B once or at multiple times at any time in part or in whole at Party A’s sole and absolute discretion to the extent permitted by PRC laws and at the price described in Section 1.3 herein (such right being the “Equity Purchase Option”). Except for Party A and the Designee(s), no other person shall be entitled to the Equity Purchase Option or other rights with respect to the equity interests of Party B. Party C hereby agrees to the grant by Party B of the Equity Purchase Option to Party A. The term “person” as used herein shall refer to individuals, companies, joint ventures, partnerships, enterprises, trusts or non-corporate organizations.

1.7 Steps for Exercise of the Equity Purchase Option

Subject to the provisions of PRC laws and regulations, Party A may exercise the Equity Purchase Option by issuing a written notice to Party B (the “Equity Purchase Notice”), specifying: (a) Party A or the Designee’s decision to exercise the Equity Purchase Option; (b) the portion of equity interests to be purchased by
Party A or the Designee from Party B (the “Purchased Equity”); and (c) the date for purchasing the Purchased Equity or the date for the transfer of the Purchased Equity. Upon receipt of the Equity Purchase Notice, Party B shall transfer all the Purchased Equity to Party A and/or the Designee as set forth in Article 1.4 hereof.

1.8 Purchase Price

The total price for the purchase by Party A of all equity interests in Party C held by Party B upon exercise of the Equity Purchase Option by Party A shall be RMB 8,000,000; if Party A exercises the Equity Purchase Option to purchase part of the equity interests held by Party B in Party C, then the purchase price shall be calculated on a pro rata basis. If at the time when Party A exercises the Equity Purchase Option, the minimum price permitted under PRC laws is higher than the aforementioned price, then the purchase price shall be such minimum price permitted by PRC laws (collectively, the “Purchase Price”).

1.9 Transfer of Purchased Equity

For each exercise of the Equity Purchase Option by Party A:

1.9.1 Party B shall cause Party C to promptly convene a shareholders’ meeting, at which a resolution shall be adopted approving Party B’s transfer of the Purchased Equity to Party A and/or the Designee(s);

1.9.2 Party B shall obtain written statements from the other shareholders of Party C giving consent to the transfer of the Purchased Equity by Party B to Party A and/or the Designee(s) and waiving any right of first refusal with respect thereto;

1.9.3 Party B shall execute an equity interest transfer contract with respect to each transfer with Party A and/or each Designee (whichever is applicable), in accordance with the provisions of this Agreement and the Equity Purchase Notice regarding the Purchased Equity, in the form and substance satisfactory to Party A and/or the Designee(s);

1.9.4 Party B shall, within thirty (30) days after receipt of the Equity Purchase Notice, execute all necessary contracts, agreements or documents with relevant parties, obtain all necessary government approvals and permits, and take all necessary actions, so as to transfer valid ownership of the Purchased Equity to Party A and/or the Designee(s), unencumbered by any Security Interests, and cause Party A and/or the Designee(s) to become the registered owner(s) of the Purchased Equity. For the purpose of this Section and this Agreement, “Security Interests” shall include securities, mortgages, third party’s rights or interests, any stock options, acquisition right, right of first refusal, right to offset, ownership retention or other security arrangements, but shall be deemed to exclude any security interest created by this Agreement, Party B’s Equity Pledge Agreement and Party B’s Power of Attorney; “Party B’s Equity Pledge Agreement” as used in this Agreement shall refer to the Equity Pledge Agreement executed by and among Party A, Party B and Party C on the date hereof and any modification, amendment and restatement thereto.; “Party B’s Power of Attorney” as used in this Agreement shall refer to the Power of Attorney executed by Party B on the date hereof granting Party A with a power of attorney and any modification, amendment and restatement thereto.
1.10 **Payment**

The Parties have agreed in the Loan Agreement that any proceeds obtained by Party B through the transfer of its equity interests in Party C shall be used for repayment of the loan provided by Party A (and any interest thereon) in accordance with the Loan Agreement. Accordingly, upon exercise of the Equity Purchase Option, Party A may make the payment of the Purchase Price by way of offset of the outstanding debts owed by Party B to Party A (including without limitation the outstanding amount of the loan owed by Party B to Party A and any interest thereon) (such debts, the “Offset Debts”), in which case Party A shall not be required to pay any additional purchase price to Party B, unless the Purchase Price set forth herein is required to be adjusted in accordance with the PRC laws. If the PRC laws impose mandatory requirements on the Purchase Price agreed under this Agreement, such that the minimum Purchase Price permitted under PRC laws exceeds the price already offset with the Offset Debts, Party B hereby waives its right to receive the amount of price that exceeds the amount offset with the Offset Debts.

13. **Covenants**

2.2 **Covenants regarding Party C**

Party B (as a shareholder of Party C) and Party C hereby covenant as follows:

2.2.1 Without the prior written consent of Party A, they shall not in any manner supplement, change or amend the constitutional documents of Party C, increase or decrease its registered capital, or change its structure of registered capital in other manners;

2.2.2 They shall maintain Party C’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 its business and handling its affairs;

2.2.3 Without the prior written consent of Party A, they shall not at any time following the date hereof, sell, transfer, mortgage or dispose of in any manner any material assets of Party C or legal or beneficial interest in the material business or revenues of Party C, or allow the encumbrance thereon of any Security Interest;

2.2.4 Without the prior written consent of Party A, they shall not incur, inherit, guarantee or assume any debt, except for debts incurred in the ordinary course of business other than payables incurred by loans;

2.2.5 They shall always operate all of Party C’s businesses within the ordinary course of business to maintain the asset value of Party C and refrain from any action/omission that may adversely affect Party C’s operating status and asset value;

2.2.6 Without the prior written consent of Party A, they shall not cause Party C to execute any material contract, except the contracts in the ordinary course of business;

2.2.7 Without the prior written consent of Party A, they shall not cause Party C to provide any person with any loan or credit;
2.2.8 They shall provide Party A with information on Party C’s business operations and financial condition at Party A’s request;

2.2.9 If requested by Party A, they shall procure and maintain insurance in respect of Party C’s assets and business from an insurance carrier acceptable to Party A, at an amount and type of coverage typical for companies that operate similar businesses;

2.2.10 Without the prior written consent of Party A, they shall not cause or permit Party C to merge, consolidate with, acquire or invest in any person;

2.2.11 They shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Party C’s assets, business or revenue;

2.2.12 To maintain the ownership by Party C of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, and raise necessary or appropriate defenses against all claims;

2.2.13 Without the prior written consent of Party A, Party C shall not in any manner distribute dividends to its shareholders, provided that upon Party A’s request, Party C shall immediately distribute all distributable profits to its shareholders;

2.2.14 At the request of Party A, they shall appoint any person designated by Party A as the director or senior management of Party C.

2.2.15 Without Party A’s prior written consent, they shall not engage in any business in competition with Party A or its affiliates;

2.2.16 Unless otherwise mandatorily required by PRC laws, Party C shall not be dissolved or liquated without prior written consent by Party A;

2.2.17 Once PRC laws permit foreign investors to invest in the principal business of Party C in the PRC, with a controlling stake and/or in the form of wholly foreign-owned enterprise, and the competent PRC government authorities begin to approve such investments, upon Party A’s exercise of the Equity Purchase Option, Party B shall immediately transfer to Party A or the Designee(s) the equity interests in Party C held by Party B, and Party C shall cooperate with the equity transfer procedures; and

2.2.18 With respect to the covenants applicable to Party C under this Article 2.1, Party B and Party C shall cause Party C’s subsidiaries to abide by such covenants where applicable, as if such subsidiaries were Party C under the corresponding paragraphs.

2.3 Covenants of Party B

Party B hereby covenants as follows:

2.3.1 Without the prior written consent of Party A, Party B shall not sell, transfer, mortgage or dispose of in any other manner any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance
2.3.2 Without the prior written consent of Party A, Party B shall ensure the shareholders’ meeting and/or the directors (or the executive director) of Party C not to approve any sale, transfer, mortgage or disposition in any other manner of any legal or beneficial interest in the equity interests in Party C held by Party B, or allow the encumbrance thereon of any Security Interest, except for the interest placed in accordance with Party B’s Equity Pledge Agreement and Party B’s Power of Attorney;

2.3.3 Without the prior written consent of Party A, Party B shall cause the shareholders’ meeting or the directors (or the executive director) of Party C not to approve the merger or consolidation with any person, or the acquisition of or investment in any person;

2.3.4 Party B shall immediately notify Party A of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the equity interests in Party C held by Party B;

2.3.5 Party B shall ensure the shareholders’ meeting or the directors (or the executive director) of Party C to vote in favor of the transfer of the Purchased Equity as set forth in this Agreement and to take any and all other actions that may be requested by Party A;

2.3.6 To the extent necessary to maintain Party B’s ownership in Party C, Party B shall execute all necessary or appropriate documents, take all necessary or appropriate actions, file all necessary or appropriate complaints, and raise necessary or appropriate defenses against all claims;

2.3.7 Party B shall appoint any designee of Party A as the director or the senior management of Party C, at the request of Party A;

2.3.8 With respect to the transfer of equity interests of Party C by any other shareholders of Party C to Party A, Party B hereby waives all of its right of first refusal (if any); Party B gives consent to the execution by each other shareholder of Party C with Party A and Party C of the exclusive option agreement, the Equity Pledge Agreement and the power of attorney similar to this Agreement, Party B’s Equity Pledge Agreement and Party B’s Power of Attorney, and undertakes not to take any action in conflict with such documents executed by such other shareholders (if any);

2.3.9 If Party B received any profit distribution, interest, dividend or proceeds of liquidation from Party C, Party B shall promptly donate all such profit distribution, interest, dividend or proceeds of liquidation to Party A or any other person designated by Party A in the manner permitted by the applicable PRC laws; and

2.3.10 Party B shall strictly abide by the provisions of this Agreement and other contracts jointly or separately executed by and among Party B, Party C and Party A, perform the obligations hereunder and thereunder, and refrain from any action/omission that may affect the effectiveness and enforceability thereof. To the extent that Party B has any remaining rights with respect to the equity interests subject to this Agreement hereunder or under the Party B’s Equity Pledge Agreement or under the Party B’s Power of Attorney,
14. **Representations and Warranties**

Party B and Party C hereby represent and warrant to Party A, jointly and severally, as of the date of this Agreement and each date of the transfer of the Purchased Equity, that:

3.9 They have the power, capacity and authority to execute and deliver this Agreement and any equity transfer contract to which they are parties concerning each transfer of the Purchased Equity as described hereunder (each, a "Transfer Contract"), and to perform their obligations under this Agreement and any Transfer Contracts. Party B and Party C agree to enter into Transfer Contracts substantially consistent with the terms of this Agreement upon Party A’s exercise of the Equity Purchase Option. This Agreement and the Transfer Contracts to which they are parties constitute or will constitute their legal, valid and binding obligations and shall be enforceable against them in accordance with the provisions thereof;

3.10 Party B and Party C have obtained any and all approvals and consents from the third parties and competent government authorities (if required) for the execution, delivery and performance of this Agreement;

3.11 The execution and delivery of this Agreement or any Transfer Contracts and the obligations under this Agreement or any Transfer Contracts shall not: (i) cause any violation of any applicable PRC laws; (ii) be inconsistent with the articles of association or other organizational documents of Party C; (iii) cause the violation of any contracts or instruments to which they are a party or which are binding on them, or constitute any breach under any contracts or instruments to which they are a party or which are binding on them; (iv) cause any violation of any condition for the grant and/or continued effectiveness of any licenses or permits issued to either of them; or (v) cause the suspension or revocation of or imposition of additional conditions to any licenses or permits issued to either of them;

3.12 Party B has good and marketable title to the equity interests held by it in Party C. Except for Party B’s Equity Pledge Agreement and Party B’s Power of Attorney, Party B has not placed any Security Interest on such equity interests;

3.13 Party C has good and marketable title to all of its assets, and has not placed any Security Interest on the aforementioned assets;

3.14 Party C does not have any outstanding debts, except for (i) debt incurred during the ordinary course of business; and (ii) debts disclosed to Party A for which Party A’s written consent has been obtained;

3.15 Party C will comply with all laws and regulations applicable to asset acquisition; and

3.16 There are no pending or threatened litigation, arbitration or administrative proceedings relating to the equity interests in Party C, assets of Party C or Party C.

15. **Term**
This Agreement shall become effective upon execution by the Parties, and remain effective until all equity interests held by Party B in Party C have been transferred or assigned to Party A and/or any other person designated by Party A in accordance with this Agreement.

16. **Governing Law and Disputes Resolution**

5.3 **Governing Law**

The execution, effectiveness, interpretation, performance, amendment and termination of this Agreement and the resolution of disputes hereunder shall be governed by the PRC laws.

5.4 **Methods of Disputes Resolution**

In the event of any dispute arising from the performance of this Agreement or in connection with this Agreement, either Party is entitled to submit the dispute to Shanghai International Economic and Trade Arbitration Commission for arbitration in Shanghai in accordance with its arbitration procedures and rules then in effect. The arbitration tribunal shall consist of three arbitrators to be appointed in accordance with the arbitration rules. The claimant and the respondent shall respectively appoint one arbitrator, and the third arbitrator shall be appointed by the first two arbitrators through negotiations or designated by Shanghai International Economic and Trade Arbitration Commission. The arbitration proceedings shall be conducted in Chinese in a confidential manner. The arbitration award shall be final and binding upon the parties thereto. Under appropriate circumstances, the arbitration tribunal or arbitrators may award compensation, injunctive relief in respect of all the Parties’ equities or assets in accordance with the dispute resolution clause and/or applicable PRC laws, including restriction on conduct of business, restriction or prohibition of transfer or sale of equities or assets, or proposal for the winding-up of all the Parties. In addition, in the course of forming the tribunal, both Parties shall have the right to file an application to any court with competent jurisdiction (including courts in Hong Kong, Cayman Islands, places of incorporation of all the Parties (namely Beijing and Shanghai) and places where the principal assets of all the Parties are located) for the grant of temporary reliefs. During the arbitration, except for the matters under dispute and pending for arbitration, all the Parties shall continue to exercise their respective rights under this Agreement and perform their respective obligations under this Agreement.

17. **Taxes and Fees**

Each Party shall pay any and all transfer and registration taxes, expenses and fees incurred thereby or levied thereon in accordance with the PRC laws in connection with the preparation and execution of this Agreement and the Transfer Contracts, as well as the consummation of the transactions contemplated under this Agreement and the Transfer Contracts.

18. **Notices**

8.1 All notices and other communications required to be given pursuant to this Agreement or otherwise given in connection with this Agreement shall be delivered personally, or sent by registered mail, prepaid postage, a commercial courier service, facsimile transmission to the address of such Party set forth below. A copy of each notice shall also be sent by email. The dates on which notices shall be deemed to have been effectively given shall be determined as follows:
7.3.1 Notices given by personal delivery (including courier service), shall be deemed effectively served on the date of signature for receipt;

7.3.2 Notices given by registered mail, postage prepaid, shall be deemed effectively served on the 15th day after the date on the registered letter receipt;

7.3.3 Notices given by facsimile transmission, shall be deemed effectively served on the date indicated on the fax transmission record, unless it is delivered after 5 o’clock p.m. or on a non-business day per the local time of the recipient, in which case, it shall be deemed effectively served on the business day immediately following the date indicated on the fax transmission record.

7.4 For the purpose of notice, the addresses of the Parties are as follows:

Party A: NIO Co., Ltd.
Address: NIO Inc., Building 20, No. 56 AnTuo Road, Jiading District, Shanghai
Attn: Lei Liu

Party B: Lihong Qin
Address: ********
Attn: Lihong Qin

Party C: Beijing NIO Network Technology Co., Ltd.
Address: NIO Inc., Building 20, No. 56 AnTuo Road, Jiading District, Shanghai
Attn: Lei Liu

7.5 Any Party may change its address for notices by a notice delivered to the other Parties in accordance with the terms of this Section.

19. **Confidentiality**

The Parties acknowledge and confirm that the existence and the terms of this Agreement and any oral or written information exchanged between the Parties in connection with the preparation and performance of this Agreement are regarded as confidential information. Each Party shall maintain confidentiality of all such confidential information, and without obtaining the written consent of the other Party, it shall not disclose any confidential information to any third party, except for the information that: (a) is or will be in the public domain (other than through the receiving Party’s unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to the applicable laws or regulations, rules of any stock exchange, or orders of the court or other government authorities; or (c) is required to be disclosed by any Party to its shareholders, directors, employees, legal counsels or financial advisors regarding the transaction contemplated hereunder, provided that such shareholders, directors, employees, legal counsels or financial advisors shall be bound by the confidentiality obligations similar to those set forth in this Article. Disclosure of any confidential information by the shareholders, directors, employees of or agencies engaged by any Party shall be deemed disclosure of such confidential information by such Party and such Party shall be held liable for breach of this Agreement.

20. **Further Warranties**
The Parties agree to promptly execute documents that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement and take further actions that are reasonably required for or are conducive to the implementation of the provisions and purposes of this Agreement.

21. Breach of Agreement

10.3 If Party B or Party C commits any material breach of any term of this Agreement, Party A shall have right to terminate this Agreement and/or require Party B or Party C to indemnify all damages. This Article 10 shall not prejudice any other rights of Party A hereunder.

10.4 Unless otherwise provided for by laws, Party B and Party C shall in no case be entitled to terminate or cancel this Agreement.

22. Miscellaneous

11.9 Amendments, changes and supplements

Any amendment, change or supplement to this Agreement shall be made in a written agreement signed by each Party.

11.10 Entire agreement

Except for the amendments, supplements or changes in writing executed after the execution of this Agreement, this Agreement shall constitute the entire agreement reached by and among the Parties hereto with respect to the subject matter hereof, and shall supersede all prior oral and written consultations, representations and contracts reached with respect to the subject matter of this Agreement.

11.11 Headings

The headings of this Agreement are for convenience only, and shall not be used to interpret, explain or otherwise affect the meanings of the provisions of this Agreement.

11.12 Severability

In the event that one or several of the provisions of this Agreement are held to be invalid, illegal or unenforceable in any aspect in accordance with any laws or regulations, the validity, legality or enforceability of the remaining provisions of this Agreement shall not be affected or compromised in any aspect. The Parties shall negotiate in good faith to replace such invalid, illegal or unenforceable provisions with effective provisions that accomplish to the greatest extent permitted by law and the intentions of the Parties, and the economic effect of such effective provisions shall be as close as possible to the economic effect of those invalid, illegal or unenforceable provisions.

11.13 Successors

This Agreement shall be binding upon and inure to the benefit of the respective successors and permitted assigns of the Parties.

11.14 Survival
11.6.3 Any obligations that occurred or that are due in connection with this Agreement before the expiration or early termination of this Agreement shall survive the expiration or early termination thereof.

11.6.4 The provisions of Sections 5, 8, 10 and this Section 11.6 shall survive the termination of this Agreement.

11.15 **Waivers**

Any Party may waive the terms and conditions of this Agreement, provided that such a waiver must be provided in writing and shall require the signatures of the Parties. No waiver by any Party in certain circumstances with respect to a breach by other Parties shall operate as a waiver by such a Party with respect to any similar breach in other circumstances.

11.16 **Language and Counterpart**

This Agreement is written in Chinese in three copies, each Party having one copy.

[Remainder of this page is intentionally left blank]
IN WITNESS WHEREOF, the Parties have caused their authorized representatives to execute this Exclusive Option Agreement as of the date first written above, which will take effect in accordance with the provisions of this Agreement.

**Party A: NIO Co., Ltd. (seal)**

By: /s/ Lihong Qin  
Name: Lihong Qin  
Title: Legal Representative

**Party B: Lihong Qin**

By: /s/ Lihong Qin

**Party C: Beijing NIO Network Technology Co., Ltd. (seal)**

By: /s/ Lihong Qin  
Name: Lihong Qin  
Title: Legal Representative
To:
Board of Directors of NIO Inc.;
Board of Directors of NIO Co., Ltd. ("WFOE"); and
Board of Directors of Beijing NIO Network Technology Co., Ltd. ("Beijing NIO Network")

Confirmation and Undertaking Letter

The undersigned, Bin Li, a citizen of the People’s Republic of China (the “PRC”) with ID Card No.: ********, as a shareholder of Beijing NIO Network, hereby confirms, undertakes and warrants that in the event of the death, incapacity, divorce or the occurrence of any circumstances which may affect the exercise of equity interest in Beijing NIO Network held by me, I shall ensure my heirs, guardians, creditors, spouse or any other persons who then have the equity interest in Beijing NIO Network and any interests attached thereto, will not take any action, at any time and in any way, that may affect or interfere with the performance of my obligations under the Control Documents (including the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Equity Pledge Agreement, the Loan Agreement and the Power of Attorney entered into by me on April 12, 2021, as well as any modification, alteration and/or supplementary agreements entered into by the relevant parties from time to time) (collectively, the “Control Documents”).

The undersigned confirms that: (1) my equity interest in Beijing NIO Network and any interests attached thereto is not the community property, and my spouse does not own and has no control over such property or interests; (2) the daily operation management and voting matters of me in respect of Beijing NIO Network are not affected by the undersigned’s spouse; and (3) in the event of the divorce from my spouse, I will take all actions deemed necessary by the WFOE to ensure the performance of the Control Documents.

The undersigned further confirms that, upon the request of the WFOE, when the laws of PRC allow WFOE to operate the relevant business operated by Beijing NIO Network or to invest in Beijing NIO Network without the use of Control Documents, I will transfer all of the equity interest in Beijing NIO Network to the WFOE and/or its designated third party and terminate the Control Documents. Subject to the laws of PRC, upon the termination of the Control Documents, I will return any consideration received from the WFOE in acquiring the equity interest in Beijing NIO Network to the WFOE or its designated entities in the manner as requested by the WFOE.

The undersigned undertakes that during the term of the Control Documents, (i) unless with the written consent of the WFOE, I will not directly or indirectly, whether through myself or any other natural person or legal entity, participate in, or engage in, acquire or hold (in any case, whether as a shareholder, partner, agent, employee or otherwise), any business that is or may be in competition with the WFOE, Beijing NIO Network and their affiliates; (ii) no action or omission of action by me will result in any conflict of interests between me and the WFOE (including but not limited to the shareholders of the WFOE); and (iii) in the event of such conflict of interest, which the WFOE may decide whether such conflict of interest occurs or not
in its sole discretion, I will, subject to the laws of PRC, take any action as directed by the WFOE to eliminate such conflict of interest.

In all disputes arising from the implementation of or in connection with this letter, either party interested and me shall be entitled to submit such disputes to arbitration by Shanghai International Economic and Trade Arbitration Commission in Shanghai in accordance with its arbitration procedures and rules then in effect. The arbitration tribunal shall consist of three arbitrators appointed in accordance with arbitration rules. The claimant shall appoint one arbitrator, the respondent shall appoint one arbitrator, and the third arbitrator shall be appointed by the above two arbitrators through consultation or by Shanghai International Economic and Trade Arbitration Commission. The arbitration shall be conducted confidentially, and the language of the arbitration shall be Chinese. The arbitration award shall be final and binding upon the parties. Where appropriate, the arbitration tribunal or the arbitrators may award remedies over the equity, assets, property rights or land assets, including compensation, injunctive relief (including restrictions on the conduct of business, restrictions or prohibitions on any transfer or sale of shares or assets), or propose the winding up of the relevant parties in accordance with the dispute resolution provisions and/or applicable laws of PRC. In addition, any party interested and me may apply to any court having jurisdiction (including Hong Kong, the Cayman Islands, the place of incorporation of either party (i.e., Beijing, Shanghai) or the place where the principal assets of either party interested or me are located) for interim relief. This letter shall remain effective except for the matters in dispute between the parties interested and me and under arbitration between the parties.
(Signature Page to Confirmation and Undertaking Letter)

By:

/s/ Bin Li

Name: Bin Li

April 12, 2021
To:
Board of Directors of NIO Inc.;
Board of Directors of NIO Co., Ltd. (“WFOE”); and
Board of Directors of Beijing NIO Network Technology Co., Ltd. (“Beijing NIO Network”)

Confirmation and Undertaking Letter

The undersigned, Lihong Qin, a citizen of the People’s Republic of China (the “PRC”) with ID Card No.: ********, as a shareholder of Beijing NIO Network, hereby confirms, undertakes and warrants that in the event of the death, incapacity, divorce or the occurrence of any circumstances which may affect the exercise of equity interest in Beijing NIO Network held by me, I shall ensure my heirs, guardians, creditors, spouse or any other persons who then have the equity interest in Beijing NIO Network and any interests attached thereto, will not take any action, at any time and in any way, that may affect or interfere with the performance of my obligations under the Control Documents (including the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Equity Pledge Agreement, the Loan Agreement and the Power of Attorney entered into by me on April 12, 2021, as well as any modification, alteration and/or supplementary agreements entered into by the relevant parties from time to time) (collectively, the “Control Documents”).

The undersigned confirms that: (1) my equity interest in Beijing NIO Network and any interests attached thereto is not the community property, and my spouse does not own and has no control over such property or interests; (2) the daily operation management and voting matters of me in respect of Beijing NIO Network are not affected by the undersigned’s spouse; and (3) in the event of the divorce from my spouse, I will take all actions deemed necessary by the WFOE to ensure the performance of the Control Documents.

The undersigned further confirms that, upon the request of the WFOE, when the laws of PRC allow WFOE to operate the relevant business operated by Beijing NIO Network or to invest in Beijing NIO Network without the use of Control Documents, I will transfer all of the equity interest in Beijing NIO Network to the WFOE and/or its designated third party and terminate the Control Documents. Subject to the laws of PRC, upon the termination of the Control Documents, I will return any consideration received from the WFOE in acquiring the equity interest in Beijing NIO Network to the WFOE or its designated entities in the manner as requested by the WFOE.

The undersigned undertakes that during the term of the Control Documents, (i) unless with the written consent of the WFOE, I will not directly or indirectly, whether through myself or any other natural person or legal entity, participate in, or engage in, acquire or hold (in any case, whether as a shareholder, partner, agent, employee or otherwise), any business that is or may be in competition with the WFOE, Beijing NIO Network and their affiliates; (ii) no action or omission of action by me will result in any conflict of interests between me and the WFOE (including but not limited to the shareholders of the WFOE); and (iii) in the event of such conflict of interest, which the WFOE may decide whether such conflict of interest occurs or not.
in its sole discretion, I will, subject to the laws of PRC, take any action as directed by the WFOE to eliminate such conflict of interest.

In all disputes arising from the implementation of or in connection with this letter, either party interested and me shall be entitled to submit such disputes to arbitration by Shanghai International Economic and Trade Arbitration Commission in Shanghai in accordance with its arbitration procedures and rules then in effect. The arbitration tribunal shall consist of three arbitrators appointed in accordance with arbitration rules. The claimant shall appoint one arbitrator, the respondent shall appoint one arbitrator, and the third arbitrator shall be appointed by the above two arbitrators through consultation or by Shanghai International Economic and Trade Arbitration Commission. The arbitration shall be conducted confidentially, and the language of the arbitration shall be Chinese. The arbitration award shall be final and binding upon the parties. Where appropriate, the arbitration tribunal or the arbitrators may award remedies over the equity, assets, property rights or land assets, including compensation, injunctive relief (including restrictions on the conduct of business, restrictions or prohibitions on any transfer or sale of shares or assets), or propose the winding up of the relevant parties in accordance with the dispute resolution provisions and/or applicable laws of PRC. In addition, any party interested and me may apply to any court having jurisdiction (including Hong Kong, the Cayman Islands, the place of incorporation of either party (i.e., Beijing, Shanghai) or the place where the principal assets of either party interested or me are located) for interim relief. This letter shall remain effective except for the matters in dispute between the parties interested and me and under arbitration between the parties.
By:

/s/ Lihong Qin

Name: Lihong Qin

April 12, 2021
To:
Board of Directors of NIO Inc.;
Board of Directors of NIO Co., Ltd. (the “WFOE”); and
Board of Directors of Beijing NIO Network Technology Co., Ltd. (the “Beijing NIO Network”)

CONSENT LETTER

I, Yizhi WANG, a citizen of the People’s Republic of China (the “PRC”) (PRC Identification No.: ********), am the lawful spouse of Bin LI (a PRC citizen with PRC Identification No.: ********, and hereinafter referred to as “my spouse”). I hereby acknowledge that I am aware of, and unconditionally and irrevocably consent to, the execution of the following documents by my spouse and/or Beijing NIO Network in which my spouse directly owns equity interest, and agree that my spouse may dispose of the equities in Beijing NIO Network owned by my spouse and any interests attached thereto in accordance with the provisions of the Controlling Agreements:

1. the Exclusive Business Cooperation Agreement executed by and between Beijing NIO Network and the WFOE on April 12, 2021;
2. the Exclusive Option Agreement executed by and among Bin LI, the WFOE and Beijing NIO Network on April 12, 2021;
3. the Equity Interest Pledge Agreement executed by and among Bin LI, the WFOE and Beijing NIO Network on April 12, 2021;
4. the Loan Agreement executed by and between Bin LI and the WFOE on April 12, 2021;
5. the Power of Attorney issued by Bin LI to the WFOE on April 12, 2021;
6. the Confirmation and Commitment Letter signed by Bin LI on April 12, 2021; and
7. any modification, amendment and/or supplementary agreement to be subsequently executed by the relevant parties from time to time in connection with the documents set forth in above sections 1 to 6 (the documents described in above sections 1 to 7 are collectively referred to as the “Controlling Agreements”).

I hereby acknowledge and confirm that the equity interests held by my spouse in Beijing NIO Network now and in the future and any interests attached thereto are my spouse’s personal property and do not constitute communal property jointly owned by me and my spouse, and that my spouse has the right to dispose of such equities and any interests attached thereto at his sole discretion. I hereby unconditionally and irrevocably waive any rights or interests to/in such equities and corresponding assets thereof which may be granted to me under any applicable laws, undertake that I will not make any claim in respect of such equities and their corresponding assets (including a claim that such equities and assets corresponding
thereto constitute the communal property jointly owned by me and my spouse, and a claim, on basis of the foresaid claim, for participation in the daily operation, management and voting affairs of Beijing NIO Network, or other form of influence on my spouse’s decisions in relation to such equities and attached interests). I hereby further acknowledge that my spouse is entitled to own and perform his rights and obligations under the Controlling Agreements at his sole discretion, and that neither my spouse’s performance, further amendment or termination of the Controlling Agreements nor his execution of any other documents in substitution for any of the Controlling Agreements shall require my further authorization or consent.

I hereby undertake that I will execute all necessary documents and take all necessary actions to ensure the due performance of the Controlling Agreements (as amended from time to time).

I hereby agree and undertake that I will not conduct any act that conflicts with the arrangements under the Controlling Agreements or this Consent Letter at any time. In the event that I obtain any equities of Beijing NIO Network and any interests attached thereto for any reason, then: I shall be bound by the Controlling Agreements (as amended from time to time) and comply with my obligations as a shareholder of Beijing NIO Network under the Controlling Agreements (as amended from time to time); and, for such purpose, I shall, upon WFOE’s request, execute a series of written documents in substantially the same form and substance as that of the Controlling Agreements (as amended from time to time).

I hereby further acknowledge, undertake and warrant that my spouse shall, in any circumstances (including but not limited to a divorce between me and my spouse), have the right to dispose of the equity interests which he owns in Beijing NIO Network and the assets corresponding thereto at his sole discretion, and that I will not take any action that may affect or interfere with my spouse’s performance of his obligations under the Controlling Agreements (including but not limited to a claim for any equities of Beijing NIO Network or any rights which are obtained through controlling contractual arrangement).

In the event of any dispute arising from the performance of this Consent Letter or in connection with this Consent Letter, either I or any party having interest herein is entitled to submit the dispute to Shanghai International Economic and Trade Arbitration Commission for arbitration in Shanghai in accordance with its arbitration procedures and rules then in effect. The arbitration tribunal shall consist of three arbitrators to be appointed in accordance with the arbitration rules. The claimant and the respondent shall respectively appoint one arbitrator, and the third arbitrator shall be appointed by the first two arbitrators through negotiations or designated by Shanghai International Economic and Trade Arbitration Commission. The arbitration proceedings shall be conducted in Chinese in a confidential manner. The arbitration award shall be final and binding upon the parties thereto. Under appropriate circumstances, the arbitration tribunal or arbitrators may award compensation, injunctive relief in respect of each party’s equities, assets, property rights or land assets in accordance with the dispute resolution clause and/or applicable PRC laws, including restriction on conduct of business, restriction or prohibition of transfer or sale of equities or assets,
proposal for the winding-up of the party concerned. In addition, in the course of forming the tribunal, either I or the interested party shall have the right to file an application to any court with competent jurisdiction (including courts in Hong Kong, Cayman Islands and places of incorporation of the interested party (namely Beijing, China and Shanghai, China) and places where either my or the interested party’s main assets are located) for the grant of temporary reliefs. During the arbitration proceeding, this Consent Letter shall continue to be valid except for the part which is disputed by either the interested party or me and subject to arbitration.

(THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK)
Signature:  /s/ Yizhi WANG
Name: Yizhi WANG

April 12, 2021
Bin Li hereby agrees and accepts this Consent Letter:

Signed by: /s/ Bin Li
Name: Bin Li

NIO Inc.

Signed by: /s/ Bin Li
Name: Bin Li
Title: Chairman
NIO Co., Ltd. and Beijing NIO Network Technology Co., Ltd. hereby agree and acknowledge
this Consent Letter:

NIO Co., Ltd. (seal)

Signed by: /s/ Lihong Qin
Name: Lihong Qin
Title: Legal Representative

Beijing NIO Network Technology Co., Ltd. (seal)

Signed by: /s/ Lihong Qin
Name: Lihong Qin
Title: Legal Representative
To:  
Board of Directors of NIO Inc.;  
Board of Directors of NIO Co., Ltd. (the “WFOE”); and  
Board of Directors of Beijing NIO Network Technology Co., Ltd. (the “Beijing NIO Network”)  

CONSENT LETTER  

I, Zhen CHANG, a citizen of the People’s Republic of China (the “PRC”) (PRC Identification No.: ********), am the lawful spouse of Lihong QIN (a PRC citizen with PRC Identification No.: ********, and hereinafter referred to as “my spouse”). I hereby acknowledge that I am aware of, and unconditionally and irrevocably consent to, the execution of the following documents by my spouse and/or Beijing NIO Network in which my spouse directly owns equity interest, and agree that my spouse may dispose of the equities in Beijing NIO Network owned by my spouse and any interests attached thereto in accordance with the provisions of the Controlling Agreements:  

8. the Exclusive Business Cooperation Agreement executed by and between Beijing NIO Network and the WFOE on April 12, 2021;  
9. the Exclusive Option Agreement executed by and among Lihong QIN, the WFOE and Beijing NIO Network on April 12, 2021;  
10. the Equity Interest Pledge Agreement executed by and among Lihong QIN, the WFOE and Beijing NIO Network on April 12, 2021;  
11. the Loan Agreement executed by and between Lihong QIN and the WFOE on April 12, 2021;  
12. the Power of Attorney issued by Lihong QIN to the WFOE on April 12, 2021;  
13. the Confirmation and Commitment Letter signed by Lihong QIN on April 12, 2021; and  
14. any modification, amendment and/or supplementary agreement to be subsequently executed by the relevant parties from time to time in connection with the documents set forth in above sections 1 to 6 (the documents described in above sections 1 to 7 are collectively referred to as the “Controlling Agreements”).  

I hereby acknowledge and confirm that the equity interests held by my spouse in Beijing NIO Network now and in the future and any interests attached thereto are my spouse’s personal property and do not constitute communal property jointly owned by me and my spouse, and that my spouse has the right to dispose of such equities and any interests attached thereto at his sole discretion. I hereby unconditionally and irrevocably waive any rights or interests to/in such equities and corresponding assets thereof which may be granted to me under any applicable laws, undertake that I will not make any claim in respect of such equities.
and their corresponding assets (including a claim that such equities and assets corresponding thereto constitute the communal property jointly owned by me and my spouse, and a claim, on basis of the foresaid claim, for participation in the daily operation, management and voting affairs of Beijing NIO Network, or other form of influence on my spouse’s decisions in relation to such equities and attached interests). I hereby further acknowledge that my spouse is entitled to own and perform his rights and obligations under the Controlling Agreements at his sole discretion, and that neither my spouse’s performance, further amendment or termination of the Controlling Agreements nor his execution of any other documents in substitution for any of the Controlling Agreements shall require my further authorization or consent.

I hereby undertake that I will execute all necessary documents and take all necessary actions to ensure the due performance of the Controlling Agreements (as amended from time to time).

I hereby agree and undertake that I will not conduct any act that conflicts with the arrangements under the Controlling Agreements or this Consent Letter at any time. In the event that I obtain any equities of Beijing NIO Network and any interests attached thereto for any reason, then: I shall be bound by the Controlling Agreements (as amended from time to time) and comply with my obligations as a shareholder of Beijing NIO Network under the Controlling Agreements (as amended from time to time); and, for such purpose, I shall, upon WFOE’s request, execute a series of written documents in substantially the same form and substance as that of the Controlling Agreements (as amended from time to time).

I hereby further acknowledge, undertake and warrant that my spouse shall, in any circumstances (including but not limited to a divorce between me and my spouse), have the right to dispose of the equity interests which he owns in Beijing NIO Network and the assets corresponding thereto at his sole discretion, and that I will not take any action that may affect or interfere with my spouse’s performance of his obligations under the Controlling Agreements (including but not limited to a claim for any equities of Beijing NIO Network or any rights which are obtained through controlling contractual arrangement).

In the event of any dispute arising from the performance of this Consent Letter or in connection with this Consent Letter, either I or any party having interest herein is entitled to submit the dispute to Shanghai International Economic and Trade Arbitration Commission for arbitration in Shanghai in accordance with its arbitration procedures and rules then in effect. The arbitration tribunal shall consist of three arbitrators to be appointed in accordance with the arbitration rules. The claimant and the respondent shall respectively appoint one arbitrator, and the third arbitrator shall be appointed by the first two arbitrators through negotiations or designated by Shanghai International Economic and Trade Arbitration Commission. The arbitration proceedings shall be conducted in Chinese in a confidential manner. The arbitration award shall be final and binding upon the parties thereto. Under appropriate circumstances, the arbitration tribunal or arbitrators may award compensation, injunctive relief in respect of each party’s equities, assets, property rights or land assets in accordance with the dispute resolution clause and/or applicable PRC laws, including restriction on
conduct of business, restriction or prohibition of transfer or sale of equities or assets, or proposal for the winding-up of the party concerned. In addition, in the course of forming the tribunal, either I or the interested party shall have the right to file an application to any court with competent jurisdiction (including courts in Hong Kong, Cayman Islands and places of incorporation of the interested party (namely Beijing, China and Shanghai, China) and places where either my or the interested party’s main assets are located) for the grant of temporary reliefs. During the arbitration proceeding, this Consent Letter shall continue to be valid except for the part which is disputed by either the interested party or me and subject to arbitration.

(THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK)
Signature: /s/ Zhen CHANG
Name: Zhen CHANG

April 12, 2021
Lihong QIN hereby agrees and accepts this Consent Letter:

Signed by:  /s/ Lihong QIN
Name:   Lihong QIN

NIO Inc.

Signed by:  /s/ Bin LI
Name:   Bin LI
Title:   Chairman
NIO Co., Ltd. and Beijing NIO Network Technology Co., Ltd. hereby agree and acknowledge this Consent Letter:

Signed by: /s/ Lihong Qin
Name: Lihong Qin
Title: Legal Representative

NIO Co., Ltd. (seal)

Beijing NIO Network Technology Co., Ltd. (seal)
MANUFACTURING COOPERATION AGREEMENT

among

NIO Co., Ltd.

NIO Automobile Technology (Anhui) Co., Ltd.

NIO Automobile (Anhui) Co., Ltd.

and

Anhui Jianghuai Automobile Group Co., Ltd.

and

Jianglai Advanced Manufacturing Technology (Anhui) Co., Ltd.

Dated: May 22, 2021
This Manufacturing Cooperation Agreement (this “Agreement”), dated as of May 22, 2021, is made by and among:

NIO Co., Ltd.
Address: Room 115, No. 569 Anchi Road, Anting Town, Jiading District, Shanghai
Telephone: 
Facsimile: 
Hereinafter referred to as “Shanghai NIO”, and

NIO Automobile Technology (Anhui) Co., Ltd.
Address: Building F, Hengchuang Intelligent Science and Technology Park, No. 3963 Susong Road, Economic and Technological Development Zone, Hefei City, Anhui Province
Telephone: 
Facsimile: 
Hereinafter referred to as “NIO Technology”, and

NIO Automobile (Anhui) Co., Ltd.
Address: Building F, Hengchuang Intelligent Science and Technology Park, No. 3963 Susong Road, Economic and Technological Development Zone, Hefei City, Anhui Province
Telephone: 
Facsimile: 
Hereinafter referred to as “NIO Automobile”, and

Anhui Jianghuai Automobile Group Co., Ltd.
Address: No. 176 Dongliu Road, Hefei City, Anhui Province
Telephone: 0086-551- 62296999
Facsimile: 0086-551- 62296999
Hereinafter referred to as “JAC”, and

Jianglai Advanced Manufacturing Technology (Anhui) Co., Ltd.
Address: No. 9766 Susong Road, Economic and Technological Development Zone, Hefei City, Anhui Province
Telephone: 
Facsimile: 
Hereinafter referred to as “Jianglai”.

(Shanghai NIO, NIO Technology, NIO Automobile, JAC and Jianglai are referred to individually as a “Party”, and collectively as the “Parties”.)

Recitals
A. Shanghai NIO is an enterprise committed to supply chain management. NIO Technology is an enterprise committed to the technology research and development of new energy vehicles and parts and components thereof. NIO Automobile is an enterprise committed to the manufacturing of parts and components of new energy vehicles, sales and after-sale services of new energy vehicles. JAC is a comprehensive vehicle manufacturer integrating the research and development, manufacturing, sales and services of commercial vehicles, passenger vehicles and powertrains. Jianglai is a joint venture established by JAC and NIO Holding Co., Ltd. with the shareholding percentage of 51% and 49% respectively.

B. WHEREAS, Shanghai NIO and JAC entered into the Manufacturing Cooperation Agreement and the relevant ancillary agreements on May 23, 2016, the NIO ES6 Manufacturing Cooperation Agreement on April 30, 2019 and the NIO Fury (EC6) Manufacturing Cooperation Agreement on March 10, 2020. Based on the successful cooperation between Shanghai NIO and JAC in the first stage (from May 23, 2016 to May 22, 2021), after consultation, Shanghai NIO, NIO Technology, NIO Automobile, JAC and Jianglai agree to proceed with the cooperation. NIO Technology will license JAC to use NIO trademarks and related technologies to manufacture new energy vehicles, including but not limited to [***] (collectively, the “Cooperation Models”), and JAC will entrust Jianglai to manufacture the assemblies of parts and components and to provide operation management for manufacturing and production, and Shanghai NIO will supply vehicle raw materials to JAC, and NIO Automobile will act as the exclusive master distributor of the Cooperation Models.

NOW THEREFORE, on the basis of faithful cooperation and mutual confidence, the Parties have reached the following agreement through friendly negotiation:

1 Cooperation Project
1.1 The Parties agree to cooperate with each other to carry out manufacturing of new energy vehicles. NIO Technology licenses JAC to use NIO trademarks and related technologies for the Cooperation Models involved, and will provide specific specifications, parameters and option requirements for the Cooperation Models; JAC will be responsible for the manufacturing of the Cooperation Models; subject to the terms and conditions of this Agreement, Jianglai will be responsible for manufacturing the assemblies of parts and components and providing operation management for manufacturing and production to JAC; Shanghai NIO will supply vehicle raw materials; NIO Automobile will act as the exclusive master distributor of the Cooperation Models (the “Cooperation Project”).

1.2 NIO Technology and JAC hereby agree that, based on standard requirements to product, technique and quality of NIO Technology, JAC will invest in a high-quality new energy vehicle manufacturing plant with world-class technique (including manufacturing technique for all-aluminum bodies), of which the production line of 100,000 vehicles has been completed and put into use, and the phase II capacity expansion project is under active progress. JAC undertakes that the plant (including Phase I and Phase II, same below) shall be suitable for the positioning of the high-end new energy vehicle products of NIO Technology and NIO Automobile, and the annual capacity of the plant shall reach 240,000 vehicles (calculated on the basis of 4,000 working hours per year).

1.3 JAC and NIO Automobile hereby further acknowledge that JAC shall be solely responsible for the fund raising and investment and construction involved in the plant (including the phase II capacity expansion project), and the specific construction arrangement shall be separately confirmed by JAC and NIO Automobile.

2 Fees and Payments
The Parties hereby agree that the fees for the period from May 24, 2021 to May 23, 2024 consist of depreciation and amortization of the plant assets, the cost of vehicle raw materials, JAC processing costs and operating expenses, and taxes and fees arising from manufacturing business of the Cooperation Models. The specific composition is as follows:

2.1 Assets depreciation and amortization:

2.1.1 NIO Automobile shall pay JAC the assets depreciation and amortization expenses on a monthly basis with respect to all the assets invested by JAC for the Cooperation Models (including the invested assets, the fixed assets and intangible assets resulting from new investments during the cooperation term).

2.1.2 NIO Automobile and JAC will estimate the assets depreciation and amortization expenses of the following year based on the assets status at the end of the previous year (the fixed assets not included in the yearly fixed assets conversion plan shall be agreed upon separately). If the conversion time and the asset details of long-term assets change, the financial staffs of JAC and NIO Automobile will make a pre-adjustment to the settlement amounts of depreciation, amortization, real estate tax, land use tax, water conservancy funds, stamp duty, etc. (excluding Jianglai) on a quarterly basis. For the avoidance of doubt, the depreciation and amortization of fixed assets shall follow the accounting policies published by JAC at the execution of this Agreement, and any adjustment to such settlement principles shall obtain the written approval of NIO Automobile in advance.

2.1.3 After the end of each fiscal year, the accounting firm engaged by JAC shall issue a separate annual audit report with respect to the plant. After the confirmation of the annual audit report by NIO Automobile and JAC, the annual settlement amounts of depreciation, amortization, real estate tax, land use tax, water conservancy funds and stamp duty of the previous year shall be jointly confirmed by NIO Automobile and JAC, and the clearing
of the annual asset depreciation and amortization expenses shall be completed by NIO Automobile and JAC based on the
principle of refund to any overpayment or payment of any shortfall within 15 days after the issuance of the aforesaid
annual audit report. The depreciation and amortization expenses in year 2021 are temporarily estimated at RMB[***] million; the real estate tax, land use tax, water conservancy funds and stamp duty fees in year 2021 are temporarily estimated at RMB[***] million. The aforementioned amounts are subject to the actual settlement.

2.2 The cost of vehicle raw materials

The main materials of paint required for manufacturing of the Cooperation Models (finishing coat, clear coat, floating coat, base coat, electrophoretic materials, pretreatment materials and curing agent), all parts and components and auxiliary materials constituting the vehicle (except for the auxiliary materials involved in the manufacturing process), special adhesives for bodies, rivet, outsourced and processed parts, etc. (collectively, the "Vehicle Raw Materials") will be purchased by JAC from Shanghai NIO, and the specific contents shall be subject to the agreement to be executed by relevant Parties then. The costs of Vehicle Raw Materials paid by JAC (excluding VAT and consumption tax) shall be included in the expenses under this Article.

2.3 JAC’s processing fees and operating expenses:

2.3.1 JAC will charge vehicle manufacturing and processing fees in year 2021 (such fees include Jianglai’s manufacturing and processing fees for assemblies of parts and components as specified in Article 2.3.2, but exclude the cost of Vehicle Raw Materials under Article 2.2, same below). NIO Automobile and JAC will, at the end of each year, jointly determine the manufacturing and processing fees for each unit of vehicle payable to JAC in the following year, based on the actual manufacturing and processing fees for a unit of vehicle (as jointly confirmed by NIO Automobile and JAC) charged by JAC in the current year and the planned output and plant efficiency enhancement plan for the following year. If
there is any deviation between the following year’s target output of Cooperation Models set at the end of each year and rolling forecasted output in the middle of the following year, NIO Automobile and JAC will make a pre-adjustment to the aforesaid manufacturing and processing fees payable to JAC in the middle of the year and make the clearing at the end of the year.

2.3.2 Subject to the terms and conditions of this Agreement, NIO Technology agrees that JAC entrusts Jianglai to manufacture and process the assemblies of parts and components and provide operation management for manufacturing and production, and for this purpose, JAC shall pay Jianglai the manufacturing and processing fees for the assemblies of parts and components.

The Parties agree that JAC will pay Jianglai the manufacturing and processing fees for the assemblies of parts and components at the annual average amount of RMB[***] for each unit of assembly of parts and components (excluding VAT) (including processing costs of Jianglai, taxes and fees other than VAT, etc., but excluding the cost of Vehicle Raw Materials, same below).

For the avoidance of doubt, when the vehicle manufacturing and processing fees payable to JAC are pre-adjusted in accordance with Article 2.3.1, the manufacturing and processing fees for the assemblies of parts and components under this Article 2.3.2 shall also be pre-adjusted accordingly.

Although the manufacturing and processing fees for the assemblies of parts and components payable to Jianglai are part of the vehicle manufacturing and processing fees payable to JAC, it does not substantiably affect the assets depreciation and amortization amount under Article 2.1.

2.3.3 The processing fees under Article 2.3 shall be paid on a monthly basis. The Parties agree that JAC shall pay the manufacturing and processing fees for the assemblies of parts and components under Article 2.3.2 hereof to
2.4 Taxes arising from the manufacturing business of the Cooperation Models:

NIO Automobile shall bear the turnover tax and the relevant expenses (for the avoidance of doubt, excluding corporate income tax) arising from the manufacturing business of the Cooperation Models, and the amount (excluding VAT) shall be converted to the amount (including VAT) in settlement.

2.5 Payment

The Parties agree that the Cooperation Models manufactured by JAC shall be received and sold by NIO Automobile, and the expenses hereunder shall be settled by NIO Automobile. After JAC and NIO Automobile confirm the payable amount and JAC issues the invoice thereto, NIO Automobile shall pay the corresponding amount within the first five business days of the following month. For the avoidance of doubt, JAC shall pay the manufacturing and processing fees for the assemblies of parts and components under Article 2.3.2 hereof to Jianglai in accordance with Article 2.3.3 hereof after receiving the payment equivalent to amounts showed on the vehicle invoices of the Cooperation Models. JAC shall pay Shanghai NIO (or a company of NIO group) for costs of Vehicle Raw Materials on the same day when NIO Automobile make the payment equivalent to amounts showed on the vehicle invoices of the Cooperation Models to JAC.

3 Investment in the Cooperation Project

In order to meet the needs of successful output and continuous increase of production capacity of the Cooperation Models, the Parties agree to implement the following rules on investment of fixed assets:

3.1 In accordance with the determined product plans for ET7 and Gemini, if it is necessary to invest in new plants, equipment and production lines to the plant, JAC shall be responsible for the investment in such assets meeting the production capacity (including land, general equipment and major technical modification and
3.2 Except for the investment involved in the introduction of new products and iterative products, under the precondition that the Parties have reached an agreement on the technical plan, JAC or Jianglai shall be responsible for the implementation of the technical modification projects related to the needs of the plant operation and the improvement of the level of safety, quality and efficiency, and bear the relevant expenses. According to the fixed assets management measures of JAC, for the parts that can be converted into fixed assets, JAC shall be responsible for the project implementation and bear the relevant expenses, and such parts shall be included in the fixed assets list of JAC for depreciation and amortization; for the parts that cannot be converted into fixed assets, Jianglai shall be responsible for the project implementation and bear the relevant expenses, and the relevant expenses shall be included in the current manufacturing fees of Jianglai. Upon the confirmation by JAC and NIO Automobile, the parts exceeding the annual budget of Jianglai (if any) shall be paid by NIO Automobile to JAC and then by JAC to Jianglai in the next settlement cycle of processing fees.

3.3 NIO Automobile shall be responsible for the special input (such as molds, inspection tools and so on) for the Cooperation Models to meet the requirements of expanding production capacity and bear the relevant expenses.

3.4 The procurement related to the daily equipment maintenance of the plant shall be purchased by Jianglai in accordance with its relevant requirements.

3.5 Jianglai shall be responsible for the investment (including but not limited to the new plants and equipment) involved in the assemblies of parts and components business to be developed by Jianglai in the future, and shall bear the relevant expenses.

3.6 The list of assets invested by JAC for the Cooperation Models is attached hereto as an appendix.
4 Milestones of the Cooperation Project

4.1 After the execution of this Agreement, NIO Technology shall input the technical information of the products in a timely manner in accordance with the manufacturing cooperation agreement as required by the progress of works, so that JAC and Jianglai can carry out production line reconstruction and procurement activities. The specific schedule for the Cooperation Models shall be subject to the final plan negotiated and confirmed by the Parties.

4.2 During the implementation of the project, NIO Technology shall continuously enhance the maturity of the products and JAC shall fully cooperate with NIO in on-site commissioning to jointly achieve the start of production (“SOP”, if applicable) on schedule. If NIO Technology fails to input the necessary technical information of the products in a timely manner based on the milestones confirmed by the Parties, or the reconstruction schedule fails to be met for any reason attributable to NIO Technology, such milestones shall be postponed accordingly. If any delay occurs attributable to JAC, JAC shall give a warning in advance, communicate and negotiate with NIO Technology and NIO Automobile with regard to the remedies.

5 Manufacturing under Cooperation Project

5.1 The Parties agree that the plant of the Cooperation Project will be located in Hefei Economic and Technological Development Area, and the scale of the plant will ensure to meet the demand for the Cooperation Models or the subsequent products confirmed by the Parties.

5.2 Based on the planned production capacity of the plant, under the precondition of meeting the product quality and production capacity requirements proposed by NIO Technology and jointly confirmed by all Parties, and upon the consent of JAC and NIO Technology, NIO Technology undertakes to introduce the subsequent vehicle models (besides the Cooperation Models mentioned in Recital B hereof) into the plant to ensure the normal operation of the plant in case there are excessive capacities in the plant.
JAC and NIO Automobile agree that JAC irrevocably authorizes NIO Automobile to act as the exclusive master distributor for the cooperation products under the Cooperation Project, and NIO Automobile shall have the right to select distributors, carry out marketing and sales activities, provide after-sale service, conduct relevant training sessions, provide relevant consulting services and engage in other activities relating to its role as master distributor and the distribution activities, and JAC will enter into a domestic exclusive master distributor agreement and an overseas exclusive master distributor agreement as the ancillary agreements to this Agreement with NIO Automobile. Unless required by NIO Automobile proactively, JAC shall not interfere with the aforesaid rights of NIO Automobile, provided that NIO Automobile shall guarantee that the goodwill and other legitimate rights and interests of JAC will not be impaired in its exercise of such rights. In the event of any breach, JAC shall have the right to take actions to protect its legitimate rights and interests, and NIO Automobile shall indemnify JAC against the losses suffered by JAC due to its breach.

7 Obligations of the Parties

7.1 Under the Cooperation Project, Shanghai NIO shall perform the following obligations:

7.1.1 it shall perform the obligations under this Agreement and the Cooperation Project in compliance with applicable laws and regulations;

7.1.2 it shall supply qualified raw materials to JAC that are necessary for manufacturing of the Cooperation Models, in order to support JAC in its manufacturing of the Cooperation Models in accordance with the business plan agreed by the Parties;

7.1.3 other obligations under this Agreement.

7.2 Under the Cooperation Project, NIO Technology shall perform the following obligations:
it shall perform the obligations under this Agreement and the Cooperation Project in compliance with applicable laws and regulations;

it shall provide necessary technical information to support JAC and Jianglai in completion of production preparation in accordance with the project schedule and its manufacturing of the Cooperation Models in compliance with the quality and technique requirements proposed by NIO Technology and jointly confirmed by the Parties;

it shall be responsible for product preparation, regulation test and preparation of specific materials in the application for inclusion in announced catalog as well as related expenses, so as to meet the needs of JAC in its application for inclusion in announced catalog;

other obligations under this Agreement.

Under the Cooperation Project, NIO Automobile shall perform the following obligations:

it shall perform the obligations under this Agreement and the Cooperation Project in compliance with applicable laws and regulations;

it shall complete the special input for Cooperation Models (such as molds, inspection tools and so on) falling within the scope of investment responsibilities of NIO Automobile based on the allocation of investment responsibilities set forth in Article 3.3 hereof;

it shall be responsible for investments in the exclusive additions and modifications of production line involved in trial manufacturing, and the costs of vehicle products or scrapped vehicles incurred for the products and commissioning of production line during the trial manufacturing and before the SOP shall be borne by NIO Automobile;

it shall be responsible for the operation, management and staffing of the transit warehouse;

other obligations under this Agreement.
7.4 Under the Cooperation Project, JAC shall perform the following obligations:

7.4.1 it shall ensure the production safety of the plant and the passing of environmental protection, fire safety, labor protection and other inspections and acceptances by competent authorities, and warrant that it will comply with laws and regulations of the PRC during the process of cooperation;

7.4.2 it will complete the application for inclusion of the Cooperation Models in the announced catalog;

7.4.3 based on the requirements on product technology and production capacity of the determined Cooperation Models [***], JAC shall be responsible for designing, constructing and maintaining the plant to meet NIO Automobile’s requirements on product and production capacity (including four major processes, i.e., stamping, welding, painting and assembly), and bear the relevant construction costs until the delivery of the plant;

7.4.4 with respect to the part falling within the scope of investment responsibilities of JAC based on the allocation of investment responsibilities set forth in Article 3.1 hereof, it will establish technique and equipment specifications and requirements based on the product quality requirements confirmed with NIO Automobile, construct plant, select suppliers, and carry out procurement, installation and commissioning;

7.4.5 it will assist NIO Technology and NIO Automobile with the start of production of the Cooperation Models and the trial manufacturing of prototype vehicles, and provide relevant facilities, equipment and staff required for the trial manufacturing of prototype vehicles, so as to ensure the successful achievement of the SOP of Cooperation Models;

7.4.6 it shall be responsible for the batch production of Cooperation Models in compliance with the quality and technique requirements proposed by NIO
7.5 Under the Cooperation Project, Jianglai shall perform the following obligations:

7.5.1 it shall perform the obligations under this Agreement and the Cooperation Project in compliance with applicable laws and regulations;

7.5.2 it shall be responsible for the daily operation and maintenance of the plant (including but not limited to the equipment and so on) as entrusted by JAC;

7.5.3 it shall be responsible for the daily operation and maintenance of the investments made by NIO Automobile under this Agreement (including but not limited to the equipment and so on) as entrusted by NIO Automobile;

7.5.4 it shall be responsible for the investments in technical modification and parts and components projects for Cooperation Models based on the allocation of investment responsibilities set forth in Article 3.2 and Article 3.5 hereof;

7.5.5 it shall be responsible for the batch production of the assemblies of parts and components for the Cooperation Models in compliance with the quality and technique requirements proposed by NIO Automobile and confirmed by JAC and Jianglai to the extent permitted by the laws and regulations of the PRC;

7.5.6 other obligations under this Agreement.

8 Other Matters

8.1 Unless otherwise agreed upon by the Parties, the Parties will further discuss with respect to other matters regarding the Cooperation Project described in this Agreement, including, without limitation, announcement catalog, trademark license, technology license, manufacturing quality and control, procurement and logistics of raw materials, manufacturing costs, equipment molds, authorized distribution,
quality responsibility, delivery and settlement, allocation of functions and duties of the Parties, etc., and reach written agreements as ancillary agreements to this Agreement as soon as possible, including, without limitation, the trademark license agreement, the technology license agreement, the master distribution agreement, the product announcement agreement, the management agreement for production preparation area, the production and operation agreement, the after-sales service and guarantee agreement, the assets entrustment management agreement, etc.

8.2 As the Cooperation Models use JAC’s automotive product announcements and certificates, in the event of any possible product recall after the launch of Cooperation Models into the market, NIO Automobile shall pay all the expenses arising from the handling of such recalls. If the problem is attributable to the manufacturing process, JAC shall be responsible for such expenses. If it is confirmed that Jianglai is responsible for such problem, JAC may claim compensation from Jianglai.

8.3 The Parties agree that Jianglai may develop, procure and manufacture parts and components based on its own capabilities on the basis of the Cooperation Project. After Shanghai NIO or other NIO group companies evaluates that the parts and components meet the quality requirements, such parts and components shall be selected in priority under same conditions.

8.4 JAC and NIO Automobile agree that, in year 2021, they will provide additional auxiliary support to Jianglai in terms of, including, without limitation, human resources, finance and accounting, logistics, etc., with the relevant expenses incurred to be borne by JAC and NIO Automobile respectively and not included in the cost of Jianglai.

8.5 The operating expenses involved in the trial production of Cooperation Models shall be included in the revenues of Jianglai and paid by NIO Automobile to Jianglai. The settlement fees for the trial production of vehicles and parts and components shall be agreed upon by the Parties separately. Jianglai and NIO Automobile shall enter into relevant agreements in respect of such trial production matters, in which the relevant taxes shall be borne by NIO Automobile.
8.6 To meet the technical standards for manufacturing Cooperation Models of NIO Automobile, JAC will designate relevant personnel to participate in the trial production of products and introduction of new products into the batch production, with the expenses arising therefrom to be borne by NIO Automobile. JAC and NIO Automobile shall agree upon the personnel support list and labor costs per person before the implementation of the project and enter into technical consulting and management service agreements for the projects of new products, technical modification and capacity expansion, etc.

9 Confidential and Proprietary Information

9.1 Each Party understands that the Cooperation Project contemplated by the Parties under this Agreement involves access to and creation of confidential information, proprietary information, trade secrets and materials of the other Parties, their affiliates and/or customers (collectively, the “Confidential and Proprietary Information”). The Confidential and Proprietary Information includes, without limitation, (1) information with respect to the other Parties and their employees, partners, members, agents, affiliates or customers (including their identities); (2) information with respect to the contemplated or fulfilled business opportunities of the other Parties, their affiliates or customers, including, in each case, the identities of the parties, terms involved and other relevant information; (3) information, idea or material of a technical or creative nature, such as R&D achievements, design and technical parameters, computer data and object code, patent applications, and other materials or ideas with respect to the products, services, processes, technologies or other intellectual property of the other Parties or any of its affiliates or customers; (4) information, idea or material of a commercial nature of the other Parties; and (5) the existence of this Agreement and its terms and conditions.

9.2 Each Party understands that the Confidential and Proprietary Information is of great value to the other Parties and their affiliates, licensor, suppliers, investors, partners, members, agents, vendors or customers. Therefore, each Party agrees: (1) to keep all Confidential and Proprietary Information in confidence for the benefit of the
other Parties; (2) not to reproduce or use (or allow its employees, subcontractors or agents to reproduce or use) any Confidential and Proprietary Information unless required for the purpose of performing this Agreement; and (3) not to disclose or otherwise make available to any party other than the Parties to this Agreement in other ways any Confidential and Proprietary Information without the prior written authorization of the other Parties, except for disclosure of the existence of this Agreement and its terms and conditions required by applicable laws.

9.3 No Party may disclose to any party other than the Parties to this Agreement or announce or release in any way the content or existence of this Agreement or the transactions contemplated hereby without the prior written consent of the other Parties, except for disclosure or announcement required by the applicable laws and regulations or competent authorities in charge of the industry (provided that the disclosing Party shall notify other Parties of such information in advance and take into account the reasonable comments of other Parties).

10 **Intellectual Property**

10.1 JAC and Jianglai shall not, and shall not authorize other parties to: (1) create derivative works of, copy, alter or in any way modify the know-hows or patents (collectively, the "**Intellectual Property**") of Shanghai NIO, NIO Technology and/or their affiliates without the prior written consent made by Shanghai NIO, NIO Technology and NIO Automobile; (2) translate, decompile, disassemble, reverse compile, reverse engineer, interrogate or decode the Intellectual Property of Shanghai NIO, NIO Technology and/or their affiliates; (3) bypass or delete any copy protection methods implemented for the prevention of unauthorized copying or use of the Intellectual Property of Shanghai NIO, NIO Technology and/or their affiliates; or (4) electronically distribute, timeshare or market the Intellectual Property of Shanghai NIO, NIO Technology and/or their affiliates by interactive cable or by remote processing services.

10.2 Shanghai NIO, NIO Technology, NIO Automobile and Jianglai shall not, and shall not authorize other parties to: (1) create derivative works of, copy, alter or in any
way modify the Intellectual Property of JAC without its prior written consent; (2) translate, decompile, disassemble, reverse compile, reverse engineer, interrogate or decode the Intellectual Property of JAC; (3) bypass or delete any copy protection methods implemented for the prevention of unauthorized copying or use of the Intellectual Property of JAC; or (4) electronically distribute, timeshare or market the Intellectual Property of JAC by interactive cable or by remote processing services.

10.3 The Parties agree that NIO Technology will license JAC and Jianglai to use its technologies and trademarks relating to the Cooperation Models on a royalty-free basis solely for the purpose of the Cooperation Project, and the Parties will separately enter into certain license agreements. Further, all rights to the Intellectual Property shall be retained by the Party owning the Intellectual Property and/or corresponding license rights, unless a license is expressly granted under this Agreement.

10.4 NIO Technology warrants that the technologies and trademarks licensed to JAC and Jianglai are dually authorized and licensed, and will not infringe upon the legitimate rights and interests of any other parties. If other parties claim that the use by JAC and Jianglai of the technologies and trademarks licensed by NIO Technology to it has infringed upon its rights, NIO Technology shall be solely responsible for dealing with such claim and bear all the consequences arising therefrom. If JAC and/or Jianglai suffers any losses due to such claim, NIO Technology shall indemnify JAC and/or Jianglai for such losses.

11 Liabilities for Breach of Contract

The Parties agree that the liabilities for breach of contract under the Cooperation Project shall be separately agreed upon by the Parties in the ancillary agreements to this Agreement.

12 Term and Termination
12.1 This Agreement shall take effect as of the date when it is executed and sealed by the Parties, and shall remain valid for three (3) years after the effective date.

12.2 The Parties hereby agree that the cooperation term of the Cooperation Project shall be ten (10) years (from May 2021 to May 2031, and the Parties shall discuss separately whether to extend the cooperation term upon the expiration thereof), provided, however, that the Parties may negotiate to make appropriate adjustment to the provisions of this Agreement (if necessary) in light of the external environment and the then actual situation of the Parties every three years, based on which this Agreement shall be re-executed.

12.3 During the cooperation term of the Cooperation Project specified in Article 12.2 hereof, if any Party (except for Jianglai) proposes to terminate the Cooperation Project, such Party shall obtain the written consent of the other Parties, without prejudice to the reasonable commercial interests of the other Parties. In this case, the Parties shall separately discuss the compensation and subsequent arrangements arising from such termination of this Agreement.

12.4 The Parties agree that, from the execution date of this Agreement, the information management system related to the manufacturing of the Cooperation Models will be switched from Shanghai NIO to NIO Automobile. In order to reduce the impact of the system switch, the Parties agree that May 20, 2021 will be the switch time for the order of NIO Automobile, and the term from May 20, 2021 to June 1, 2021 will be the transitional period. In the transitional period, the manufacturing, delivery, settlement and invoicing matters for all vehicle models shall be implemented in accordance with the original order without adjustment. NIO Automobile agrees to authorize Shanghai NIO to handle sales, after-sales services and all matters related thereto in the existing way. Since Jianglai will be formally put into operation as of July 1, 2021, the Parties agree that JAC will pay Jianglai the processing fee for assemblies of parts and components in accordance with Article 2.3.1 hereof from July 1, 2021, and the transitional period will be from May 24, 2021 to June 30, 2021. In the transitional period, the operation and settlement pattern of the production plant will remain unchanged.
12.5 Upon the occurrence of any of the following events to any Party, the other Parties may terminate this Agreement by a written notice to such Party with immediate effect:

12.5.1 such Party fails to perform or comply with any of the obligations, terms and conditions hereunder, and such breach is not cured within 30 days after it has received a written cure notice from the other Parties;

12.5.2 such Party becomes bankrupt or insolvent, or is the subject of proceedings for liquidation or dissolution, or becomes unable to pay its debts as they become due or is dissolved in accordance with applicable laws; or

12.5.3 any change in shareholding structure of such Party has materially affected its performance of this Agreement, in which case, the other Parties may unilaterally terminate this Agreement.

12.6 The expiration or termination of this Agreement for whatever reason shall not release any Party hereto from the rights and obligations that have accrued prior to the date of such expiration or termination.

12.7 Upon the expiration or early termination of this Agreement, each Party shall return the property and intellectual property of the other Party to it upon the receipt of its instructions.

13 Force Majeure

13.1 If the performance of this Agreement by any Party hereto is delayed or prevented by an Event of Force Majeure (as defined below), the Party affected by such Event of Force Majeure shall be excused from any liability hereunder. For the purposes of this Agreement, an "Event of Force Majeure" shall mean any event that is unforeseeable, beyond the affected Party’s control, and cannot be prevented with reasonable care, which includes but is not limited to the acts of governments, fire, explosion, geographic change, flood, earthquake, tide, lightning, war, epidemic or any other unforeseeable, unavoidable and insurmountable events. However, any shortage of credit, capital or finance shall not be regarded as an event beyond a Party’s reasonable control.
13.2 The Party affected by an Event of Force Majeure who claims to be excused from its obligation under this Agreement or any provision hereof shall notify the other Parties of the occurrence of such Event of Force Majeure within five (5) days from the date of occurrence, and shall take all necessary actions and measures to minimize and mitigate the losses and damages and resume its performance of this Agreement as soon as practicable.

14 General Provisions

14.1 Governing Law and Arbitration. This Agreement shall be governed in all respects by the PRC laws. Any dispute arising out of the interpretation or performance of this Agreement shall be resolved by the Parties first through friendly negotiation. If such dispute cannot be resolved within thirty (30) days from the date of commencement of negotiation, any Party may submit such dispute to China International Economic and Trade Arbitration Commission (“CIETAC”) for arbitration in Beijing in accordance with the arbitration rules of CIETAC then in effect. The arbitration proceedings shall be conducted in Chinese. The arbitration award shall be final and binding upon the Parties. The losing Party shall bear and pay all arbitration costs. During the period when a dispute is being resolved, the Parties shall continue to perform their respective obligations under this Agreement except for the matters in dispute.

14.2 Severability. If any term or provision of this Agreement is determined or held to be invalid, illegal or unenforceable by any law or public policy, the enforceability and validity of other terms of this Agreement shall not be affected so long as the economic and legal substance of the transactions contemplated hereby is not affected in any material manner adverse to any Party. Upon such determination that any term or provision of this Agreement is invalid, illegal or unenforceable, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.
14.3 **Assignment.** Without the prior written consent of the other Parties, no Party may assign any of its rights or obligations hereunder to any other entity.

14.4 **Amendment.** This Agreement may not be amended, modified or supplemented orally, and may be amended, modified or supplemented only by a written instrument executed by the Parties.

14.5 **Languages and Counterparts.** This Agreement shall be written in Chinese in ten (10) identical counterparts. Each Party shall hold two (2) counterparts, and each counterpart shall be deemed an original, which taken together shall constitute one and the same fully signed agreement. In the event of any conflict between the appendix hereto and the main body of this Agreement, such appendix shall prevail.

[Remainder Intentionally Left Blank]
IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives as of the date first written above.

NIO Co., Ltd.

/s/ Authorized signatory  
Date: May 22, 2021

NIO Automobile Technology (Anhui) Co., Ltd.

/s/ Authorized signatory  
Date: May 22, 2021

NIO Automobile (Anhui) Co., Ltd.

/s/ Authorized signatory  
Date: May 22, 2021

Anhui Jianghuai Automobile Group Co., Ltd.

/s/ Authorized signatory  
Date: May 22, 2021

Jianglai Advanced Manufacturing Technology (Anhui) Co., Ltd.

/s/ Authorized signatory  
Date: May 22, 2021
## Exhibit 8.1

### List of Principal Subsidiaries and Consolidated Variable Interest Entities

#### Subsidiaries:
- NIO Nextev Limited
- XPT Limited
- XPT Technology Limited
- NEU Battery Asset (Hong Kong) Co., Limited
- NIO Power Express Limited
- NIO User Enterprise Limited
- NIO USA, Inc.
- XPT Inc.
- Instant Power Europe B.V.
- NIO Nextev Europe Holding B.V.
- NEU Battery Asset Co., Ltd.
- NIO Norway AS
- NIO GmbH
- NIO Holding Co., Ltd.
- NIO Co., Ltd.
- NIO Automobile (Anhui) Co., Ltd.
- NIO Automobile Technology (Anhui) Co., Ltd.
- NIO Financial Leasing Co., Ltd.
- XPT (Jiangsu) Investment Co., Ltd.
- Shanghai XPT Technology Limited
- XPT (Nanjing) E-Powertrain Technology Co., Ltd.
- XPT (Nanjing) Energy Storage System Co., Ltd.
- NIO Sales and Services Co., Ltd.
- NIO Energy Investment (Hubei) Co., Ltd.
- Wuhan NIO Energy Co., Ltd.
- XTRONICS (Nanjing) Automotive Intelligent Technologies Co. Ltd.
- XPT (Jiangsu) Automotive Technology Co., Ltd.

#### Place of incorporation
- Hong Kong
- Hong Kong
- Hong Kong
- Hong Kong
- Hong Kong
- California, United States
- Delaware, United States
- Netherlands
- Netherlands
- Cayman Islands
- Norway
- Germany
- PRC
- PRC
- PRC
- PRC
- PRC
- PRC
- PRC
- PRC
- PRC
- PRC
- PRC
- PRC
- PRC

#### Consolidated variable interest entity:
- Beijing NIO Network Technology Co., Ltd.

#### Place of incorporation
- PRC
Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Bin Li, certify that:

1. I have reviewed this annual report on Form 20-F of NIO Inc. (the “Company”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 29, 2022

By: /s/ Bin Li
Name: Bin Li
Title: Chief Executive Officer
Certification by the Chief Financial Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Wei Feng, certify that:

1. I have reviewed this annual report on Form 20-F of NIO Inc. (the “Company”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 29, 2022

By:  /s/ Wei Feng
Name: Wei Feng
Title: Chief Financial Officer
Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of NIO Inc. (the “Company”) on Form 20-F for the fiscal year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Bin Li, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2022

By: /s/ Bin Li
Name: Bin Li
Title: Chief Executive Officer
Certification by the Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of NIO Inc. (the “Company”) on Form 20-F for the fiscal year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Wei Feng, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 29, 2022

By: /s/ Wei Feng
Name: Wei Feng
Title: Chief Financial Officer
Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-229952) and Form F-3 (No. 333-239047) of NIO Inc. of our report dated April 29, 2022 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

/s/ PricewaterhouseCoopers Zhong Tian LLP
Shanghai, the People’s Republic of China
April 29, 2022
Dear Sir/Madam:

We hereby consent to the reference of our name under the headings “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure” and “Item 4. Information on the Company—C. Organizational Structure” in NIO Inc.’s Annual Report on Form 20-F for the year ended December 31, 2021 (the “Annual Report”), which will be filed with the Securities and Exchange Commission (the “SEC”) on the date hereof, and further consent to the incorporation by reference, in NIO Inc.’s registration statement on Form S-8 (File No. 333-229952) and NIO Inc.’s Registration Statement on Form F-3 (No. 333-239047), of the summary of our opinion under the headings “Item 3. Key Information—D. Risk Factors—Risks Related to Our Corporate Structure” and “Item 4. Information on the Company—C. Organizational Structure” in the Annual Report.

We also consent to the filing of this consent letter with the SEC as an exhibit to the Annual Report.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Very truly yours,

/s/ Han Kun Law Offices

Han Kun Law Offices