

**Report Date:** February 16, 2021  
**Company:** EHang Holdings, Ltd.  
**Ticker:** EH US  
**Industry:** “Transportation Services”  
**Stock Price (USD):** \$124.10  
**Market Cap (USD, Millions):** \$6,791.3



## **EHang: A Stock Promotion Destined to Crash and Burn**

- Today, we reveal why we believe EHang (NASDAQ: EH) is an elaborate stock promotion, built on largely fabricated revenues based on sham sales contracts with a customer who appears to us to be more interested in helping inflate the value of its investment in EH (*i.e.*, pump EH’s stock price) than actually buying its products. EH has perpetuated its story with a collection of lies about its products, manufacturing, revenues, partnerships, and potential regulatory approval of its purported main business, an “autonomous” aerial vehicle (“AAV”) ridesharing network.
- We conclude that EH’s relationship with its primary purported customer is a sham. Government records and credit reports show that EH’s major customer is Shanghai Kunxiang Intelligent Technology Co., Ltd. (hereinafter referred to as “Kunxiang”). We have gathered extensive evidence including behind-the-scenes photographs, recorded phone calls, and videos of on-site visits to EH’s various facilities, as well as Kunxiang’s offices which lead us to believe that Kunxiang signed sham sales contracts to benefit its investment (stock price) in EH:
  - (i) Kunxiang has an exaggerated physical presence and its real operations appear to be a fraction of what is claimed. Out of the 3 addresses listed on Kunxiang’s website, one is a hotel with no Kunxiang presence, one is a 13th floor address of an 11-story building, and the last one had only one Kunxiang employee in the office on a weekday afternoon.
  - (ii) To the extent Kunxiang actually does sell vehicles, it did not want to sell EH’s products to us. When asked, the only employee on-site at Kunxiang, who claimed to be the finance manager, had no hesitation voicing his disapproval of the EH216, and instead offered their own, supposedly much higher quality products for sale.
  - (iii) Kunxiang appears to be a willing participant in EH’s stock promotion. According to the same finance manager at Kunxiang, Kunxiang made an undisclosed RMB100 million (~\$14 million) pre-IPO investment in EH, which leads us to believe its true motive for signing these shambolic contracts was to benefit its investment, which is worth ~RMB473 million (~\$68 million) today.<sup>1</sup>
  - (iv) As is common with a sham customer, SAIC files and national credit reports show that Kunxiang was established just 9 days before it signed a RMB450 million (~\$65 million) sales contract with EH. Kunxiang had only RMB10 million (~\$1.4 million) of registered capital, rendering far too thinly capitalized to actually fulfill this purported sales contract. Nonetheless, Kunxiang signed another RMB30 million (~\$4.3 million) contract with EH four months later.

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<sup>1</sup> All currency conversions in this report have been done at the exchange rate used in EH’s 2019 20-F, \$1.00 = RMB6.9618

- (v) One of the sloppiest details of this “customer/supplier” relationship, the first purported sales agreement between EH and Kunxiang provides that Kunxiang will supposedly pay a per unit (“per set”) price of RMB150 million (~\$21.5 million). We assume that before the second purported agreement was signed four months later, EH realized that the unit price was too high to be believable and cut it to RMB1.5 million (~\$215k), 1% of the price in the first contract.
- (vi) Between September 10, 2019 and October 31, 2019, EH filed a confidentiality request with the SEC to redact the prices on these contracts, likely because the prices are so absurd that they would ruin EH’s credibility if seen by investors or competitors. We only found the unredacted versions of these contracts within the SEC’s EDGAR archive.
- Also common with a stock promotion, EH has only collected on a fraction of its reported sales since its mid-December 2019 IPO. We see EH’s collection rate of only 20% and DSOs at nearly 200 days (despite its purported credit terms of up to 180 days) as a clear indication of fabricated revenues.
  - (i) EH has reported RMB125.5 million (~\$18 million) in total revenues since its December 2019 IPO.
  - (ii) During the same period, its accounts receivable balance has increased by ~RMB100.3 million (~\$14.4 million).
  - (iii) This means that **EH has only collected RMB25.2million (~\$3.6 million) in cash since becoming a publicly traded company.**
- **Typical of a stock promotion, in just 14 months as a publicly traded company, EH’s PR team has put out 50 press releases**, according to Globe Newswire.<sup>2</sup> However, EH’s constant stream of press releases are easily proven untrue. For example:
  - (i) EH has announced numerous “flight certifications” and “long-term” approvals for its “passenger-grade” EH216 in the US, Canada and various countries throughout Europe.
  - (ii) According to aviation regulators or experts in aviation regulation in the US, Canada and Europe, EH has only received permits for recreational test flights of its drones in specified areas, below a specified altitude and at a specified time. In no way are these permits endorsements of EH’s “passenger-grade” claims, nor are they “regulatory breakthroughs” of any kind.
  - (iii) EH also claims in an English PR to have received the “World’s First Commercial Pilot Operation Approval of Passenger-Grade AAVs for Air Logistics Uses” from China’s CAAC. However, the title of the Chinese version of the same PR says nothing about “commercial” or “passenger-grade.” What EH obtained was “特定类无人机试运行批准函” (special approval letter for trial runs of drones of a specified class). CAAC had granted the same license to at least one other company in Hangzhou, China one year earlier in 2019.

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<sup>2</sup> [Globenewswire.com](http://Globenewswire.com)

- (iv) EH consistently makes different claims regarding regulatory approvals in the English and Chinese versions of its press releases. In English, EH makes false claims of commercial approval of its vehicles the EH216 by Chinese regulators. In its Chinese press releases, EH makes false claims of commercial approvals by regulators in the US, Canada, and Europe.
- We visited EH’s corporate headquarters/main manufacturing facility in Guangzhou, which only reinforced our belief that EH isn’t a legitimate company. Similar to frauds we have exposed in the past, EH’s headquarters/main manufacturing facility was practically empty when our investigator visited in the middle of a workday. There was minimal activity and strikingly few employees:
  - (i) We found that the facility has near zero security, which is unimaginable for a factory that produces and stores a product full of supposedly highly valuable IP and proprietary technologies used in EH’s “world-class” AAVs. Our investigator noted that they had seen coat hanger factories in China with more security than EH’s main manufacturing facility in Guangzhou.
  - (ii) EH’s main manufacturing facility seems to lack any advanced manufacturing equipment, employees, or even a basic assembly line seen in typical aircraft/drone factories.
  - (iii) Our investigator was able to walk around EH’s facility for ~20 minutes without seeing a single person working on a weekday afternoon.
- We spoke on the record with a leading expert in the eVTOL industry, a manufacturing set-up specialist, and Chinese lawyers. Based on their expert opinions, even if EH was intended to be a real business, we believe its product is majorly flawed, inherently dangerous and would likely attract very few, if any, actual buyers:
  - (i) [Dr. Mark Moore](#), a 32-year NASA veteran engineer who most recently served as the Director of Aviation Engineering for Uber Elevate. Dr. Moore personally evaluated the EH216 for Uber Elevate and determined it didn’t meet Uber’s criteria for partnership. When he closely inspected the EH216, he was concerned by its overall “*rough*” quality and its use of “*hobby-grade motors*” made by Chinese hobby motor company, T-Motor. He made it clear that these hobby grade motors are *not aerospace products* and should never be used in a passenger carrying vehicle.
  - (ii) Dr. Moore further said he “*firmly feel[s] that the current configuration is inherently not safe*” and has “*significant reservations about whether [the EH216] could ever be certified for carrying passengers in the US market.*”
  - (iii) When told about EH’s anemic R&D budget, Dr. Moore seemed horrified, saying “*I mean, seriously, if they've only spent \$10 to \$20 million in the development process, they should not even be flying people around in limited demonstrations, it's just, that's really scary.*”
  - (iv) On the topic of EH’s autonomous systems, Dr. Moore said unequivocally “*So, if EHang can't show that they've spent millions of dollars in research then their autonomy isn't even -- and I mean, hundreds of millions of dollars, then their autonomy couldn't possibly be ready.*”

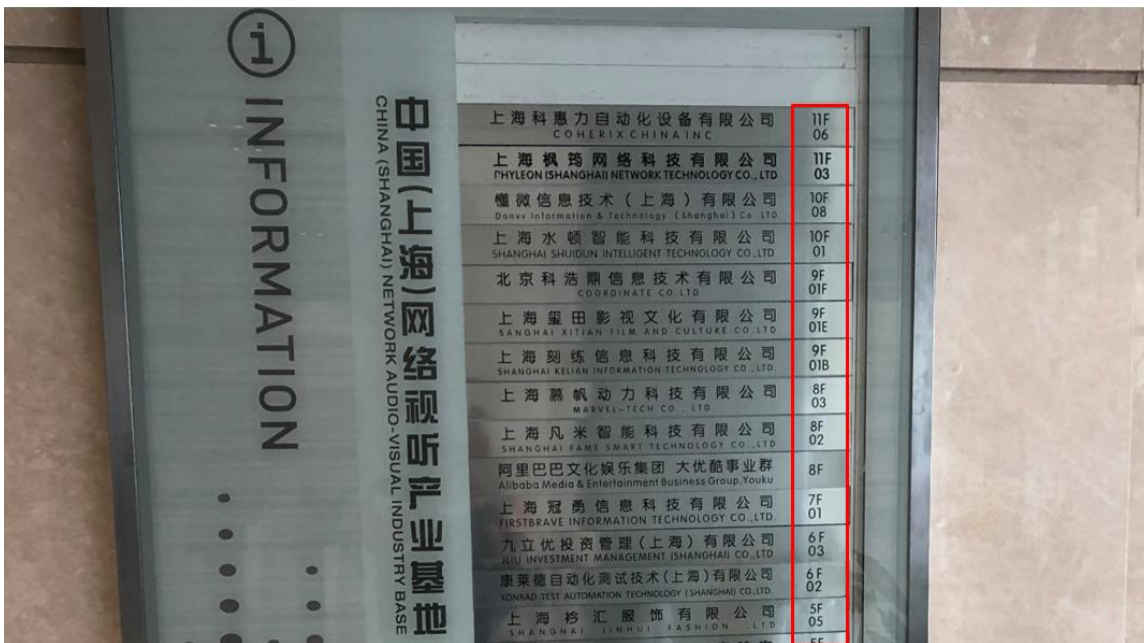
- We obtained Chinese court records which show that EH’s ADRs may already be in serious jeopardy due to legal issues in China. EH Guangzhou, the onshore entity which holds most of EH’s assets and operations likely had 95% of its equity frozen by a Chinese court. The basis for this freeze is said to be the “creditor’s right to cancel”, which means a creditor (in this case a major investment fund in Shenzhen called Join-Share) sued to undo certain questionable transactions EH Guangzhou might have done to reduce assets and avoid debt repayment.
  - (i) In other words, a Chinese court could liquidate EH’s equity to repay the creditor, rendering its ADRs completely worthless. American investors would be left with no legal recourse against the company or anyone else for their losses.

**EH's only disclosed distributor, Shanghai Kunxiang, appears to have signed sham contracts with EH, intended to inflate EH's stock price:**

Kunxiang's real operations appear to be a fraction of what is claimed online. 2 out of the 3 addresses Kunxiang lists for itself in Shanghai were fake. The first address we visited turned out to be an upscale hotel. The receptionist and manager told us that there wasn't office space in the hotel, and they had never heard of Kunxiang.



The second address we went to was in a large business park, we found that the address for Kunxiang listed on its [Qixinbao page](#) was on the 13<sup>th</sup> floor of a building that only had 11 floors:



We were finally able to locate Kunxiang's office at the third address. There was only one employee present when we visited in the early afternoon hours of a workday. He introduced himself as the finance manager. We spoke to the manager as a prospective customer wanting to purchase an EH216. Considering Kunxiang is EH's sole distributor, we were amazed that the manager seemed entirely disinterested in selling us anything that EH makes but was more than happy to try to sell us Kunxiang's own UAVs because, as it turns out, Kunxiang is not only EH's distributor but also a competitor.

When asked about the EH216, he told us the following:

- This is already considered an “**old model.**”
- EHang's battery technology is “**not very good.**” The 216's battery can only last about 30 minutes including takeoff and landing, “giving the user about **10 minutes** of flying time.”
- Kunxiang's own UAV, on the other hand, can supposedly fly for up to four hours.

The manager was reluctant to talk about the specifics regarding Kunxiang's relationship with EH and would quickly change the subject when asked. Nonetheless, we were able to ascertain the following information from him:

- Kunxiang pays around RMB2 million per unit for the large UAVs but did not divulge how many of these Kunxiang had purchased.
- Kunxiang acts as a distributor for EH in certain regions of China but does not cooperate with EH on a technical level.
- Kunxiang invested RMB100 million (~\$14 million) for “a little more than 1%” of EH just prior to its Nasdaq listing, according to the finance manager.

It appears to us that Kunxiang is in on EH's stock promotion. To us, this is the only logical explanation for Kunxiang's otherwise irrational decision to sign RMB480 million (~\$69 million) in sales contracts that it could not fulfill.

Despite his negative comments about EH's product, the finance manager openly told us about Kunxiang's RMB100 million (~\$14 million) investment just before EH's IPO, which was worth approximately RMB472.7 million (~\$68 million) as of market close on Friday, February 12, 2021.<sup>3</sup>

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<sup>3</sup> Market data accessed via Bloomberg LP on February 13, 2021

**We visited EHang’s corporate headquarters/main manufacturing facility in Guangzhou and found that EH’s supposed manufacturing facility lacks advanced manufacturing equipment, a basic assembly line, and was practically empty on a weekday afternoon:**

*First*, the facility has near zero security, which is highly unusual for any reasonable size factory or business in China – our Chinese manufacturing expert told us they had seen coat hanger factories in China with more security than EH’s Guangzhou factory/corporate headquarters. It is almost unimaginable for a facility that “manufactures” and stores a product that (i) is supposedly full of proprietary world-class technologies used in the manufacturing process and design of the EH216, (ii) is supposed to carry passengers in the sky and if stolen, improperly operated or tampered with, could very well cost passengers their lives, and (iii) is as expensive as the EH216 (~\$287,000 a unit).

- Walking up to the entrance, we noticed there was only one security guard at the front door. We were able to simply walk around back and go right in the *wide-open* back door (see picture below):



- We walked freely throughout the facility for ~20 minutes on a weekday afternoon without seeing a single employee working on any of the 3 supposed manufacturing floors of the building.
- This reminded us of the China-based frauds we exposed a decade ago, who simply didn’t have enough employees to be manufacturing in the volumes they claimed. There did not seem to be anything happening at this facility, which, in our experience, is a good indication that the business is not what is claimed in SEC filings, to say the least.

Second, we could not find industrial grade manufacturing machinery, an assembly line, raw material inventory or special work zones typically seen in automobile or drone factories. On the contrary, we noted some apparent light assembly of EH216s was taking place in the waiting area outside of the elevators on the second and third floors.

- On the first floor – the purported “main manufacturing area” – we found a disorganized collection of EH216s, EH116s and some random fixed wing drones sitting around:



- On the second floor, there appeared to be parts to an EH216 just outside the elevator. The main body is sitting on an elevated shelf, with the cabin doors and the battery pack and base on the opposite side. This setup resembles a makeshift light assembly area, as if this EH216 was simply snapped together right here. Again, nothing resembling an industrial grade assembly line you would typically see in an automobile or drone factory:





- On the third floor, we found hundreds of boxes of pre-manufactured parts, which appear to be parts of the passenger grade EH216 as well as its smaller consumer drones:



Since we were not able to find any production equipment or raw material inventory on site, we think it is highly likely that EH has the near-finished parts manufactured and shipped in from contractors, performs simple light assembly on site, and then stores units at EH’s corporate headquarters in Guangzhou. Because of the small percentage of labor and equity EH actually vests in the finished product, we question whether EH’s products, including EH216, can be legally claimed as “*manufactured by EHang.*”

The PRC lawyers we spoke to believe that EH may be violating PRC laws regarding manufacturer certification and labeling, at the least.

You can see a clip of our self-guided tour by clicking [this link](#).

## What *Should* We Have Seen in EH’s Manufacturing Plants?

We thought it would be appropriate to compare EH’s facility to a real drone factory. Below is a picture of Chinese agricultural drone manufacturer XAG’s facility in Guangzhou.<sup>4</sup> XAG drones are un-manned (without passengers), hence EH’s passenger grade EH216 manufacturing setup should be substantially more robust than XAG’s. As you can see, EH’s manufacturing facility comes short in comparison with XAG:



Because EH’s drones are supposed to carry passengers, they would theoretically compete with small helicopters, such as the **Robinson R44**. An R44 costs \$500k brand new but can carry four people plus cargo (up to 818 lbs.) at speeds up to 125 mph for nearly 350 miles.<sup>5</sup>

Robinson’s R44 manufacturing facility is pictured below, nothing resembling what we saw in EH’s facilities:



<sup>4</sup> [XAG Resumes Work and Drone Production to Aid Spring Planting](#)

<sup>5</sup> <https://robinsonheli.com/r44-specifications/>

## **EH appears to be significantly misleading investors about its purported “manufacturing facility” in Yunfu:**

On July 30, 2020, EH published the following press release announcing the expansion of its production capacity with a new facility:<sup>6</sup>

*“[EHang] today announced it will build a new AAV production facility in Yunfu city in Guangdong, China with a planned initial annual capacity of 600 units and an RMB42 million (approx. US\$6 million) investment supported by the local government in the facility.”*

**Further**, EHang’s CEO explicitly stated in the press release below that EHang “[had] started to ramp up [its] production” at the Yunfu facility in EH’s **Q3 2020** earnings press release on **December 3, 2020**. Our on the ground due diligence in Yunfu proves that this is an outright lie. There is **no** production happening in Yunfu as of mid-January 2021:<sup>7</sup>

*“With increasing demand and stronger government emphasis on supporting the development of urban air mobility and unmanned civil aviation in China, we have started to ramp up our production capacity with the new facility in Yunfu. This is an important step forward as we get ourselves ready for the next phase of growth”*

We are highly confident that, as of mid-January 2021, there was no “production ramp” happening in EH’s Yunfu facility – or anything that even resembles manufacturing, for that matter. In fact, one Park Management Committee Member told us that while EH was supposedly planning to produce UAVs here, it had not yet hired anyone for production.

### **EH Claim #1: It built a new production facility in Yunfu**

We quickly determined this was **false**. While there was a large facility whose exterior resembled the rendering from EH’s PR, EH did not build it and it is not new. The Yunfu City Industrial Park Management Committee (the “Park Management Committee”) told us that EH had rented the facility in July and were in the process of retrofitting it. It was formerly part of the Yunfu City Stone Wholesale Market. As shown below, the former occupant’s name had been torn off and replaced with an EHang sign:



<sup>6</sup> [EH July 30, 2020 Press Release](#)

<sup>7</sup> <https://ir.ehang.com/static-files/47169d41-4202-4da6-abef-60c1c30c4ec2>

**EH Claim #2: it had already begun production at the Yunfu factory in December 2020:**

After touring the whole building and speaking with numerous personnel on site, we concluded that this claim was also **false**. The Park Management Committee told us construction likely wouldn't be complete until sometime after the Chinese New Year (end of February 2021). Other workers we spoke to didn't know when the renovations would be completed. Below is a picture of the "reception area." Most of the facility looked like this:



The first workshop area in the middle of the facility was empty. Most of the retrofitted areas of the facility looked similar to this:



In the middle section of the building there was a small room with four EH216s sitting in it, some of which had the cabins separated from their base, but fully assembled aside from that. We saw no assembly line, no manufacturing equipment – not even tools. It was clear that this building was far from any kind of production or manufacturing. At best, some areas may have been staged for pictures to be used in a future press release, in our opinion.



The management committee also said they were “*uncertain whether or not Yunfu EHang’s funding would be available*” which raises many questions about EH’s purported government support for this facility, as well as its own financial stability and long-term prospects from a financial perspective and regulatory perspective; both of which are critical for a EH.<sup>8</sup>

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<sup>8</sup> EH 2019 20-F, p. 32: “Our PRC subsidiaries have received various financial subsidies from PRC local government authorities. The financial subsidiaries result from discretionary incentives and policies adopted by PRC local government authorities. The discontinuation of such financial subsidies or imposition of any additional taxes could adversely affect our financial condition and results of operations.”

We discussed our findings at EH's main "manufacturing" facility with Dr. Moore, which led to the incredible realization that EH uses hobby grade motors, which are *not* meant to propel passenger carrying aircraft. Below is an excerpt from the conversation:

**MM:** So, I haven't seen EHang's facility, but if you were to walk into Joby's facilities, you would be impressed. There's a lot going on. There there's 600 people. There's great experiments going on. There's flight demonstrations at restricted military air bases in conjunction with military observers, with FAA observers.

So, I mean, I know in the US these companies are doing it right. And if that's not going on, I mean, I think I said last time, what bothers me most is that these Chinese -- EHang and China are playing by different rules. They don't have the same transparency that the FAA and the US military require to have confidence in the configurations and the operations and how the company is conducting business. So, until EHang and these other companies do that, I can't have confidence in what they're doing.

**WP:** That's fair. But in the context of what I'm talking about, taking what I'm saying at face value, as a for instance, I can't just walk into Joby's facility, correct? Unannounced, off the street, I can't walk just walk into their building?

**MM:** Oh no, it's, it's a very secure facility, but if you're an investor, you know, they'll probably give you an appointment.

**WP:** I mean, like, look, when you're looking at companies in China, you don't go in as an investor because they can put on a show. So, you show up unannounced, not as an investor, you're just somebody that walks in -- literally just somebody walked in off the street, walked in the back door of the factory. And we videoed the whole thing.

**MM:** Um, yeah, you'd never get away with that with any of the US companies.

**WP:** I mean like, again at face value, EHang claims all this super proprietary IP that they have, and as [our analyst] has pointed out, we've seen tighter security at coat hanger factories in China.

**MM:** So, let me be clear. I closely inspected and analyzed their configuration. **I can see no significant IP anywhere.** And for instance, looking closely at their motors, they were using T motors. **Those are hobby grade motors. Those are not aerospace products.** So, there's real concerns that are present.

**WP:** I don't mean to be profane, but what the fuck? They're using [hobby grade motors](#)?

**MM:** Yeah. And that's why, you know, look, if one company does something wrong in this new nascent market, it's a bad reflection on everyone. And that's why this is so concerning.

**WP:** Yeah and, look, it's concerning to us too. I mean, we think this space is phenomenal actually for an investment over the next 10 years. We are not disbelievers in this space. We're believers in it, and that's why we want the right companies to get the right attention. We're focusing kind of the same way you are. But I'd like to know more about that motor. What is it called again?

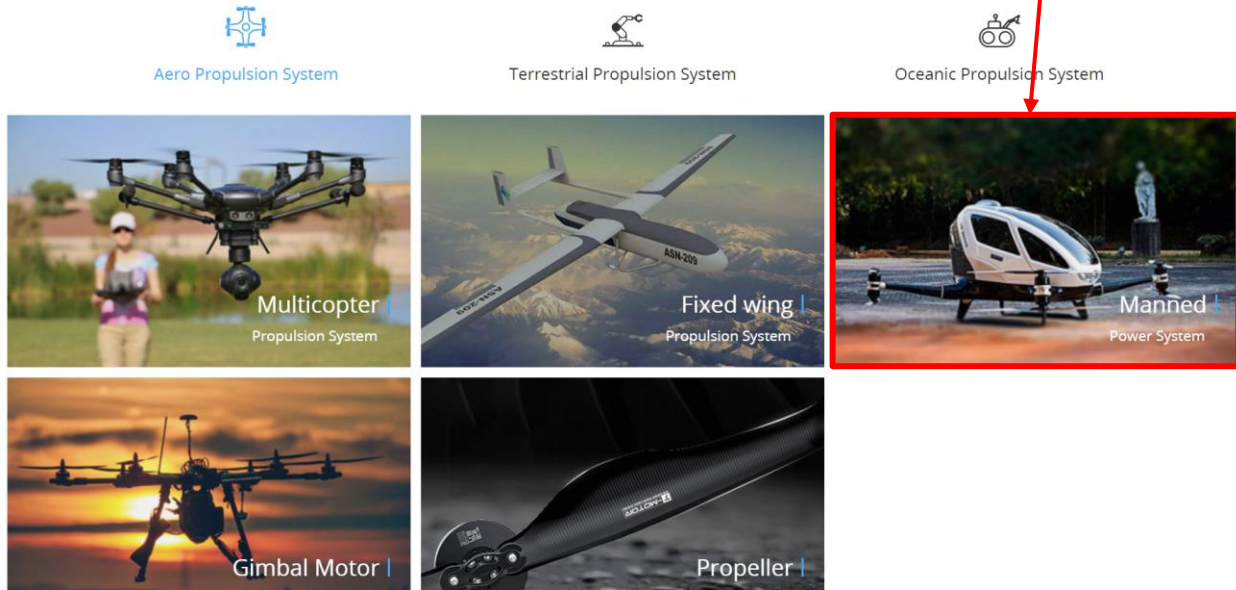
**MM:** T motor. T motor is a Chinese hobby motor company. You can look them up. They're online. They make, you know, everything from really tiny RC motors to the bigger motors that EHang is using.

So, we immediately looked up [T Motor](#) and it appears to be just as Mark said – a Chinese hobby grade motor company. They also have a "custom" section on their website where they offer

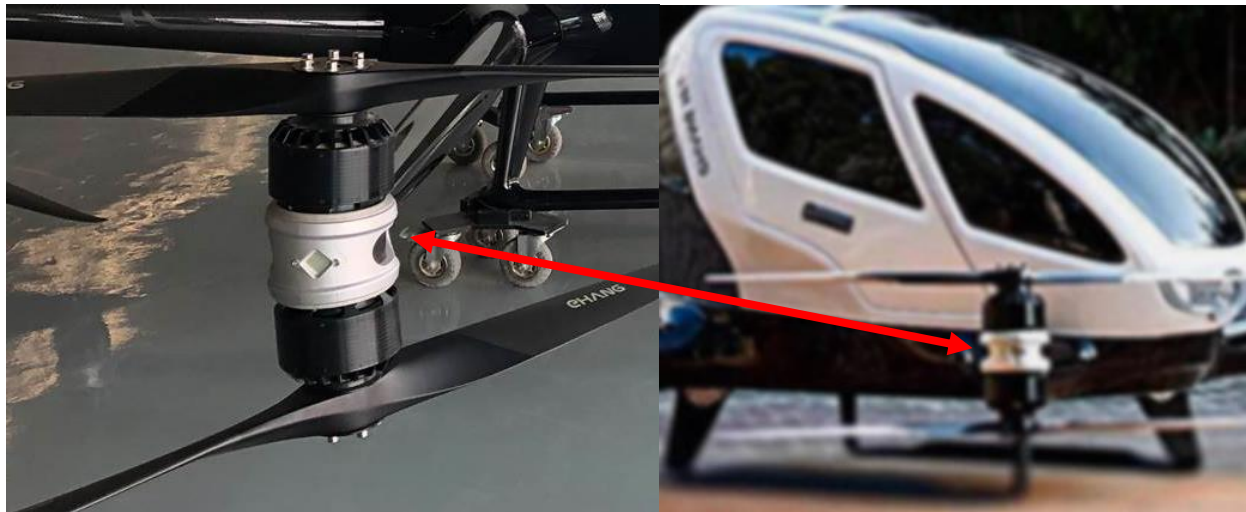
Original Design Manufacturer (“ODM”) services (i.e., T Motor lets EH choose the color of the motor casing and let EH put their logo on parts that are designed and manufactured by T Motor). This page of the website even has a picture of an EH “passenger-grade” drone on it:

### Customized

**Hmm, does this look familiar to anyone?**



The picture on the left below is an EH216 motor from our on the ground investigation in China. The picture on the right is just a zoomed in version of the picture from T Motor’s website. We believe it is undeniable that *these are the exact same hobby grade motors*:



Mark’s statements that he didn’t see any significant IP anywhere on EH’s vehicle, and that they were using hobby grade motors from T Motor matched exactly with what we saw in our on the ground investigation in Guangzhou. EH was conducting light-assembly of parts they purchased from ODMs like T Motor – whose motors should not be used to carry passengers.

## **EH’s Guangzhou “Design and Testing Center” appears to be a fairly small, dilapidated concrete area with one EHang helipad:**

In its SEC filings, EH describes its research and development capabilities as underpinning the advancement of its platform. EH’s R&D is done mainly at its “design and testing center” in Guangzhou:<sup>9</sup>

*“At our design and testing center, we have pioneered a multitude of AAV flight tests, including climbing flight tests, high-maneuver flight tests, speed flight tests, night flight tests, as well as flight tests in harsh weather conditions, including low visibility, typhoon and fog. **As of March 31, 2020, we had completed over 4,000 passenger-grade AAV trial or demo flights, including passenger-carrying flights and flight tests in strong winds of up to 70 kilometers per hour and in fogs with a visibility of approximately 50 meters.** These tests help us shorten the design and engineering process and progress from the design phase to full-scale production while delivering highly reliable and quality AAVs.”*

After reading about the incredible accomplishments EH has made here with the help of its “passionate, visionary, tech-savvy” and clearly humble CEO, we had to see this facility for ourselves, only to find (again) that the site looks nothing like what EH described. Based on the satellite image of the test area, we determined it is only about 250 meters long and ~50 meters wide. Even if the 4,000 test flight number is accurate, which we are skeptical of, we aren’t impressed by 4,000 10 minute long test flights. In our view, this displays EH’s ineptitude more than anything else. Further, EH mentions passenger-carrying flights but doesn’t provide a number – we highly doubt

At the address EH lists for its design and testing center, we found an old, abandoned amusement park – we can’t imagine a better place for the EH216 to be tested. Even abandoned amusement parks need a fun house.



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<sup>9</sup> EH 2019 20-F, p. 51



About a third of this area is a parking lot. There is one restaurant in operation that had a few cars parked outside, but the rest as essentially vacant. The address listed in EH’s SEC filings – 11 Aoti Road, Tianhe District, Building #4, Room #402, is actually occupied by a liquor store that does not have a sign.<sup>10</sup>

We asked the employee inside if this was Guangzhou EHang Intelligent Technology, he responded that it was not, but pointed us toward a dilapidated building and said EHang is in that direction.

We found the building and saw two security guards. We asked about EHang and the guards informed us that EHang was not in the building but its “R&D area” was behind the gate they were guarding. Despite numerous attempts to explain that we were interested customers here for business, the guards would not let prospective buyers in without an appointment.

Since EH would only let us view its supposed world class “design and testing center” from outside of the gate. We wanted to let investors see EH’s mission critical facility for themselves and form their own opinions about it. Below is the best shot we could get of the facility where EH claims to have conducted over 4,000 pioneering test flights:<sup>11</sup>



<sup>10</sup> EH 424B4, p. 126 – “Facilities”

<sup>11</sup> EH 2019 20-F, p. 51

Below is a Baidu Maps satellite image of the area behind the gate. EH’s “design and testing center” appears to be a narrow area of concrete/brick spanning a couple hundred yards with one landing pad and what appears to be storage space:



## Out of all the glaring discrepancies we found between EH’s claims and reality the massive discrepancies in price between EH’s two sales contracts with Kunxiang may be the most outrageous:

In February 2019 Kunxiang agreed to pay **RMB450 million for 3 EH216s** (i.e., RMB150 million per unit), **almost 100x the price it usually pays**.<sup>12</sup> Why would Kunxiang pay 100x the market price for the outdated, low quality (as they described them) EH216? We believe the answer is unrelated EH’s products, but the effect these contracts would have on EH’s stock price.

The unredacted February 2019 sales contract, as shown in EH’s draft registration statement filed on September 10, 2019, is shown below:<sup>13</sup>

### SALES CONTRACT

Contract No.:

Party A (Seller): EHang Intelligent Equipment (Guangzhou) Co., Ltd.

Party B (Buyer): Shanghai Kunxiang Intelligent Technology Co., Ltd.

The Contract is made by and between Party A and Party B on February 1, 2019 in Guangzhou, whereby Party A agrees to sell and Party B agrees to buy the following products.

#### ARTICLE 1. Ordered Products

No.	Description of Ordered Products	Unit Price (RMB) (tax included)	Quantity(sets)	Total Price (RMB)
1	EHANG Passenger-grade Autonomous Aerial Vehicle (hereinafter abbreviated as “EHANG AAV”)	*****	3	*****
<b>Total price (RMB): Four Hundred and Fifty Million</b>				*****

Just 4 months later Kunxiang signed another contract to purchase 20 EH216s for a total price of RMB 30 million.<sup>14</sup> This implies a price of RMB1.5 million per unit, 1/100<sup>th</sup> of the price from the February contract. A screenshot of the unredacted June 2019 sales contract from the same September 10, 2019 registration statement is shown below:<sup>15</sup>

### SALES CONTRACT

Contract No.:

Party A (Seller): EHang Intelligent Equipment (Guangzhou) Co., Ltd

Party B (Buyer): Shanghai Kunxiang Intelligent Technology Co., Ltd

The Contract is made by and between Party A and Party B on June 3, 2019 in Guangzhou, whereby Party A agrees to sell and Party B agrees to buy the following products.

#### ARTICLE 1. Ordered Products

No.	Description of Ordered Products	Unit Price (RMB) (tax included)	Quantity (sets)	Total Price (RMB)
1	EHANG Passenger-grade Autonomous Aerial Vehicle - 216 (hereinafter abbreviated as “EH216”)	*****	20	*****
<b>Total price (RMB): Thirty Million</b>				*****

<sup>12</sup> <https://www.sec.gov/Archives/edgar/data/1759783/000095012319008851/filename16.htm>

<sup>13</sup> EH DRS/A, filed on September 10, 2019, Exhibit 10.15

<sup>14</sup> <https://www.sec.gov/Archives/edgar/data/1759783/000095012319008851/filename17.htm>

<sup>15</sup> EH DRS/A, filed on September 10, 2019, Exhibit 10.16

It is worth noting that these sales contracts are EH’s only disclosed sales contracts for to date. although these contracts are worth RMB480 million (~\$69 million) in revenue alone, EH has only reported RMB247.3 million (~\$35.5 million) in revenue since the beginning of 2019, RMB137.3 million (~\$19.7 million), or 54%, has gone uncollected. As EH shuttered its consumer drone business and increasingly focused on its “passenger grade” drones, its percentage of uncollected revenue has increased by more than 20 percentage points.

We believe EH is using these sham contracts with Kunxiang as the basis fabricated sales that make up most of its total revenue. Based on the reported numbers above, we believe EH has RMB232.7 million (~\$33.4 million) left in potentially recordable revenue created by what appear to be sham contracts. We further explain EH’s accounting issues in the following section.

It appears that between September 10, 2019 and its next filing on October 31, 2019, EH realized these massive price discrepancies could expose its farce if seen by investors and therefore filed a confidentiality request with the SEC concealing the prices on these contracts. EH’s following registration statements show these contracts with the “Total Price [REDACTED]”:<sup>16</sup>

In accordance with Item 601(b)(10) of Regulation S-K, certain information has been omitted in this exhibit 10.15 because such information is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

SALES CONTRACT

Contract No.:

Party A (Seller): EHang Intelligent Equipment (Guangzhou) Co., Ltd.

Party B (Buyer): Shanghai Kunxiang Intelligent Technology Co., Ltd.

The Contract is made by and between Party A and Party B on February 1, 2019 in Guangzhou, whereby Party A agrees to sell and Party B agrees to buy the following products.

ARTICLE 1. Ordered Products

No.	Description of Ordered Products	Unit Price (RMB) (tax included)	Quantity(sets)	Total Price (RMB)
1	EHANG Passenger-grade Autonomous Aerial Vehicle (hereinafter abbreviated as “EHANG AAV”)	[REDACTED]	3	[REDACTED]
Total price (RMB): [REDACTED]				[REDACTED]

In September 2019, just ~3 months prior to the IPO, EH and Kunxiang signed a last minute “2020 sales plan” under which Kunxiang was supposed to purchase 105 AAVs from EH in 2020. We believe this was done to create the appearance of rapidly increasing sales heading into EH’s IPO. With no other sales contracts disclosed, we can only assume that most, if not all, of the 128 units EHang claims to have “sold” must have been to Shanghai Kunxiang.<sup>17</sup> Below is a screenshot of the last-minute pre-IPO sales plan Kunxiang signed with EH:

2020 Sales Plan

Execution date: August 29, 2019  
Agreement No.:

Party A: EHang Intelligent Equipment (Guangzhou) Co., Ltd.

Party B: Shanghai Kunxiang Intelligent Technology Co., Ltd.

WHEREAS, Party A and Party B executed the Distribution Agreement (hereinafter abbreviated as the “Master Agreement”) on February 1, 2019. On the basis of equality, free will and mutual understanding, and through mutual consultations and consents, the two parties hereby confirm that Party A shall sell [105] units of EHang Passenger-grade Autonomous Aerial Vehicle to Party B in the year of 2020. Provided that there is any conflict between the sales plan specified in this Agreement and the annual sales target stipulated in the Master Agreement, this sales plan shall prevail. The effectiveness of any other provisions of the Master Agreement shall not be influenced by this sales plan. The interpretation, performance, default, termination and effectiveness related with this sales plan are governed by the laws of the People’s Republic of China without regard to its conflict of law principles.

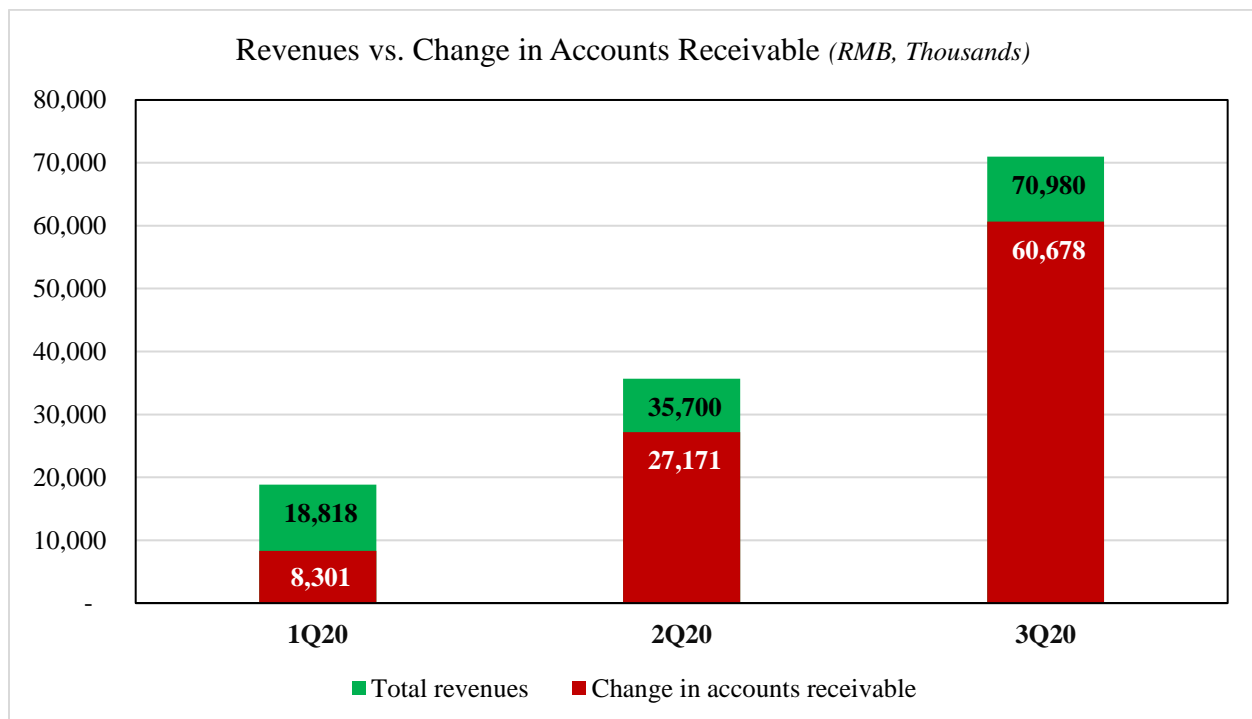
<sup>16</sup> <https://ir.ehang.com/static-files/2f35aa78-6a83-4669-b4ca-7140cc868c74>

<sup>17</sup> <https://www.sec.gov/Archives/edgar/data/1759783/000119312519280594/d515413dex1018.htm>

**EH’s rapidly growing accounts receivable balance is further evidence to us that much of its revenues are fabricated; EH has only collected a total of ~\$3.6 million in cash from its purported sales since its IPO:**

EH has only collected cash for 20% of its reported revenues since its IPO, or a **grand total of RMB25.2 million (\$3.6 million)**.

While EH has reported RMB125.5 million (~\$18 million) in total revenues since its December 2019 IPO, its accounts receivable have increased by RMB100.3 million (~\$14.4 million). EH has failed to collect cash for 80% of its total sales, further reinforcing our belief that much of its revenues are fabricated.



Considering EH’s abhorrently high rate of credit sales and its apparent inability to collect them, its allowance for doubtful accounts was only 0.7% of revenue in 2019.<sup>18</sup> We see no justification for EH’s lack of a sufficient allowance for doubtful accounts, **as it does not charge interest on late payments, nor does it require collateral from its customers.**

***Further,*** rapidly increasing accounts receivable are a textbook indication of fabricated sales. This trend is especially concerning when the ratio of revenues to the sequential increase in accounts receivable is anywhere near EH’s 80% of total revenues. We see no way that any business can generate sustainable cash flow when only 20% of its revenue is ever actually collected from its supposed customers. It appears to us that EH’s plan is to fabricate revenue growth using fake receivables in order to maintain access to its only source of cash – the capital markets.

<sup>18</sup> EH 2019 20-F, p. F-34; 2020 allowance for doubtful accounts are not disclosed in EH’s quarterly earnings PRs

## Real Innovation Costs Billions of Dollars, but PR is Priceless:

EH's IR team seems to be working around the clock putting together presentations and press releases describing its latest and greatest innovation. **In 14 months as a public company, EH has put out 50 press releases.** However, many of EH's claims can be disproven by its own financial statements. Its anemic R&D budget and CapEx render many of its claims impossible at face value.

In EHang's White Paper on the future of urban air mobility, it claims to be an "Urban Air Mobility Platform Operator," meaning it will not only design and manufacture its AAVs, but construct and manage the entire infrastructure required for UAM, such as landing pads, command and control centers, charging platforms and more.<sup>19</sup>



When we spoke to Dr. Mark Moore, he told us that Uber Elevate decided to go with a collaborative approach to UAM because the investment required to build out the entire infrastructure alone would have been far too big even for Uber (whose market cap at the time of this conversation was ~54x that of EHang's). In his words:

*"To get a network in place with certified vehicles is a 5-to-10-billion-dollar cost that needs to be carried across not only vehicle developers and network providers, but also real estate with vertiports, with emergency landing locations so that you can have a reasonable reserve requirement. So, if EHang has access to \$5 to \$10 billion dollars, then yes, they could do it alone. But I don't think they have that."*

EH's financials show it has put little-to-no effort nor capital into actually building this infrastructure. EH's has spent a total of **RMB69.7 million (\$10.0 million) on R&D in the year since its Q4 2019 IPO.** For comparison, Uber spent \$499 million on R&D for its eVTOL and autonomous vehicle development program in 2019 alone and doesn't claim to be anywhere near commercialization.<sup>20</sup>

<sup>19</sup> [EHang White Paper](#)

<sup>20</sup> UBER 2019 10-K p. 54

When we told Dr. Moore about EH’s actual R&D budget, he made the following statement:

*“I mean, seriously, if they've only spent \$10 to \$20 million in the development process, they should not even be flying people around in limited demonstrations, it's just, that's really scary.”*

EH’s capital expenditures (“CapEx”) compared to the claims it makes are even more unrealistic, in our view. **Since its IPO, EH has only spent RMB3.1 million (\$445k) on CapEx.** Based on Dr. Moore’s assessment of the cost to build out this infrastructure, EH has spent ~0.5% of what would be required to complete this infrastructure in the past year. At this rate, EH could potentially build the UAM infrastructure it constantly promotes in the next ~200 years.

### **April 2020: The Hezhou “E-Port”**

Another false claim EH has made is that it would build the world’s first “AAV E-Port” in Hezhou City, Guangxi Province, China. The Hezhou E-Port would be a 3-story tall, 2,500 sq. meter futuristic-looking glass building with four landing pads on the roof, and it would be “completed and operational” by Q4 2020.<sup>21</sup>



Despite all of these grand claims, **as of February 2021, the Hezhou E-Port doesn’t exist.** We couldn’t even find a construction permit indicating EH even tried to follow through on this.<sup>22</sup> EH does have a cute scaled down model of the E-Port in its office, though. This seems more realistic to us based on its de minimus CapEx spend last year:



<sup>21</sup> <https://www.ehang.com/news/638.html>

<sup>22</sup> [http://zjj.gxhz.gov.cn/zwgk/sgsxx/index\\_4.shtml](http://zjj.gxhz.gov.cn/zwgk/sgsxx/index_4.shtml)

It seems EH is much better at making renderings than actually constructing or producing things. The clip below shows how EH imagines its E-Port working:<sup>23</sup>



The key word here is “**imagines**” because EHang hasn’t built anything that even resembles what is shown in the video clip above. To be an investor in EHang, you need a great imagination. However, if you live in the real world like we do, you will see straight through EH’s story.

### **EH’s misleading claims about regulatory approvals:**

In order for EH to operate its main business – an autonomous drone ridesharing network – its EH216 must first receive airworthiness certificates and type approvals from the relevant aviation regulators in every jurisdiction it hopes to operate in. EH admits as much in its 2019 20-F, where this is listed as its top risk factor:<sup>24</sup>

*“In the jurisdictions where we sell and plan to sell our products, the commercial use of our passenger-grade AAVs, and in some cases our non-passenger-grade AAVs, is subject to an uncertain or lengthy approval process; we cannot predict when regulations will change, and any new regulations may impose onerous requirements and restrictions with which we, our AAVs and our potential customers may be unable to comply. As a result, we may be limited in, or completely restricted from, growing our business in the foreseeable future.”*

EH must know its vehicles are unlikely to be approved for autonomous, passenger carrying flight anytime soon, if ever. That being said, they must also know that if investors don’t believe in the story, they won’t buy the stock. EH’s management team apparently decided the best way to deal with these issues is to lie to investors in one jurisdiction about regulatory approvals in other jurisdictions.

<sup>23</sup> <https://youtu.be/d66MoI4GdFs?t=128>

<sup>24</sup> EH 2019 20-F, p. 5



**First**, EH’s press releases about flight permits or regulatory approvals are self-conflicting in its own Chinese and English versions.




While EH has obtained certain limited test flight approvals *for its EH216 as a drone* from aviation authorities in the US, Canada, Europe, and China, EH’s press releases very conveniently omit key flight approval limitations such as “**short-term**”, “**one-time**” “**trial**” or “**test**” or add terms such as “**passenger-grade**” and “**commercial**” that are not included in these provisional licenses/approvals, giving investors the false impression that EH has been approved for commercial, passenger-grade AAV operations or long-term passenger-carrying flights.



Many of these omissions/additions can be easily identified by a bilingual analyst with knowledge of the various countries’ aviation regulators/regulations by comparing the English and Chinese versions of each press release.

- EH’s Chinese press releases regularly contain misleading statements regarding regulatory approvals and licenses granted outside of China, specifically in the US and Europe.
- Conversely, EH’s English press releases regularly contain misleading statements regarding regulatory approvals in China, where the vast majority of American investors have little-to-no visibility into what is actually happening.
- Both versions of EH’s press releases seem to regularly make misleading statements regarding regulatory approvals and partnerships in Europe, where Chinese and American investors both have less visibility and are generally less familiar with the relevant regulators and their regulations.

**Second**, why does EH carry out these omissions or additions to twist the authorities’ limited flight permits? In our view, it is because EH needs investors to believe it has made progress toward regulatory approval in order to keep its story alive – **without the appearance of progress on the regulatory front, EH has no story to tell and no stock to sell.**

The following table contains what we believe to be EH’s five most misleading press releases regarding purported regulatory approvals:

Press Release	English Press Release	Chinese Press Release	Regulatory Reality
<p><b>01/07/2020</b></p> <p>Re: US Federal Administration of Aviation (FAA)</p> 	<p><b>[Title]</b> EHang Conducts First-Ever <b>U.S. Trial Flight</b> of Pilotless Air Taxi at North Carolina Transportation Summit</p> <p><b>[Text]</b> <i>“EHang...conducted its first-ever U.S. trial flight of its two-seater passenger-grade AAV...This represents the first time that the EHang 216 has received flight approval from the Federal Aviation Administration...”</i></p>	<p>[标题]亿航智能自动驾驶“空中的士”在美首飞，获得 FAA 飞行许可</p> <p>EHang automated “air taxi” launched its first flight in the US and obtained FAA flight permit.</p> <p><b>Note:</b> missing key word is “trial”. Chinese readers would think that EH’s air taxi service is launched in the US with FAA permit.</p>	<p><b>Reality per Mark Moore:</b></p> <p>“In no way does this do anything to open up passenger carrying flights in the United States... It is not a significant milestone.”</p> <p>“Let me be precise in my language. There’s no way that the EHang 216 has an airworthiness certificate for their vehicle in the US or in Canada.”</p>
<p><b>7/29/2020</b></p> <p>Re: Transport Canada Civil Aviation</p> 	<p><b>[Title]</b> EHang 216 obtained Special Flight Operations Certificate from Transport Canada Civil Aviation.</p> <p><b>[Text]</b> <i>“This is another milestone in regulatory breakthrough for EHang 216 and the first of this kind permit for periodic operations for passenger-grade AAVs in North America.”</i></p>	<p><b>【标题】</b> 亿航 216 获得加拿大交通部颁发的特许飞行运行许可证</p> <p><b>[Title]</b> EHang 216 Obtained Special Flight Operations Certificate from Transport Canada</p>	<p><b>Reality per Mark Moore:</b></p> <p>“Now in terms of this first of its kind permit for periodic operations of passenger grade. Okay. So really realize what it says. It’s for passenger-grade, it’s not saying for carrying passengers. So, it’s there, but it’s a cheating sentence, right? It’s a misleading sentence. It is. So, it’s the same thing where Canada is allowing them to do drone flights without people in very special places at specific times, just like in North Carolina, it is <i>not</i> letting them fly passengers around.”</p>
<p><b>12/14/2020</b></p> <p>Re: Civil Aviation Authority of Austria</p> 	<p><b>[Title]</b> EH 216 Receives long-term <b>trial</b> flight permit across Austria National Space</p> <p><b>[Text]</b> <i>“the Civil aviation Authority of Austria issued a trial flight permit for the EH216 passenger-grade AAV”</i></p>	<p><b>【标题】</b> 亿航智能获得欧洲奥地利民航局长期有效全境飞行许可</p> <p>EHang receives <b>long-term valid entire territory flight</b> permit from the Civil Aviation Authority of Austria in Europe</p> <p><b>Note:</b> missing key word is again “trial”- Chinese readers would think the permit is for <u>regular flights, not just trial</u>.</p>	<p><b>Reality:</b></p> <p><b>Per European Union Aviation Safety Agency (EASA),</b> “EHang does not currently have an EASA Type Certificate” “to be able to fly passengers”.</p> <p><b>Per Mark Moore:</b> “EHang will have to go through the SC VTOL regulatory pathway, which is still in development by EASA. So that’s why I am very familiar with the SC VTOL draft regulations. It has not been finalized. <u>No vehicle has been certified under it</u>, and it’s still in development.”</p>

<p><b>05/04/2020</b></p> <p>Civil Aviation Authority of Norway</p> 	<p><b>[Title]</b> EH 216 Obtained Operational Flight Permit from Civil Aviation Authority of Norway</p> <p><b>[Text]</b> “...the company obtained operational flight permit for its two-seater passenger-grade AAV...This is the first operational flight permit for long term testing flight of EHang 216...”</p>	<p><b>【标题】</b> 亿航 216 自动驾驶飞行器获挪威民航局运行许可</p> <p>EHang 216 obtained operational permit from Civil Aviation Authority of Norway</p> <p>[正文]这是亿航 216 在欧洲取得的第一个长期有效的运行许可...This is the first long-term <b>valid operational permit</b> in Europe that EHang 216 obtained.</p> <p><b>Note:</b> The key missing phrase is “<b>testing flight</b>”. Chinese readers are likely to believe this permit is for regular operations of the EH216 in Norway.</p>	<p><b>Reality:</b></p> <p><b>Per European Union Aviation Safety Agency (EASA),</b> “EHang does not currently have an EASA Type Certificate” “to be able to fly passengers”.</p> <p><b>Per Mark Moore:</b> “So that’s just a vague statement. I believe they have limited access to very specific airspace. Um, such as the North Carolina corridor, it’s the exact same thing, but there’s no way that they’re authorized to fly over people”<sup>25</sup></p>
<p><b>05/27/2020</b></p> <p>Re Civil Aviation Administration of China</p> 	<p><b>[Title]</b> EH Obtained World’s First <b>Commercial Pilot</b> Operation Approval of <b>Passenger-grade</b> AAVs for Air Logistics Uses</p> <p><b>Note:</b> words added but not existent in the approval include “<b>commercial pilot</b>” and “<b>passenger-grade AAVs</b>”.</p> <p>English readers would likely think the Chinese government approval was for EH’s commercial use, with pilots, and carrying passengers.</p>	<p><b>【标题】</b> 亿航智能获得全球首个自动驾驶飞行器物流试运行许可</p> <p>EHang obtained world’s first <b>trial-run</b> approval of AAVs for air logistics uses.</p>	<p><b>Reality:</b></p> <p>First, this approval is for a “<b>trial-run</b>” of the EH216 as an AAV, which has nothing to do with commercial services or passenger grade (<i>i.e.</i>, passenger-carrying).</p> <p>Further, this approval is not “the first in the world”, it is not even first in China. The Civil Aviation Administration of China previously issued the same trial-run approval (Chinese official name: 特定类无人机试运行批准函) on AAVs for logistics use, including a 10/15/2019 approval to Hangzhou Songba Logistics Technology Co., Ltd<sup>26</sup>.</p>

The effective result of EH’s conflicting claims is two different sets of beliefs between investors in the US and investors in China – **neither of which is actually true**. The reality is, EH has not obtained regulatory approval for commercial, passenger-carrying services using the EH216 anywhere in the world where such records are available.<sup>27</sup>

<sup>25</sup> The quotes in this table are Mark Moore’s comments after we showed him these press releases.

<sup>26</sup> <http://www.nbd.com.cn/articles/2019-10-15/1378460.html>

<sup>27</sup> The vast majority of the world’s aviation regulators maintain a high level of transparency, which is widely accepted to be necessary for safe general and commercial aviation systems. There are only two regulators we are aware of who “play by their own rules” and are not fully transparent regarding aviation safety: China and Dubai. However, we have not found any evidence of commercial operations of any passenger carrying AAVs in these countries.

**EHang Guangzhou, which holds most of EH’s assets and operations, has 95% of its equity frozen by a Chinese court as part of an ongoing lawsuit filed by one of EH’s creditors:**

***First***, EHang Guangzhou is the “real” EH, according to EH’s SEC disclosures and Chinese government records. Any equity freeze or adverse actions against EHang GZ would seriously threaten the interest of EH and its investors.

- According the 2019 20-F EH filed with the SEC,<sup>28</sup> Guangzhou EHang Intelligent Technology Co., Ltd. (“EHang Guangzhou”) is 100% owned (via VIE) by EHang Holdings Limited, the US listed entity.
- From our research in China, EHang Guangzhou appears to be where the substantial majority, if not all, of EH’s business is consolidated, with 200 Chinese patent applications and registrations, 452 Chinese trademark applications and registrations, 22 Chinese copyrights, and holds 22 Chinese government issued certificates such as and related to “CCC” (for power adapters), “CNCNA” (for power supply and battery pack), Hi-tech Company status, wireless power and software products.



***Second***, a judicial freeze on the EH Guangzhou equity held by its 95% shareholder is placed as a pre-trial protection to a potential creditor against EH Guangzhou.

- According to our investigation on Chinese government and court records, Feng Shuai, who currently holds 95% of EHang GZ (possibly on behalf of EH through a VIE structure), has his 570,000,000 shares of EHang GZ judicially frozen by Guangzhou Tianhe District People’s Court. Hu Huazhi (the current legal representative of EHang GZ and co-founder/CEO of EH) is a co-defendant with Feng Shuai.
- The underlying case for such judicial freeze was initiated possibly in late 2020 by Shenzhen Join-Share Equity Investment Center (<http://www.join-share.com/>, hereinafter “Shenzhen Join-Share”), as the plaintiff. The legal basis of this case, according to the limited court information available, is “*creditor’s right to cancel.*”
- Here in this case, the creditor is most likely Shenzhen Join-Share, and the debtor is most likely EH Guangzhou. Feng Shuai, the 95% owner of EH Guangzhou, possibly was accused of illegitimately moving EH Guangzhou’s funds or assets impairing Shenzhen Join-Share’s ability to be repaid. Therefore, it is likely that Shenzhen Join-Share files this lawsuit in attempt to undo these transactions.

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<sup>28</sup> EH 2019 SEC Form 20-F, p. 73

See the screenshots below from the Qichacha database, showing Join-Share’s lawsuit against EH Guangzhou, and the granted judicial freeze against EH Guangzhou equity.

Court case/decision	Qichacha Screenshot	Translation
<p><b>Join-Share vs. Feng Shuai and Hu Huazhi</b></p>	 <p>深圳中盈盛达股权投资中心 (有限合伙) 与冯帅, 胡华智债权人撤销权纠纷的案件</p> <p>民事案件 开庭公告</p> <p>案件进程</p> <p>民事一审</p> <p>案号: (2020) 粤0106民初37305号</p> <p>案由: 债权人撤销权纠纷</p> <p>原告: 深圳中盈盛达股权投资中心 (有限合伙)</p> <p>被告: 冯帅 胡华智</p> <p>法院: 广东省广州市天河区人民法院</p> <p>案件程序进程</p> <p>开庭时间: 2021-03-24 14:30</p> <p>开庭公告</p> <p>法庭: 第九法庭 (明镜路1号)</p>	<p><b>Case details</b>      <b>Qichacha</b></p> <p><b>Case:</b> Shenzhen Join-Share Equity Investment Center (LP) vs. Feng Shuai, Hu Hua Zhi <b>regarding creditor’s right to cancel</b></p> <p>Case progress</p> <p>First instance, civil</p> <p><b>Case number:</b> (2020) Yue 0106 Min Chu 37035</p> <p><b>Case cause:</b> dispute re creditor’s right to cancel</p> <p><b>Plaintiff:</b> Shenzhen Join-Share Equity Investment Center (LP)</p> <p><b>Defendant:</b> Feng Shuai, Hu Huazhi</p> <p><b>Court:</b> Guangdong Province Guangzhou City Tianhe District People’s Court</p> <p><b>Progress:</b> Hearing at 14:30, 3.24.2021 Court division: 9<sup>th</sup> division (No. 1, Mingjing Rd).</p>
<p><b>Joint-Share successfully freezes EH Guangzhou equity held by Feng Shuai</b></p>	 <p>关联企业: 广州亿航智能技术有限公司</p> <p>(2020) 粤0106民初37305号</p> <p>被执行人: 冯帅</p> <p>冻结股权标的企业: 广州亿航智能技术有限公司</p> <p>股权数额: 57000万</p> <p>类型: 股权冻结</p> <p>状态: 冻结</p> <p>冻结开始至结束日期:</p> <p>公示日期: -</p> <p>执行法院: 广东省广州市天河区人民法院</p>	<p><b>Equity Freeze</b>      <b>Qichacha</b></p> <p><b>Related entity:</b> Guangzhou EHang Intelligent Technology Co., Ltd.</p> <p>(2020) Yue 0106 Min Chu 37035</p> <p><b>Enforced individual:</b> Feng Shuai</p> <p><b>Company for which equity is frozen:</b> Guangzhou EHang Intelligent Technology Co., Ltd.</p> <p><b>Number of shares:</b> 570,000,000</p> <p><b>Type:</b> equity freeze</p> <p><b>Status:</b> frozen</p> <p><b>Publicizing date:</b></p> <p><b>Enforcing court:</b> Guangdong Province Guangzhou City Tianhe District People’s Court</p>

**Third,** we suspect that Shenzhen Join-Share might be an investor turned creditor, who might have first invested in EH with a right to redeem its equity, and later found redemption meaningless as EH had moved away assets or funds. Our suspicion is based upon the disclosed facts below:

- EH’s SEC disclosures do not identify or describe Shenzhen Join-Share in any of EH’s loans. As a matter of fact, by Q3 2020, EH’s RMB 31 million long term debt balance goes to zero. This means EH had no loan creditors by Q3 2020, and Shenzhen Join-Share would not have been able to sue as a loan creditor.
- Therefore, Shenzhen Join-Share may be a “convertible creditor”, meaning it financed EH through some type of hybrid security, such as a convertible bond which EH violated the terms of. This possibility also coincides with Shenzhen Join-Share’s main business as suggested by its name “Shenzhen Join-Share Equity Investment Center”.

- A common way for an investor to turn into a creditor, is through the exercise of the investor's right to redeem its shares. Such redemption right is typically accounted for similar to a loan but recorded as a separate line item on the liabilities side of the company's balance sheet.
- Looking at EH's unaudited quarterly earnings reports, we noticed in Q2 2020, a new liability line-item worth RMB 40 million appears as "mandatorily redeemable non-controlling interest." This may very well be Join-Share's exercise of its right to redeem equity in EH and Join-Share might have later notice unusual assets or fund movements in EH, therefore sued to undo these transactions. See snapshot below of EH's balance sheet:

<b>EHANG   亿航</b> <b>EH   Nasdaq Listed</b> <b>EHang Holdings, Ltd.</b> <b>Financial Statements</b> <b>RMB, Thousands</b>				
	4Q19	1Q20	2Q20	3Q20
<b>Current liabilities:</b>				
Short-term bank loan	5,000	5,000	10,000	15,000
Accounts payable	27,285	29,232	40,678	52,487
Contract liabilities	9,918	6,575	6,405	6,506
Accrued expenses and other liabilities	53,310	43,721	41,675	77,516
Deferred income	-	-	-	783
Deferred government subsidies	80	80	80	80
Income taxes payable	5	-	-	-
<b>Total current liabilities</b>	<b>95,598</b>	<b>84,608</b>	<b>98,838</b>	<b>152,372</b>
<b>Non-current liabilities:</b>				
Long-term loans	32,534	30,723	31,078	-
<b>Mandatorily redeemable non-controlling interests</b>	<b>-</b>	<b>-</b>	<b>40,000</b>	<b>40,000</b>
Deferred tax liabilities	292	292	292	292
Unrecognized tax benefit	5,494	5,465	5,314	5,314
Deferred income	-	-	-	3,297
Deferred government subsidies	140	120	100	80
<b>Total non-current liabilities</b>	<b>38,460</b>	<b>36,600</b>	<b>76,784</b>	<b>48,983</b>
<b>Total liabilities</b>	<b>134,058</b>	<b>121,208</b>	<b>175,622</b>	<b>201,355</b>

***Last but not least***, from a legal perspective, this judicial freeze and the type of lawsuit present serious concerns to investors, mandating a complete and responsible explanation from EH.

- According to our Chinese legal observer, the fact that Join-Share is suing to cancel certain of EH's transactions and it was able to secure protective freeze on EH's equity indicates that there are serious risks for EH and its investors, especially its non-Chinese ADR investors, who would have no means to sue in China. EH Guangzhou's equity may be subject to liquidation in order to repay Shenzhen Join-Share, or EH might have transferred the funds or assets it claims to have out of the business already.

## **EH's dream of a discontinuous jump to full autonomy are just that – a dream:**

None of EH's much larger competitors, such as Joby Aviation, Volocopter, Airbus, Textron-Bell or Boeing are even attempting to jump straight to an autonomous platform without first proving the concept with a human pilot in the aircraft.

Even Whisk (owned by Larry Page and Boeing), whose product is designed for eventual autonomous flight for aerial tourism and has invested hundreds of millions of dollars into its technology, is performing piloted test flights while working closely with the government of New Zealand to safely test its autonomous system over unpopulated areas. They are widely considered the leader in eVTOL autonomous technology and admittedly still have a long way to go to reach commercialization.

If these aviation giants don't believe they can jump to fully autonomous platforms, we don't understand how anyone believes that EH, whose remote-control consumer drone business failed, could possibly be successful in this infinitely more complex business.

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