LEAPMOTOR

浙江零跑科技股份有限公司
ZHEJIANG LEAPMOTOR TECHNOLOGY CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock code: 9863

GLOBAL OFFERING

Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

J.P.Morgan　CICC中金公司　citi　建银国际 CCB International

Other Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CITIC SECURITIES　中信建投國際 CHINA SECURITIES INTERNATIONAL

Other Joint Bookrunners and Joint Lead Managers

华泰国际 HUATAI INTERNATIONAL　農銀國際 ABC INTERNATIONAL　富途證券　老虎證券 TIGER BROKERS

IMPORTANT

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

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浙江零跑科技股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**130,819,100 H Shares (subject to the Offer Size Adjustment Option and the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**13,082,000 H Shares (subject to reallocation and the Offer Size Adjustment Option)**
Number of International Offer Shares	**:**	**117,737,100 H Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$62.00 per H Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and the Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application, subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**9863**

Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Overall Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, September 23, 2022 (Hong Kong time) and, in any event, not later than Saturday, September 24, 2022 (Hong Kong time). The Offer Price will be not more than HK$62.00 and is currently expected to be not less than HK$48.00 per Offer Share. If, for any reason, the Offer Price is not agreed by Saturday, September 24, 2022 (Hong Kong time) between the Overall Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Overall Coordinators, on behalf of the Underwriters, and with our consent, may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the website of the Company at www.leapmotor.com and on the website of the Stock Exchange at www.hkexnews.hk not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering.

We are incorporated, and a majority part of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in the sections headed "Risk Factors", "Regulatory Overview", "Appendix IV — Summary of Principal Legal and Regulatory Provisions" and "Appendix V — Summary of the Articles of Association" in this Prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Overall Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "*Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination*" of this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may be offered and sold only (a) in the United States to "Qualified Institutional Buyers" in reliance on Rule 144A under the U.S. Securities Act or another exemption from, or in a transaction not subject to, registration under the U.S. Securities Act and (b) outside the United States in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

The prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.leapmotor.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

September 20, 2022

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews* > *New Listings* > *New Listing Information*" section, and our website at www.leapmotor.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online through the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**;

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

  (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

  (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (WUMP) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details of the procedures through which you can apply for Hong Kong Offer Shares electronically.

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
100	6,262.49	3,000	187,874.60	50,000	3,131,243.35	900,000	56,362,380.30
200	12,524.97	3,500	219,187.04	60,000	3,757,492.02	1,000,000	62,624,867.00
300	18,787.46	4,000	250,499.47	70,000	4,383,740.69	2,000,000	125,249,734.00
400	25,049.95	4,500	281,811.90	80,000	5,009,989.36	3,000,000	187,874,601.00
500	31,312.44	5,000	313,124.34	90,000	5,636,238.03	4,000,000	250,499,468.00
600	37,574.92	6,000	375,749.20	100,000	6,262,486.70	5,000,000	313,124,335.00
700	43,837.41	7,000	438,374.07	200,000	12,524,973.40	6,541,000[(1)]	409,629,255.04
800	50,099.89	8,000	500,998.93	300,000	18,787,460.10		
900	56,362.38	9,000	563,623.81	400,000	25,049,946.80		
1,000	62,624.86	10,000	626,248.67	500,000	31,312,433.50		
1,500	93,937.30	20,000	1,252,497.34	600,000	37,574,920.20		
2,000	125,249.74	30,000	1,878,746.01	700,000	43,837,406.90		
2,500	156,562.17	40,000	2,504,994.68	800,000	50,099,893.60		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE [(1)]

*If there is any change in the following expected timetable, our Company will issue an announcement to be published on the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.leapmotor.com**.*

Hong Kong Public Offering commences ..... 9:00 a.m. on Tuesday, September 20, 2022

Latest time for completing electronic applications under the **HK eIPO White Form** service through one of the ways below:[(2)] ..... 11:30 a.m. on Friday, September 23, 2022

- the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**
- the designated website **www.hkeipo.hk**

Application lists open[(3)] ..... 11:45 a.m. on Friday, September 23, 2022

Latest time for (a) completing payment for **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving electronic application instructions to HKSCC[(4)] ..... 12:00 noon on Friday, September 23, 2022

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close[(3)] ..... 12:00 noon on Friday, September 23, 2022

Expected Price Determination Date[(5)] ..... Friday, September 23, 2022

(1) Announcement of the Offer Price, the results of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published on the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.leapmotor.com**[(6)] on or before[(7)] ..... Wednesday, September 28, 2022

(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers or Hong Kong business registration numbers, where appropriate) will be available through a variety of channels as described in "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus[7] ..... Wednesday, September 28, 2022

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.leapmotor.com**[6][7] ..... Wednesday, September 28, 2022

Results of allocations in the Hong Kong Public Offering will be available at the "IPO Results" function in the **IPO App** or the designated results of allocation website **www.hkeipo.hk/IPOResult** (or **www.tricor.com.hk/ipo/result**) with a "search by ID" function from[7] ..... 8:00 a.m. on Wednesday, September 28, 2022 to 12:00 midnight on Tuesday, October 4, 2022

From the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m from[7] ..... Wednesday, September 28, 2022, to Monday, October 3, 2022 (excluding Saturday, Sunday and public holiday in Hong Kong)

Dispatch/collection of refund cheques and **HK eIPO White Form** e-Auto Refund payment instructions in respect of wholly or partially successful (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[7][8][9][10] ..... Wednesday, September 28, 2022

Dispatch/collection of H Share certificates or deposit of the H Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[7][10][11] ..... Wednesday, September 28, 2022

Dealings in H Shares on the Stock Exchange expected to commence at 9:00 a.m. on[7] ..... Thursday, September 29, 2022

Notes:

(1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated.

(2) You will not be permitted to submit your application to the **HK eIPO White Form** service through the **IPO App** or the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the **IPO App** or the designated website on or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, September 23, 2022, the application lists will not open or close on that day. See "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" of this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC via CCASS or instructing your broker or custodian to apply on your behalf via CCASS should refer to "How to Apply for Hong Kong Offer Shares — 6. Applying through the **CCASS EIPO** Service" of this prospectus.

(5) The Price Determination Date is expected to be on or around Friday, September 23, 2022 and, in any event, no later than Saturday, September 24, 2022. If, for any reason, the Offer Price is not agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company by Saturday, September 24, 2022, the Global Offering will not proceed and will lapse.

(6) None of the website or any of the information contained on the website forms part of this prospectus.

(7) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Tuesday, September 20, 2022 to Thursday, September 29, 2022, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) despatch of H Share certificates and refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the H Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

(8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's identification document number, or, if the application is made by joint applicants, part of the identification document number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's identification document number before encashment of the refund cheque. Inaccurate completion of an applicant's identification document number may invalidate or delay encashment of the refund cheque.

(9) Applicants who have applied for Hong Kong Offer Shares through the **CCASS EIPO** service should refer to the section headed "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of H Share Certificates and Refund Monies — Personal Collection — (ii) If you apply through the **CCASS EIPO** Service" in this prospectus for details.

(10) Applicants who have applied through the **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering can collect their H Share certificates and/or refund cheque(s) (if any) in person from our H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, between 9:00 a.m. to 1:00 p.m. on Wednesday, September 28, 2022. For applicants who apply through the **HK eIPO White Form** service and paid the application monies from a single bank account, e-Auto Refund payment instructions (if any) will be dispatched to their application payment bank account on Wednesday, September 28, 2022. For applicants who apply through the **HK eIPO White Form** service and used multi-bank accounts to pay the application monies, refund cheque (if any) will be dispatched to the address specified in their electronic application instruction to the **HK eIPO White Form** Service Provider on or before Wednesday, September 28, 2022 by ordinary post at their own risk.

H Share certificates and/or refund cheques for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected H Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares — 13. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of H Share Certificates and Refund Monies" in this prospectus.

(11) H Share certificates for the Offer Shares will become valid evidence of title at 8:00 a.m. on Thursday, September 29, 2022 provided that (i) the Global Offering has become unconditional in all respects and (ii) none of the Underwriting Agreements have been terminated in accordance with its terms.

The above expected timetable is a summary only. See the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details of the structure and conditions of the Global Offering, as well as the application procedures for Hong Kong Public Offering.

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them, or any other person or party involved in the Global Offering. Information contained on our website, located at www.leapmotor.com, does not form part of this prospectus.

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This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Founded in 2015, we are a smart EV company based in China primarily focusing on the mid- to high-end segment of China's NEV market with a price range of RMB150,000-300,000. Our flagship models, the C11 and C01, provide longer driving range, greater acceleration, more interior space and a wider variety of autonomous driving functions than most models within the same price range available in China's EV market as of the Latest Practicable Date. We delivered a total of 43,748 vehicles in 2021, a 443.5% increase from 2020, making us the fastest-growing among the leading pure-play EV companies based in China in terms of delivery volume, according to Frost & Sullivan. We delivered 51,994 smart EVs in the first half of 2022, representing an increase of 265.3% from the same period in 2021.

We internally develop all our key hardware and software across the core systems and electronic components of our vehicles. We are the only pure-play EV company based in China, and one of the few NEV companies in the China market[(Note 1)], with such a full-suite of R&D capabilities, according to Frost & Sullivan. We develop cross-platform systems and electronic components from the ground up, which are highly configurable and easily adaptable across different EV models, making our R&D highly efficient and cost effective. We are also the most vertically integrated pure-play EV company based in China, and one of the most vertically integrated NEV companies in the China market[(Note 1)], designing and producing in-house all of the core systems and electronic components for our vehicles, according to Frost & Sullivan. These include our intelligent power system (Leapmotor Power), autonomous driving system (Leapmotor Pilot), and smart cockpit system (Leapmotor OS). See "Industry Overview — Competitive Landscape of the EV Markets in China — R&D Capabilities and Production Strategies of NEV Companies in the China Market" and "Industry Overview — Competitive Landscape of the EV Markets in China — R&D capabilities and production strategies of NEV Companies in China" and "— Our Full-suite of R&D Capabilities and Vertical Integration" for details. We believe such unique capabilities in smart EVs enable us to produce high caliber products, develop new models rapidly and enjoy a cost advantage.

China's NEV market consists of four segment markets according to selling price of vehicles, namely (i) entry-level segment (below RMB80,000), (ii) mid-range segment (RMB80,000-below RMB150,000), (iii) mid- to high-end segment (RMB150,000 -RMB300,000), and (iv) premium segment (above RMB300,000). The mid- to high-end segment in China's NEV market is expected to be the largest and fastest-growing market segment from 2022 onwards, according to Frost & Sullivan. See "Industry Overview — Segment Market of NEV and EV Industry by Price." We have launched four BEV models and plan to further expand our product portfolio by launching seven new BEV models by 2025, at a pace of one to three new models every year. As an addition to our product offering, we also plan to launch the EREV version of these new models based on our proprietary EREV technology, concurrently or subsequently, to broaden our target audience to include customers with different needs and preferences. We believe our diversified product line-up will better position us to capture the market opportunities in the mid- to high-end segment of the NEV market in China.

Note 1: The aforementioned NEV companies include domestic and international automakers that sell NEVs in China.

We have established comprehensive in-house engineering and manufacturing capabilities with advanced technology. We produce smart EVs and their core systems and electronic components in our manufacturing plant in Jinhua, Zhejiang province. This wholly-owned, AI-enabled, digitalized plant has a production capacity of 200,000 vehicles per annum. To capture the NEV market growth opportunities, we are also planning a new production facility in Hangzhou, Zhejiang province to further expand production capacity.

As a customer-centric company, we directly engage with our users through an integrated online/offline sales and service network. We utilize a dual-pronged sales model, consisting of directly operated stores and channel partner stores, enabling us to swiftly scale up our network with capital efficiency and flexibility, while establishing direct customer relationships to best serve their needs. We have developed a thriving user community through a variety of online and offline events initiated by us or directly by our users, such as test drives, product launches and Leapmotor Club gatherings, all of which enable greater engagement and interaction with our users. Through these events, we collect and analyze valuable user feedback to continuously improve our product and service quality, thereby strengthening our connection with users and their trust in our brand. Through omni-channel customer engagement and value-added services, we continue to acquire new customers as well as enhance user satisfaction, drive more user referrals and cultivate long-term user loyalty.

COMPETITION

We compete in a large yet highly competitive market. There were approximately 70 automakers selling NEVs in China in 2021, according to Frost & Sullivan. China was the world's largest passenger vehicle market in 2021, according to Frost & Sullivan, with a sales volume amounting to approximately 20.9 million units. The penetration rate of NEVs in China's PV market increased from 2.4% in 2017 to 16.0% in 2021 and is expected to surge from 22.4% in 2022 to 50.1% in 2026, according to the same source. Meanwhile, NEVs have become increasingly popular among the mainstream consumer group. The mid- to high-end segment, with the price range between RMB150,000 and RMB300,000, is expected to become the largest and fastest-growing segment in China's NEV market from 2022 onwards. There were more than 60 automakers selling approximately 150 models in this segment in China's NEV market in 2021, according to Frost & Sullivan. See "Industry Overview — Segment Market of NEV and EV Industry by Price".

We compete with both emerging NEV companies and ICE automakers operating in the NEV market. New NEV companies have been quick to capitalize on the NEV market opportunity with innovative smart technologies and product differentiation. Meanwhile, ICE automakers are also quickly adapting to the fast-growing EV market by introducing their smart EV models, leveraging their legacies of established brand and traditional manufacturing know-how. We compete with NEV manufacturers on key factors such as product features, quality, reliability and price, as well as design, brand awareness and user experience. To remain competitive in the market, we are committed to launching a diverse product portfolio in current and future markets over the long term, leveraging our vertically integrated business model and full-suite of R&D capabilities. The top five NEV companies accounted for 54.2% and 54.9% of market share by sales volume in China in 2021 and the first half of 2022, respectively, according to Frost & Sullivan.

We were the fourth largest pure-play EV company based in China by sales volume in China in 2021 and the first half of 2022, according to Frost & Sullivan. According to the same source, we were ranked 19th and 14th in the China NEV market (comprising pure-play EV companies and ICE automakers operating in the NEV market) in terms of sales volume calculated based on vehicle insurance registrations in 2021 and the first half of 2022, with a market share of 1.6% and 2.2%, respectively. See "Industry Overview — Competitive Landscape" for details.

OUR EVs

We have a diverse and expanding portfolio of smart EVs. In July 2019, we started delivery of our first mass-produced model, the S01, a smart electric coupe. In May 2020, we started delivery of the T03, a smart electric mini car. The T03 was a top three best-selling model by pure-play EV companies based in China by sales volume (based on consumer vehicle insurance registrations) in 2021 and the first half of 2022 , according to Frost & Sullivan. In October 2021, we started delivery of the C11, a mid-sized smart electric SUV that provides one of the most comprehensive suites of autonomous driving features among EV models within its price range, according to Frost & Sullivan. The C11 also features, a wide variety of smart interactive functions, generous interior space, and user-centric cabin design and configurations, offering a premium, smart mobility experience at a compelling price.

In May 2022, we launched the C01, a mid- to large-sized smart electric sedan. The C01 shares the same platform as the C11, and offers a variety of features that outperform other competing EV models within its price range, according to Frost & Sullivan. At 5,050 mm in length, the C01 is the longest of any electric sedan within the same price range available in China's EV market as of the Latest Practicable Date, matched only by the best-selling, higher priced premium EV models in the market. With a 0–100 km/h acceleration in 3.7 seconds, the C01 Pro+ High Performance Edition has the fastest acceleration among all competing EV models within its price range. Equipped with Leapmotor Power, the C01 Ultra-Long Range Edition has a CLTC range of up to 717 km, which is among the longest ranges on a single charge compared with EV models within the same price range available in China's EV market as of the Latest Practicable Date. With the delivery of the C01 in the third quarter of 2022, we expect to become the world's first pure-play EV company to apply CTC technology in a mass-produced vehicle. CTC technology enables the integration of the battery module, according to Frost & Sullivan with the battery tray and the vehicle body, breaking the boundaries between battery modules, packs and vehicles to result in longer range, faster acceleration, more interior space, improved collision safety and lower cost. The C01 also offers 23 autonomous driving functions, one of the most comprehensive suites of such features among EV models within the same price range available in China's EV market as of the Latest Practicable Date.

The table below sets forth certain specifications of our BEV vehicle models:

Model[1]	C01 (Mid- to Large-sized Sedan)	C11 (Mid-sized SUV)	T03 (Mini Car)	S01 (Coupe)
Length x Width x Height (mm)	5,050×1,902×1,509	4,750×1,905×1,675	3,620×1,652×1,592	4,075×1,760×1,380
Wheelbase (mm)	2,930	2,930	2,400	2,500
CLTC range[2] (km)	500 – 717	510/550/610	301/403	451
0–100 km/h acceleration (s)	3.7 – 7.6	4.5/7.9	12.0/14.5	6.9
Maximum power[3] (kW)	200/400	200/400	55/80	125
Maximum torque[4] (Nm)	360/720	360/720	155/158	250
Post-subsidy price (RMB)	180,000 – 270,000[5]	179,800 – 229,800	79,500 – 96,500	129,900 – 149,900

Notes:

(1) Specifications of each EV model vary due to the various versions available for each model.

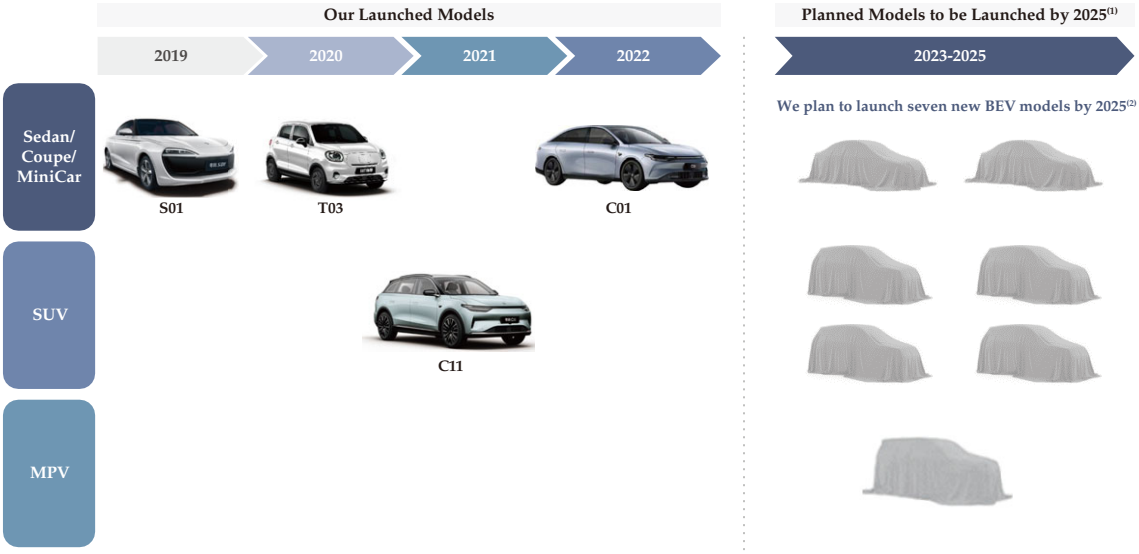
(2) China Light-duty Vehicle Test Cycle, a testing standard to measure and establish a vehicle's driving range developed by the CATARC.

(3) An indicator to describe the dynamic performance of a vehicle. A vehicle with more power will generally have better acceleration and higher maximum speed.

(4) An indicator for the acceleration performance of the vehicle, especially the acceleration at low speed.

(5) Indicative price.

We will further penetrate the mid- to high-end segment in China's NEV market and cater to evolving and diverse customer needs by rapidly expanding and upgrading our product portfolio. We target to launch seven new BEV models by 2025, at a pace of one to three models every year covering sedans, SUVs, and MPVs in various sizes. All of these seven new models will be developed on our A, C and D platforms focusing on the mid- to high-end segment in China's NEV market. We design and develop each of these platforms to complement each other with distinctive attributes whilst catering to different segments of our target market. This allows us to seize a greater share of market opportunities. As an addition to our product offering, we also plan to launch the EREV version of these new models based on our proprietary EREV technology, concurrently or subsequently, to broaden our target audience to include customers with different needs and preferences.



Notes:

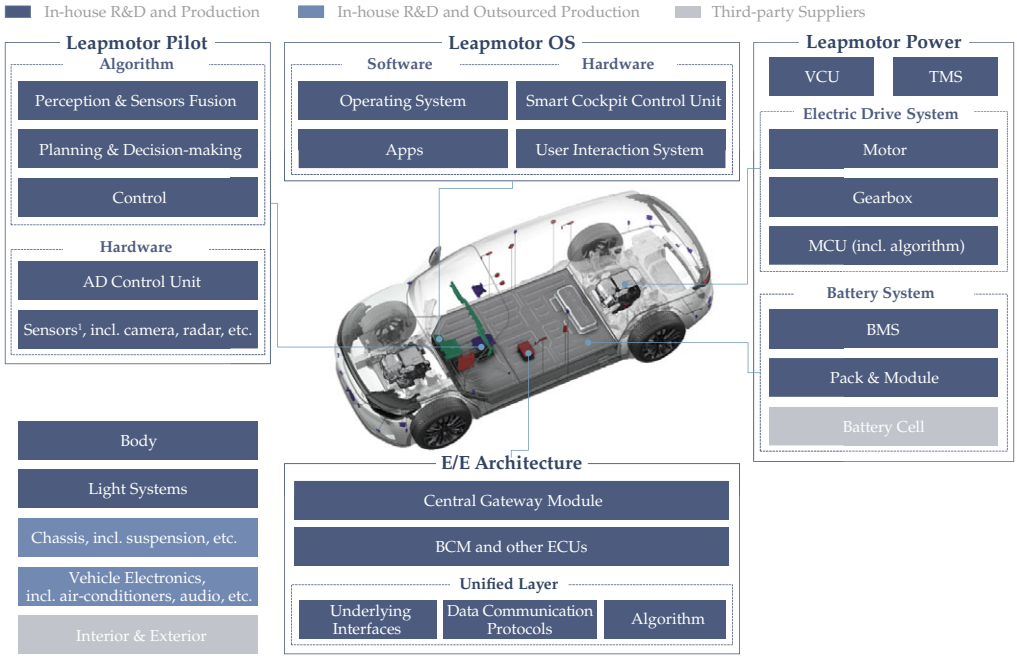
(1) The expected time of delivery and exact format of future models might change.

(2) We also plan to launch the EREV version of these new models.

OUR FULL-SUITE OF R&D CAPABILITIES AND VERTICAL INTEGRATION

We internally develop and produce all key hardware and software across core systems and electronic components of our smart EVs with unified underlying interfaces, algorithms and data communication protocols. This unique approach and capability make our cross-platform E/E architecture and vehicle architecture highly adaptable across EV models.

The following diagram illustrates the core systems and electronic components we develop and produce in-house:



Note:

(1) Sensors are developed and produced by our associate, Huaruijie Technology.

According to Frost & Sullivan, through our full-suite of R&D capabilities, we self-develop more types of key hardware and software for core systems than any other pure-play EV companies based in China, and most of the NEV companies in the China market(Note 1), including electric power systems, autonomous driving systems and smart cockpit systems. For example, we design and develop our own hardware and software for the electric drive system, consisting of motor, gearbox and MCU, as well as the battery management system and VCU, while our peers typically source, or partially source, from third parties. In addition, under our vertically integrated business model, we produce more types of hardware and software for core vehicle systems and electronic components in-house than any other pure-play EV companies based in China, and most of the NEV companies in the China market(Note 1), according to Frost & Sullivan. We believe our full-suite of R&D capabilities and vertically integrated business model differentiate us from other pure-play EV players based in China and confer the following competitive advantages:

- ***Diverse portfolio of Smart EVs.*** Our EVs provide a smart mobility experience with a variety of features that outperform other competing EV models within the same price range available in China's EV market as of the Latest Practicable Date. Leapmotor Pilot 3.0, our latest Level 2 autonomous driving system, enables 23 autonomous driving features, such as adaptive cruise control, highway autopilot, automated parking and early warning system. See "Business — Our Technologies — Leapmotor Pilot — Autonomous Driving System." This represents one of the most comprehensive sets of features among EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to Frost & Sullivan. At present, vehicles equipped with Level 2 autonomous driving technology have found their places in wide-scale commercial productions and commercialization in China. Meanwhile, some companies and research centers are testing vehicles equipped with Level 3 and above autonomous driving technologies in the specific scenarios of experimental and demonstration. Leapmotor OS, our smart cockpit system, offers a broad spectrum of customizable smart interactive functions, as well as cloud-based services, through its IoV system. Equipped with Leapmotor Power, the C11 delivers a CLTC range of up to 610 km for its Premium Edition and 0–100 km/h acceleration in 4.5 seconds for its Performance Edition. With a 0–100 km/h acceleration in 3.7 seconds, the C01 Pro+ High Performance Edition has the fastest acceleration among all competing EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to Frost & Sullivan. The C01 Ultra-Long Range Edition has a CLTC range of up to 717 km, which is among the longest ranges on a single charge compared with EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to the same source. In addition, we offer comprehensive OTA updates and remote intelligent diagnostics functions to continuously improve product performance and user experience. In particular, more than 85% of the ECUs of the C11 can be updated via OTA, including MCU, BMS, autonomous driving and smart cockpit systems. See the benchmarking comparisons in "Industry Overview — Competitive Landscape of EV Markets in China".

Note 1: The aforementioned NEV companies include domestic and international automakers that sell NEVs in China.

- ***High R&D Efficiency.*** Our cross-platform E/E architecture and vehicle architecture are highly adaptable across EV models, enabling us to develop new models within a shorter time frame, enhance R&D efficiency and scale up production quickly. We have launched four BEV models since 2019. We expect to start delivering the C01, a mid- to large-sized smart electric sedan, in the third quarter of 2022, which would be one of the shortest intervals between consecutive deliveries of two models for any pure-play EV company based in China, according to Frost & Sullivan. Leveraging our full-suite of R&D capabilities, we believe we can further expand and upgrade our EV portfolio rapidly, efficiently addressing the evolving needs and preferences of customers.

- ***Cost Advantage.*** Our full-suite of R&D capabilities and in-house production of all core systems and electronic components allow us to simplify and streamline our supply chain with lower procurement and production costs. As we continue to grow, we believe this cost advantage will become increasingly apparent in the long run.

OUR TECHNOLOGICAL PROWESS

We have robust innovation and technological capabilities across the most critical areas in smart EVs:

- ***E/E Architecture***. We have developed proprietary E/E architecture on our mass-produced models that enables domain-centralized control of key vehicle systems, including autonomous driving, smart cockpit and vehicle control. By adopting unified underlying interfaces, algorithms and data communication protocols across systems, our E/E architecture achieves a high degree of adaptability across EV models. Moreover, we are currently developing the next generation of our E/E architecture, which utilizes a powerful centralized vehicle computing platform that is capable of processing highly complex functions.

- ***Electric Drive System.*** We have developed a proprietary electric drive system with in-house hardware and software technologies. Heracles, the current generation of our proprietary electric drive system, integrates electric motors, MCUs and gearboxes to achieve high performance, and safety, while remaining light weight and cost efficient. In 2022, we have commercialized a more advanced oil-cooling electric drive system called Pan Gu (盤古), featuring a maximum efficiency of up to 94.6%. Moreover, with our deep learning algorithms and highly adaptable hardware, we can upgrade the electric drive system through OTA over the full vehicle lifecycle to continuously improve our vehicles' driving performance.

- ***Battery System.*** We developed our own battery pack and battery management technologies. Our proprietary thermal management system is compact and energy efficient, enabling the battery system to function at a temperature as low as –30°C. With the planned delivery of the C01 in the third quarter of 2022, we expect to become the world's first pure-play EV company to apply CTC technology in mass production, according to Frost & Sullivan. CTC technology enables the integration of the battery module with the battery tray and the vehicle body, breaking the boundaries between battery modules, packs and vehicles. Specifically, it has reduced the number of components for the battery system by 20%, resulting in lighter vehicle weight, longer range, faster acceleration and lower cost. The lightweight index is increased by 20%, while the vehicle body's torsional strength is elevated by 25%, which improves collision safety. In addition, the safety of our battery system has been extensively tested and validated, with all testing results meeting the national standards. The results of a number of relevant tests, such as vibration test, thermal diffusion test, enclosure test and several types of impact tests, have exceeded the mandatory national standard for batteries of electric vehicles (GB 38031-2020) and the optional standard for degrees of protection provided by enclosure (GBT/4208-2017). The integrated structure increases the vertical space inside the vehicle and offers greater comfort for passengers.

- ***Autonomous Driving.*** Leapmotor Pilot 3.0, our latest Level 2 autonomous driving system, provides 360-degree vision and 23 autonomous driving features, such as adaptive cruise control, highway autopilot, automated parking and early warning system, see "Business — Our Technologies — Leapmotor Pilot — Autonomous Driving System." This represents one of the most comprehensive sets of features among EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to Frost & Sullivan. Leapmotor Pilot 3.0 is powered by our full stack autonomous driving software, in particular, proprietary visualization algorithms with high processing accuracy. In June 2021, our algorithms team won the first place in the Real Time 2D Detection Challenge at the 2021 Waymo Open Dataset Challenges, which speaks to our strength and leadership position in algorithms for autonomous driving. It has been widely acknowledged by the industry that vehicle automation is categorized into six levels by the degree of driving automation, which is from Level 0 (no driving automation) to Level 5 (full driving automation) in the context of vehicles and their operations on roadways. See "Industry Overview — Levels of Autonomous Driving" for details.

- ***Smart Cockpit.*** Leapmotor OS provides a wide variety of highly integrated interactive functions and enables automatic configuration of 25 customizable in-car settings based on user preference. Leapmotor OS also offers cloud-based services through its IoV system, including remote vehicle control and mobile voice control. We will continue to add more functions to Leapmotor OS via OTA updates.

CUSTOMERS AND SUPPLIERS

While we generally consider individuals who purchase our vehicles as our customers, we also account for channel partners as our customers as we sell our vehicles through them. We have a large customer base and we do not rely on any single customer. Revenue generated from our largest customer for 2019, 2020, 2021 and the three months ended March 31, 2022 accounted for 6.8%, 5.1%, 2.3% and 1.7%, respectively, of our total revenue during those periods. Revenue generated from our five largest customers during the Track Record Period accounted for 27.1%, 16.2%, 9.5% and 6.1%, respectively, of our total revenue during those periods. See "Business — Customers."

Our major suppliers are suppliers of battery cells, automotive electronics and service providers. Purchases from our largest supplier for 2019, 2020, 2021 and the three months ended March 31, 2022 accounted for 5.4%, 21.4%, 19.1% and 16.2%, respectively, of our cost of sales during those periods. Purchases from our five largest suppliers accounted for 17.1%, 28.2%, 33.7% and 35.4%, respectively, of our cost of sales for each of the same periods. See "Business — Our Suppliers — Our Major Suppliers."

OUR STRENGTHS

We believe the following competitive strengths contribute to our success:

- Full-suite of R&D capabilities;
- Most vertically integrated pure-play EV maker in China;
- Diverse portfolio of smart EVs;
- Proven ability to rapidly expand vehicle portfolio;
- Advanced autonomous driving and smart cockpit technologies; and
- Visionary management team with proven ability to execute.

OUR STRATEGIES

We will pursue the following strategies to achieve our goals as identified below:

- We will develop a more advanced Leapmotor Pilot and upgrade Leapmotor OS as well as increase investment in the next-generation vehicle electrification technologies to offer better smart mobility experience and enhance driving performance of our smart EVs.
- We will further optimize the full process of R&D, supply chain management and EV and components manufacturing in order to enhance our vertical integration and operational efficiency. We will also continue to invest in advanced intelligent and automated manufacturing facilities to further strengthen our EV and components production capabilities.

- We will continue to penetrate the mid- to high-end segment by launching seven new BEV models by 2025 with one to three models every year. We also plan to launch the EREV version of these new models to attract customers with different needs and preferences.

- We will increase our brand awareness and strengthen its recognition by initiating a variety of online and offline marketing campaigns. We will also continue to increase the number of directly operated stores, channel partner stores and delivery and service centers to drive business growth.

- We plan to introduce in-vehicle pay-as-you-go and subscription-based value-added services to unlock new revenue We will also offer digital services and content in lifestyle, productivity and entertainment to provide users with a vibrant mobile lifestyle.

- We intend to strategically establish our international presence by entering into the European market. We plan to open our first overseas flagship store in Europe by 2023. Following that, we plan to expand our presence into other major markets and plan to become a global EV company.

RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors." As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in our Shares. Some of the major risks that we face include:

- Our research and development efforts may not yield expected results;

- We have a limited operating history, which makes it difficult to evaluate our business and future prospects;

- Our ability to manufacture and deliver automobiles of high quality and appeal to customers, on schedule, and on a large scale is unproven and still evolving;

- Our vehicles and smart technologies may contain faults and may not perform up to customer expectations;

- China's NEV market is highly competitive, and demand for EVs may be cyclical and volatile;

- We recorded gross losses and net losses, and had negative net cash flows from operations in the past, which may continue in the future;

- We depend on revenue generated from a limited number of smart EV models;

- We may be subject to risks associated with autonomous driving technologies; and

- Changes in government incentives or subsidies to support NEVs could adversely affect our business, financial condition and results of operations.

OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

As of the Latest Practicable Date, Mr. Zhu, Mr. Fu, Ms. Liu (spouse of Mr. Zhu) and Ms. Chen (spouse of Mr. Fu), by virtue of the acting-in-concert arrangement among them, were collectively interested in approximately 31.01% of our total issued share capital, including (i) 11.89% controlled by Mr. Zhu directly and indirectly through Hangzhou Xintu, Ningbo Jinghang and Wanzai Mingzhao, (ii) 13.53% controlled by Mr. Fu directly and indirectly through Ningbo Huayang and Ningbo Gulin and (iii) 5.59% controlled by Ms. Chen indirectly through Ningbo Hualing.

Immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), Mr. Zhu, Mr. Fu, Ms. Liu and Ms. Chen will, directly and indirectly through Hangzhou Xintu, Ningbo Jinghang, Wanzai Mingzhao, Ningbo Huayang, Ningbo Gulin and Ningbo Hualing, continue to control in aggregate approximately 27.46% of our total issued share capital. Therefore, they will remain as our Single Largest Group of Shareholders, and our Company will not have any controlling shareholders as defined under the Listing Rules upon Listing.

See "History, Development and Corporate Structure" for details of our shareholding structure.

The Company is committed to maintaining the stability of its control, and shall perform necessary notification and reporting procedures in accordance with relevant laws and regulations and requirements of competent authorities, and cooperate with relevant competent authorities to conduct necessary reviews.

PRE-IPO INVESTORS

We completed eight rounds of Pre-IPO Investments since our establishment. Our major Pre-IPO Investors include Sequoia Zhisheng, Sequoia Jiesheng, Shanghai Electric HK, Jinhua Yuxuan, Changsha Nuofeng, Hangzhou Hanzhi, Zhoushan Haohai, Huzhou Jinxin, Guoshun Lingpao, Green Lingpao, CICC Binchuang and CICC Chuanyu. See "History, Development and Corporate Structure — Pre-IPO Investments."

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following table sets forth a summary of our consolidated results of operations for the periods presented. This information should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. The results of operations in any year are not necessarily indicative of our future trends.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB in thousands)			(unaudited)	
Revenue:					
— Sales of vehicles and parts	116,963	615,823	3,058,818	278,047	1,990,354
— Sales of automotive regulatory credits	–	15,478	71,934	–	–
— Services	–	–	1,307	–	1,483
Total revenue	**116,963**	**631,301**	**3,132,059**	**278,047**	**1,991,837**
Cost of sales	**(228,929)**	**(950,902)**	**(4,519,690)**	**(415,455)**	**(2,521,312)**
Gross loss	**(111,966)**	**(319,601)**	**(1,387,631)**	**(137,408)**	**(529,475)**
R&D expenses	(358,318)	(289,248)	(740,015)	(92,996)	(242,545)
Selling expenses	(131,148)	(154,920)	(427,855)	(89,728)	(162,375)
Administrative expenses	(160,830)	(183,810)	(398,310)	(84,371)	(154,126)
Net impairment losses on financial assets	(101)	(212)	(298)	(95)	(166)
Other income	23,477	66,590	66,293	2,026	9,220
Other gains – net	7,930	11,671	19,498	4,453	7,492
Operating loss	**(730,956)**	**(869,530)**	**(2,868,318)**	**(398,119)**	**(1,071,975)**
Finance income	1,693	1,294	84,007	13,202	31,220
Finance costs	(171,868)	(230,331)	(61,658)	(11,464)	(3,389)
Finance (costs)/income – net	(170,175)	(229,037)	22,349	1,738	27,831
Share of net (loss)/profit of associate accounted for using the equity method	–	(1,526)	196	(854)	1,941
Loss before income tax	(901,131)	(1,100,093)	(2,845,773)	(397,235)	(1,042,203)
Income tax expense	–	–	–	–	–
Loss and total comprehensive loss for the year/period attributable to the equity holders of our Company	**(901,131)**	**(1,100,093)**	**(2,845,773)**	**(397,235)**	**(1,042,203)**

Non-IFRS Measure

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net loss as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe this non-IFRS measure facilitates comparisons of operating performance from year to year and company to company by eliminating potential impacts of items.

We believe this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net loss may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS. We define adjusted net loss as net loss for the period adjusted by adding back share-based payment expenses and interest expenses on financial instruments with preferred rights at amortized cost.

The following table reconciles our adjusted net loss for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is net loss for the period:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB in thousands)			(unaudited)	
Reconciliation of net loss to adjusted net loss:					
Loss for the year/period	(901,131)	(1,100,093)	(2,845,773)	(397,235)	(1,042,203)
Add:					
— Share-based payment expenses[(1)]	3,327	42,559	216,955	25,938	72,958
— Interest expenses on financial instruments with preferred rights at amortized cost[(2)]	88,143	122,368	–	–	–
Adjusted net loss[(3)]	**(809,661)**	**(935,166)**	**(2,628,818)**	**(371,297)**	**(969,245)**

Notes:

(1) Share-based payment expenses mainly represent the arrangement that we receive services from employees as consideration for our equity instruments. Share-based payments are not expected to result in future cash payments.

(2) Interest expenses on financial instruments with preferred rights at amortized cost represent the interest on our Pre-IPO Investments. On December 31, 2020, our Company entered into a termination agreement with the Pre-IPO Investors, pursuant to which the financial instruments with preferred rights at amortized cost were derecognized and no interest was accrued subsequently. In addition, the interest expenses on financial instruments with preferred rights is a non-cash item.

(3) A non-IFRS measure.

During the Track Record Period, our net losses and operating cash outflows were primarily due to the significant amounts of cost of sales and operating expenses incurred. Our net losses increased from RMB901.1 million in 2019 to RMB1,100.1 million in 2020, and further increased to RMB2,845.8 million in 2021. Our net losses increased from RMB397.2 million for the three months ended March 31, 2021 to RMB1,042.2 million for the same period in 2022. The increase in operating expenses was driven by our efforts to (i) acquire talents and staff and invest in R&D activities, and (ii) establish our brand awareness and invest in advertising and marketing activities.

Revenue

During the Track Record Period, we primarily derived revenue from sales of smart EVs and parts. We also generated revenue from (i) sales of automotive regulatory credits and (ii) services. We generated all of our revenue from the PRC during the Track Record Period. The following table sets forth our revenue breakdown, each expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)						(unaudited)			
Sales of vehicles and parts	116,963	100	615,823	97.5	3,058,818	97.7	278,047	100	1,990,354	99.9
Sales of automotive regulatory credits	–	–	15,478	2.5	71,934	2.3	–	–	–	–
Services	–	–	–	–	1,307	0.0	–	–	1,483	0.1
Total	**116,963**	**100**	**631,301**	**100**	**3,132,059**	**100**	**278,047**	**100**	**1,991,837**	**100**

Sales of Vehicles and Parts

We began delivery of the S01 as our first smart EV model in July 2019. The sales of smart EVs and parts is our main source of revenue. We provide optional auto parts for users to add to their purchase orders, as well as replacement parts during after-sales of vehicles. Revenue generated from this segment represents the invoiced value of goods sold, which is after rebates and discounts, as we offer rebates to channel partners and discounts to individual customers. For the years ended December 31, 2019, 2020 and 2021, revenue from sales of vehicles and parts amounted to RMB117.0 million, RMB615.8 million and RMB3,058.8 million, accounting for 100%, 97.5% and 97.7% of our revenue, respectively. For the three months ended March 31, 2021 and 2022, revenue from sales of vehicles and parts amounted to RMB278.0 million and RMB1,990.4 million, accounting for 100% and 99.9% of our revenue, respectively. The increase was primarily attributable to the increase in the sales volume of our smart EVs and the higher average selling price as our product mix evolves. We started delivery of the T03 and the C11 in May 2020 and October 2021, respectively. The delivery volume of our EV models in aggregate increased from 8,050 units in 2020 to 43,748 units in 2021, which was driven by the launch and additional sales of the C11 as well as the popularity and increasing sales of the T03. Accordingly, we recorded a significant increase in sales of vehicles and parts in 2021. In addition, in the first quarter of 2022, we delivered 21,579 vehicles, representing an increase of 409.5% from the same period in 2021.

Sales of Automotive Regulatory Credits

Enterprises in the PRC can obtain automotive regulatory credits by manufacturing or importing new energy vehicles, and any positive credit balance can be freely traded in the credit management system established by the MIIT. See "Regulatory Overview — (VI) Favorable Policies Relating to New Energy Vehicles in China — 6. Corporate Average Fuel Consumption and New Energy Vehicle Credits Scheme for Vehicle Manufacturers and Importers." Since 2020, sales of automotive regulatory credits constitute a part of our revenue. For the years ended December 31, 2020 and 2021, revenue from sales of automotive regulatory credits amounted to RMB15.5 million and RMB71.9 million, accounting for 2.5% and 2.3% of our revenue, respectively.

Services

We provide certain embedded services to vehicle buyers, including extended one-year or lifetime warranty, vehicle internet connection service, firmware OTA upgrades and free lifetime roadside assistance service. Alongside the launch of the C11 in 2021, the provision of embedded services began to constitute a notable part of our revenue. For the year ended December 31, 2021 and the three months ended March 31, 2022, revenue from embedded services amounted to RMB1.3 million and RMB1.5 million, respectively.

Cost of Sales

Our cost of sales relates to the production of smart EVs and mainly comprises (i) procurement cost of raw materials and consumables (including changes in inventories of finished goods), (ii) depreciation and amortization and (iii) employee compensation expenses. Our cost of sales has increased primarily due to the increase in sales volume of our smart EVs. The following table sets forth a breakdown of our cost of sales by nature in absolute amounts and as a percentage of our total cost of sales for the periods indicated:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)						(unaudited)			
Raw materials and consumables used	154,744	67.6	742,278	78.1	4,122,764	91.3	344,657	82.9	2,271,371	90.1
Depreciation and amortization expenses	43,181	18.9	127,131	13.4	145,817	3.2	35,632	8.6	37,256	1.5
Employee compensation expenses	25,093	11.0	32,669	3.4	78,799	1.7	20,331	4.9	110,555	4.4
Warranty expenses	2,747	1.2	32,383	3.4	104,707	2.3	6,644	1.6	54,292	2.1
Freight expenses	1,009	0.4	13,409	1.4	61,989	1.4	7,067	1.7	40,737	1.6
Others	2,155	0.9	3,032	0.3	5,614	0.1	1,124	0.3	7,101	0.3
Total	**228,929**	**100**	**950,902**	**100**	**4,519,690**	**100**	**415,455**	**100**	**2,521,312**	**100**

Gross Loss and Gross Margin

Our gross loss represents our revenue less our cost of sales, and our gross margin represents gross loss divided by our revenue, expressed as a percentage. The following table sets forth our gross loss in absolute amounts and as a percentage of our revenue for the periods indicated:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
							(unaudited)			
Gross Loss	(111,966)	(95.7)	(319,601)	(50.6)	(1,387,631)	(44.3)	(137,408)	(49.4)	(529,475)	(26.6)

Our sales of smart EVs and parts were at the early stage. While we experienced significant business growth during the Track Record Period, we incurred gross losses throughout the Track Record Period primarily due to the high cost of sales in the early production stage during which we were in the process of ramping up our production and deliveries to achieve economies of scale. Our gross loss increased from RMB112.0 million in 2019 to RMB319.6 million in 2020, and further to RMB1,387.6 million in 2021. Our gross loss increased from RMB137.4 million for the three months ended March 31, 2021 to RMB529.5 million for the same period in 2022. The increase of gross loss during the Track Record Period was mainly attributable to the increase in the number of vehicles sold throughout the Track Record Period, as the cost of sales was relatively high due to the significant cost of raw materials in relation to the procurement of batteries for our vehicles.

Our gross margin improved from -95.7% in 2019 to -50.6% in 2020, and further to -44.3% in 2021, and from -49.4% for the three months ended March 31, 2021 to -26.6% for the three months ended March 31, 2022, primarily due to (i) the increase in the average selling price as our product mix evolves, and (ii) the significant decrease in the average manufacturing cost per vehicle, driven by the increasing economies of scale from vehicle production and delivery volume increase. We expect the gross margin will further improve as we continue to manage costs and improve operational efficiency as we scale up.

Selected Items from the Consolidated Balance Sheets

The following table sets forth selected information from our consolidated balance sheets as of the dates indicated, which have been extracted from our consolidated financial statements included in Appendix I to this prospectus:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Total current assets	846,419	1,454,511	8,954,853	8,286,435
Property, plant and equipment	1,472,073	1,521,665	1,929,028	2,109,523
Right-of-use assets	100,147	117,161	454,362	719,916
Intangible assets	17,897	19,853	419,867	427,150
Total non-current assets	1,590,117	1,817,260	3,571,623	4,306,980
Total assets	**2,436,536**	**3,271,771**	**12,526,476**	**12,593,415**
Total current liabilities	843,071	2,416,152	4,329,522	5,050,461
Borrowings	1,086,171	1,159,165	534,021	496,200
Deferred income	128,145	239,781	329,706	395,170
Financial instruments with preferred rights at amortized cost	1,600,996	–	–	–
Total non-current liabilities	2,822,491	1,418,815	966,738	1,281,983
Total liabilities	**3,665,562**	**3,834,967**	**5,296,260**	**6,332,444**
Net (liabilities)/assets	**(1,229,026)**	**(563,196)**	**7,230,216**	**6,260,971**
Total (deficits)/equity and liabilities	**2,436,536**	**3,271,771**	**12,526,476**	**12,593,415**

We recorded net liabilities of RMB1,229.0 million and RMB563.2 million as of December 31, 2019 and 2020, respectively. On December 31, 2020, we entered into a termination agreement to terminate certain preferred rights with the Pre-IPO investors in the Series Pre-A Financing and the Series A Financing. The decrease in net liabilities was mainly attributable to (i) the derecognition of financial instruments with preferred rights at amortized cost of approximately RMB1,723.4 million as of December 31, 2020 due to the termination of the preferred rights and (ii) a share-based payment of RMB42.6 million, which was partially offset by net loss of RMB1,100.1 million in 2020. See Note 28(b) to the Accountant's Report in Appendix I to this prospectus for details of the termination of preferred rights.

Our net liabilities as of December 31, 2020 turned to net assets of RMB7,230.2 million as of December 31, 2021. The improved net assets position was primarily due to the increase in share capital and reserves as a result of capital contributions from equity holders and issuance of shares. Our net assets positions remained relatively stable at RMB7,230.2 million and RMB6,261.0 million as of December 31, 2021 and March 31, 2022, respectively.

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Current assets:				
Inventories	165,178	182,088	749,471	1,115,473
Trade and notes receivables	19,048	233,229	782,250	986,031
Contract assets	–	–	28,497	42,767
Other current assets	234,094	420,849	420,518	609,723
Financial assets at fair value through profit or loss	181,606	76,042	1,260,078	301,349
Restricted cash	40,803	441,497	1,376,072	953,952
Cash and cash equivalents	205,690	100,806	4,337,967	4,277,140
Total current assets	**846,419**	**1,454,511**	**8,954,853**	**8,286,435**
Current liabilities:				
Trade and notes payables	195,691	738,935	2,596,106	3,493,080
Other payables and accruals	427,699	376,086	825,326	767,780
Borrowings	207,630	1,242,909	340,166	275,652
Advances from customers	5,331	41,667	503,213	454,935
Lease liabilities, current	3,229	13,376	24,559	16,059
Derivative financial instruments	2,842	–	–	–
Provisions	649	3,179	36,424	37,635
Contract liabilities	–	–	3,728	5,320
Total current liabilities	**843,071**	**2,416,152**	**4,329,522**	**5,050,461**
Net current assets/(liabilities)	**3,348**	**(961,641)**	**4,625,331**	**3,235,974**

Our net current assets decreased from RMB4,625.3 million as of December 31, 2021 to RMB3,236.0 million as of March 31, 2022. This was primarily due to (i) a decrease of RMB958.7 million in financial assets at fair value through profit or loss, (ii) an increase of RMB897.0 million in trade and notes payables, (iii) a decrease of RMB422.1 million in restricted cash, and (iv) a decrease of RMB60.8 million in cash and cash equivalents, partially offset by (i) an increase of RMB366.0 million in inventories, (ii) an increase of RMB203.8 million in trade and notes receivables, and (iii) an increase of RMB189.2 million in other current assets.

We recorded net current assets of RMB4,625.3 million as of December 31, 2021, compared to our net current liabilities of RMB961.6 million as of December 31, 2020. Our net current assets position improved, primarily due to (i) an increase of RMB4,237.2 million in cash and cash equivalents, primarily attributable to the positive net cash flows provided by our financing activities, (ii) an increase of RMB1,184.0 million in financial assets at fair value through profit or loss, (iii) an increase of RMB934.6 million in restricted cash, and (iv) a decrease of RMB902.7 million in borrowings, partially offset by an increase of RMB1,857.2 million in trade payables.

Our net current assets decreased from RMB3.3 million as of December 31, 2019 to net current liabilities of RMB961.6 million as of December 31, 2020, primarily due to (i) an increase of RMB1,035.3 million in borrowings, and (ii) an increase of RMB543.2 million in trade payables, partially offset by an increase of RMB400.7 million in restricted cash.

Selected Items from the Consolidated Statements of Cash Flows

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

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019	2020	2021	2021	2022
	(RMB in thousands)				
				(unaudited)	
Operating loss before changes in working capital	(612,252)	(613,889)	(2,113,537)	(276,694)	(812,664)
Working capital changes	(64,175)	(119,238)	1,065,432	135,766	403,498
Interest received from cash at banks	1,693	1,187	29,468	2,282	23,952
Net cash used in operating activities	(674,734)	(731,940)	(1,018,637)	(138,646)	(385,214)
Net cash (used in)/generated from investing activities	(419,876)	(296,732)	(3,003,239)	(2,368,908)	504,265
Net cash generated from/(used in) financing activities	690,088	923,831	8,259,126	3,143,723	(179,965)
Net (decrease)/increase in cash and cash equivalents	(404,522)	(104,841)	4,237,250	636,169	(60,914)
Cash and cash equivalents at the beginning of the year/period	607,470	205,690	100,806	100,806	4,337,967
Exchange gain/(losses) on cash and cash equivalents	2,742	(43)	(89)	132	87
Cash and cash equivalents at the end of the year/period	205,690	100,806	4,337,967	737,107	4,277,140

During the Track Record Period, we had net operating cash outflow of RMB674.7 million, RMB731.9 million, RMB1,018.6 million and RMB385.2 million in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively, primarily due to the significant amounts of cost of sales and operating expenses incurred in connection with our production, R&D and sales and marketing activities. We plan to continue to invest in the expansion of our sales and service network, R&D activities, selling and marketing activities, talents recruitment, and international expansion. As it typically takes time to realize returns on such investments, we expect to record a substantial amount of net loss and operating cash outflow in 2022. However, we believe our net operating cash outflows position would be improved by taking advantage of the following:

(i) ***Expanding Volume and Revenue Growth.*** Our delivery volume grew from 1,037 units in 2019 to 8,050 units in 2020, and further to 43,748 units in 2021. Our delivery volume increased from 4,235 units for the three months ended March 31, 2021 to 21,579 units for the three months ended March 31, 2022. The expansion of our business has led to a revenue growth from RMB117.0 million in 2019 to RMB631.3 million in 2020, and further to RMB3,132.1 million in 2021 and from RMB278.0 million for the three months ended March 31, 2021 to RMB1,991.8 million for the same period in 2022, thus contributing to growth of our cash inflow from operating activities.

(ii) ***Improving Gross Margin.*** During the Track Record Period, we have demonstrated rapid and consistent improvement in our gross margin from -95.7% in 2019 to -50.6% in 2020 and further to -44.3% in 2021 and from -49.4% for the three months ended March 31, 2021 to -26.6% for the same period in 2022. Our gross margin has benefited from the increasing economies of scale due to volume ramp-up and is expected to continue to benefit from expansion of our product portfolio, digital value-added services and vertically integrated business model.

(iii) ***Enhancing Operating Leverage.*** Enhancing operating leverage by reducing R&D expenses, selling expenses, and administrative expenses as a percentage of revenue as our business continues to scale up, thus alleviating the pace of cash outflow in relation to the operating expenses, compared to the cash inflow from operating activities attributable to revenue.

(iv) ***Enhancing Working Capital Efficiency.*** We also expect to improve our cash flow positions by continuously enhancing working capital efficiency. We review our payment term policy with suppliers to improve cash outlay, as well as negotiate for favorable credit terms with our suppliers to extend payment cycle. We also maintain relationships with banks such that we used commercial acceptance bills to decrease our cash outlay for day-to-day operations. We receive payments from our channel partners in advance of vehicle deliveries, which also improves our cash position. We adopt the make-to-order production approach to keep our inventories at a low level. Our inventory turnover days decreased from 131.9 days in 2019 to 66.6 days in 2020 and further to 37.6 days in 2021, and from 51.1 days for the three months ended March 31, 2021 to 33.7 days for the same period in 2022.

For detailed strategies and measures we plan to take to achieve long-term profitability, see "Business — Business Sustainability."

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in our H Shares to be issued pursuant to (i) the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option), (ii) the H Shares to be converted from our existing Domestic Shares and Unlisted Foreign Shares and (iii) the H Shares to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to: (i) our revenue of RMB3,132.1 million (equivalent to approximately HK$3,556.9 million) in the financial year ended December 31, 2021 exceeds HK$500 million, and (ii) our expected market capitalization at the time of Listing, which, based on the low-end of the indicative Offer Price range, exceeds HK$4 billion.

OFFERING STATISTICS

The Global Offering comprises: (i) the Hong Kong Public Offering of 13,082,000 H Shares (subject to reallocation and the Offer Size Adjustment Option); and (ii) the International Offering of 117,737,100 H Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option). For details of the Global Offering and the Offer Size Adjustment Option, see "Structure of the Global Offering" and "Risk Factor — Risks relating to the Global Offering — Purchasers of our H Shares in the Global Offering may experience immediate dilution upon such purchases and may experience further dilution if we issue additional H Shares pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option."

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 130,819,100 H Shares are issued and sold in the Global Offering and (ii) the Offer Size Adjustment Option and the Over-allotment Option are not exercised.

	Based on an Offer Price of HK$48.00 per Offer Share	**Based on an Offer Price of HK$62.00 per Offer Share**
Market capitalization of our Shares[(1)]	HK$54,850 million	HK$70,848 million
Market capitalization of our H Shares[(2)]	HK$44,263 million	HK$57,174 million
Unaudited pro forma adjusted net tangible assets per share[(3)]	HK$11.11	HK$12.67

Notes:

(1) The calculation of market capitalization is based on 1,142,706,059 Shares expected to be in issue immediately upon completion of the Global Offering, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised.

(2) The calculation of market capitalization of our H Shares is based on 922,153,885 H Shares expected to be in issue immediately upon completion of the Global Offering, without taking into account any allotment and issuance of H Shares upon exercise of the Offer Size Adjustment Option and the Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets per share is arrived at after the adjustment referred to in "Appendix II — Unaudited Pro Forma Financial Information."

WORKING CAPITAL SUFFICIENCY

Our Directors are of the view, and the Joint Sponsors concur, that we possess sufficient working capital, including sufficient cash and liquidity assets, for the next 12 months from the date of the prospectus, taking into account the cash and cash equivalents on hand, and the estimated net proceeds received from the Global Offering.

As of March 31, 2022, we had a liquidity of RMB5,532.4 million, which includes cash and cash equivalents, restricted cash and wealth management products. We believe that this level of liquidity, together with the estimated net proceeds received from the Global Offering, is sufficient to finance our operations, having considered our business development and expansion plans as outlined in the section headed "Future Plans and Use of Proceeds."

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission, and other fees incurred in connection with the Global Offering. We estimate that our listing expenses will be approximately HK$244.9 million (assuming an Offer Price of HK$55.00 per Share (being the mid-point of the indicative Offer Price range) and no exercise of the Offer Size Adjustment Option and the Over-allotment Option), which accounts for approximately 3.4% of the gross proceeds from the Global Offering. We estimate the listing expenses to consist of approximately HK$164.2 million in underwriting fees and HK$80.7 million in non-underwriting fees (which consist of fees and expenses of legal advisors and Reporting Accountant of approximately HK$41.0 million and other fees and expenses of approximately HK$39.7 million). Among the total listing expenses, approximately HK$174.2 million will be directly attributable to the issue of our Shares, which will be deducted from equity upon the completion of the Global Offering, and the remaining amount of approximately HK$70.7 million will be expensed in our consolidated statements of comprehensive loss.

FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK$55.00 per Offer Share (being the mid-point of the stated range of the Offer Price between HK$48.00 and HK$62.00 per Offer Share), the Offer Size Adjustment Option and the Over-allotment Option are not exercised, we estimate that we will receive net proceeds of approximately HK$6,950.2 million from the Global Offering after deducting the underwriting commissions, fees and other estimated expenses in connection with the Global Offering and assuming that the Over-allotment Option is not exercised or HK$9,212.4 million if the Offer Size Adjustment Option and the Over-allotment Option are exercised in full.

In line with our strategies, we intend to use our proceeds from the Global Offering for the following purposes:

- Approximately 40.0% of the net proceeds or approximately HK$2,780.1 million, allocated to our research and development;
- Approximately 25.0% of the net proceeds or approximately HK$1,737.5 million, for enhancing our production capacity and capabilities, as part of our efforts to improve vertical integration and operational efficiency;
- Approximately 25.0% of the net proceeds or approximately HK$1,737.5 million, for expanding our sales and service network and establishing a stronger brand presence; and

- Approximately 10.0% of the net proceeds or approximately HK$695.0 million, for working capital and general corporate purposes.

See "Future Plans and Use of Proceeds."

DIVIDEND POLICY

No dividend was paid or declared by our Company or other entities comprising our Group during the Track Record Period. Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the relevant PRC laws. We currently do not have any fixed dividend pay-out ratio. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. As confirmed by our PRC Legal Advisor, according to relevant PRC laws, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will, therefore, only be able to declare dividends after: (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above.

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic has affected the global and Chinese economy, automotive industry in general and our Company. The outbreak has resulted in nationwide restrictions in travel and public transport, and implementation of social distancing measures. As a result, our business activities including R&D and investment therein slowed down in the first half of 2020. Moreover, the COVID-19 pandemic affected delivery of certain components from our suppliers during the Track Record Period. For example, there was a shortage in supply and price increase of processor chips in 2021. Our vehicle production and deliveries were hence also affected, such that our production lead time was prolonged from approximately one to two months to approximately three to four months on average. However, we have not experienced significant constraints on supply chain or significant increases in procurement costs as a result of the COVID-19 pandemic.

In light of the potential constraints on our supply chain due to the spread of the COVID-19 variants such as the Delta and Omicron strains, we have strategically stocked up on certain raw materials for the anticipated increase in our vehicle production in 2021, including electronic components and battery cells. In particular, we entered into reserve agreements with some of our suppliers of semiconductor chips to maintain a safety stock of inventory of the semiconductor chips they supply to us. As a result of various measures we adopted in response to the shortage in supply, we did not have any material shortage of semiconductor chips or experience any production suspension due to disruption in the supply chain during the Track Record Period and up to the Latest Practicable Date. See "Business — Our Suppliers — Raw Materials, Parts and Components." With the relief of the pandemic in the PRC, a substantial part of our business operations has been restored to the normal level. We also expect our production lead time to be shortened in the near future. As of the Latest Practicable Date, we did not receive any material cancellation of orders by customers due to the COVID-19 pandemic.

Despite the impact of the COVID-19 pandemic, we have achieved significant growth in revenue and smart EV deliveries. Our total revenue increased by 439.7% from RMB117.0 million in 2019 to RMB631.3 million in 2020 and further increased by 396.1% to RMB3,132.1 million in 2021. Our total revenue increased by 616.4% from RMB278.0 million for the three months ended March 31, 2021 to RMB1,991.8 million for the same period in 2022. We delivered 8,050 smart EVs in 2020, representing an increase of 676.3% from 2019 and further delivered 43,748 smart EVs in 2021, representing an increase of 443.5% from 2020. For the three months ended March 31, 2022, we delivered 21,579 smart EVs, representing an increase of 409.5% from 4,235 units in the same period in 2021. As of March 31, 2022, we had a liquidity of RMB5,532.4 million, which includes cash and cash equivalents, restricted cash and wealth management products. We believe that this level of liquidity is sufficient to help us successfully navigate the uncertainties brought about by the pandemic.

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. However, the extent to which the COVID-19 pandemic affects our future results of operations will depend on the duration and severity of the pandemic, the extent of new waves of outbreak, the development and progress of distribution of COVID-19 vaccines and other medical treatment, and the actions taken by government authorities to contain the pandemic, all of which are beyond our control. In light of these uncertainties in the global market and economic conditions attributable to the COVID-19 pandemic, we cannot precisely predict its effects on our business, financial performance and liquidity. See "Risk Factors — Risks Relating to Our Business and Industry — The COVID-19 pandemic has adversely affected, and may continue to adversely affect, our results of operations." Nonetheless, we believe that the COVID-19 pandemic would not materially affect our expansion plan or use of proceeds in the current circumstance for the following reasons: (i) we have not experienced material disruption in the construction of our production facilities; (ii) our expansion of sales network was not materially affected, as the number of our stores increased from 291 as of December 31, 2021 to 336 as of March 31, 2022; and (iii) there was no material impact on our ordinary course of business, including our R&D and marketing activities.

GOVERNMENT POLICIES

The PRC central government has set out the NEV development plan and incentive measures as one of its most important strategic mandates. In October 2021, the State Council of China set the target of increasing the share of vehicles fueled by new and clean energy to 40% by 2030, according to the Action Plan for Carbon Dioxide Peaking Before 2030 (《2030年前碳達峰行動方案》), the national climate policy, aiming at achieving "peak CO_2 emissions" by 2030 and "carbon neutrality" by 2060. It has promulgated favorable policies benefiting NEV manufacturers as well as the market participants along the industry value chain.

Lifting restrictions: In January 2022, the NDRC, together with several other central governmental authorities of China, jointly issued Implementation Measures for Promotion of Sustainable Consumption (《促進綠色消費實施方案》), which has demonstrated the PRC government's strong conviction in promoting the adoption of NEVs by lifting purchase restrictions and easing driving restrictions.

Charging infrastructure: After-sales service providers in the NEV industry directly benefit from policies accelerating the construction and installation of charging facilities. For example, in January 2022, the NDRC published Implementation Opinions of the National Development and Reform Commission and Other Departments on Further Improving the Service Support Capability of Electric Vehicle Charging Infrastructure (《國家發展改革委等部門關於進一步提升電動汽車充電基礎設施服務保障能力的實施意見》), which aims to: (i) optimize the construction and layout of urban public charging networks; (ii) speed up the effective coverage of the expressway fast charging network; (iii) strengthen the construction of supporting power grids; and (iv) optimize fiscal support policies for the construction of charging piles as public facilities.

Subsidies: Under the Notice by the MOF, the Ministry of Science and Technology, the MIIT and the NDRC of the Policies on Government Subsidies for Promotion and Application of New Energy Vehicles in 2016-2020 (《財政部、科學技術部、工業和信息化部、發展改革委關於2016-2020年新能源汽車推廣應用財政支持政策的通知》), consumers are entitled to receive subsidies for NEV purchases. Such subsidies have boosted the sales of NEVs and benefited the enterprises along the industry value chain. However, according to the Notice on Improving the Financial Subsidy Policies for the Promotion and Application of New Energy Vehicles (《關於完善新能源汽車推廣應用財政補貼政策的通知》) released on April 23, 2020, which was further confirmed on December 31, 2020 and December 31, 2021, the subsidies for NEV purchases from 2020 to 2022 will generally be lowered by 10%, 20% and 30%, respectively, based on the level of the previous year with limited exceptions in the area of public transport, and the total number of NEVs sold in China that will be entitled to such subsidies should be no more than two million each year. According to the latest policy issued on December 31, 2021, the subsidy policy for the purchase of NEVs in 2022 will be terminated on December 31, 2022, and subsidies will no longer be granted to vehicles where car licenses are issued after December 31, 2022.

In addition, the PRC central government introduced a series of favorable policies and incentive measures in 2022, aiming to promote the development of the NEV industry. According to the Government Work Report delivered at the fifth session of the 13th National People's Congress in March 2022, the PRC government plans to continue to promote NEV consumption. In late April, the General Office of the State Council issued the Opinions on Further Unleashing Consumption Potential to Promote Sustained Recovery of Consumption (《關於進一步釋放消費潛力促進消費持續恢復的意見》). Local governments shall not implement new restrictions on vehicle purchases, and are required to phase out existing restrictions by raising vehicle quotas and relaxing the requirements for vehicle purchases. Local governments are encouraged to set different vehicle quotas for rural and urban regions, and to implement policies with a focus shifting from restricting purchase to effective management of vehicle use. The State Council reiterated these policies as part of its comprehensive measures to stabilize the national economic condition announced in May 2022, along with policies to optimize the business model for NEV charging infrastructure investment and construction. The policies aim to create a nationwide charging network to fully cover residential neighborhoods and commercial parking lots, and accelerate the construction of charging facilities in highway service areas and passenger transportation hubs. In addition, the Ministry of Finance promulgated the Opinions on Fiscal Support to Achieve Carbon Peaking and Carbon Neutrality Goals (《財政支持做好碳達峰碳中和工作的意見》), which urged the implementation of more supportive policies for charging infrastructure. In response to favorable policies at national level, local governments in provinces and

cities, such as Beijing, Shanghai, Tianjin, Hubei, Guangdong, Zhejiang, Jiangsu and Shandong, have announced measures to stimulate NEV purchases. These measures include subsidies for vehicle trade-ins and purchases, as well as raising vehicle quotas. On August 18, 2022, according to a State Council meeting, the vehicle purchase tax exemption for NEVs will be extended to December 31, 2023, as part of the measures to boost automobile sales.

RECENT DEVELOPMENT

Recent Development in Our Business Operations

Our business footprint continued to expand subsequent to the Track Record Period. Our number of stores increased from 336 as of March 31, 2022 to 443 as of July 31, 2022. We delivered 64,038 smart EVs in the first seven months of 2022, representing an increase of 244.8% from the same period in 2021.

Our revenue increased by 479.4% from RMB877.0 million in the six months ended June 30, 2021 to RMB5,081.5 million in the same period in 2022. Our gross margin improved from -52.1% in the six months ended June 30, 2021 to -26.0% in the same period in 2022, reflecting our enhanced operational efficiency alongside greater economies of scale. Such improvement was also attributable to the change in product mix, particularly the greater contribution from the sales of the C11. Furthermore, our gross margin in the second quarter of 2022 also improved to -25.6% from -26.6% in the first quarter of 2022, despite the impact on the supply chain due to the resurgence of COVID-19 and the increase in battery cost in China that we have experienced along with the rest of the industry. Our R&D expenses also increased by 103.2% from RMB259.1 million for the six months ended June 30, 2021 to RMB526.4 million for the same period in 2022, as driven by (i) our increased R&D efforts in the development of new platforms, new models and smart EV technologies, and (ii) an increase in the number of R&D employees to 1,869 as of June 30, 2022.

The foregoing selected unaudited financial data in relation to our revenue in the six months ended June 30, 2022 is derived from our unaudited interim financial statements for the six months ended June 30, 2022. Our unaudited interim financial statements for the six months ended June 30, 2022 have been reviewed by our reporting accountants in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information performed by the Independent Auditing and Assurance Standards Board ("**IAASB**"). However, given our short operating history, we were loss-making during the Track Record Period. We expect to record a substantial amount of net loss and operating cash outflow in 2022 as we continue to invest to expand production capacities, increase investment in R&D activities as well as online and offline marketing activities.

Following the resurgence of COVID-19 in a number of provinces in China, China took precautionary measures, such as travel restrictions, quarantines, remote working, cancellation of public events, and recommendations against travel for leisure, among others. As a result, we experienced a slowdown in production and certain delays in the transportation of our raw materials and parts since late 2021. As certain suppliers are located in the Jiangsu-Zhejiang-Shanghai region, the production and logistics arrangements of our raw materials were halted by various measures implemented by the

provincial governments to alleviate the spread of the outbreaks. In addition, some of our employees were placed under quarantine, thus affecting our manufacturing efficiency. As a result, our vehicle production in Jinhua, Zhejiang province and subsequent vehicle deliveries were impacted and slowed down. As of the Latest Practicable Date, our operations in Jinhua had reverted to normal and we have implemented strategic measures to minimize the impact of a resurgence of COVID-19, including (i) procuring increased stocks of raw materials, and (ii) putting in place alternative logistics and suppliers arrangements.

As a result of the resurgence of COVID-19, citywide restrictive measures were implemented in Shanghai from March to May 2022, which to an extent affected our supply chain, offline sales and marketing activities. Certain suppliers in Shanghai had to temporarily halt the production of, and logistics arrangements for, our raw materials and components, such as battery cells and semiconductor chips, which, in turn, inevitably affected our production and delivery schedule. However, benefiting from the additional measures we adopted to minimize the resurgence's impact on our supply chain, we had not experienced any material shortage of raw materials and components during the Track Record Period and up to the Latest Practicable Date, nor did we experience any production suspension due to such restrictive measures in Shanghai from March to May 2022. See "Business — Our Suppliers — Raw Materials, Parts and Components" for details of our supply chain management. Due to the restrictive measures imposed, our offline sales and marketing activities were adversely affected, and all of our directly operated stores and channel partner stores in Shanghai were temporarily closed from late March to May 2022. Our stores gradually reopened as the citywide restrictive measures eased, starting from June 2022. All of these stores had resumed normal operation in late June 2022. For the foregoing reasons, while we experienced some temporary disruption in sales activities and vehicle deliveries in Shanghai during the first half of 2022 as a result of citywide restrictions in relation to the resurgence of COVID-19, there was no long-term material impact on our overall business operations. Moreover, we strive to expand our sales channels, launch online and offline marketing campaigns and offer high-quality services to restore our business operations back to normal. With the lifting of restrictions and resumption of our sales channels, the delivery of the C01 in the third quarter of 2022 is not expected to be affected in any material aspects.

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since March 31, 2022, being the end date of the periods reported on in the Accountant's Report included in Appendix I to this prospectus, and there is no event since March 31, 2022 that would materially affect the information as set out in the Accountant's Report included in Appendix I to this prospectus.

Recent Regulatory Development

On December 28, 2021, the Cyberspace Administration of China, or the CAC, and several other PRC governmental authorities jointly issued the Cybersecurity Review Measures (《網絡安全審查辦法》), which took effect on February 15, 2022. On November 14, 2021, the CAC published a draft of the Administrative Regulations for Internet Data Security (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Data Security Regulations, for public comments.

Our Legal Advisor as to PRC data security law is of the view that we will be able to comply with the Cybersecurity Review Measures and the Draft Data Security Regulations, if implemented in their current forms, in all material aspects on the basis that: (i) we have not been informed by any PRC governmental authority of any requirement when we filed to CSRC for approval for this Listing; (ii) we have not been subject to any material fines or administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities in relation to the infringement of cybersecurity and data protection laws and regulations; (iii) there has been no material leakage of data or personal information or violation of cybersecurity and data protection and privacy laws and regulations by us which will have a material adverse impact on our business operations; (iv) there has been no material cybersecurity and data protection incidents or infringement upon the rights of any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of the knowledge of the Company, threatened against or relating to the Company; and (v) we have implemented comprehensive cybersecurity and data protection policies, procedures, and measures to ensure the secure storage and transmission of data and prevent unauthorized access or use of data. As such, our Directors believe that the Cybersecurity Review Measures and the Draft Data Security Regulations will not have any material adverse effect on our business operations or the proposed Listing. As of the Latest Practicable Date, we had not received any data security-related enquiries and had not been subject to any notices, warnings, or sanctions imposed by any regulatory authorities due to cybersecurity concerns. In June 2022, we consulted with China Cybersecurity Review Technology and Certification Center ("**CCRC**"). The representative of CCRC confirmed that we are not required to apply for a cybersecurity review for our proposed Listing, and did not express objections or concerns over the Listing. We will closely monitor the legislative and regulatory developments in connection with cybersecurity and data protection, including the Draft Data Security Regulations and the interpretation or implementation rules of laws and regulations of cybersecurity and data protection, and adjust and enhance our data protection measures as appropriate.

On April 2, 2022, CSRC issued the Provisions on Strengthening the Confidentiality and File Management Work Related to the Overseas Issuance and Listing of Securities by Domestic Enterprises (Draft for Comments), which specify that during the overseas issuance of securities and listing activities of domestic enterprises and securities companies and securities service institutions that provide relevant securities services shall, by strictly abiding by the relevant laws and regulations of the People's Republic of China and the requirements therein, establish sound confidentiality and filing work systems, take necessary measures to implement confidentiality and filing management responsibilities, and shall not leak national secrets and undermine national and public interests. Files such as the work manuscripts generated in the PRC by securities companies and securities service institutions that provide relevant securities services for overseas issuance and listing of securities by domestic enterprises shall be kept in the PRC. Without the approval of relevant competent authorities, they shall not be transferred overseas by any means such as carrying or shipping or transferred to overseas institutions or individuals by any means, including through the use of information technology. Where files or copies thereof having a significant value to the state and society need to be transferred outside of the PRC, such transfer shall be subject to the approval procedures in accordance with relevant PRC regulations. As of the Latest Practicable Date, this provision

has not been officially promulgated. It is uncertain when the final provisions will be issued and take effect, how they will be enacted, interpreted or implemented, and whether they will affect us. The scope of business operations and financing activities that are subject to such draft provisions and the implementation thereof is not yet clear. Not withstanding the uncertainties, we have established and strictly implemented internal rules on confidentiality and archives management system relating to the Listing as well as our daily operations. As of the Latest Practicable Date, we had not been informed by any relevant competent authorities of any requirement in relation to examination and approval of important archives for cross-border transfer. In light of the above, our Directors believe that this provision will not have material adverse effect on our business operations if implemented in its current form.

On August 16, 2021, the CAC, NDRC, MIIT, the Ministry of Public Security and the Ministry of Transport jointly issued the Several Provisions on the Management of Automobile Data Security (for Trial Implementation) (《汽車數據安全管理若干規定(試行)》) ("**Several Provisions on Automobile Data**"), which took effect on October 1, 2021. The Several Provisions on Automobile Data define terms such as "automobile data", "automobile data processors", "personal information", "sensitive personal information" and "important data". Specifically, important data refers to any data that, once tampered with, sabotaged, leaked or illegally obtained or used, may lead to endangerment of national security or public interests, or infringement of the lawful rights and interests of an individual or organization, including the following data: (i) geographical information, flows of people or vehicles and other data in respect of any important sensitive area such as a military administrative zone, national defense science and technology development entity, or Party or government agency at or above the county level; (ii) traffic volume, logistics and other data that reflect performance of the economy; (iii) operating data of a vehicle charging network; (iv) video or image data collected outside of a vehicle, including human facial information, license plate information, etc.; (v) personal information of more than 100,000 data subjects; and (vi) other types of data as designated by the competent authorities. Under the Several Provisions on Automobile Data, automobile data processors shall obtain individual consent for processing personal information or rely on other legal bases in accordance with applicable laws and regulations. Where the automobile data processors collect data containing images of people outside the vehicle and transmit the data out of the vehicle for the purpose of improving driving safety, such personal information shall be anonymized if it is not possible to obtain the consent of these people. In addition, important data shall be stored domestically, and the automobile data processor shall undergo the safety assessment by the CAC and relevant ministries of the State Council if such data needs to be provided outside of China due to business needs. The Several Provisions on Automobile Data require automobile data processors of important data to: (i) conduct risk assessment in accordance with the regulations and submit risk assessment reports to relevant departments at provincial levels; and (ii) report annually to such departments in relation to the information on automotive data security management.

In line with the industry practice, we collect, store, use, process, transmit and share automobile data in support of our business operations concerning, among other things, automobile manufacturing, sales, operations and maintenance. We store personal information of more than 100,000 data subjects, which is broadly defined as important data under the Several Provisions on Automobile Data, in our on-premises servers as well as in cloud storages, which are all located in China. We do not transfer automobile data, including the abovementioned important data, outside of China. The Several Provisions on Automobile Data recommend that data processors complete data processing at the vehicle-end, yet this is not a mandatory requirement. Before transmitting personal information outside of the vehicle, the data processors shall obtain individual consent for processing personal information or rely on other legal bases in accordance with applicable laws and regulations. Currently, to the extent that it is not feasible to complete in-vehicle data processing due to the limits of vehicle-end computing power, or where it is necessary to transmit data out of the vehicle to carry out certain functions, certain automobile data will be transmitted out of the vehicle. For example, we transmit data related to vehicle status, components and parts to our backend systems for processing outside of the vehicle, so as to allow customers to remotely control and manage their vehicles. We notify our customers of such data processing through our privacy policy, and we process personal information in accordance with the applicable laws and regulations, and obtain customers' prior consent if required. Currently, we do not transmit personal information out of the vehicle without data subjects' consent. For example, we will not transmit exterior video or image data containing license plate information out of the vehicle. If we plan to use data containing personal information to provide services to our customers, we will anonymize such data as required by applicable law when we are unable to obtain the consent of the data subject, including deleting the pictures containing identifiable natural persons, or blurring the facial information in the pictures.

We are committed to protecting data security. We shall continue to comply with relevant laws, regulations and policy requirements, such as the PRC Data Security Law, carry out data classification and grading, realize full-cycle data security protection through data monitoring and early warning system, risk reporting, security assessment and outbound data transfer management, and effectively fulfill our responsibilities and obligations for data security protection. In the process of providing information to third-party institutions and cooperating with the preparation of audit reports, we are committed to effectively protecting the security of state secrets and important data to avoid any leakage of sensitive information.

As advised by our legal advisor as to PRC data security law, our policy on data collection and processing complies with the requirements in the Several Provisions on Automobile Data in all material aspects, on the basis that: (i) we have implemented comprehensive data protection policies on personal information processing where it is stipulated that the collection and use of personal information shall be subject to customers' prior consent unless otherwise permitted by the laws; (ii) we inform our customers regarding our privacy policy of the situations where we process personal information inside the vehicle; (iii) we abide by such policies and personal information processing rules when we process customers' personal information; (iv) in common with other major car manufacturers, we implement the general principle of in-vehicle data processing whenever it is technically feasible; and (v) we proactively monitor any

regulatory development and adjust our policies and practices to comply with applicable regulations, including the future regulations on in-vehicle data processing. In light of the above, our Directors believe that this provision will not have a material adverse effect on our business operations.

On the basis of the factors set out above and the due diligence work conducted by the Joint Sponsors, and taking into account the compliance status of the Several Provisions on Automobile Data, the uncertainties with respect to the interpretation of Cybersecurity Review Measures and the final enactment timetable, final content, interpretation and implementation of the Draft Data Security Regulations, nothing has come to the attention of the Joint Sponsors that would cast doubt on the reasonableness of the views and conclusions of our Company, our Directors and our PRC Legal Advisor reached, in material aspects.

In this Prospectus. unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this Prospectus.

"Articles" or "Articles of Association"	the articles of association of our Company, conditionally adopted on December 20, 2021 with effect from the Listing Date, and as amended from time to time, a summary of which is set out in Appendix V to this prospectus
"Board" or "Board of Directors"	the board of Directors of our Company
"Business day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAC"	the Cyberspace Administration of China (中國國家互聯網信息辦公室)
"Capital Market Intermediaries"	J.P. Morgan Securities (Asia Pacific) Limited, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited, CCB International Capital Limited, CLSA Limited, China Securities (International) Corporate Finance Company Limited, Huatai Financial Holdings (Hong Kong) Limited, ABCI Capital Limited, ABCI Securities Company Limited, Futu Securities International (Hong Kong) Limited and Tiger Brokers (HK) Global Limited
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

"**CCASS EIPO**"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC's Customer Service Centre by completing an input request
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant"	A CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company" or "the Company"	Zhejiang Leapmotor Technology Co., Ltd. (浙江零跑科技股份有限公司), a limited liability company established under the laws of the PRC on December 24, 2015 and converted into a joint stock limited liability company in the PRC on April 30, 2021
"CSDC"	China Securities Depository and Clearing Corporation Limited

"CSDC (Hong Kong)"	China Securities Depository and Clearing (Hong Kong) Company Limited
"Dahua Technology"	Zhejiang Dahua Technology Co., Ltd. (浙江大華技術股份有限公司), a joint stock company established under the laws of the PRC, whose shares are listed on the Shenzhen Stock Exchange (stock code: 002236), and a shareholder and connected person of our Company
"Director(s)"	director(s) of our Company
"Domestic Share(s)"	ordinary share(s) issued by the Company, with a nominal value of RMB1.00 each, which is/are subscribed for or credited as paid in Renminbi
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法》), as amended, supplemented or otherwise modified from time to time
"Employee Incentive Schemes"	collectively, Share Award Scheme I, Share Award Scheme II and Pre-IPO Share Option Scheme
"Exchange Participant(s)"	a person: (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"FRC"	the Financial Reporting Council of Hong Kong
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company
"Group" or "our Group" or "we" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)

"H Share(s)"	overseas listed foreign Share(s) issued or to be issued by the Company with a nominal value of RMB1.00 each, which is/are to be subscribed for and traded in HK dollars and is/are to be listed on the Hong Kong Stock Exchange
"H Share Registrar"	Tricor Investor Services Limited
"Hangzhou Xintu"	Hangzhou Xintu Technology Co., Ltd. (杭州芯圖科技有限公司), a limited liability company established under the laws of the PRC and a member of the Single Largest Group of Shareholders
"HK$" or "HK dollars"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the **IPO App** or the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company as specified in the **IPO App** or on the designated website at **www.hkeipo.hk**
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Offer Shares"	the 13,082,000 H Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation and the Offer Size Adjustment Option as described in the section headed "Structure of the Global Offering" in this prospectus)

"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus) at the Offer Price (plus brokerage, SFC transaction levy, FRC transaction levy and Hong Kong Stock Exchange trading fee), on and subject to the terms and conditions described in this prospectus as further described in "Structure of the Global Offering — Hong Kong Public Offering" in this prospectus
"Hong Kong Stock Exchange" or "Stock Exchange"	the Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated September 19, 2022 relating to the Hong Kong Public Offering and entered into by, among others, our Company and the Hong Kong Underwriters, as further described in "Underwriting — Underwriting Arrangements and Expenses" in this prospectus
"Huaruijie Technology"	Zhejiang Huaruijie Technology Co., Ltd. (浙江華銳捷技術有限公司), a limited liability company established under the laws of the PRC and is held as to 51% by Dahua Technology, 20% by the Company, 15% by Ningbo Huaqi Enterprise Management L.P. (寧波華汽企業管理合夥企業(有限合夥)) and 14% by Ningbo Hualing Venture Capital L.P. (寧波華綾創業投資合夥企業(有限合夥)), and a connected person of the Company
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules

"International Offer Shares"	the 117,737,100 H Shares initially offered by our Company for subscription pursuant to the International Offering together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to reallocation and the Offer Size Adjustment Option as described in the section headed "Structure of the Global Offering" in this prospectus)
"International Offering"	the offer of the International Offer Shares by the International Underwriters outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of international underwriters expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around September 23, 2022 by, among others, our Company and the International Underwriters in respect of the International Offering, as further described in "Underwriting — International Offering" in this prospectus
"**IPO App**"	the mobile application for the **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**
"Joint Global Coordinators", "Joint Bookrunners" or "Joint Lead Managers"	the joint bookrunners, the joint global coordinators and the joint lead managers as named in "Directors, Supervisors and Parties Involved in the Global Offering" in this prospectus
"Joint Sponsors"	J.P. Morgan Securities (Far East) Limited, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited and CCB International Capital Limited

"Latest Practicable Date"	September 12, 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or around Thursday, September 29, 2022, on which our H Shares are listed and on which dealings of our H Shares first commences dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"Mr. Fu"	Mr. Fu Liquan (傅利泉), a member of the Single Largest Group of Shareholders and the spouse of Ms. Chen
"Mr. Zhu"	Mr. Zhu Jiangming (朱江明), the chairperson of the Board, an executive Director and chief executive officer of our Company, a member of the Single Largest Group of Shareholders and the spouse of Ms. Liu
"Ms. Chen"	Ms. Chen Ailing (陳愛玲), the spouse of Mr. Fu and a member of the Single Largest Group of Shareholders
"Ms. Liu"	Ms. Liu Yunzhen (劉雲珍), the spouse of Mr. Zhu and a member of the Single Largest Group of Shareholders
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

"Ningbo Gulin"	Ningbo Gulin Equity Investment L.P. (寧波顧麟股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on December 29, 2017 and a member of the Single Largest Group of Shareholders
"Ningbo Hualing"	Ningbo Hualing Venture Capital L.P. (寧波華綾創業投資合夥企業(有限合夥)), (formerly known as Ningbo Hualing Investment Management Partnership (Limited Partnership) (寧波華淩投資管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on January 22, 2018 and a member of the Single Largest Group of Shareholders
"Ningbo Huayang"	Ningbo Huayang Venture Capital L.P. (寧波華暘創業投資合夥企業(有限合夥)), formerly known as Ningbo Huayang Investment Management L.P. (寧波華暘投資管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 7, 2017 and a member of the Single Largest Group of Shareholders
"Ningbo Jinghang"	Ningbo Jinghang Enterprise Management L.P. (寧波景航企業管理合夥企業(有限合夥)), (formerly known as Ningbo Jinghang Equity Investment Partnership (Limited Partnership) (寧波景航股權投資合夥企業(有限合夥)) a limited partnership established under the laws of the PRC on September 11, 2017 and a member of the Single Largest Group of Shareholders
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.005%) of not more than HK$62.00 and expected to be not less than HK$48.00, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined in the manner further described in "Structure of the Global Offering — Pricing of the Global Offering" in this prospectus

"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Offer Size Adjustment Option and/or the Over-allotment Option
"Offer Size Adjustment Option"	the option under the Hong Kong Underwriting Agreement, exercisable by the Company on or before the Price Determination Date, pursuant to which the Company may issue and allot up to an aggregate of 19,622,800 additional H Shares at the Offer Price, to cover additional market demand, if any, as described in the section headed "Structure of the Global Offering" in this prospectus
"Overall Coordinators" or "Sponsors-OC"	J.P. Morgan Securities (Asia Pacific) Limited, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited and CCB International Capital Limited
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the the Overall Coordinators (for themselves and on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to issue up to an additional 19,622,800 H Shares (representing not more than 15% of the number of Offer Shares initially being offered under the Global Offering assuming the Offer Size Adjustment Option is not exercised at all) or up to an additional 22,566,200 H Shares (representing not more than 15% of the number of Offer Shares being offered under the Global Offering assuming the Offer Size Adjustment Option is exercised in full) at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed "Structure of the Global Offering" in this prospectus
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC

"PRC" or "China"	the People's Republic of China. For the purposes of this document only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as enacted by the 5th session for the Standing Committee of the 8th National People' Congress on December 29, 1993 and became effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
"PRC Legal Advisor"	Grandway Law Offices, the PRC legal advisors of our Company
"Pre-IPO Investment(s)"	the Pre-IPO investments in our Company undertaken by the Pre-IPO Investors, details of which are set out in the section headed "History, Development and Corporate Structure" in this prospectus
"Pre-IPO Investor(s)"	the investor(s) who participated in our Pre-IPO Investments, details of which are set out in the section headed "History, Development and Corporate Structure" in this prospectus
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme as adopted by the Company on June 22, 2022, the principal terms of which are summarized in "Appendix VI — Statutory and General Information — Further Information about Our Directors, Supervisors, Management and Substantial Shareholders — 5. Employee Incentive Schemes"
"Price Determination Agreement"	the agreement to be entered into by the Overall Coordinators and our Company on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around Friday, September 23, 2022 (Hong Kong time) on which the Offer Price is determined, or such later time as the Overall Coordinators and our Company may agree, but in any event no later than Saturday, September 24, 2022
"prospectus" or "Prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering

"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外滙管理局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"Share(s)"	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, comprising Domestic Share(s), Unlisted Foreign Share(s) and H Share(s)
"Shareholder(s)"	holder(s) of our Shares
"Share Award Schemes"	collectively, Share Award Scheme I and Share Award Scheme II
"Share Award Scheme I"	the share award scheme as adopted by the Company in January 2021, the principal terms of which are summarized in "Appendix VI — Statutory and General Information — Further Information about Our Directors, Supervisors, Management and Substantial Shareholders — 5. Employee Incentive Schemes"

"Share Award Scheme II"	the share award scheme as adopted by the Company in January 2021, the principal terms of which are summarized in "Appendix VI — Statutory and General Information — Further Information about Our Directors, Supervisors, Management and Substantial Shareholders — 5. Employee Incentive Schemes"
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"Single Largest Group of Shareholders"	refers to collectively Mr. Zhu, Mr. Fu, Ms. Liu, Ms. Chen, Hangzhou Xintu, Ningbo Hualing, Ningbo Huayang, Ningbo Jinghang, Ningbo Gulin and Wanzai Mingzhao
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and the Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》), which was promulgated by the State Council on August 4, 1994, as amended, supplemented or otherwise modified from time to time
"Stabilizing Manager"	J.P. Morgan Securities (Asia Pacific) Limited
"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"Supervisor(s)"	member(s) of Supervisory Committee
"Supervisory Committee"	supervisory committee of the Company
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buybacks issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the three financial years ended December 31, 2019, 2020 and 2021, and the three months ended March 31, 2022

"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"Unlisted Foreign Share(s)"	ordinary share(s) issued by the Company, with a nominal value of RMB1.00 each, which is/are subscribed for or credited as paid in a currency other than Renminbi, held by foreign investors and not listed on any stock exchange
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"U.S. Export Control Legal Advisor"	Pillsbury Winthrop Shaw Pittman LLP, the U.S. export control legal adviser of our Company
"Wanzai Mingzhao"	Wanzai Mingzhao Consulting Service Center L.P. (萬載明昭諮詢服務中心(有限合夥)), a limited partnership established under the laws of the PRC on November 28, 2017 and a member of the Single Largest Group of Shareholders

In this prospectus, the terms "associate," "close associate," "connected person," "core connected person," "connected transaction," and "substantial shareholder" shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

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

"ACC"	adaptive cruise control
"active user"	user who accesses our APP at least once in a given day
"advanced driver assistance systems" or "ADAS"	electronic systems developed to automate, adapt, and enhance vehicle systems for safety and better driving
"AI"	artificial intelligence
"APP"	a computer program designed to run on smartphones and other mobile services
"automatic configuration"	auto-configuration of in-car settings without manual intervention
"average manufacturing cost per vehicle"	equals the total of employee compensation expenses and depreciation and amortization expenses, divided by the number of vehicles delivered during the periods
"BOM"	bill of materials
"BMS"	battery management system
"C-NCAP"	China New Car Assessment Program, a car safety assessment program run by the China Automotive Technology and Research Center
"carbon neutrality"	net zero carbon emissions, achieved through a transparent process of measuring emissions, reducing those emissions and offsetting residual emissions
"CAGR"	compound annual growth rate
"CATARC"	China Automotive Technology and Research Center
"cd"	drag coefficient, used to quantify the resistance of an object as it passes through the surrounding air
"cell-to-chassis" or "CTC"	our proprietary technology to integrate battery module with the battery tray and vehicle body

"cloud"	a network of remote servers hosted on the Internet and used to store, manage, process data, and offer algorithms in place of local servers or personal computers
"CLTC"	China Light-duty Vehicle Test Cycle, a testing standard to measure and establish a vehicle's driving range developed by the CATARC
"corner case"	a problem or situation that occurs only outside of normal operating parameters
"data communications protocols"	a set of formal rules or standards that allows two or more entities of a communications system to transmit information via any kind of variation of a physical quantity
"DCU"	domain control unit
"ECU"	electronic control unit
"E/E architecture"	electrical/electronic architecture
"energy density"	the amount of energy a battery contains per unit of weight
"EREVs"	extended-range electric vehicles
"EV" or "electric vehicle"	the battery electric vehicles used for the carriage of passengers
"FOTA" or "firmware OTA"	firmware over the air, a technology that updates vehicle firmware remotely through cloud network
"Hangzhou Plant"	our planned plant in Qiantang New District, Hangzhou, Zhejiang
"high-voltage platform"	a platform utilizing a high power density electric powertrain system, leveraging electronic components based on third-generation wide bandgap SiC semiconductor materials and other advanced designs and technologies
"HVAC"	heating, ventilation and air conditioning

"IATF16949"	the quality management system requirements for the design and development, production and, when relevant, installation and service of automotive-related products, throughout the automotive supply chain
"ICE"	internal combustion engine
"in-vehicle infotainment system"	a combination of vehicle systems which are used to deliver entertainment and information to the driver and the passengers through audio/video interfaces, control elements like touch screen displays, button panel, voice commands, and more
"IoV"	Internet of Vehicle, a network of vehicles equipped with sensors, software, and the technologies that mediate between these with the aim of connecting and exchanging data over the Internet according to agreed standards
"IP67"	an IP Rating representing total protection against solid ingress, and protection against temporary water immersion between 15 centimeters and 1 meter and for up to 30 minutes
"IP69K"	an IP Rating representing total protection against water ingress, close-range high pressure, high temperature spray downs, being the highest protection level available
"IP Rating"	ingress protection rating that classifies and rates the degree of protection provided by mechanical casings and electrical enclosures against intrusion, dust, accidental contact and water
"Jinhua Plant"	our own plant for vehicle production located in Jinhua, Zhejiang
"LFP battery"	lithium iron phosphate battery
"lightweight index"	an index to evaluate the lightweight degree of body structure, proportional to body mass and inversely proportional to torsion stiffness
"maximum efficiency"	the maximum efficiency of an electric drive system, referring to the ratio between the output power and the input power in an ideal scenario

"maximum power"	an indicator to describe the dynamic performance of a vehicle; power is defined as the rate at which an object does work, and a vehicle with more power ideally will have better acceleration and higher maximum speed
"maximum torque"	torque is a rotating or twisting force produced by an engine's crankshaft; maximum torque refers to the acceleration performance of the car, especially the acceleration at low speed
"MCU"	motor control unit
"mid- to high-end segment"	the segment in China's NEV market with prices ranging from RMB150,000 to RMB300,000
"MPVs"	multi-purpose vehicles
"NAP"	Navigation Assistance Pilot
"NCM battery"	lithium nickel manganese cobalt oxide battery
"NEDC"	New European Driving Cycle, a testing standard to measure and establish a vehicle's driving range
"NEVs"	new energy passenger vehicles, comprising of battery electrics vehicles and plug-in hybrid electric vehicles (including EREV)
"NVH"	noise, vibration and harshness
"oil-cooling"	the use of oil as a coolant
"over-the-air" or "OTA"	a technology that updates vehicle software and firmware remotely through cloud network
"PCB"	a printed circuit board
"perception intelligence"	supports various recognition tasks, such as image categorization, object detection, pose detection and image segmentation, from visual data as well as 3D point clouds, speech signals and natural language text
"PHEVs"	plug-in hybrid electric vehicles
"post-subsidy price"	the purchase price that is net of the subsidies from China's central government, as applicable

"power density"	the amount of output power generated per unit of weight
"sensor"	a device, module, machine, or subsystem whose purpose is to detect events or changes in its environment and send the information to other electronics, frequently a computer processor
"smart EVs"	electric vehicles with a rich array of connectivity, autonomous driving and AI technology features
"SiC"	silicon carbide material, a compound semiconductor material used in automotive electronic and electrical parts
"SOTA" or "software OTA"	software over-the-aire
"SUVs"	sport utility vehicles
"TMS"	thermal management system
"VCU"	vehicle control unit
"vehicle architecture"	the physical layout of the vehicle and the way it implements functions through a given set of basic structural parameters and modules
"vehicle control system"	the central element of vehicle electronics, which combines several functions in one housing and control practically all the vehicle's electronic basis, comfort and security functions
"visual algorithm"	the algorithm that simulates the human visual system through a computer and related equipment, and processes the collected pictures or videos to obtain three-dimensional information of the corresponding scene, so as to adapt and understand the external environment and control the movement of a vehicle
"zonal controller"	the node in a vehicle that segments the E/E architecture and serves as the hub for all of the power distribution and data connection requirements for devices within a physical section of the vehicle

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- general political and economic conditions, including those related to the PRC;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans; and
- various business opportunities that we may pursue.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below before making an investment in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Offer Shares could decline, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date, unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our research and development efforts may not yield expected results.

Our technological capabilities and infrastructure are critical to our success. The industries in which we operate are subject to rapid technological changes and are evolving quickly in terms of technological innovation. We design and manufacture core EV systems and electronic components including systems relating to the battery, electric drive, electric control, in-vehicle operating, autonomous driving and smart cockpit. In 2019, 2020, 2021 and the three months ended March 31, 2022, our R&D expenses amounted to RMB358.3 million, RMB289.2 million, RMB740.0 million and RMB242.5 million, respectively. Our R&D expenses accounted for 306.4%, 45.8%, 23.6% and 12.2% of our total revenue for 2019, 2020, 2021 and the three months ended March 31, 2022, respectively.

We will continue to invest extensive resources in R&D in order to lead technological advances and remain competitive in the rapidly evolving EV industry. However, even if we are able to keep pace with changes in technology and develop new models, our previous models could become obsolete more quickly than expected, potentially reducing our return on investment. For example, in 2022, we introduced an oil-cooling electric drive system featuring better power efficiency. We expect to apply CTC technology in our upcoming mass-produced vehicle models, which leads to better performance including longer range and quicker acceleration. These innovative technologies may have inherent risks of having a short life in terms of their benefits over competing technologies, or may not be accepted by the market. Given the uncertain nature of R&D activities, there can be no guarantee that we will continue to achieve technological innovations and effectively commercialize such innovations. Consequently, even with substantial expenditure in relevant R&D activities, we may not generate corresponding returns, which may adversely affect our current market position. For example, we believe our modularized and cross-platform hardware and software with high adaptability across EV models, as well as high level of system interconnectivity are the key strengths that differentiate our smart EVs from those of the competitors. Any delay or obstruction in R&D in these aspects could materially and adversely affect our business, reputation, results of operations and prospects. Meanwhile, some of our competitors might perform better than or equally as well, even if they are not as vertically integrated, as us.

We have a limited operating history, which makes it difficult to evaluate our business and future prospects.

As we commenced our business operations in 2015, we have a limited operating history in most aspects of our business operations, including designing, developing, testing, manufacturing, marketing and selling our smart EVs and providing services. In 2019, we started production of the S01, our first mass-produced smart EV. We started production of our smart electric mini car, the T03, in 2020 and the C11, a mid-sized smart electric SUV, in 2021. In May 2022, we launched the C01 and expect to commence deliveries in the third quarter of 2022.

You should consider our business and prospects with regard to the risks and challenges we face as a new market player in our industry, including but not including but not limited to our ability to:

- design and produce smart EVs of consistent and reliable quality, with competitive features;
- enhance and optimize our proprietary smart EV technologies;
- optimize supply chain management;
- expand our sales and service network, including directly operated and channel partner stores;
- expand our customer base;
- provide engaging user interactions and a high-quality user experience;
- market our smart EVs and services effectively, and enhance our brand awareness;
- improve cost efficiency and economies of scale;
- operate our existing plants and establish new plants in a safe and efficient manner;
- deliver orders in a timely manner;
- attract, retain and motivate our employees; and
- expand into overseas markets.

If we fail to tackle any or all of these risks and challenges, our business may be materially and adversely affected. Our smart EVs are highly complex products that require ongoing maintenance and support. As a result, this may affect potential customers' choices if they are not convinced that our business will succeed or that our operations will continue. Likewise, 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.

Our ability to manufacture and deliver automobiles of high quality and appeal to customers, on schedule, and on a large scale is unproven and still evolving.

The sustainability of our business depends largely on our ability to timely execute our plan to mass produce and deliver vehicles of high quality and appeal to customers. We have constructed our first production facility in Jinhua, Zhejiang province. The annual production capacity of Jinhua Plant is 200,000 units. Our Jinhua Plant will continue to produce the T03, C11 and our mid- to large-sized smart electric sedan C01. Our future operation and prospects depend on the successful expansion and maintenance of the Jinhua Plant as well as the successful construction and maintenance of the planned Hangzhou Plant. In addition, we need to effectively control costs at these production facilities. Given the size and complexity of this undertaking, it is possible that we may experience obstacles in further expanding production output, which may result in delays or cost overruns. Furthermore, we have limited experience in vehicle production to balance production volume and vehicle quality, and therefore cannot assure you that we will be able to achieve the targeted production volume of commercially viable vehicles on a timely basis, or at all.

Our continuous production and delivery of vehicles of high quality to achieve the targeted production volume are and will be subject to risks, including with respect to:

- lack of essential funding or cost overruns;
- delays or disruptions in our supply chain;
- quality control deficiencies;
- labor shortage;
- halted production imposed by the government in relation to power restriction policies; and
- non-compliance with environmental, workplace safety, and other relevant regulations.

Furthermore, we rely on third-party suppliers for the development and provision of many key components and materials used in our vehicles. If our suppliers experience any difficulties in providing us with supply of components and materials, we may experience delays in delivering vehicles. In mid-August of 2022, there were approximately 1,800 orders of the C11 placed before January 1, 2022 that had not been delivered to customers, mainly due to the supply shortage of certain components as well as the negative impacts on logistics of the resurgence of COVID-19 in China in the first half of 2022. We have reached satisfactory solution with customers for the great majority of such orders by the end of August 2022. Any delays in the production and delivery of T03, C11, C01 or future models, or in performing updates to existing models, could subject us to user complaints, which may materially and adversely affect our reputation, demand for our vehicles, business, results of operations and our growth prospects.

Our vehicles and smart technologies may contain faults and may not perform to customer expectations.

Our smart EVs offer smart functions, including autonomous driving and smart cockpit, to offer customers a smart mobility experience. We pay close attention to the preferences of our target customers in designing vehicles. However, it is not guaranteed that we will continue to develop such smart functions, perform in line with expectations, and make them more appealing to our target customers.

Our smart EVs may contain faults in design or defects from production that cause them to malfunction or require repairs, and cause certain features of our smart EVs to take longer than expected to become activated. The operation of our smart EVs is highly dependent on our proprietary software systems which are inherently complex. The software system may contain latent defects and errors, and our preventive or remedial measures, if any, may not be timely or to the customers' satisfaction. There can be no assurance that we will be able to detect and fix any defects in the vehicles prior to their delivery to consumers. Any defect or failure of our vehicles could be harmful to our business, reputation, results of operations and prospects.

China's NEV market is highly competitive, and demand for EVs may be cyclical and volatile.

China's NEV market is large yet competitive, and we have strategically focused on offering smart EVs for the mid- to high-end segment, with prices ranging from RMB150,000 to RMB300,000. We compete with ICE automakers that have penetrated the NEV segment, and NEV manufacturers. We may also in the future face competition from new entrants who will increase the level of competition. Our current and potential competitors may have more financial, technical, manufacturing, marketing or other resources than us, and may be able to devote significant resources to the design, development, manufacturing, distribution, promotion, sale and support of their products.

We expect competition in our industry to persist, given the surging demand and government incentives for alternative fuel vehicles, continuing globalization and consolidation in the global automotive industry. Factors affecting competition include but are not limited to brand recognition, product design, delivery timeline, product quality, development time, pricing, safety, energy efficiency, supply chain management, sales and marketing capabilities, distribution network, customer support, after-sales service and financing terms. There can be no assurance that we will compete successfully. Our competitors may introduce new vehicles that exceed the quality or performance of our products, or offer customer service that better meets the needs of potential customers, which could adversely impact our competitive position in the market. They may also offer vehicles or services at lower prices, which could negatively affect our sales and profitability. Increased competition may result in lower vehicle sales and higher inventories, which could lead to downward pressure on prices and adversely affect our business, financial condition, results of operations and prospects.

We recorded gross losses and net losses, and had negative net cash flows from operations in the past, which may continue in the future.

Our smart EVs and parts were in their early development stage. While we experienced significant business growth during the Track Record Period, we have not yet been profitable since our inception. Moreover, we incurred gross losses of RMB112.0 million, RMB319.6 million, RMB1,387.6 million and RMB529.5 million in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively. We incurred net losses of RMB901.1 million, RMB1,100.1 million, RMB2,845.8 million and RMB1,042.2 million in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively. We expect to continue incurring net loss in 2022 primarily due to our investments in (i) the R&D of our future models and smart EV technologies, and (ii) the expansion of our production facilities and sales and service network. We may not generate sufficient revenue or continue to incur substantial losses for a number of reasons, such as a lack of demand for our vehicles and increasing competition. We may also incur unforeseen expenses, or encounter difficulties, complications or delays in deriving revenue or achieving profitability.

In addition, we had net operating cash outflows of RMB674.7 million, RMB731.9 million, RMB1,018.6 million and RMB385.2 million in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively. We plan to continue to invest in the expansion of sales and service network, R&D activities, increase in selling and marketing activities, recruitment of industry talent, and international expansion. However, it typically takes a long period of time to realize returns on such investments, if at all. As such, we expect to continue to have net cash outflows from operating activities in the near future.

Our negative operating cash flows could adversely affect our operations by reducing the amount of cash available to meet the cash needs for operating our business and funding our investments in technological innovation and business expansion. If our future operating cash flows fail to improve to a level to sufficiently cover our overall cash needs, we may plan to seek equity or debt financing to fund our operations in the future. Such financing might not be available to us promptly or on terms that are acceptable, or at all, and we may have limited financing channels due to our negative cash flow. If we fail to obtain the required additional financing before we are able to reach levels of revenue to meet our financial needs, we will need to delay, scale back or deviate from our business plan and may be forced to curtail or discontinue our operations. We may not be able to execute our growth strategies, and our business, financial condition and prospects may be materially and adversely affected if we cannot obtain sufficient capital to meet our needs.

We depend on revenue generated from a limited number of smart EV models.

In 2021, our business depended substantially on the sales and success of the T03, which was our second mass-produced smart EV in the market before the C11. We started delivering the C11, our third mass-produced smart EV, in October 2021. As of March 31, 2022, we had delivered 11,756 units of the C11. We launched the C01, our fourth model with expected delivery in the third quarter of 2022.

To cater for varied consumer preferences, we plan to continually introduce new models to enrich our product portfolio, as well as upgrade and unveil new versions of existing smart EV models. We target to launch seven new BEV models by 2025, at a pace of one to three models every year, covering sedans, SUVs and MPVs in various sizes. In addition, we also plan to launch the EREV version of these new models based on our proprietary EREV technology, concurrently or subsequently, to broaden our target audience to include customers with different needs and preferences. To the extent our smart EV portfolio does not meet customer expectations, or cannot be produced in accordance with 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 vehicle models, to the extent that a particular model is not well received by the market, our sales volume could be materially and adversely affected.

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

Through Leapmotor Pilot, we provide autonomous driving functionalities, and plan to continue to update and improve our autonomous driving technologies. Our C11 is equipped with Leapmotor Pilot 3.0, which provides 360-degree vision and 22 autonomous driving features including NAP. Autonomous driving technologies are subject to risks and from time to time there have been accidents associated with such technologies. The safety of autonomous driving technologies depends partly on user interaction, and users may not be accustomed to using such technologies. To the extent that accidents associated with our autonomous driving systems occur, we could be subject to liability, government scrutiny and further regulatory oversight, which may adversely impact our reputation, demand for our vehicles, financial condition and growth prospects. Furthermore, accidents or defects caused by third parties' autonomous driving technologies may negatively affect public perception, or result in regulatory restrictions, with respect to autonomous driving technologies.

Our R&D in autonomous driving technologies may be subject to regulatory restrictions. As the law evolves, autonomous driving technologies also face considerable regulatory uncertainty to keep pace with the rapidly evolving nature of the technology itself, which may be beyond our control and anticipation. Our autonomous driving systems may not meet evolving regulatory requirements, which will require us to redesign, modify or update our autonomous driving hardware and related software systems. See "Regulatory Overview — Regulations Relating to Intelligent Connected Vehicles and Autonomous Driving."

Our industry is rapidly evolving and may be subject to unforeseen changes. Developments in alternative technologies or improvements in the ICE may materially and adversely affect the demand for our smart EVs.

China's EV market is rapidly evolving and may develop beyond our expectations. The regulatory framework governing the industry is constantly evolving and may remain uncertain for the foreseeable future. As our industry and our business develop, we may need to modify our business model or change our products and services. These changes may not achieve expected results, which could have a material and adverse effect on our results of operations and prospects.

Developments in alternative fuel technologies, such as ethanol and fuel cells, or improvements in fuel economy of ICE, could have a material and adverse effect on our business and prospects that we cannot currently anticipate. We may fail to respond successfully to changes in alternative fuel technologies and market conditions. As the core systems and architecture of our EVs cannot be easily adapted to support alternative fuel technologies, we may be required to devote additional resources to the development of alternative fuel technologies, systems and vehicles, if we consider it is necessary in the future, which may not produce the desired results. The development of alternative fuel technologies could result in a change in the competitive landscape of the overall NEV market, and our current market position could be adversely affected as competition increases. These could seriously harm our competitive position, business growth and financial condition.

Our business is dependent on the strengths and market acceptance of our Leapmotor brand. If we fail to maintain and enhance our brand, or if we incur excessive expenses in this regard, our business, results of operations and prospects may be materially and adversely affected.

Our business and financial performance are heavily dependent on our ability to develop, maintain and strengthen the Leapmotor brand. If we do not continue to develop, maintain and strengthen our brand, we may lose the opportunity to improve our brand awareness and build a critical mass of customers. Promoting our brand will likely depend significantly on our ability to provide high-quality smart EVs. In addition, we expect that our ability to develop, maintain and strengthen the Leapmotor brand will depend heavily on the success of our sales and marketing efforts. For example, since 2020, we have opened a number of stores strategically located in high-traffic commercial areas, such as shopping malls, which we believe can enable us to raise our brand awareness and increase sales conversion. We also advertise our smart EVs through various online channels, including a number of vertical media and social media platforms. While we seek to optimize resource allocation through the careful selection of sales and marketing channels, such efforts may not achieve the desired results. To promote our brand, we may be required to adjust our branding practices, including utilizing traditional media, offline advertising and online media platforms, which could substantially increase sales and marketing expenses. During the Track Record Period, our selling expenses amounted to RMB131.1 million, RMB154.9 million, RMB427.9 million and RMB162.4 million, accounting for 112.1%, 24.5%, 13.7% and 8.2% of our revenue in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively. However, we cannot assure you that these activities will be successful or that we will be able to achieve the desired promotional effect. If we fail to develop and maintain a strong brand, our business, prospects, financial condition and operating results will be materially and adversely impacted.

If incidents, such as self-ignition and road accidents, occur or are perceived to have occurred, whether or not such incidents are by our fault, we could be subject to adverse publicity which could be detrimental to our reputation and brand image. See "— We may become subject to product liability claims, or choose to or be compelled to undertake product recalls or take other similar actions, which could adversely affect our brand image, business and results of operations." In addition, we do not have complete control over the third parties with whom we collaborate, such as channel partners and service

providers, whose misconduct may expose us to negative publicity. Our smart EVs are also evaluated and reviewed by third parties from time to time. Any negative reviews that compare us unfavorably with our competitors could adversely affect consumers' perceptions of our smart EVs. Given the popularity of social media, any negative publicity, regardless of the factual accuracy, could quickly proliferate and harm consumer perceptions and confidence in our brand.

We rely on domestic and global suppliers to provide certain components of our smart EVs. Our suppliers may fail to deliver such components as required in terms of time, cost, quality and quantity.

We may encounter component shortages resulting from delay in delivery, unsatisfactory quality, or production disruption of our suppliers. We procure raw materials and key components from suppliers located both domestically and globally, including but not limited to steel, battery cells, electrical components, and various vehicle components such as seats and tires. We currently procure some of the components from single-source suppliers. If our suppliers are unable to supply or delayed in supplying these components, or if the supply agreements are terminated, it may be difficult to procure alternative supplies in a timely manner. Any disruption in the supply of components could temporarily interrupt the production of our smart EVs until we are able to establish alternative supplies or to source sufficient quantities of the relevant components from other existing suppliers. However, it may be time-consuming and costly to identify alternative suppliers for certain highly customized components for our smart EVs or to develop our own alternatives. In the first half of 2022, we experienced shipping delays for certain components of the water-cooling electric drive systems, such as current sensors and high voltage connectors, which were procured from overseas suppliers. This delay had a negative impact on deliveries of the previous version of the C11. In December 2021, we upgraded the water-cooling electric drive system on all versions of the C11, including the Deluxe and Premium editions, to the next-generation oil-cooling electric drive system which has better performance. As a result, such delay did not materially affect our operation. As our business continue to expand, failure to source replacement parts in a timely manner could materially delay the delivery of our smart EVs, which could have a material adverse effect on our business and results of operations.

Our suppliers may fail to comply with applicable laws and regulations, or they may be involved in product liability claims or incidents of negative publicity. If any of these events occur, customers may lose confidence in our smart EVs that use components from the relevant suppliers, and our brand image, business and results of operations may be adversely affected.

With our business expansion, we may from time to time significantly increase the production of our smart EVs, and order additional components from our suppliers within a relatively short time frame. Our suppliers may fail to satisfy our needs, and even if they could, they may not be able to provide such components in a timely manner and at favorable prices. If we cannot secure a qualified substitute supplier in a timely manner, or at all, we may experience significant disruption in the supply of essential components of our smart EVs and material delay in the delivery of our smart EVs, which may materially and adversely impact our business and results of operations. In addition, we regularly

negotiate with existing suppliers to obtain discounts and avoid adverse changes in commercial terms, seek new suppliers for certain components with lower costs, and redesign certain components to lower their production costs. We currently rely on certain technologies of our suppliers to enhance the performance of our smart EVs, such as battery cells and semiconductors. Our operating results will suffer if we are unsuccessful in controlling and reducing supplier costs, in particular in the process of upgrading our existing vehicle models and introducing new vehicle models.

We expect to scale up our production as we introduce new models and new versions of existing models, which require us to control the procurement, warehousing and delivery of components to relevant production facilities with accuracy and efficiency. Where we fail to match the component procurement with our production needs, we may experience disruption in production, storage and delivery of our smart EVs, which could materially and adversely impact our business, financial condition and results of operations.

The global shortage in the supply of semiconductor chips and battery cells may disrupt our operations and adversely affect our business, results of operations, and financial condition.

Since October 2020, there has been a global shortage in the supply of semiconductors for automotive production resulting from the COVID-19 pandemic, increased demand for consumer electronics, and disruption in semiconductor production due to labor shortage and severe weather. We have been adversely impacted by this global semiconductor shortage. See "Business — Our Suppliers — Raw Materials, Parts and Components" for details. There is no assurance that we will be able to obtain sufficient quantities of semiconductors and components containing semiconductors for our operations at a reasonable cost, or at all. In addition, similar to other components, many of the processor chips and components used in our vehicles are currently purchased by us from single-source suppliers, although we retain the flexibility to obtain processor chips and components from multiple sources of suppliers. If suppliers of semiconductor chips and components are unable to meet our needs on acceptable terms, or at all, we may be required to switch to alternative suppliers, which could be time-consuming and costly. Accordingly, our production and delivery could be materially disrupted, which could have a material adverse effect on our business, results of operations and financial condition.

In addition, our business is dependent on the continued supply of battery cells for the battery packs used in our smart EVs. The prices for the battery cells fluctuate, and their available supply may be unstable, depending on market conditions and global demand for the battery cells and the materials used in the battery cells, such as lithium, nickel, cobalt, and manganese. There has been a looming shortage of battery cells since mid-2020 as a result of the increase in global demand due to increased production of NEVs, rising demand for raw material of battery cells, and the disruption in the supply chain due to the COVID-19 pandemic. While we believe several sources of the battery cells are available for our battery packs, any disruption in the supply of battery cells from such suppliers could disrupt production of our smart EVs until replaced with a fully qualified alternative supplier. There can be no assurance that we would be able to successfully retain existing suppliers or find alternative suppliers on a timely basis, on acceptable terms or at all.

Our sales and service network is subject to a number of risks, and the long-term effectiveness has not been proven.

As of March 31, 2022, our sales and service network consisted of 24 directly operated stores and 312 channel partner stores. In 2019, 2020, 2021 and the three months ended March 31, 2022, the revenue from our directly operated stores was RMB42.1 million, RMB94.6 million, RMB532.8 million and RMB323.9 million, respectively, accounting for approximately 36.0%, 15.4%, 17.4% and 16.3% of our total revenue from sales of vehicles and parts, respectively. For the same periods, the revenue from channel partner stores was RMB74.9 million, RMB521.2 million, RMB2,526.0 million and RMB1,667.9 million, respectively, accounting for 64.0%, 84.6%, 82.6% and 83.7% of our total revenue from sales of vehicles and parts, respectively. We plan to further expand our sales and service network through a balanced combination of directly operated stores and channel partner stores. We may not achieve the desired results of increasing sales and enhancing our brand awareness in a cost-efficient manner with such expansion. We may need to invest significant amount of capital and management resources to operate existing directly operated stores and open new ones, and there can be no assurance that we will be able to improve the operational efficiency of our directly operated stores. The rate of expansion of our directly operated stores and channel partner stores may not fully meet our customers' expectations.

While our channel partnership model enables us to pursue an asset-light expansion strategy, such model is subject to a number of risks. We may not be able to identify, attract and retain a sufficient number of channel partners with the requisite experience and resources to operate these stores. Although we offer the same trainings and implement the same service standards for staff in both directly operated stores and channel partner stores, we do not have complete control over how our channel partners operate their businesses. If our channel partners and their staff fail to deliver high quality customer services, resolve customer complaints in a timely manner, or perform at a standard in accordance with the terms of our agreements or perform inconsistently with our business strategy, our brand image, reputation and end user relationship may be adversely affected. This may in turn expose us to negative publicity and adversely affect our business, financial condition and results of operations.

In addition, our agreements with certain channel partners are non-exclusive. While they are required to only sell our smart EVs in the Leapmotor-brand channel partner stores, they may operate other stores to sell vehicles of other brands. These channel partners may devote more resources to the stores outside of our sales and service network and may deviate from our sales and marketing initiatives. Furthermore, we have adopted uniform pricing policy and designated specific geographical region coverage to our channel partners to reduce the degree of competition between different channel partners. However, any significant growth in our sales to certain channel partners in the future, or changes to our sales and service network, may give rise to competition among our channel partners and increase the risk of cannibalization. Any such behavior may harm our business, prospects, financial condition and results of operations. Mismanagement of channel partners could result in the loss of customers and damage to our brand. Our channel partners may also face financial difficulties, including loss of regional market share, bankruptcy, store relocation or other disruptions to the business, which could harm our sales performance, and we may not be able to successfully address these challenges.

If we are unable to provide quality services, our business and reputation may be materially and adversely affected.

We offer customers with quality value-added services, such as home charger installation, free roadside assistance service, emergency rescue for power loss and mobility scooter service. We engage third party service providers to carry out certain offline after-sales services. Servicing EV is different from servicing ICE vehicles and requires specialized skills, including high voltage electrical system maintenance. There can be no assurance that our after-sales service arrangements will sufficiently address the customers' requirements to their satisfaction, or that we and the third party service providers will have sufficient resources to meet these service requirements promptly as the number of smart EVs we deliver increases. It is possible that our services may fail to meet customers' expectations, which could adversely affect our business, reputation and results of operations.

In addition, we have authorized maintenance service providers to offer repair services for the vehicles we sell. While this arrangement may increase the number of our service outlets without increasing too much operating costs, it may also reduce our direct control over after-sales repair and maintenance services. Their failure to provide high quality services would damage our reputation.

Furthermore, we plan to monetize software offerings to include additional premium features in the future, such as supplementary autonomous driving functions. If we fail to deliver the software offerings that meet customers' needs, or if we are unable to provide adequate service and receive the expected number of orders for such monetized offerings, our business, results of operations and financial condition would be materially and adversely affected.

We seek to engage customers continuously via online and offline channels. If we are unable to roll out and create a broad service network through our stores, service centers and online user community, covering both online and offline channels, customer satisfaction could be unfavorably affected. This in turn could materially and adversely affect our sales, results of operations and prospects.

Changes in government incentives or subsidies to support NEVs could adversely affect our business, financial condition and results of operations.

Our business has benefited from PRC government policies that are favorable to the growth of NEVs, as well as subsidies and economic incentives. For example, qualified purchasers of the S01, T03, C11 and C01 are eligible for subsidies from PRC central government and certain local governments. In addition, in certain cities, quotas restricting the purchase of ICE vehicles do not apply to EVs, thereby incentivizing customers to purchase EVs. Any reduction, elimination or unavailability of government subsidies and economic incentives caused by policy changes could adversely affect our business, financial condition and results of operations.

According to the Measure on the Parallel Administration of the Corporate Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises (《乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法》), promulgated on September 27, 2017 and revised on June 15, 2020, NEV companies are allowed to sell automotive regulatory credits. See "Regulatory Overview — Favorable Policies Relating to New Energy Vehicles in China — Corporate Average Fuel Consumption and New Energy Vehicle Credits Scheme for Vehicle Manufacturers and Importers" for details. The PRC central government also provides funds and subsidies for certain local governments to support the roll out of a charging infrastructure, and other new regulations applicable to NEVs may be introduced. These policies are subject to certain limits as well as changes that are beyond our control, and we cannot assure you that future changes, if any, would be favorable to our business or financial condition. For instance, according to the Notice on Improving the Financial Subsidy Policies for the Promotion and Application of New Energy Vehicles (《關於完善新能源汽車推廣應用財政補貼政策的通知》) released on April 23, 2020, which was further confirmed on December 31, 2020 and December 31, 2021, the subsidies for NEV purchases from 2020 to 2022 will generally be lowered by 10%, 20% and 30%, respectively, based on the level of the previous year with limited exceptions in the area of public transport, and the total number of NEVs sold in China that will be entitled to such subsidies should be no more than two million each year. According to the latest policy issued on December 31, 2021, the subsidy policy for the purchase of NEVs in 2022 will be terminated on December 31, 2022, and that subsidy will no longer be granted to vehicles where car licenses are issued after December 31, 2022. In addition, we may have to control the operating costs and/or raise the prices of our existing vehicle models to remain profitable given the reduced subsidies, which may adversely impact our results of operations, demand for our vehicles, financial condition and our growth prospects.

During the Track Record Period, we generated revenue of nil, RMB15.5 million, RMB71.9 million and nil in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively, from the sales of automotive regulatory credits. Furthermore, we have received subsidies from some local governments in relation to the new smart EV production facility under construction in the Jinhua Plant. Any reduction or elimination of government subsidies and economic incentives as a result of policy changes, fiscal tightening or other factors may result in the diminished competitiveness of the EV industry generally or our smart EVs in particular. In addition, as we seek to increase revenue from vehicle sales, we may also experience an increase in receivables relating to government subsidies. Customers may refuse or delay in providing application information for government subsidies, and we may face difficulties in collecting the amount of subsidies from them. Any uncertainty or delay in the collection of government subsidies may also have an adverse impact on our financial condition.

We may also face increasing competition from overseas automakers due to changes in PRC government policies. On December 27, 2021, NDRC and MOFCOM promulgated the Special Administrative Measures for Entry of Foreign Investment (Negative List) (2021 Version), effective on January 1, 2022, which removed the restriction to foreign companies on the proportion of foreign ownership in the production of passenger cars, allowing the same foreign company to establish more than two joint ventures for manufacturing similar vehicle products. Under the current policies, foreign EV competitors could build wholly-owned production facilities in China without having a domestic joint venture partner, which could increase our competition and reduce our pricing advantage.

Our customers may cancel their orders despite the deposits and online confirmation.

Customers may cancel their orders for many reasons beyond our control, even after payment of deposit and online confirmation. The potentially long wait from the time an order is placed until the time the vehicle is delivered, and any delays beyond expected waiting time, may affect and ultimately change customers' decision to purchase. A significant number of orders may be canceled if we encounter delays in the deliveries of the T03, the C11, the C01 or future vehicle models. Such cancelations could harm our business, brand, financial condition, results of operations, and prospects.

The COVID-19 pandemic has adversely affected, and may continue to adversely affect, our results of operations.

Since January 2020, the COVID-19 outbreak has caused a significant impact on the global economy. In an effort to halt the outbreak in China, the PRC government placed significant restrictions on travel within China and closed certain production and business operations, and governments outside of China have halted or sharply curtailed the movement of people, goods and services to and from China. Moreover, the COVID-19 outbreak has become a global pandemic and affected regions outside of China, such as Europe and North America. We produce, market and sell our smart EVs in China. While most of our key suppliers are located in China, we procure certain automobile parts from overseas suppliers. If the COVID-19 pandemic continues for an extended period or worsens, it could materially and adversely impact our supply chain, sales and other aspects of our operations.

While we have resumed normal business operations, we have experienced certain disruptions in our operations as a result of the government-imposed suspensions in response to the COVID-19 pandemic in China. A substantial number of our offices and stores, as well as our production facilities, were closed for certain periods in the first quarter of 2020 as required by the PRC government. As a result of the COVID-19 resurgence, citywide restrictive measures were implemented in Shanghai from March to May 2022, and all of our directly operated stores and channel partner stores in Shanghai were temporarily closed during that time. While the pandemic had not materially and adversely affected our supply chain as of the Latest Practicable Date due to our advanced planning and effective supplier management, it has affected and may affect future delivery of components from certain suppliers that have suspended production. For example, due to the COVID-19 resurgence in a number of provinces in China, China took a variety of precautionary measures, such as travel restrictions, quarantines, remote working, cancellation of public events, and recommendations against travel for leisure, among others. As a result, we experienced a slowdown in production and certain delays in the transportation of our raw materials and parts since late 2021. From March to May 2022, certain suppliers in Shanghai had to temporarily halt the production and logistics arrangements of our raw materials and components, such as battery cells and semiconductor chips, due to the restrictive measures, which inevitably affected our production and delivery schedule in turn. We cannot assure you that our suppliers will not suspend their operations or become unable to provide sufficient components to us in the future if the COVID-19 pandemic continues or worsens. See "— We rely on domestic and global suppliers to provide certain components of our smart EVs. Our suppliers may fail to deliver such components as required in terms of time, cost, quality, and quantity."

Concerns about the COVID-19 pandemic and its potential impact on the Chinese and global economy have created uncertainty in the overall demand for automobile products, which could have negative implications for the demand of our smart EVs. The prolonged COVID-19 pandemic in certain overseas markets may adversely affect our expansion plan into international markets. At this point, we cannot accurately predict what effects these conditions would have on our business, which will depend on, among others, the ultimate geographic spread of the virus, the duration of the pandemic and the corresponding travel restrictions and business closures imposed by government authorities.

Our future growth is dependent upon consumers' willingness to adopt smart EVs.

The market for EVs is still rapidly evolving, characterized by changing technologies, prices and competitive landscape, government regulations and industry standards, and consumer demand and behaviors. Our future growth is dependent on the demand for, and upon consumers' willingness to adopt smart EVs.

Other factors that may influence the adoption of smart EVs, include:

- perceptions of EV quality, design and performance, particularly when adverse events or accidents related to the quality or safety of EVs occur, regardless of whether those vehicles are produced by us or other vehicle manufacturers;

- perceptions of vehicle safety in general, in particular safety issues that may be attributed to the use of advanced technologies, such as autonomous driving and lithium batteries;

- access to charging infrastructure, improvements in the fast-charging technology, standardization of EV charging systems and consumers' perceptions about convenience and cost for charging an EV;

- the decline of an EV's range resulting from battery deterioration over time;

- the availability of after-sales services for EVs;

- the availability of other types of EVs, including plug-in hybrid electric vehicles;

- improvements in the fuel economy of the ICE vehicles;

- developments in alternative fuels;

- availability of tax and other governmental incentives to purchase and operate EVs, such as government subsidies and free license plates, or future regulation requiring increased use of nonpolluting vehicles; and

- macroeconomic factors.

Any of the factors described above may refrain existing or potential customers from purchasing our smart EVs and using our services. If the market for EVs does not develop as we expect or develops more slowly than we expect, our business, prospects, financial condition and results of operations will be affected.

Our business is subject to seasonal fluctuations.

Our operating results may vary significantly from period to period due to many factors, including seasonal ones that may have an effect on the demand for our smart EVs. Demand for new cars typically decline around the Chinese New Year holiday, while vehicle sales are generally higher in the fourth quarter. Our limited operating history makes it difficult for us to judge the exact nature or extent of the seasonality of our business. We may record significant increase in revenue when we commence mass delivery of a new smart EV model to fulfill customer orders accumulated in prior periods, but we may not be able to maintain our revenue at similar levels in subsequent years or periods.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases may materially and adversely affect our business, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases, including COVID-19, avian influenza, severe acute respiratory syndrome, H1N1 influenza or Ebola virus, may materially and adversely affect our business, financial condition and results of operations. An outbreak of an epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may, in turn, materially and adversely affect our business. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may materially and adversely affect its economy and therefore our business.

We are also vulnerable to natural disasters and other calamities because our production facilities, warehouses, stores and information systems are susceptible to damage or disruption from 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, damage to our property, delays in production, breakdowns, system failures, technology platform failures, or internet failures, which could result in disruptions to our business operations and adversely affect our business, financial condition and results of operations.

Any cyber-attacks, unauthorized access or control of our smart EVs' systems could result in loss of confidence in us and harm our business.

Our smart EVs contain complex information technology systems to support smart technological functions and to accept and install periodic OTA updates. We have designed, implemented and tested security measures intended to prevent unauthorized access to our information technology networks and smart EV technology systems.

However, hackers may attempt to gain unauthorized access to modify, alter and use such networks and systems. We encourage reporting of potential vulnerabilities in the security of our smart EVs, and we aim to remedy any reported and verified vulnerability. However, there can be no assurance that vulnerabilities will not be exploited in the future before they can be identified, or that our remediation efforts are or will be successful. Any cyber-attacks, unauthorized access, disruption, damage or control of our information technology networks or our smart EVs' systems, or any loss or leakage of data or information stored in our systems could result in legal claims or proceedings. In addition, regardless of their veracity, reports of cyber-attacks to our information technology networks or our smart EVs' systems or data, as well as other factors that may result in the perception that our information technology networks or our smart EVs' systems or data are vulnerable to hacking could negatively affect our brand and harm our business, prospects, financial condition and results of operation.

Actual or alleged failure to comply with data privacy and protection laws and regulations could damage our reputation and operating results, and discourage consumers from purchasing our smart EVs.

In recent years, privacy and data protection has become an increasing regulatory focus of government authorities across the world. The PRC government has enacted a series of laws, regulations and governmental policies for the protection of personal data in the past few years. We have adopted strict information security policies, and use a variety of technologies to protect the data we manage. We mainly collect and store data relating to the usage of our smart EVs, the autonomous driving system and smart cockpit system, as well as data collected through our sales and services channels. For the extent of customer information we collect, we obtain prior consent from our customers or rely on other legal basis in accordance with applicable laws and regulations. We implement access control and account authority control, and desensitize customer data. We then analyze such information to improve our technologies, products and services. For further information, see "Business — Cybersecurity, Data Privacy and Personal Information."

On August 20, 2021, the Standing Committee of the National People's Congress (the "**SCNPC**") issued the Personal Information Protection Law, taking effect from November 1, 2021, which clarifies the scope of application, the definition of personal information and sensitive personal information, the legal basis of personal information processing and the basic requirements of notice and consent. Among other compliance requirements, the Personal Information Protection Law requires that personal information processors shall obtain individual consent when processing sensitive personal information. The CAC issued Several Provisions on the Administration of Automobile Data Security (Trial) with effect from October 1, 2021, which reiterates an automobile data processor could process personal information and detailed requirements for such circumstances. The Several Provisions on the Administration of Automobile Data Security (Trial) clarify that (i) in carrying out personal information processing activities, the automobile data processor shall inform the individual of relevant information by conspicuous means and obtain the consent of the individual unless there are other circumstances in accordance with the provisions of laws and administrative regulations; (ii) in handling sensitive personal information, an automobile data processor shall also obtain individual consent, and meet specific requirements such as limiting the purpose of processing, confirming the state of

collection and reminding termination of collection, or meet other requirements in accordance with laws, administrative regulations and mandatory national standards; and (iii) automobile data processor can collect biometric characteristic information such as fingerprint, voice print, face and heart rhythm only if it has the purpose and sufficient necessity to enhance driving safety. Since there are uncertainties regarding the interpretation and application of current regulations, such as the meaning of individual consent and the scope of "enhancing driving safety," we cannot guarantee that the laws or regulations will not be interpreted or implemented in ways that negatively affect us. In addition to the regulatory requirements, consumer attitude towards data privacy is also evolving, and consumer concerns about the extent to which their details collected by us may adversely affect our ability to gain access to data and improve our technologies, products and services.

On June 10, 2021, the SCNPC promulgated the PRC Data Security Law, which took effect in September 2021. The Data Security Law provides for a security review procedure for the data activities that may affect national security. On December 28, 2021, the CAC, together with other relevant administrative departments, jointly promulgated the revised Cybersecurity Review Measures (《網絡安全審查辦法》) with effect from February 15, 2022, according to which an online platform operator who possesses personal information of over one million users and intends for listing in a foreign country (國外上市) must be subject to the cybersecurity review. In the meantime, the Cybersecurity Review Measures grant the governmental authorities the discretion to initiate a cybersecurity review on any data processing activity if they deem such activity affects or may affect national security. Furthermore, on November 14, 2021, the CAC published the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Data Security Regulations**"), which reiterate the circumstances under which data processors shall apply for cybersecurity review, including, among others, (i) the data processors who process personal information of at least one million users apply for listing in a foreign country (國外上市); and (ii) the data processors' listing in Hong Kong affects or may possibly affect national security. Under the aforementioned stipulation, there is no explicit explanation by the relevant authorities on whether Hong Kong should be included in the scope of "foreign country"(國外), according to the understanding on PRC laws and regulations by our legal advisor as to PRC data security law, Hong Kong does not fall within the scope of "foreign country." Moreover, the number of users whose personal information we process has not reached one million. Therefore, our legal advisor as to PRC data security law is of the view that we are not required to apply for a cybersecurity review. However, the Draft Data Security Regulations provide no further explanation or interpretation as to how to determine what constitutes "affecting national security." As such, there remain uncertainties of interpretation, application and enforcement of the evolving relevant laws and regulations, and future regulatory changes may impose additional restrictions. As of the Latest Practicable Date, the Draft Data Security Regulations had not been formally adopted.

We cannot predict the impact of the draft regulations, if any, at this stage, and we will pay close attention to and assess any development in the rule-making process. If the enacted version of the draft regulations mandate clearance of cybersecurity review and other specific actions to be completed by companies like us for the Global Offering or our future capital raising activities, or if we are subject to such ex officio cybersecurity reviews

initiated by the government authorities, we may face uncertainties as to whether such clearance can be timely obtained, or at all. Failure to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, may prevent us from using certain network products and services and subject us to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, and revoking relevant business permits or business licenses, among other sanctions. See "Regulatory Overview — Regulations Relating to Internet Information and Automotive Data Security."

Our legal advisor as to PRC data security law is of the view that we will be able to comply with the Cybersecurity Review Measures and the Draft Data Security Regulations, if implemented in their current forms, in all material aspects on the basis that (i) we have not been informed by any PRC governmental authority of any requirement when we filed to CSRC for approval for this Listing; (ii) we have not been subject to any material fines or administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities in relation to the infringement of cybersecurity and data protection laws and regulations; (iii) there is no material leakage of data or personal information or violation of cybersecurity and data protection and privacy laws and regulations by us which will have a material adverse impact on our business operations; (iv) there has been no material cybersecurity and data protection incidents or infringement upon the rights of any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of the knowledge of the Company, threatened against or relating to the Company; and (v) we have implemented comprehensive cybersecurity and data protection policies, procedures, and measures to ensure secured storage and transmission of data and prevent unauthorized access or use of data. As such, our Directors believe that the Cybersecurity Review Measures and the Draft Data Security Regulations will not have any material adverse effect on our business operations or the proposed Listing. As of the Latest Practicable Date, we had not received any data security-related enquiries and had not been subject to any notices, warnings, or sanctions imposed by any regulatory authorities due to cybersecurity concerns.

On August 16, 2021, the CAC, NDRC, MIIT, the Ministry of Public Security and the Ministry of Transport jointly issued the Several Provisions on the Management of Automobile Data Security (for Trial Implementation) (《汽車數據安全管理若干規定(試行)》) ("**Several Provisions on Automobile Data**"), which took effect on October 1, 2021. The Several Provisions on Automobile Data define the terms such as "automobile data", "automobile data processors", "personal information", "sensitive personal information" and "important data". Under the Several Provisions on Automobile Data, automobile data processors shall obtain individual consent for processing personal information or rely on other legal bases in accordance with applicable laws and regulations. Where the automobile data processors collect data containing images of people outside the vehicle and transmit the data out of the vehicle for the purpose of improving driving safety, such personal information shall be anonymized if it is not possible to obtain the consent of these people. In addition, important data shall be stored domestically, and the automobile data processor shall undergo a safety assessment by the CAC and relevant ministries of the State Council if such data needs to be provided outside China due to business needs. The Several Provisions on Automobile Data require automobile data processors of important data to (i) conduct risk assessment in accordance with the regulations and

submit risk assessment reports to relevant departments at provincial levels; and (ii) report annually to such departments in relation to the information on automotive data security management.

As advised by our legal advisor as to PRC data security law, our policy on data collection and processing complies with the requirements in the Several Provisions on Automobile Data in all material aspects, on the basis that (i) we have implemented comprehensive data protection policies on personal information processing where it is stipulated that the collection and use of personal information shall be subject to customers' prior consent unless otherwise permitted by the laws; (ii) we inform our customers regarding our privacy policy of the situations where we process personal information inside the vehicle; (iii) we abide by such policies and personal information processing rules when we process customers' personal information; (iv) as with other major car manufacturers, we implement the general principle of in-vehicle data processing whenever it is technically feasible; and (v) we proactively monitor any regulatory development and adjust our policies and practices to comply with applicable regulations, including future regulations on in-vehicle data processing. In light of the above, our Directors believe that this provision will not have material adverse effect on our business operations.

We have adopted various measures, including management supervision and internal control system, to ensure compliance with privacy and data protection regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material claims, investigations or legal proceedings settled, pending or threatened for any material non-compliance with or violations of applicable PRC laws and regulations with respect to privacy and personal data protection. However, the laws and regulations regarding privacy and data protection in China are generally complex and evolving, with uncertainties as to the interpretation and application thereof. We may also become subject to additional or new laws and regulations regarding the protection of personal information or privacy-related matters in connection with our methods for data collection, analytics, storage and use. As such, we cannot assure you that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations. Additionally, the integrity of our privacy and data protection measures is also subject to system failure, interruption, inadequacy, security breaches or cyber-attacks. If we are unable to comply with the then applicable laws and regulations, or to address any data privacy and protection concerns, such actual or alleged failure could damage our reputation, deter existing and potential customers from using our products and services and could subject us to significant legal, financial and operational consequences. Moreover, any failure to comply with applicable data laws and regulations, and any leakage of customer data by our channel partners, whether or not such incidents are by our fault, could subject us to adverse publicity, which could be detrimental to our reputation and brand image.

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

We offer customers with a variety of features and services through our website and APP. In addition, certain smart EVs' features depend, to a certain extent, on connectivity to our information technology systems. As such, the availability and effectiveness of our

services depend on the continued operation of our information technology and communications systems. Our systems are vulnerable to damage or interruption from, including but not limited to, fire, terrorist attacks, natural disasters, power loss, telecommunications failures, computer viruses or other attempts to harm our systems. Our data centers are also subject to break-ins, sabotage, and intentional acts of vandalism, and to potential disruptions. In the past, we have successfully blocked and prevented major cyber-attacks and hacking attempts, and thus these attempts did not have an adverse effect on our operations. However, some of our systems are not fully redundant, and our disaster recovery planning cannot account for all eventualities. Any problems encountered by our data centers could result in lengthy interruptions in our services. In addition, our products and services are highly technical and complex and may contain errors or vulnerabilities, which could result in interruptions in our services or the failure of our systems.

We are subject to anti-corruption and anti-bribery and similar laws, and non-compliance with such laws can subject us to administrative, civil and criminal fines and penalties, collateral consequences, remedial measures and legal expenses, all of which could adversely affect our business, results of operations, financial condition and reputation.

We are subject to anti-corruption, anti-bribery and similar laws and regulations in various jurisdictions in which we conduct activities. We have direct or indirect interactions with officials and employees of government agencies and state-owned affiliated entities in the ordinary course of business. These interactions subject us to an increased level of compliance-related concerns. We have implemented policies and procedures designed to ensure compliance by us and our Directors, officers, employees, representatives, consultants, agents and business partners with laws and regulations. However, our policies and procedures may not be sufficient, and our directors, officers, employees, representatives, consultants, agents, and business partners could engage in improper conduct for which we may be held responsible.

Non-compliance with anti-corruption or anti-bribery laws and regulations could subject us to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, results of operations, financial condition and reputation.

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

Our success depends substantially on the continuing efforts of our senior management 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 of competitors or other companies poaching our talent may increase. Our industry is characterized by high demand and intense competition for management and R&D talents, in particular with those in the areas of electrification and smart technologies, and we cannot assure you that we will be able to attract or retain key

personnel, qualified staff or other skilled employees who have a significant impact on our daily production and operation activities. In addition, because our smart EVs are based on a different technology platform from traditional ICE vehicles, individuals with sufficient training in smart EVs may not be available, and we will need to expend significant time and expense training the employees we hire. Furthermore, as our Company is relatively young, our ability to train and integrate new employees into our operations may not meet the growing demand of our business expansion, which may materially and adversely affect our ability to grow our business and results of operations.

If any of our senior management 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 had not maintained any "key person" insurance on our key personnel during the Track Record Period. If any of our senior management or key employees joins a competitor or forms a competing company, we may lose customers, know-how and key professionals and staff members. Each of our senior management and key employees has entered into a confidentiality agreement with a non-competition clause in it. We will also selectively sign non-compete agreements upon their termination of employment. However, if any dispute arises between our senior management or key employees and us, the non-competition provisions may not be enforceable, especially in China, where these senior management 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.

We may become subject to product liability claims, or choose to or be compelled to undertake product recalls or take other similar actions, which could adversely affect our brand image, business and results of operations.

We may become subject to product liability claims, and our smart EVs may be subject to recalls in the future, which could harm our business, financial condition, results of operations, and prospects. The automotive industry experiences significant product liability claims, and we face an 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 regard are particularly pronounced given that we have limited field experience of our vehicles. A successful product liability claim against us could require us to pay a substantial monetary compensation. Although our agreements with suppliers provide that they will indemnify us against any liability arising out of defective parts or products supplied by them, we may not be able to effectively enforce or collect these contractual obligations. Moreover, a product liability claim could generate substantial negative publicity about our vehicles and business and inhibit commercialization of our future vehicles, which would materially and adversely affect our brand, business, prospects, cash flows, and results of operations. Any insurance coverage might not be sufficient to cover all potential product liability claims. Any lawsuit seeking significant monetary damages may materially and adversely affect our reputation, business, financial condition, and results of operations.

In the future, we may, voluntarily or involuntarily, initiate a recall if any of our smart EVs, including any systems or parts sourced from our suppliers, is proved 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 expenses and could adversely affect our brand image, business and results of operations. As of the Latest Practicable Date, to the best of our knowledge, we were not aware of any circumstances that may cause an imminent product recall.

If our vehicle owners modify our vehicles, the vehicle may not operate properly, which may create negative publicity and could harm our business.

Automobile enthusiasts may seek to modify our vehicles, including using third-party aftermarket products, to alter their appearance or enhance their performance, which could jeopardize our vehicle safety systems. We do not test, nor do we endorse, such modifications or third-party products. In addition, the use of improper external cabling or unsafe charging outlets can expose our users to injury from high voltage electricity. Such unauthorized modifications could reduce the safety of our vehicles and any accidents resulting from such modifications could result in negative publicity which would adversely affect our brand and consequently harm our business, financial condition, results of operations, and prospects.

The driving range of our smart EVs on a single charge may decline faster than the customer expects.

The decline in the driving range of our smart EVs on a single charge is principally affected by usage, time and charging patterns. As a result, a customer's heavy use of smart EV as well as a higher frequency in charging the battery can result in faster deterioration of the battery's ability to hold a charge, and the driving range of our smart EVs on a single charge may decline faster than the customer expects. If any of our vehicles fail to perform as expected, it may result in negative publicity and influence potential customers' decisions to purchase our smart EVs, which may adversely affect our ability to market and sell our smart EVs.

We may need to defend ourselves against claims for intellectual property infringement, which may be time-consuming and would cause us to incur substantial costs.

Entities or individuals, including our competitors, may hold or obtain patents, copyrights, trademarks, or other proprietary rights that could prevent, limit, or interfere with our ability to manufacture, use, develop, market or sell 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 intellectual property right holders 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 obtain licenses to use such patents and intellectual property rights. Our applications and uses of trademarks relating to our design, software, or AI technology could be found

to infringe existing trademark ownership and rights. In addition, if we or our employees are determined to have infringed a third party's intellectual property rights, we may be required to do one or more of the following:

- cease offering smart EVs or services that incorporate or use the challenged intellectual property;
- pay substantial damages;
- seek a license from the holder of the infringed intellectual property right, whose license may not be available on reasonable terms or at all;
- redesign our smart EVs or relevant services which would incur significant cost; or
- establish and maintain alternative branding for our smart EVs and services.

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

We may not be able to prevent others from unauthorized use of our intellectual properties, 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 properties. Failure to maintain or protect these rights could harm our business. In addition, any unauthorized use of our intellectual properties by third parties may adversely affect our reputation, business and financial condition.

The interpretations of PRC intellectual property laws, regulations and rules are not always uniform, and enforcement of these laws, regulations and rules involves uncertainties. 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 intellectual properties, 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.

We had net current liabilities and net liabilities in the past, which can expose us to liquidity risk, and such positions may recur if our profitability deteriorates in the future.

We had net current liabilities of RMB961.6 million as of December 31, 2020, which are mainly trade payables and amounts due to related parties. We had net liabilities of RMB1,229.0 million and RMB563.2 million as of December 31, 2019 and 2020, respectively, primarily due to (i) our borrowings, and (ii) financial instruments with preferred rights at amortized cost recorded as non-current liabilities. Such positions can expose us to the risk of shortfalls in liquidity. Any difficulty or failure to meet our liquidity needs as and when needed can have a material adverse effect on our business, financial condition, results of operations and prospects. The positions of net current liabilities and net liabilities may recur if our profitability deteriorates in the future.

If we do not continue to receive preferential tax treatments, our results of operations may be materially and adversely affected.

During the Track Record Period, we benefited from government grants and preferential tax treatments, many of which are non-recurring in nature or are subject to periodic review. We recognized government grants of RMB23.5 million, RMB66.6 million, RMB66.3 million and RMB9.2 million in other income in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively. For the same periods, we had preferential tax treatment amounting to RMB10.5 million, RMB18.0 million, RMB66.8 million and RMB29.0 million, respectively. See Notes 6 and 11 to the Accountant's Report in Appendix I and "Financial Information — Description of Key Components of Our Results of Operations — Income Tax Expense." There can be no assurance that we will continue to receive these preferential tax treatments. If we are unable to receive such treatment in the future, our results of operations may be materially and adversely affected.

We have granted share-based awards in the past under our share incentive plans and may continue to grant share-based awards in the future, which may result in increased share-based compensation expenses and have an adverse effect on our financial condition and results of operations.

We adopted the Employee Incentive Schemes for the purpose of granting share-based compensation awards to our officers, directors, employees and other eligible persons to recognize their contributions and motivate them to further contribute to our development. As of the Latest Practicable Date, 70,529,664 Shares were held by our employee shareholding platforms established for the Share Award Schemes, representing approximately 6.97% of the aggregate amount of the Shares in issue immediately before the completion of the Global Offering. We granted options to subscribe for an aggregate of 50,594,348 Shares under the Pre-IPO Share Option Scheme. As of the Latest Practicable Date, none of these options had been exercised and all of these options were outstanding. Our share-based expenses were RMB3.3 million, RMB42.6 million, RMB217.0 million and RMB73.0 million in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively. We believe the granting of share-based compensation awards is of significant importance in attracting and retaining key personnel and employees, and we may continue to grant share-based compensation awards in the future. As a result, our expenses associated with share-based compensation may increase, which may have a material and adverse effect on our financial condition and results of operations.

Fluctuation in our financial assets at fair value through profit or loss may affect our results of operations and bring valuation uncertainty due to the use of unobservable inputs that require judgment and assumptions which are inherently uncertain.

Fluctuation in fair value change of our current financial assets at fair value through profit or loss, which primarily consist of the wealth management products issued by reputable commercial banks in China, may affect our results of operations. We made investments in wealth management products during the Track Record Period and recorded a fair value of RMB181.6 million, RMB76.0 million, RMB1,260.1 million and RMB301.3 million as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively. We use significant unobservable inputs, such as expected rate of return, in valuing such financial assets. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. We are exposed to credit risk in relation to our investments in wealth management products, which may adversely affect the net changes in their fair value. We cannot assure you that market conditions and regulatory environment will create fair value gains on the wealth management products we invest in or that we will not incur any fair value losses on our investments in wealth management products in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected. See Note 21 to the Accountant's Report in Appendix I to this prospectus.

If we fail to fulfill our obligations under our contracts with customers in respect of contract liabilities, our results of operations and financial condition may be adversely affected.

As of December 31, 2021 and March 31, 2022, our contract liabilities amounted to RMB35.0 million and RMB58.4 million, respectively. Our contract liabilities represent advance payments from our customers while the underlying embedded services have yet to be provided, including extended one-year or lifetime warranties, vehicle internet connection service, firmware over-the-air upgrades and free lifetime roadside assistance service. See "Financial Information — Discussion of Certain Key Balance Sheet Items — Contract Liabilities." If we fail to fulfill our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the purchase price we have received, which may adversely affect our cash flow and liquidity condition, our ability to meet our working capital requirements and our results of operations and financial condition. In addition, if we fail to fulfill our obligations under our contracts with customers, it may adversely affect our relationship with such customers, which may also affect our reputation, business and results of operations in the future.

We may be exposed to credit risk of trade and notes receivables.

Our trade and notes receivables primarily comprise government subsidies for NEV vehicles, deposits to lessors and the deposit for a single borrowing transaction. As of December 31, 2019, 2020, 2021 and the three months ended March 31, 2022, our trade and notes receivables amounted to RMB19.0 million, RMB233.2 million, RMB782.3 million and RMB986.0 million, respectively. We may not be able to collect all such trade and other

receivables due to a variety of factors that are outside of our control, such as a long payment cycle and changes in government policies. In addition, if we fail to apply for government subsidies on behalf of vehicle buyers, we may face difficulties with collecting the amount of subsidies from them; see "— Changes in government incentives or subsidies to support NEVs could adversely affect our business, financial condition and results of operations." As increases in the amount of provisions made on our trade and other receivables are recorded as expenses on our results of operations, if we are not able to manage the credit risk associated with our trade and other receivables effectively, our results of operations may be adversely affected.

We may incur impairment losses for intangible assets, which may adversely affect our results of operations.

Our intangible assets comprised automotive manufacturing license, software, patents and research and development, which amounted to RMB17.9 million, RMB19.9 million, RMB419.9 million and RMB427.2 million in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively. See Notes 2.8 and 16 to the Accountant's Report in Appendix I. Failure to to generate financial results commensurate with our intangible assets may adversely affect the recoverability of such intangible assets, and in turn result in impairment losses. Any significant impairment losses charged against our intangible assets could have a material adverse effect on our business, financial condition and results of operations.

As some of our leased properties have title defects and did not complete registration procedures at relevant authorities, we may be required to cease occupation and the use of such leased properties.

We lease the premises for manufacturing, R&D, directly operated stores, delivery and servicing centers and offices. We cannot assure you that we would be able to renew the relevant lease agreements without substantial additional cost or increase in the rental cost payable by us. If a lease agreement is renewed at a rent substantially higher than the current rate, or currently existing favorable terms granted by the lessor are not extended, our business and results of operations may be adversely affected. As of the Latest Practicable Date, the actual usage of some of the leased properties was inconsistent with the usage set out in the respective title certificates or relevant authorization documents. Our PRC Legal Advisor is of the view that we may not be able to lease, occupy and use such leased properties, if the local governmental authorities challenge the validity of the leases, resume the land use right or require us to restore the land to its original use. In addition, as of the Latest Practicable Date, lessors of seven of our leased properties had not provided us with valid title certificates or building permit, and the leases may not be valid as a result. Furthermore, as of the Latest Practicable Date, we had not yet completed the registration of 100 property lease contracts we entered into in the PRC. As advised by our PRC Legal Advisor, failure to complete the lease registration will not affect the validity of the lease agreements according to PRC law, but we may have a maximum penalty of RMB10,000 imposed on us for each unregistered lease if we fail to complete the registration of any of the lease agreements within due time as required by the competent PRC government authorities. The estimated aggregate maximum penalty is RMB1,000,000 with respect to the unregistered leases of properties leased by us. See "Business — Properties — Leased Properties."

Our limited insurance coverage could expose us to significant costs and business disruption.

We believe we maintain insurance policies in line with industry standards. However, we have limited insurance coverage for our products and business operations. We do not maintain any business interruption insurance or product liability insurance. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material adverse effect on our results of operations. In addition, we do not maintain keyman insurance or insurance policies covering damages to our information technology systems. If we were to incur substantial losses or liabilities due to fire, explosions, floods or other natural disasters, disruption in our network infrastructure, production facilities or business operations, or any material litigation, our results of operations could be materially and adversely affected. Our current insurance coverage may not be sufficient to prevent us from suffering any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

Certain of our subsidiaries may be required to obtain additional licenses or permits or make additional filings or registrations.

In order to operate our business, we need to obtain a series of licenses, permits and approvals, make filings or complete registrations according to relevant PRC laws and regulations. However, given the significant amount of discretion held by local PRC authorities in interpreting, implementing and enforcing relevant rules and regulations, as well as other factors beyond our control, we cannot guarantee you that we have obtained or will be able to obtain and maintain all requisite licenses, permits, filings and registrations.

We may from time to time be subject to claims, disputes, lawsuits and other legal and administrative proceedings.

We are susceptible to claims and various legal and administrative proceedings. Claims arising out of actual or alleged violations of law, breach of contract or torts could be asserted against us by customers, business partners, suppliers, competitors, employees or governmental entities in investigations and legal proceeding. Regardless of the merit of the particular claim, legal and administrative proceedings may be expensive, time-consuming or disruptive to our operations and distracting to management. In recognition of these considerations, we may enter into agreements to settle litigation and resolve such disputes. There is no assurance that such agreements can be obtained on acceptable terms or that litigation will not occur. These agreements may also significantly increase our operating expenses. During the Track Record Period and up to the Latest Practicable Date, there was no legal or administrative proceeding pending or threatened against us that could, individually or in the aggregate, have a material effect on our business, financial condition or results of operations. However, new legal or administrative proceedings and claims may arise in the future, which may cause us to incur defense costs, and our business and financial conditions could be materially and adversely affected.

We are subject to various environmental and safety laws and regulations that could impose substantial costs upon us and cause delays in building our production facilities.

As an automobile manufacturer, we are subject to a variety of environmental, health and safety laws and regulations, including the use, handling, storage and disposal of hazardous materials in the manufacturing process, and the operation of our production facilities. See "Regulatory Overview — Regulation Relating to Environmental Protection and Work Safety" for details. In addition, from time to time, the PRC government issues new regulations, which may require additional actions on our part to comply, including substantial investments in improving our environmental and safety measures.

As we continue to expand our business, we may be further required to obtain additional licenses or permits. These approvals, licenses and permits are granted upon satisfactory compliance with, among other things, the applicable laws and regulations in relation to work safety, environmental protection, fire safety and customs import, and are subject to examinations or verifications by relevant authorities and may be valid only for a fixed period of time, subject to renewal and accreditation. Complying with government regulations may require substantial expenses, and any non-compliance may expose us to liability. If the Jinhua Plant or any of our other future production facilities fails to comply with applicable regulations, we could be subject to substantial liability for clean-up efforts, personal injury or fines or be forced to close or temporarily cease the operations of the Jinhua Plant or other relevant production facilities. We may experience difficulties, delays or failures in obtaining and renewing the necessary approvals, licenses and permits for business operations. Any of these events could have a material adverse effect on our business, prospects, financial condition and results of operation.

Environmental, social, and governance matters may impact our business and reputation.

In addition to the importance of their financial performance, companies are increasingly being evaluated by their performance on a variety of environmental, social, and governance ("**ESG**") matters, which are considered to contribute to the long-term sustainability of their companies' performance. A variety of organizations measure the performance of companies on ESG topics, and the results of these assessments are widely publicized. In addition, investment in funds that specialize in companies that perform well in such assessments are increasingly popular, and major institutional investors have publicly emphasized the importance of ESG measures to their investment decisions. Topics taken into account in such assessments include, among others, the company's efforts and impacts, including impacts associated with suppliers or other partners, on climate change, ethics and compliance with law, diversity, and the role of the company's board of directors in supervising various sustainability issues.

In light of investors' increasing focus on ESG matters, there can be no assurance that we will manage such issues successfully, or that we will successfully meet society's expectations as to our proper role. Any failure or perceived failure by us in this regard could have a material adverse effect on our reputation and on our operation results, including the sustainability of our business over time.

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

We have invested in our highly automated production facilities and adopted advanced equipment, including industrial robots, for our production process. We depreciate the cost of such equipment over their expected useful lives. However, production technology may evolve rapidly, and we may decide to upgrade our production process with cutting-edge equipment sooner than expected. Moreover, as our engineering and production expertise and efficiency increase, we may be able to manufacture our smart EVs by using less of our installed equipment. The useful life of any equipment that would be retired earlier than expected would be consequently shortened, causing the depreciation on such equipment to accelerate, and our results of operations could be negatively impacted.

If we fail to effectively manage our inventory, our results of operations and financial condition may be materially and adversely affected.

Our inventory primarily includes raw materials and finished goods. As of December 31, 2019, 2020, and 2021 and March 31, 2022, we had inventories of RMB165.2 million, RMB182.1 million, RMB749.5 million and RMB1,115.5 million, respectively. Maintaining an optimal level of inventory is important for the success of our business. We determine our level of inventory based on our experience, number of orders from customers and assessment of customer demand. We have implemented policy, under which we generally arrange production according to existing orders in order to maintain a relatively low level of inventory.

However, we may be exposed to inventory obsolescence and inventory shortage risks as a result of a variety of factors beyond our control, including but not limited to, changes of customer needs and the inherent uncertainty of the success of product launches. Inventory levels in excess of demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which would have an adverse effect on our profitability. We recognized inventory write-downs of RMB58.7 million, RMB24.0 million, RMB244.6 million and RMB65.1 million in 2019, 2020, 2021 and for the three months ended March 31, 2022, respectively. In addition, if we underestimate the demand for our products, we may not be able to produce a sufficient number of products to meet such unanticipated demand, which could result in delays in the delivery of our products and harm our reputation.

Any of the above may materially and adversely affect our results of operations and financial condition. As we plan to continue to expand our product offerings, we may continue to face challenges in effectively managing our inventory.

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

We offer competitive warranty terms. For customers who purchased the C11, we offered (i) a four-year or 120,000 km (whichever comes first) warranty, and (ii) an eight-year or 150,000 km (whichever comes first) warranty for battery, motor and electric control system. For customers who purchased the T03, we offered (i) a three-year or 120,000 km (whichever comes first) warranty, and (ii) an eight-year or 150,000 km (whichever comes first) warranty for battery, motor and electric control system. For customers who purchased the S01, we offered (i) a four-year or 120,000 km (whichever comes first) warranty, and (ii) an eight-year or 120,000 km (whichever comes first) warranty for battery, motor and electric control system. In addition, we offer a guarantee that the power battery will not decay by more than 20% during the warranty period of the vehicle. We generally make provisions for product warranty by reference to the sales volume and the expected unit costs for warranty services. We reevaluate the adequacy of the warranty accrual on a regular basis. As of March 31, 2022, our accrued warranty expenses amounted to RMB137.5 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 business, prospects, financial condition and results of operation.

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

Our operations may also be negatively affected by any deterioration in the political and economic relations among countries and sanctions and export controls administered by the government authorities in the countries in which we operate, and other geopolitical challenges, including, but not limited to, economic and labor conditions, increased duties, taxes and other costs and political instability. Furthermore, concerns over inflation, energy costs, geopolitical frictions, capital market volatility and liquidity issues may create difficult operating conditions in the future. Sales of our products and services in certain countries and sales of products that include components obtained from certain foreign suppliers could be materially and adversely affected by international trade regulations, including duties, tariffs and antidumping penalties. For example, the U.S. government imposed economic and trade sanctions directly or indirectly affecting China-based technology companies. Such laws and regulations are likely subject to frequent changes, and their interpretations and enforcements involve substantial uncertainties, which may be heightened by national security concerns or driven by political and/or other factors that are out of our control. Therefore, such restrictions, and similar or more expansive restrictions that may be imposed by the U.S. or other jurisdictions in the future, may be difficult or costly to comply with and may materially and adversely affect us and our key suppliers' and customers' abilities to obtain technologies, systems, devices or components that may be critical to our technology infrastructure, service offerings and business operations. In addition, the restrictions may also subject us to regulatory investigations, fines, penalties or other actions and reputational harm.

Dahua Technology, one of our shareholders and a connected person, was added to the Entity List in October 2019. Any export, re-export or transfer (in-country) of an item subject to the Export Administration Regulations ("**EAR**") to Dahua Technology requires a U.S. export license. While we believe, based on advice of our U.S. Export Control Legal Adviser, that our transactions with Dahua Technology and our 20% interests in Dahua Technology's subsidiary, Huaruijie Technology, do not result in any violation of the EAR, there can be no assurance that the U.S. Department of Commerce — Bureau of Industry and Security ("**BIS**") would hold the same view or that the export controls, sanctions, or trade embargoes applicable to Dahua Technology and its affiliates will not change. If our Company or other subsidiaries of our Group, or if the entire Group, were to become targeted under any economic and trade sanctions and/or export control restrictions in the future due to our relationship with Dahua Technology or otherwise, this may result in a material adverse effect on our business, regulatory investigations, and reputational harm to us. For further information on the transactions and shareholding relationships with Dahua Technology and its subsidiaries ("**Dahua Technology Group**") and our internal control measures, please see the section headed "Business — U.S. Export Control Implications on Transactions and Shareholder Relationships with Dahua Technology and Its Subsidiaries." In addition, there can be no assurance that our internal control measures would be adequately followed and implemented, or that the implementation of such internal control measures would be sufficient for us to address concerns associated with any applicable sanctions and export control laws.

From time to time, we may evaluate and consider strategic investments or acquisitions, which could require significant management attention and adversely affect our financial results.

We may evaluate and consider strategic investments, combinations, acquisitions or alliances to enhance our market position. These transactions could be material to our financial condition and results of operations if consummated. If we are able to identify an appropriate investment opportunity, we may not be able to successfully consummate the transaction and, even if we do consummate such a transaction, we may be unable to gain the desired benefits or avoid the difficulties and risks of such transaction, which may result in investment losses. Any future investments or acquisitions may not be successful, may not benefit our business strategy, may not generate sufficient revenue to offset the associated investments or acquisition costs or may not generate the intended benefits.

RISKS RELATING TO DOING BUSINESS IN CHINA

Changes in China's economic, political and social conditions, as well as policies of the PRC government, could have a material adverse effect on our business and prospects.

During the Track Record Period, we generated all of our revenue in the PRC. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic, political, and legal developments in China. Generally, the PRC government regulates the economy and related industries by imposing industrial policies and regulating the PRC's macro-economy through fiscal and monetary policies. In the past decades, the PRC government has taken various measures to promote market economy and the establishment of sound corporate governance in business entities. The

PRC government also exerts significant influence over China's economic growth through strategically allocating resources, controlling the payment obligations in foreign currency, setting monetary policies and providing preferential treatments to particular industries or companies. While the PRC economy has experienced significant growth over the past decades, the growth rate of the PRC economy has gradually slowed as it experienced the impact of COVID-19 pandemic in 2020 and 2021, and such impact may still persist. It may be difficult for us to predict all the risks and uncertainties that we may face as a result of the current economic, political, social and regulatory development, any prolonged slowdown in the growth of the PRC economy may reduce customers' demand for our products and services and materially and adversely affect our business and results of operations. Furthermore, any major changes in the policies of the PRC government or in the laws and regulations in China could have a material impact on the overall economic growth of China.

The PRC legal system is evolving, which leads to uncertainties that could adversely affect us.

We conduct our business primarily through our subsidiaries in China. Our operations in China are governed by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value. As the legislation in China and the PRC legal system has continued to evolve rapidly over the past decades and the PRC government has made significant progress in promulgating laws and regulations related to economic affairs and matters. For example, such laws and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, many of these laws and regulations are relatively new and there is a limited volume of published decisions and enactments. In particular, there exist substantial uncertainties surrounding the evolvement, interpretation and enforcement of regulatory requirements of cybersecurity, data security, privacy protection as well as anti-monopoly, and we may need to take certain corresponding measures to maintain our regulatory compliance, such as adjusting the relevant business or transactions and introducing compliance experts and talents, which may incur additional related costs and adverse impact on our business. As a result, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us. Therefore, there are uncertainties involved in their implementation and interpretation, and it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection available to you and us.

Such uncertainties, including uncertainty over the scope and effect of our contracts, 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 business operations.

The PRC government's control over foreign currency conversion may limit our foreign exchange transactions.

Currently, Renminbi still cannot be freely converted into any foreign currencies, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. A portion of our revenue must be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares. There is no assurance that, under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. The value of Renminbi against the U.S. dollar and other currencies fluctuates from time to time and is affected by a number of factors, such as changes in political and economic conditions in China and internationally and the fiscal and foreign exchange policies prescribed by the PRC government. Any devaluation of Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currencies.

Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends following the completion of the Global Offering, do not require advance approval from SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved, registered or filed in advance by SAFE in certain cases.

Under existing foreign exchange regulations, following completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, we cannot assure you that these foreign exchange policies regarding payment of dividends in foreign currencies will be continuously effective in the future. In addition, due to the restriction resulting from government foreign exchange regulations, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to holders of our H Shares or to satisfy any other foreign exchange requirements.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profit. Our distributable profit is our profit as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in years in which we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

In addition, we are required to comply with the dividend distribution rules prescribed by the PRC regulatory authorities when determining our dividend payout ratios. The PRC regulatory authorities may further amend the dividend distribution rules for listed companies in the future, which could significantly affect the amount of capital available to support the development and growth of our business.

Moreover, as the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our subsidiaries to pay dividends to us could have a negative impact on our cash flows and our ability to distribute dividend to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

You may experience difficulties in effecting service of legal process or enforcing foreign judgments against us and our management.

We are incorporated under the laws of the PRC and all of our business and operations are located in the PRC. In addition, almost all of our directors, supervisors and officers reside in China and substantially all of their assets are located in China. It may be difficult for investors to effect service of process upon those persons residing in China or to enforce against us or them in China any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of most other jurisdictions. As a result, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions outside China may be difficult or even impossible.

On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》(the "**Arrangement**"). Under the Arrangement, a party with an enforceable final court judgment rendered by any designated people's court of China or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant people's court of China or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against certain of our assets or Directors in China in order to seek recognition and enforcement of foreign judgments in China.

On January 18, 2019, the Supreme People's Court of the PRC and Hong Kong entered into an agreement regarding the scope of judgments which may be enforced between China and Hong Kong《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》(the "**New Arrangement**"). The New Arrangement will broaden the scope of judgments that may be enforced between China and Hong Kong under the Arrangement. Whereas a choice of jurisdiction needs to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with the certain rules without the parties' agreement. The New Arrangement will replace the Arrangement when the former becomes effective. However, as of the Latest Practicable Date, the New Arrangement had not become effective, and no specific date had been determined as its effective date. We cannot assure you that any action brought in China by holders of H Shares to enforce a Hong Kong arbitration award made in favor of holders of H Shares would succeed.

Furthermore, although we will be subject to the Listing Rules and the Takeovers Code upon the listing of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. Moreover, the Takeovers Code does not have the force of law and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

Disputes between holders of H Shares and us, our Directors, supervisors, senior officers or holders of non-listed shares, arising out of our Articles of Association or the rights or obligations conferred or imposed upon by the PRC Company Law and related rules and regulations concerning our affairs, including the transfer of our H Shares, are to be resolved through arbitration rather than by a court of law. A claimant may elect to submit a dispute to arbitration organizations in Hong Kong or in China. Awards that are made by the PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards may be recognized and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, we cannot assure you that any action brought in China by any holder of H Shares to enforce a Hong Kong arbitral award made in favor of holders of H Shares would succeed.

Holders of H Shares may be subject to PRC taxation.

Non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares in accordance with applicable PRC tax laws, rules and regulations.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), non-PRC resident individuals are subject to a 20% PRC individual income tax on their dividend income derived from China and we are required to withhold such tax from our dividend payments. If there is an applicable tax treaty to avoid double taxation and taxation evasion between China and the jurisdiction where the foreign individual resides,

the applicable tax rate shall be determined in accordance with such tax treaty. Considering that the applicable tax rate on dividends is usually 10% according to tax treaties or tax agreements and that the number of stockholders is large for a listed company, to simplify the tax administration, generally a domestic non-foreign-investment enterprise with shares listed in Hong Kong can withhold dividend income tax at a rate of 10%. There remains uncertainty as to whether gains realized by non-PRC resident individuals on disposition of H Shares are subject to PRC individual income tax.

Pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》) and other applicable PRC tax rules and regulations, non-PRC resident enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to a 10% PRC enterprise income tax rate on dividend income received from a PRC company and gains realized upon the sale or other dispositions of equity interest in a PRC company. The 10% tax rate is subject to reduction under any special arrangements or applicable treaties between China and the jurisdiction where the non-resident enterprise domiciles.

There remains substantial uncertainty as to the interpretation and implementation of the PRC EIT Law and other applicable PRC tax rules and regulations by the PRC tax authorities, including whether and how non-PRC resident H shareholders are subject to personal income tax or enterprise income tax on gains realized upon the sale or other dispositions of their H shares. In addition, the value of your investment in our H Shares may be materially affected by unfavorable changes in the applicable tax rates currently stipulated by the PRC tax authorities.

For additional information, please refer to "Taxation and Foreign Exchange" in Appendix III to this prospectus.

Any failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.

Companies operating in China are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund and contribute to the amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations.

As advised by our PRC Legal Advisor, we were in compliance with applicable laws and regulations related to social insurance and housing provident funds in all material aspects during the Track Record Period. However, we cannot assure you that any new laws and regulations or any changes in the implementation of the existing laws and regulations will not require us to pay any contribution shortfall retroactively, thereby adversely affecting our financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares, and their liquidity and market price may be volatile.

Prior to the Global Offering, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of Global Offering. In addition, the Offer Price of our H Shares is expected to be fixed by agreement between the Overall Coordinators and us, and may not be an indication of the market price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop following the completion of Global Offering, the market price and liquidity of our H Shares could be materially and adversely affected.

The price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our results of operations, changes in our pricing policy, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in profit forecast or recommendations by financial analysts, changes in ratings by credit rating agencies, litigation or the removal of the restrictions on share transactions, could cause large and sudden changes to the volume and price at which our H Shares will trade.

In addition, the Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and volume volatility that is not related to the operating performance of any particular company.

Holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be several business days after the pricing date. As a result, investors may not be able to sell or deal in our H Shares during that period. The price and trading volume of the H Shares may be highly volatile. Factors such as variations in our revenue, net profit and cash flows and announcements of new investments, strategic alliances and acquisitions, fluctuations in market prices for our products and services or fluctuations in market prices for other EV companies could cause the market price of our H Shares to change substantially. Any such developments may result in significant and sudden changes in the volume and price at which our H Shares will trade. We cannot assure you that these developments will not occur in the future. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, which could occur between the time of sale and the time trading begins.

Substantial future sales or the expectation of substantial sales of our H Shares in the public market could cause the price of our H Shares to decline.

Although our Single Largest Group of Shareholders are subject to restrictions on their sales of H Shares within 12 months from the Listing Date as described in "Underwriting" in this prospectus, future sales of a significant number of our H Shares by our Single Largest Group of Shareholders or other existing shareholders in the public market after the Global Offering, or the perception that these sales could occur, could cause the market price of our H Shares to decline and could materially impair our future ability to raise capital through offerings of our H Shares. We cannot assure you that our Single Largest Group of Shareholders, or other existing shareholders will not dispose of H Shares held by them or that we will not issue H Shares pursuant to the general mandate to issue shares granted to our Directors as described in "Appendix IV — Summary of Principal Legal and Regulatory Provisions", upon the expiration of restrictions set out above. We are currently applying for part of the Company's Domestic Shares to circulate on the Hong Kong Stock Exchange after the completion of the Global Offering. According to the PRC Company Law, the Shares issued by the Company prior to the Global Offering are restricted from trading within one year from the Listing Date. Such restriction from trading will limit the number of H Shares to be circulated on the market, which will in turn adversely affect the liquidity of the H Shares during such restriction period. If our application for the circulation of our relevant Domestic Shares on the Hong Kong Stock Exchange after the completion of the Global Offering is successful, any future sales (after the expiration of the restrictions set out above) of Domestic Shares by relevant Shareholders in the public market may affect the market price of the H Shares. Moreover, if we convert a substantial number of domestic shares into H shares to be listed and traded in the future at the Hong Kong Stock Exchange, it may further increase the supply of the H shares in the market, which may affect the market price of the H Shares. We cannot predict the effect, if any, that any future sales of Shares by our Single Largest Group of Shareholders or other existing Shareholders, or the Shares available for sale by our Single Largest Group of Shareholders or other existing Shareholders, or the issuance of Shares by our Company may have on the market price of the H Shares. Sale or issuance of a substantial number of Shares by our Single Largest Group of Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the H Shares.

We may need additional capital, and the sale or issue of additional H Shares or other equity securities could result in additional dilution to our Shareholders.

Notwithstanding our current cash and cash equivalents and the net proceeds from the Global Offering, we may require additional cash resources to finance our continued growth or other future developments. We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell additional equity securities, which could result in additional dilution to our Shareholders.

Purchasers of our H Shares in the Global Offering may experience immediate dilution upon such purchases and may experience further dilution if we issue additional H Shares pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option.

As the Offer Price of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the Global Offering, purchasers of our H Shares in the Global Offering may experience an immediate dilution. Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their H Shares. In addition, purchasers of our H Shares may experience further dilution of their shareholdings if we issue additional H Shares pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option. The Global Offering comprises: (i) the Hong Kong Public Offering of 13,082,000 H Shares (subject to reallocation and the Offer Size Adjustment Option); and (ii) the International Offering of 117,737,100 H Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option). The 130,819,100 Offer Shares in the Global Offering will represent approximately 11.4% of our enlarged share capital immediately after the completion of the Global Offering, without taking into account the exercise of the Offer Size Adjustment Option and the Over-allotment Option and any H Shares to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme. If both the Offer Size Adjustment Option and the Over-allotment Option are exercised in full, an additional 19,622,800 Offer Shares and an additional 22,566,200 Offer Shares will be issued respectively and the total Offer Shares will represent approximately 14.6% of our issued share capital immediately following the completion of the Global Offering, without taking into account any H Shares to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme.

We cannot assure you whether and when we will declare and pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be decided by our Board of Directors at their discretion and will be subject to the approval of the general meeting. A decision to declare or to pay dividends and the amount thereof depend on various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See "Financial Information — Dividend Policy."

Certain statistics contained in this prospectus are derived from publicly available official sources and they may not be reliable.

Certain statistics contained in this prospectus relating to China, the PRC economy and the industry in which we operate have been derived from various official government publications. However, we cannot assure you of the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Underwriters or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements and information that are forward-looking and uses forward-looking terminology such as "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus.

Prior to the publication of this prospectus, there has been coverage in the media regarding us and the Global Offering, which contained among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this prospectus. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Hong Kong Stock Exchange, including but not limited to compliance by us with Rules 19A.05 to 19A.07 of the Listing Rules.

Our headquarters are based and most of the business operations of our Company and our subsidiary are managed and conducted in the PRC. Our executive Directors ordinarily reside in the PRC and they play important roles in our Company's business operations. It is in our best interests for them to be based in places where our Group has significant operations. We consider it practically difficult and commercially unreasonable for us to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of our existing executive Directors or appointment of additional executive Directors. Therefore, our Company does not have, and does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules subject to the following conditions:

1. We have appointed Mr. Zhu and Ms. Lee Mei Yi as our authorized representatives ("**Authorized Representatives**") pursuant to Rules 3.05 and 19A.07 of the Listing Rules. The Authorized Representatives will act as our Company's principal channel of communication with the Hong Kong Stock Exchange. The Authorized Representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matter within a reasonable period of time upon request of the Hong Kong Stock Exchange;

2. When the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) promptly at all times. Our Company will also inform the Hong Kong Stock Exchange promptly in respect of any changes of the authorized representatives. We have provided the Hong Kong Stock Exchange with the contact details (i.e. mobile phone number, office phone number and email address) of all Directors to facilitate communication with the Hong Kong Stock Exchange;

3. All Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period upon the request of the Hong Kong Stock Exchange;

4. We have appointed Somerley Capital Limited as our compliance advisor (the "**Compliance Advisor**") upon listing pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. The Compliance Advisor, who will act as the additional channel of communication with the Hong Kong Stock Exchange when the Authorized Representatives are not available, will have access at all times to our Authorized Representatives, our Directors and our senior management as prescribed by Rule 19A.05(2) of the Listing Rules; and

5. We have provided the Hong Kong Stock Exchange with the names, mobile phone numbers, office phone numbers, fax numbers and email addresses of at least two of the Compliance Advisor's officers who will act as our Compliance Advisor's contact persons between the Hong Kong Stock Exchange and our Company pursuant to Rule 19A.06(4) of the Listing Rules.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Hong Kong Stock Exchange considers the following factors in assessing the "relevant experience" of the individual:

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company has appointed Ms. Jing Hua ("**Ms. Jing**"), our senior vice president and secretary to the Board, as one of our joint company secretaries. She has extensive experience in board and corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Lee Mei Yi ("**Ms. Lee**"), a Chartered Secretary and a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Ms. Jing for an initial period of three years from the Listing Date to enable Ms. Jing to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Since Ms. Jing does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Jing may be appointed as a joint company secretary of our Company. Pursuant to the Guidance Letter HKEX-GL108-20, the waiver will be for a fixed period of time ("**Waiver Period**") and on the following conditions: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 ("**Qualified Person**") and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer. The waiver is valid for an initial period of three years from the Listing Date, and is granted on the condition that Ms. Lee will work closely with Ms. Jing to jointly discharge the duties and responsibilities as company secretary and assist Ms. Jing in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. Ms. Lee will also assist Ms. Jing in organizing Board meetings and Shareholders' meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. Lee is expected to work closely with Ms. Jing and will maintain regular contact with Ms. Jing, the Directors, the Supervisors and the senior management of our Company. The waiver will be revoked immediately if Ms. Lee ceases to provide assistance to Ms. Jing as a joint company secretary for the three-year period after the Listing or where there are material breaches of the Listing Rules by our Company. In addition, Ms. Jing will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance

her knowledge of the Listing Rules during the three-year period from the Listing. Ms. Jing will also be assisted by (a) the Compliance Advisor of our Company, particularly in relation to compliance with the Listing Rules; and (b) the Hong Kong legal advisors of our Company, on matters concerning our Company's ongoing compliance with the Listing Rules and the applicable laws and regulations.

Before the expiration of the initial three-year period, the qualifications of Ms. Jing will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for ongoing assistance will continue. We will liaise with the Hong Kong Stock Exchange to enable it to assess whether Ms. Jing, having benefited from the assistance of Ms. Lee for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

WAIVER IN RESPECT OF SHORTER TRADING RECORD PERIOD

Pursuant to Rule 8.05 of the Listing Rules, a new applicant must satisfy either the profit test in Rule 8.05(1) or the market capitalization/revenue/cash flow test in Rule 8.05(2) or the market capitalization/revenue test in Rule 8.05(3). Each test requires (i) a trading record of not less than three financial years (e.g., Rule 8.05(3)(a)), and (ii) management continuity for at least the three preceding financial years (e.g., Rule 8.05(3)(b)).

Pursuant to Rule 8.05A of the Listing Rules, in the case of the market capitalization/revenue test under Rule 8.05(3), the Stock Exchange will accept a shorter trading record period under substantially the same management as required under Rules 8.05(3)(a) and 8.05(3)(b) if the new applicant is able to demonstrate to the Stock Exchange the satisfaction of the following:

(a) the directors and management of the new applicant have sufficient and satisfactory experience of at least three years in the line of business and industry of the new applicant. Details of such experience must be disclosed in the listing document of the new listing applicant; and

(b) management continuity for the most recent audited financial year.

Our Company was incorporated in December 2015 and began delivering the S01, our first mass-produced model and a smart battery electric coupe, in July 2019. While the Company recorded a revenue from the sales of vehicles and parts of RMB117.0 million for the financial year ended December 31, 2019, the Company only first recorded meaningful revenue from the sales of vehicles and parts since the second half of 2019 when the delivery of the S01 model began. Therefore, the first six months of 2019 cannot be counted towards the satisfaction of the requirement of a trading record under Rule 8.05(3).

Accordingly, pursuant to Rule 8.05A of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.05(3) of the Listing Rules on the following basis that:

(a) the executive Directors and senior management of the Company have sufficient and satisfactory experience of at least three years in the line of business and industry of the Company;

(b) the Company has satisfied management continuity for the most recent audited financial year; and

(c) the Company has satisfied the other requirements set out in Rule 8.05(3) of the Listing Rules, namely ownership continuity and control requirement, market capitalization requirement and revenue requirement.

WAIVER IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the Listing which will constitute non-exempt continuing connected transactions under Chapter 14A of Listing Rules. We have applied for, and the Hong Kong Stock Exchange has granted us, waivers from strict compliance with (i) the announcement requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transaction as disclosed in the section headed "Connected Transactions — Non-Exempt Continuing Connected Transactions (subject to reporting, annual review and announcement requirements)"; and (ii) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in the section headed "Connected Transactions — Non-Exempt Continuing Connected Transactions (subject to reporting, annual review, announcement and independent Shareholders' approval requirements)."

WAIVER AND EXEMPTION IN RELATION TO THE PRE-IPO SHARE OPTION SCHEME

Rule 17.02(1)(b) of the Listing Rules requires a listing applicant to, *inter alia*, disclose in the prospectus full details of all outstanding options and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the exercise of such outstanding options.

Paragraph 27 of Appendix 1A to the Listing Rules requires a listing applicant to disclose, *inter alia*, particulars of any capital of any member of the group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all

the members or debenture holders or to any class thereof, or to employees under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.

Under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the prospectus must state the matters specified in Part I of the Third Schedule.

Under paragraph 10 of Part I of the Third Schedule, the number, description and amount of any shares in or debentures of the company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures must be specified in the prospectus.

As of the Latest Practicable Date, our Company had granted share options under the Pre-IPO Share Option Scheme to 600 grantees to subscribe for an aggregate of 50,594,348 Shares, representing approximately 4.43% of our Company's share capital in issue immediately after completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised) for which the grantees include (i) two Directors (with respect to 2,500,000 underlying Shares), (ii) two Supervisors (with respect to 270,000 underlying Shares), (iii) six senior management members other than the Directors (with respect to 15,240,000 underlying Shares), (iv) 13 employees (who are not Directors, Supervisors, senior management, other connected persons of the Company, but are granted options to subscribe 200,000 Shares or more) (with respect to 8,835,000 underlying Shares) and (v) 577 Other Grantees (being the other grantees who are our employees but not persons mentioned in (i), (ii), (iii) or (iv) above) (with respect to 23,749,348 underlying Shares). Save as disclosed "Statutory and General Information — Further Information about our Directors, Supervisors, Management and Substantial Shareholders — 5. Employee Incentive Schemes — C. Pre-IPO Share Option Scheme" in Appendix VI to this prospectus, no options were granted to other connected persons of the Company. As of the Latest Practicable Date, no awards remain available for grant under the Pre-IPO Share Option Scheme, as all of the awards available under the Pre-IPO Share Option Scheme have been granted, and the Company had no intention to make further grant of options under the Pre-IPO Share Option Scheme.

The principal terms of the Pre-IPO Share Option Scheme are set out in "Statutory and General Information — Further Information about our Directors, Supervisors, Management and Substantial Shareholders — 5. Employee Incentive Schemes — C. Pre-IPO Share Option Scheme" in Appendix VI.

We have applied to (i) the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules and (ii) the SFC for a certificate of exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the disclosure of certain details relating to the options and certain grantees in this prospectus on the ground that the waiver and the exemption will not prejudice the interest of the investing public and strict compliance with the above requirements would be unduly burdensome to our Company for the following reasons:

(a) our Directors consider that it would be unduly burdensome to disclose in this prospectus full details of all the options granted by us to each of the grantees, which would significantly increase the cost and time required for information compilation and prospectus preparation for strict compliance with such disclosure requirements. For example, our Company would need to collect and verify the addresses of 600 grantees to meet the disclosure requirement. Further, the disclosure of the personal details of each grantee, including their names, addresses and the number of options granted, may require obtaining consent from the grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for our Company to obtain such consents given the number of grantees;

(b) material information on the options has been disclosed in this prospectus to provide prospective investors with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the options in making their investment decision, and such information includes:

    (i) a summary of the major terms of the Pre-IPO Share Option Scheme will be disclosed in "Statutory and General Information — Further Information about our Directors, Supervisors, Management and Substantial Shareholders — 5. Employee Inventive Schemes — C. Pre-IPO Share Option Scheme" in Appendix VI to this prospectus;

    (ii) the aggregate number of Shares subject to the options and the percentage to our share capital in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised) represented by such number of Shares;

    (iii) the dilutive effect and the impact on earnings per Share upon full exercise of the options immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised);

(iv) on an individual basis, full details of the options granted to each of (i) our Directors, Supervisors, senior management and other connected persons and (ii) grantees who have been granted options with 200,000 Shares or more underlying each individual grant are disclosed in this prospectus, and such details include all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule (the full details of all connected persons are disclosed in "Statutory and General Information — Further Information about our Directors, Supervisors, Management and Substantial Shareholders — 5. Employee Incentive Schemes — C. Pre-IPO Share Option Scheme" in Appendix VI to this prospectus);

(v) in respect of the options granted under the Pre-IPO Share Option Scheme to the Other Grantees, disclosure are made, on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grant, being (1) 10,000 to 99,999 Shares; and (2) 100,000 to 199,999 Shares. For each lot of Shares, the following disclosures will be made on an aggregated basis in "Statutory and General Information — Further Information about our Directors, Supervisors, Management and Substantial Shareholders — 5. Employee Incentive Schemes — C. Pre-IPO Share Option Scheme" in Appendix VI to this prospectus:

(a) the aggregate number of the Other Grantees and number of Shares underlying the options under the Pre-IPO Share Option Scheme;

(b) the consideration paid for the grant of the options under the Pre-IPO Share Option Scheme; and

(c) the exercise period and the exercise price of the options granted under the Pre-IPO Share Option Scheme.

(vi) a full list of all the grantees who have been granted options (including the persons referred to in sub-paragraph (a) above), containing all details as required under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix VII to the prospectus; and

(vii) the particulars of the waiver and the exemption granted by the Stock Exchange and the SFC, respectively, are disclosed in this Prospectus.

Our Directors consider that the above disclosure is consistent with the conditions ordinarily expected by the Stock Exchange in similar circumstances as set out in Guidance Letter HKEx-GL11-09 issued in July 2009 and updated in March 2014 by the Stock Exchange.

(c) the 577 Other Grantees have been granted options under the Pre-IPO Share Option Scheme to acquire an aggregate of 23,749,348 Shares, which is not material in the circumstances of our Company, and the exercise in full of such Share Options will not cause any material adverse change in the financial position of our Company;

(d) our Directors consider that non-compliance with the above disclosure requirements would not prevent our Company from providing potential investors with sufficient information for an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Group; and

(e) the names and addresses of the remaining 577 Other Grantees are immaterial information to potential investors to make an informed assessment of our Company in their investment decision making process.

The Stock Exchange has granted us a waiver from strict compliance with the relevant requirements under the Listing Rules subject to the conditions that:

(i) a summary of the major terms of the Pre-IPO Share Option Scheme will be disclosed in "Statutory and General Information — Further Information about our Directors, Supervisors, Management and Substantial Shareholders — 5. Employee Inventive Schemes — C. Pre-IPO Share Option Scheme" in Appendix VI to this prospectus;

(ii) the aggregate number of Shares subject to the options and the percentage to our share capital in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised) represented by such number of Shares;

(iii) the dilutive effect and the impact on earnings per Share upon full exercise of the options immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised);

(iv) on an individual basis, full details of the options granted to each of (i) our Directors, Supervisors, senior management and other connected persons and (ii) grantees who have been granted options with 200,000 Shares or more underlying each individual grant are disclosed in this prospectus, and such details include all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule (the full details of all connected persons are disclosed in "Statutory and General Information — Further Information about our Directors, Supervisors, Management and Substantial Shareholders — 5. Employee Incentive Schemes — C. Pre-IPO Share Option Scheme" in Appendix VI to this prospectus);

(v) in respect of the options granted under the Pre-IPO Share Option Scheme to the Other Grantees, disclosure are made, on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grant, being (1) 10,000 to 99,999 Shares; and (2) 100,000 to 199,999 Shares. For each lot of Shares, the following disclosures will be made on an aggregated basis in "Statutory and General Information — Further Information about our Directors, Supervisors, Management and Substantial Shareholders — 5. Employee Incentive Schemes — C. Pre-IPO Share Option Scheme" in Appendix VI to this prospectus:

(a) the aggregate number of the Other Grantees and number of Shares underlying the options under the Pre-IPO Share Option Scheme;

(b) the consideration paid (if any) for the grant of the options under the Pre-IPO Share Option Scheme; and

(c) the exercise period and the exercise price of the options granted under the Pre-IPO Share Option Scheme.

(vi) a full list of all the grantees who have been granted options (including the persons referred to in sub-paragraph (a) above), containing all details as required under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix VII to the prospectus;

(vii) the particulars of the waiver are disclosed in this Prospectus; and

(viii) the grant of certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exemption our Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The SFC has granted us a certificate of exemption under Section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule, subject to the conditions that:

(a) on an individual basis, full details of the options granted to each of (i) our Directors, Supervisors, senior management and other connected persons and (ii) grantees who have been granted options to subscribe for 200,000 Shares or more underlying each individual grant be disclosed in this prospectus, and such details include all the particulars required under paragraph 10 of Part I of the Third Schedule;

(b) with respect to the options granted by our Company under the Pre-IPO Share Option Scheme to the Other Grantees, the following details, including (i) the aggregate number of such grantees and the number of Shares subject to the options; (ii) the consideration paid (if any) for the grant of the options; and (iii) the exercise period and the exercise price for the options be disclosed in this prospectus; on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grant, being (1) 10,000 to 99,999 Shares; and (2) 100,000 to 199,999 Shares;

(c) a full list of all the grantees who have been granted options (including the persons referred to in sub-paragraph (a) above), containing all details as required under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix VII to the prospectus;

(d) the particulars of the exemption are disclosed in this Prospectus; and

(e) this prospectus will be issued on or before September 20, 2022.

WAIVER IN RELATION TO THE SUBSCRIPTION FOR H SHARES BY A CLOSE ASSOCIATE OF AN EXISTING SHAREHOLDER AS A CORNERSTONE INVESTOR

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Listing Rules are fulfilled.

The conditions in Rules 10.03(1) and (2) are that (i) no securities are offered to the existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides that, without the prior written consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 10.04 of the Listing Rules and a written consent under paragraph 5(2) of Appendix 6 to the Listing Rules for the subscription of H Shares by Kwok Tai East, a close associate of Zhoushan Haohai, an existing Shareholder, as a cornerstone investor, on the following grounds which are consistent with the conditions as set out in the Stock Exchange Guidance Letter (HKEX-GL85-16):

(a) **Less than 5%**: Zhoushan Haohai is interested in less than 5% of the Company's voting rights prior to the completion of the Global Offering.

(b) **Not core connected persons**: Zhoushan Haohai and its close associate are not, and will not be, core connected persons (as defined under the Listing Rules) of the Company or any close associate (as defined under the Listing Rules) of any such core connected person immediately prior to or following the Global Offering.

(c) **No right to appoint Directors**: Zhoushan Haohai has no power to appoint Directors of the Company (other than as a Shareholder of the Company) and do not have other special rights.

(d) **No impact on public float**: As Zhoushan Haohai is not a connected person to the Company, the Offer Shares to be held by Zhoushan Haohai and/or its close associates would be part of the public. Thus, allocation to the Zhoushan Haohai and/or its close associates for which this submission is sought will not affect the Company's ability to satisfy the public float requirement under Rule 8.08 of the Listing Rules.

(e) **Disclosure**: The relevant information in respect of the allocation to Zhoushan Haohai and/or its close associates will be disclosed in this prospectus and the allotment results announcement.

(f) the Company and the Joint Sponsors provide a written confirmation in accordance with the requirements set out in HKEX-GL85-16 as following:

(i) the Joint Sponsors confirms that, based on (i) their discussions with the Company and the Overall Coordinators; and (ii) the confirmations provided to the Stock Exchange by the Company (confirmation (ii) mentioned below), and to the best of their knowledge and belief, they have no reason to believe that Zhoushan Haohai or its close associates received any preferential treatment in the allocation as a cornerstone investor by virtue of its relationship with the Company other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in HKEX-GL51-13, and details of the allocation will be disclosed in the Prospectus and the allotment results announcement;

(ii) the Company confirms that in the case of participation as cornerstone investors, no preferential treatment has been, nor will be, given to the Zhoushan Haohai or its close associates by virtue of its relationship with the Company other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in HKEX-GL51-13, that Kwok Tai East's cornerstone investment agreement does not contain any material terms which are more favorable to the Kwok Tai East's than those in other cornerstone investment agreements; or

For further information about the cornerstone investment of Kwok Tai East, please refer to the section headed "Cornerstone Investors" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

CSRC APPROVAL

We have obtained an approval letter from the CSRC for the Global Offering on the Hong Kong Stock Exchange dated August 17, 2022. In granting such approval, the CSRC accepts no responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus contains the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 13,082,000 Offer Shares and the International Offering of initially 117,737,100 Offer Shares (subject, in each, to reallocation on the basis as set out in "Structure of the Global Offering" in this Prospectus).

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Joint Sponsors, the Joint Global Coordinators, the Overall Coordinators, the Capital Market Intermediaries, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time.

For details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilization, see "Structure of the Global Offering."

INFORMATION ON THE CONVERSION OF CERTAIN DOMESTIC SHARES AND UNLISTED FOREIGN SHARES INTO H SHARES

The Company has applied for the conversion of certain Domestic Shares and all Unlisted Foreign Shares into H Shares, which involves 750,372,750 Domestic Shares and 40,962,035 Unlisted Foreign Shares. Please refer to "History, Development and Corporate Structure" and "Share Capital" for details of the aforementioned shareholders and their interests in the Company and relevant procedures for the conversion of Domestic Shares and Unlisted Foreign Shares into H Shares. Such H Shares to be converted from Domestic Shares and Unlisted Foreign Shares are restricted from trading for a period of one year after the Listing.

The conversion of Domestic Shares and Unlisted Foreign Shares into H Shares has been approved by the CSRC on August 17, 2022 and the listing and trading of the H shares converted on the Hong Kong Stock Exchange is still subject to the approval by the Hong Kong Stock Exchange.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set forth in "How to Apply for Hong Kong Offer Shares" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Hong Kong Offer Shares to, confirm that he/she is aware of the restrictions on the offer and sale of the Hong Kong Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares outside Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC.

UNDERWRITING

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten

by the International Underwriters, subject to the agreement on the Offer Price between the Overall Coordinators (for themselves and on behalf of the Underwriters) and us. For further details on the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this Prospectus.

APPLICATION FOR LISTING OF THE H SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to (i) the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option), (ii) the H Shares to be converted from our existing Domestic Shares and Unlisted Foreign Shares and (iii) the H Shares to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme. Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Thursday, September 29, 2022. No part of our H Shares is listed on or dealt in on any other stock exchange, and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Hong Kong Stock Exchange.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisers for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted in to CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering and converted from our Domestic Shares and Unlisted Foreign Shares will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar, Tricor Investor Services Limited. Our principal register of members will be maintained by us at our headquarters in the PRC.

Dealings in the H Shares registered in our H Share register of members will be subject to Hong Kong stamp duty.

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders as recorded on the H Share register of the Company in Hong Kong and sent by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

According to the Guide to the Program for "Full Circulation" of H shares promulgated by CSDC on February 7, 2020, cash dividends to domestic investors of H-share "full circulation" shall be distributed through CSDC. An H-share listed company shall transfer RMB cash dividends to the designated bank account of the Shenzhen subsidiary of CSDC, who shall complete the clearing of cash dividends by distributing the cash dividends to investors through domestic securities companies.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Tricor Investor Services Limited, our H Share Registrar, and it has agreed not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;

- agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences, disputes and claims concerning our affairs and arising from any rights or obligations conferred or imposed by our Articles of Association, the PRC Company Law or other relevant laws, rules and regulations to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

- authorizes us to enter into a contract on his/her behalf with each of our Directors, Supervisors, senior officers whereby such Directors, Supervisors, senior officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association. Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not close associates (as defined in the Listing Rules) of any of the Directors, Supervisors or an existing Shareholder of the Company or a nominee of any of the foregoing.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposal of, dealing in or the exercise of any rights in relation to our H Shares. None of the Company, the Joint Sponsors, the Joint Global Coordinators, the Overall Coordinators, the Capital Market Intermediaries, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisers, agents or representatives, or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposal of, dealing in, or the exercise of any rights in relation to, our H Shares.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of the Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages, the Chinese version of these names shall prevail in the event of any inconsistency.

ROUNDING

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

CURRENCY TRANSLATIONS

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars.

Unless otherwise specified, this prospectus contains certain translations for the convenience purposes at the following rates: Renminbi into Hong Kong dollars at the rate of HK$1.00 to RMB0.8831, Renminbi into U.S. dollars at the rate of US$1.00 to RMB6.9313 and Hong Kong dollars into U.S. dollars at the rate of US$1.00 to HK$7.8492.

No representation is made that any amounts in RMB or Hong Kong dollars can be or could have been at the relevant dates converted at the above rate or any other rates.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Zhu Jiangming (朱江明先生)	No. 43, Shengtao Shayun Xingzhou Garden Xihu District Hangzhou Zhejiang Province, PRC	Chinese
Mr. Wu Baojun (吳保軍先生)	Room 303 No, 62, Huangcun West Road Tianhe District Guangzhou Guangdong Province, PRC	Chinese
Mr. Cao Li (曹力先生)	Room 302, Unit 2 Block 9 Wutong Yanlu Xihu District Hangzhou Zhejiang Province, PRC	Chinese
Non-Executive Director		
Mr. Jin Yufeng (金宇峰先生)	Room 102, Unit 2 Block 6 Chunxueyuan, Zijintingyuan Xihu District Hangzhou Zhejiang Province, PRC	Chinese

Name	Address	Nationality
Independent Non-Executive Directors		
Mr. Fu Yuwu (付于武先生)	No. 514, Unit 2 Block 5 No. 1, North Beach, Wali Chaoyang District Beijing, PRC	Chinese
Dr. Huang Wenli (黃文禮博士)	38 Zheda Road Xihu District Hangzhou Zhejiang Province, PRC	Chinese
Ms. Drina C Yue (萬家樂女士)	Flat 7B Birchwood Place 96 MacDonnell Road Mid-Levels Hong Kong, PRC	Chinese (Hong Kong)

SUPERVISORS

Name	Address	Nationality
Mr. Wu Yefeng (吳燁鋒先生)	Room A1501, Building No. 4 International Garden Fenghuang Street Wuxing District Huzhou Zhejiang Province, PRC	Chinese
Mr. Mo Chengrui (莫承銳先生)	No. 10, Room 401 Huaxia East Road, Lane 2895 Heqing Town Pudong New District Shanghai, PRC	Chinese
Ms. Yao Tianzhi (姚甜芝女士)	No. 9, Lijiang Yangcheng Village Meicheng Town Jiande City Zhejiang Province, PRC	Chinese

For details with respect to our Directors and Supervisors, see the section headed "Directors, Supervisors and Senior Management" in this Prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**J.P. Morgan Securities (Far East) Limited** 28/F, Chater House 8 Connaught Road Central Hong Kong **China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong **Citigroup Global Markets Asia Limited** 50/F, Champion Tower Three Garden Road Central Hong Kong **CCB International Capital Limited** 12/F, CCB Tower 3 Connaught Road Central Central, Hong Kong
Joint Global Coordinators	**J.P. Morgan Securities (Asia Pacific) Limited** 28/F, Chater House 8 Connaught Road Central Hong Kong **China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong **Citigroup Global Markets Asia Limited** 50/F, Champion Tower Three Garden Road Central Hong Kong **CCB International Capital Limited** 12/F, CCB Tower 3 Connaught Road Central Central, Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square
Central, Hong Kong

Joint Bookrunners

J.P. Morgan Securities (Asia Pacific) Limited
(in relation to the Hong Kong Public Offering)
28/F, Chater House
8 Connaught Road Central
Hong Kong

J.P. Morgan Securities plc
(in relation to the International Offering)
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Citigroup Global Markets Asia Limited
(in relation to Hong Kong Public Offering)
50/F, Champion Tower
Three Garden Road
Central
Hong Kong

Citigroup Global Markets Limited
(in relation to International Offering)
33 Canada Square, Canary Wharf
London E14 5LB
United Kingdom

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

ABCI Capital Limited
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Futu Securities International (Hong Kong) Limited
Unit C1-2 13/F, United Centre
No. 95 Queensway
Admiralty
Hong Kong

Tiger Brokers (HK) Global Limited
18th Floor, Central 88
88 Des Voeux Road Central
Hong Kong

Joint Lead Managers

J.P. Morgan Securities (Asia Pacific) Limited
(in relation to the Hong Kong Public Offering)
28/F, Chater House
8 Connaught Road Central
Hong Kong

J.P. Morgan Securities plc
(in relation to the International Offering)
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

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Central
Hong Kong

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10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

	Futu Securities International (Hong Kong) Limited Unit C1-2 13/F, United Centre No. 95 Queensway Admiralty Hong Kong
	Tiger Brokers (HK) Global Limited 18th Floor, Central 88 88 Des Voeux Road Central Hong Kong
Overall Coordinators	**J.P. Morgan Securities (Asia Pacific) Limited** 28/F, Chater House 8 Connaught Road Central Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Citigroup Global Markets Asia Limited 50/F, Champion Tower Three Garden Road Central Hong Kong
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central, Hong Kong
Capital Market Intermediaries	**J.P. Morgan Securities (Asia Pacific) Limited** 28/F, Chater House 8 Connaught Road Central Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong

Citigroup Global Markets Asia Limited
50/F, Champion Tower
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Hong Kong

Tiger Brokers (HK) Global Limited
18th Floor, Central 88
88 Des Voeux Road Central
Hong Kong

Legal Advisors to our Company

As to Hong Kong law and U.S. law

Clifford Chance
27th Floor, Jardine House
1 Connaught Place
Hong Kong

As to PRC law

Grandway Law Offices
7/F, News Plaza
No. 26 Jianguomennei Dajie
Beijing, PRC

As to U.S. export control law

Pillsbury Winthrop Shaw Pittman LLP
1200 Seventeenth Street, NW
Washington, DC 20036
The United States

As to PRC data security law

Han Kun Law Offices
9/F, Office Tower C1
Oriental Plaza
1 East Chang An Ave
Beijing, PRC

Legal Advisors to the Joint Sponsors and the Underwriters

As to Hong Kong law and U.S. law

Simpson Thacher & Bartlett
35/F, ICBC Tower
3 Garden Road
Hong Kong

As to PRC law

Jingtian & Gongcheng
34th Floor, Tower 3
China Central Place
77 Jianguo Road
Chaoyang District
Beijing, PRC

Reporting Accountant and Independent Auditor	**PricewaterhouseCoopers** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 2504 Wheelock Square 1717 Nanjing West Road Shanghai, PRC
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered Office	1/F No. 451 Wulianwang Street Binjiang District, Hangzhou Zhejiang Province, China
Headquarters and Principal Place of Business in the PRC	1/F No. 451 Wulianwang Street Binjiang District, Hangzhou Zhejiang Province, China
Principal Place of Business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Company's Website	**www.leapmotor.com** *(The information contained in this website does not form part of this Prospectus)*
Joint Company Secretaries	Ms. Jing Hua (敬華女士) Ms. Lee Mei Yi (李美儀女士) *(FCG, HKFCG)*
Authorized Representatives	Mr. Zhu Jiangming (朱江明先生) Ms. Lee Mei Yi (李美儀女士) *(FCG, HKFCG)*
Audit Committee	Dr. Huang Wenli (黃文禮博士) *(Chairperson)* Mr. Fu Yuwu (付于武先生) Mr. Jin Yufeng (金宇峰先生)
Remuneration Committee	Ms. Drina C Yue (萬家樂女士) *(Chairperson)* Mr. Zhu Jiangming (朱江明先生) Dr. Huang Wenli (黃文禮博士)
Nomination Committee	Mr. Zhu Jiangming (朱江明先生) *(Chairperson)* Mr. Fu Yuwu (付于武先生) Dr. Huang Wenli (黃文禮博士)
Compliance Advisor	**Somerley Capital Limited** 20/F, China Building 29 Queen's Road Central Hong Kong
H Share Registrar	**Tricor Investor Services Limited** 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong

Principal Banks

China Merchants Bank Co., Ltd.
Hangzhou Fengqi Branch
1/F, Region D, Block No. 1
Euro America Center, Seasons Villa
No.18 Jiaogong Road
Xihu District, Hangzhou
Zhejiang, PRC

China Construction Bank
Hangzhou High-tech Branch
No. 250 Wen San Road
Xihu District, Hangzhou
Zhejiang, China

This and other sections of this prospectus contain information relating to the industry in which we operate. Certain information and statistics set forth in this section have been extracted from the Frost & Sullivan Report issued by Frost & Sullivan, an independent market research agency, which we commissioned, and from various official government publications and other publicly available publications. Information and statistics from official government sources have not been independently verified by us, the Joint Sponsors, Joint Global Coordinators, the Overall Coordinators, the Capital Market Intermediaries, Joint Bookrunners, and Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering, and no representation is given as to their accuracy.

OVERVIEW OF CHINA'S NEW ENERGY PASSENGER VEHICLES MARKET

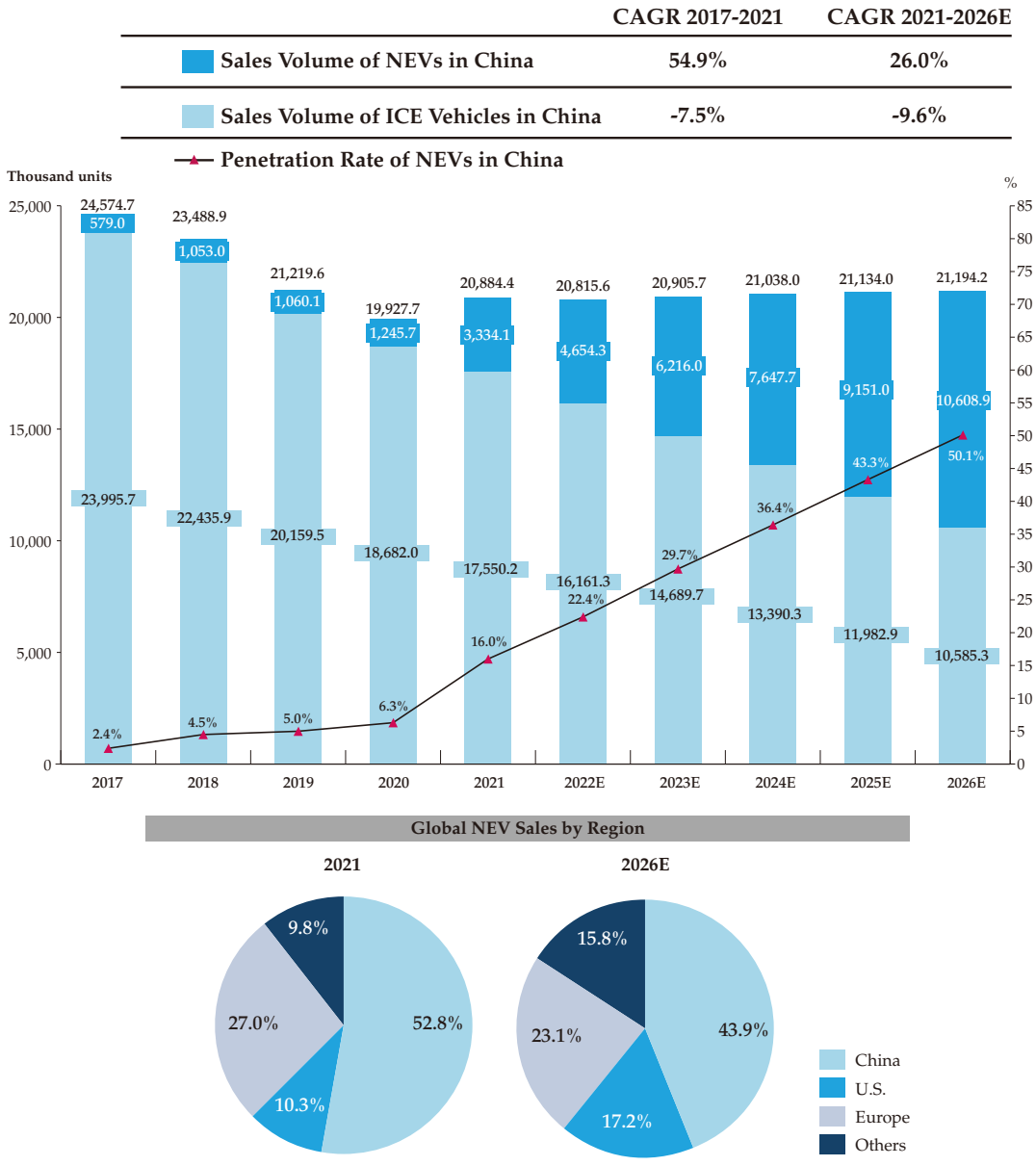
China was the world's largest passenger vehicle ("**PV**") market measured by sales volume in 2021, according to Frost & Sullivan. Approximately 62.9 million passenger vehicles were sold globally in 2021, of which 20.9 million units were sold in China. The sales volume of PVs in China is expected to increase to 21.2 million units in 2026, accounting for 30.9% of total estimated global sales in 2026.

New energy passenger vehicles (NEVs) comprise battery passenger electric vehicles (EVs), plug-in hybrid passenger electric vehicles (PHEVs) and extended-range passenger electric vehicles (EREVs). The sales volume of NEVs in China reached 3.3 million units in 2021. China was the world's largest NEV market by sales volume in 2021, which was approximately 2.0 times the size of the entire European market and approximately five times the size of the U.S. market. In 2026, China's sales volume of NEVs is expected to reach 10.6 million units, growing at a CAGR of 26.0% from 2021 and accounting for 43.9% of the global NEV market. Replacing internal combustion engine (ICE) vehicles rapidly, NEVs are expected to exceed ICE vehicles in sales volume in 2026 for the first time in China's PV market, according to Frost & Sullivan.

China's NEV market reached the inflection point of growth in 2021 and the growth rate continues to rise. The penetration rate of NEVs in China's PV market increased from 2.4% in 2017 to 16.0% in 2021 and is expected to surge from 22.4% in 2022 to 50.1% in 2026, according to Frost & Sullivan. NEVs have become increasingly popular among the mainstream consumer group. The mid- to high-end segment, with the price range between RMB150,000 and RMB300,000, is expected to become the largest and fastest-growing segment in China's NEV market from 2022 onwards.

The following charts illustrate the sales volume of PVs in China by energy type and NEV penetration rate from 2017 to 2026 as well as China's NEV sales volume and share in the global market in 2021 and 2026:

Sales Volume of PVs in China by Energy Type and NEV Penetration Rate (2017 to 2026E) and Global NEV Sales by Region

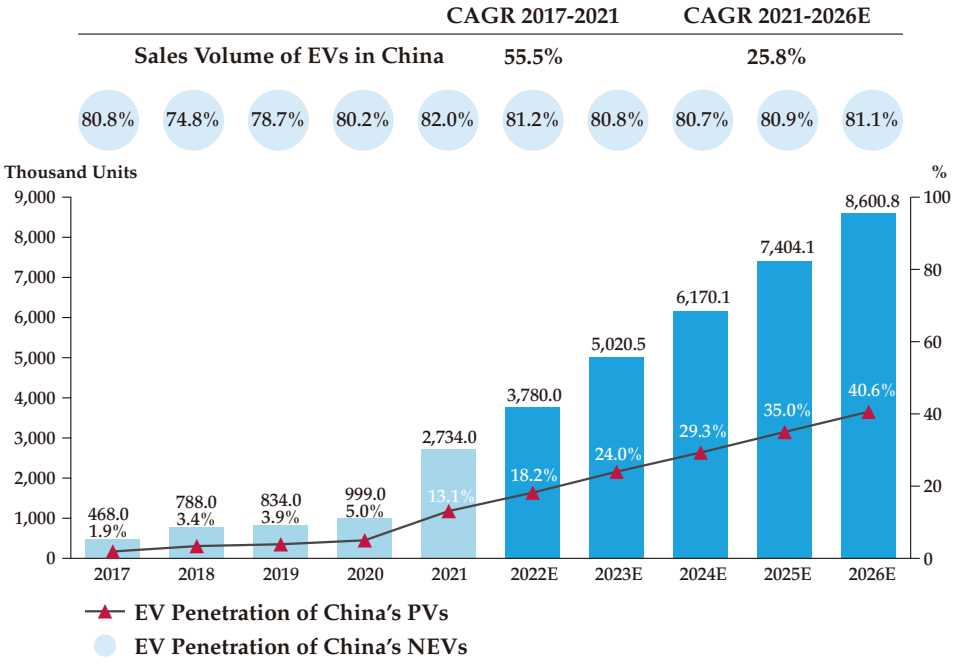


Source: *China Association of Automobile Manufacturers, China Passenger Cars Association, Frost & Sullivan*

Note: Sales volume of NEVs in the chart comprises that of EVs, PHEVs and EREVs.

EV is the most popular type of NEV in China[(Note 1)]. According to Frost & Sullivan, the penetration rate of EVs in China's NEV market reached 82.0% in 2021. The penetration rate of EV in China's PV market increased from 1.9% in 2017 to 13.1% in 2021 and is expected to surge from 18.2% in 2022 to 40.6% in 2026.

Sales Volume and Penetration Rates of EVs in China (2017 to 2026E)



Source: China Association of Automobile Manufacturers, China Passenger Cars Association, Frost & Sullivan

Segment Market of NEV and EV Industry by Price

According to Frost & Sullivan, the NEV and EV markets can be classified into four segment markets according to selling price of vehicles, namely 1) entry-level segment (below RMB80,000), 2) mid-range segment (RMB80,000 – below RMB150,000), 3) mid- to high-end segment (RMB150,000 – RMB300,000), and 4) premium segment (above RMB300,000).

The entry-level segment in the NEV market is dominated by small and mini vehicles. These NEVs have low ownership costs, and mainly provide short-distance travel functions, with limited intelligent capabilities. The driving range of NEVs in this price segment is generally from 100 km to 300 km. Leading players increase their customer base by offering vehicles at competitive prices.

Note 1: The aforementioned NEVs include NEVs sold in China by domestic and international automakers in China.

Mid-range NEV models can serve more diverse needs of consumers with a relatively low price. This market has a large number of participants and is relatively fragmented. NEVs in the mid-range segment are usually compact and used for daily commuting. The maximum driving range of NEVs in this price segment is generally around 400 km. Customers of NEVs in this segment are generally groups with a finite purchasing budget, and they prefer to choose NEVs that provide greater value for money. Leading players in this market segment provide NEV models equipped with a number of intelligent functions (e.g., ADAS, intelligent voice system, etc.) to attract more customers.

NEV models in the mid- to high-end market are characterized by larger size, more comprehensive smart functions and connectivity features, as well as better driving and user experience. The driving range of the leading NEV models in this price segment can reach 600 km and above, which has a wider application in long-distance intercity trips and family travel and can further relieve customers' range anxiety. Driven by technological advancement and infrastructure improvement, more and more Chinese consumers tend to pursue NEV models with greater value propositions. Customers of NEVs in this segment generally have higher purchasing power. Mid- to high-end NEVs with advanced technologies, appealing design and superior space layout are increasingly favored by consumers. The mid- to high-end segment is also relatively fragmented with an increasing number of market participants, including both Chinese companies and some multinational automotive manufacturers. There were more than 60 automakers selling approximately 150 models in this segment in China's NEV market in 2021, according to Frost & Sullivan. Players with stronger in-house R&D and production capabilities can continuously introduce new models rapidly to address evolving market demands, and therefore are better positioned to succeed in this segment.

Premium NEVs usually offer more luxurious configurations, targeting a smaller group of customers with a higher level of household income. The premium market is also highly fragmented with an increasing number of market participants. The competition among premium NEV manufacturers concentrates on key factors beyond product competitiveness such as higher-end brand image and premium services.

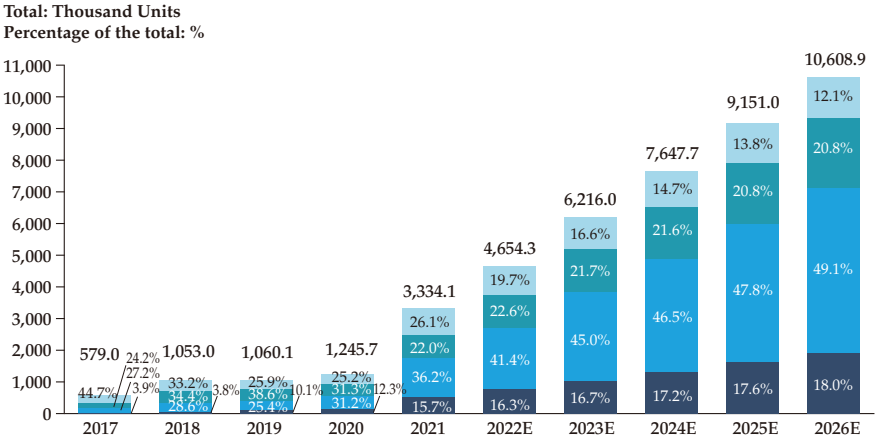
The Mid- to High-End Segment is Expected to Become the Largest and Fastest-Growing Segment in China's NEV Market

In 2021, 36.2% of the NEVs sold in China were priced between RMB150,000 and RMB300,000. This segment is expected to become the largest and fastest-growing segment in China's NEV market from 2022 and onwards, with 59.6% year-over-year growth rate in 2022. The sales volume in this segment is expected to increase from 1,207.0 thousand units in 2021 to 5,209.0 thousand units in 2026, at a CAGR of 34.0%. In 2026, NEVs priced between RMB150,000 and RMB300,000 are expected to account for 49.1% of all NEV sales in China, becoming the primary growth driver of domestic NEV market.

The following chart sets forth the sales volume of NEVs in China by price range from 2017 to 2026.

Sales Volume of NEVs in China by Price Range (2017 to 2026E)

	CAGR 2017-2021	CAGR 2021-2026E
Below RMB80,000	35.4%	8.1%
RMB80,000-RMB150,000	51.3%	24.6%
RMB150,000-RMB300,000	66.4%	34.0%
Above RMB300,000	119.4%	29.5%



Source: China Association of Automobile Manufacturers, China Passenger Cars Association, Frost & Sullivan

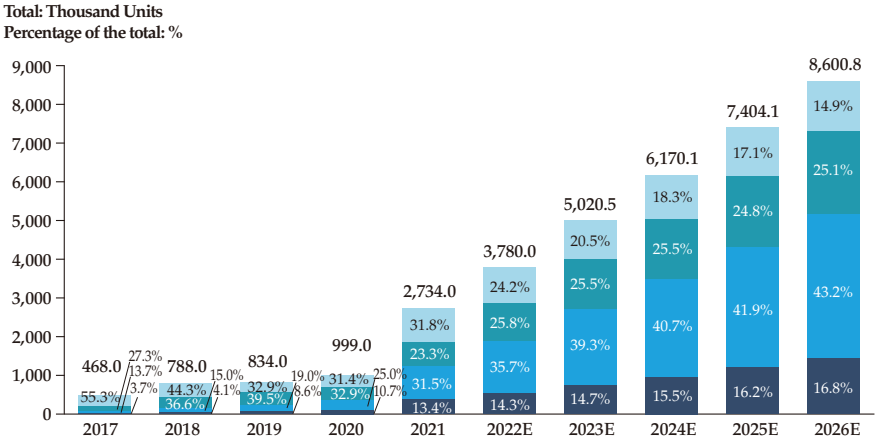
Significant increase in sales of NEVs demonstrates growing consumer demand for smart technologies, improving NEV charging infrastructure, and increasing market acceptance of NEVs by the consumers. Prior to 2019, sales of NEV in China were mainly driven by (i) lower cost of ownership and (ii) enthusiasm towards premium NEV models with cutting-edge technologies and advanced features. Therefore, the major patrons were consumers who purchased NEV models priced lower than RMB150,000 and "early adopters" for premium models. In the future, consumers who purchase NEVs as their first cars will require more sophisticated smart technologies and more comprehensive smart connectivity features. In addition, with increasing disposable income of Chinese households and the implementation of pro-natalist policy, more families are expected to purchase a second vehicle or replace their current vehicles to meet their growing mobility needs and will lay more emphasis on vehicle interior space. Accordingly, NEVs with smart functions and spacious interior design at a reasonable price are expected to become the first choice for consumers in China. Specifically, NEVs with a price range between RMB150,000 and RMB300,000 are expected to gain the most market share.

In 2021, 31.5% of the EVs sold in China were priced between RMB150,000 and RMB300,000. This segment is expected to become the largest segment in China's EV market from 2022 and onwards. The sales volume in this segment is expected to increase from 861.2 thousand units in 2021 to 3,715.5 thousand units in 2026, at a CAGR of 34.0%. In 2026, EVs priced between RMB150,000 and RMB300,000 are expected to account for 43.2% of all EV sales in China.

The following chart sets forth the sales volume of EVs in China by price range from 2017 to 2026.

Sales Volume of EVs in China by Price Range (2017 to 2026E)

	CAGR 2017-2021	CAGR 2021-2026E
Below RMB80,000	35.4%	8.1%
RMB80,000-RMB150,000	49.4%	27.6%
RMB150,000-RMB300,000	91.4%	34.0%
Above RMB300,000	114.5%	31.6%



Source: China Association of Automobile Manufacturers, China Passenger Cars Association, Frost & Sullivan

Evolution of NEV Consumer Profile in China

Mainstream consumers are increasingly endorsing NEVs' overall performance, smart technology, cost of ownership, product quality, reliability, value-added services and environmentally-friendly benefits. These consumers may require multiple cars to satisfy mobility needs for various scenarios.

There has been an increasing NEV penetration across China. NEVs are already widely recognized by consumers in tier 1 and tier 2 cities, influenced by higher household disposable income and governments' incentives to promote NEVs. Easier access to private parking spaces and home charging piles stimulates the NEV purchase in tier 3 and tier 4 cities. In addition, consumers in tier 3 and tier 4 cities tend to make shorter trips due to smaller city sizes, which eases range anxiety.

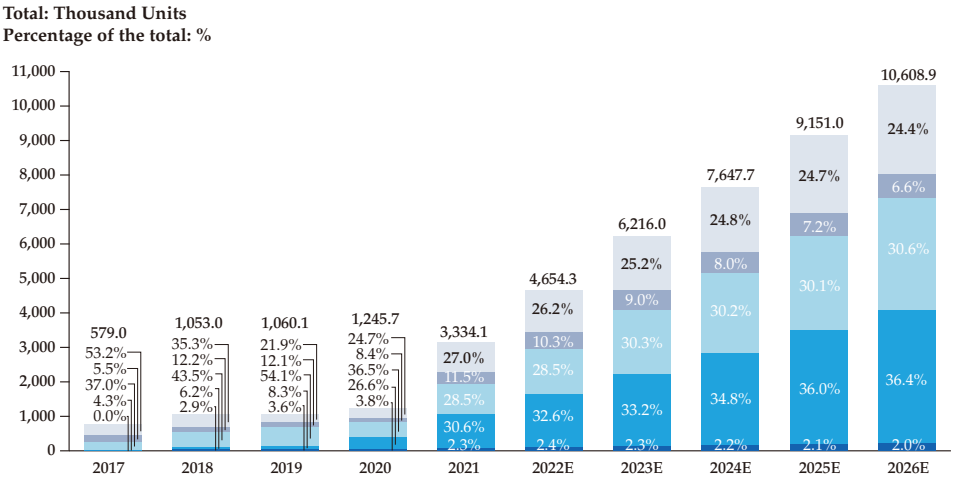
NEV Market Trends in China by Vehicle Class

NEVs in China are categorized into five classes, namely A00, A0, A, B and C class, primarily by wheelbase and taking into consideration factors such as vehicle length and type. In 2021, B, A and A00 class models were the three largest segments in the NEV market, with market share of 30.6%, 28.5% and 27.0%, respectively. B and A class vehicles are expected to continuously offer compelling value propositions to consumers and appeal to the mainstream consumer group. In 2026, the market share of B, A and A00 class vehicles is expected to be 36.4%, 30.6% and 24.4%, respectively, totaling 91.4% of all the NEVs to be sold in China.

The following chart sets forth the sales volume of NEVs in China by vehicle class from 2017 to 2026.

Sales Volume of NEVs in China by Class (2017 to 2026E)

	Wheelbase[1] (mm)	CAGR 2017-2021	CAGR 2021-2026E
Class A00	<2,500	30.8%	23.5%
Class A0	2,000-2,675	86.3%	12.8%
Class A	2,500-2,800	45.2%	27.8%
Class B	2,700-3,000	152.8%	30.5%
Class C	2,850-3,100	499.2%	22.2%



Source: *China Association of Automobile Manufacturers, China Passenger Cars Association, Frost & Sullivan*

Note:

(1) According to the GB/T 3730.1 - Terms and definitions of motor vehicles, trailers and combination vehicles (Draft for Comments) released in 2021

Key Growth Drivers of China's NEV Market

- ***Battery technology advancement:*** As the core component of NEVs, batteries have experienced continuous enhancement which improves NEV's performance, safety, service life and driving range. Such advancement eases consumers' safety concerns towards NEVs and range anxiety. Furthermore, the deterioration of batteries and its impact on driving range has been significantly alleviated, improving customer satisfaction. Lower battery cost also renders the bill of materials (BOM) cost of NEVs on par with ICE vehicles of a similar class, bringing a prominent cost advantage to NEVs due to lower energy cost.

- ***Smart technologies improvement:*** With the development of autonomous driving, smart connectivity, OTA technologies, as well as the Internet of Things (IoT), the value proposition of vehicles has been redefined. ADAS and autonomous driving technologies enable smart and automatic steering and braking, leading to a possible hands-free driving experience in the near future. Smart cockpits are comprised of in-car AI assistants, personalized connectivity and entertainment systems, as well as smart voice control and interaction systems. OTA offers continuous features upgrade, delivering a cutting-edge smart mobility experience superior to ICE vehicles.

- ***Consumer preference for NEVs:*** NEVs are becoming smart mobile spaces, offering user-friendly interior space layout, superior driving experience and lower cost of ownership. Therefore, NEVs are gaining popularity over ICE vehicles, with strong endorsement and referrals from customers.

- ***Charging technology advancement and infrastructure expansion:*** With the advancement of smart grid technology, distributed charging piles can be uniformly connected to intelligent power management platforms to maintain charging stability while providing smart functions, such as automatic vehicle identification, overcurrent detection as well as power-off. In addition, the continuous development of high-voltage and fast-charging technology has greatly reduced the charging time, which makes NEVs increasingly feasible for inter-city travel and eases range anxiety. In addition, the PRC government is promoting network expansion and technology advancement of charging facilities, allowing NEV penetration to grow at a faster pace. In May 2022, the State Council announced a comprehensive package of economic incentives, including policies to optimize the business model for NEV charging infrastructure investment and construction, which aim to create a nationwide charging network to fully cover residential neighborhoods and commercial parking lots, and accelerate the construction of charging facilities in highway service areas and passenger transportation hubs.

- ***Favorable PRC central government policy:*** The PRC central government has set out the NEV development plan and incentive measures as one of its most important strategic mandates. In October 2021, the State Council of China set the target of increasing the share of vehicles fueled by new and clean energy to 40% by 2030 according to the Action Plan for Carbon Dioxide Peaking Before 2030 (《2030年前碳達峰行動方案》), the national climate policy, aiming at achieving "peak CO_2 emissions" by 2030 and "carbon neutrality" by 2060. Furthermore, in January 2022, the NDRC, together with several other central governmental authorities of China, jointly issued Implementation Measures for Promotion of Sustainable Consumption (《促進綠色消費實施方案》), which has demonstrated the PRC government's strong conviction in promoting the adoption of NEVs by lifting purchase restrictions and easing driving restrictions, as well as expanding the charging infrastructure. According to the Report on the Work of the Government published on March 5, 2022, the PRC central government aims to continuously promote NEV purchases. The aforementioned policies were reiterated under the Opinions on Fiscal Support to Achieve Carbon Peaking and Carbon Neutrality Goals (《財政支持做好碳達峰碳中和工作的意見》) published by the Ministry of Finance in May 2022, which urged implementing preferential tax policies and improving government procurement policies for NEVs. In August 2022, according to a State Council meeting, the vehicle purchase tax exemption for NEVs will be extended to the end of 2023. Together with the existing policies restricting the number of license plates for ICE vehicles to mitigate air pollution, all these favorable national measures will incentivize consumers to purchase NEVs, especially EVs in China.

Future Trends of NEVs

NEVs apply more advanced power and smart technologies, which are principally manifested in the following aspects:

- ***Improvement in driving range:*** NEV manufacturers are developing more lightweight models by optimizing vehicle structure, streamlining production processes and reducing materials used. For example, the application of cell-to-chassis (CTC) integration technology can reduce the weight of the vehicle and effectively increase the driving range, while maintaining chassis strength. Furthermore, battery suppliers continue to develop battery cells with higher energy density, improving safety and lowering cost.

- ***Application of fast-charging technology:*** In addition to range anxiety, another pain point of driving NEVs is the energy replenishment anxiety due to slow charging speed. Benefiting from breakthroughs in SiC materials and related high-voltage fast-charging technologies, NEVs will be equipped with faster charging speed and higher efficiency.

- ***Customized smart cockpits:*** The internet of vehicles and advanced wireless communication technologies have accelerated the adoption and development of in-car intelligent infotainment systems, which offer a number of smart interaction functions such as voice recognition and interaction, touch panels, and in-cabin applications, enabling a more personalized and content-rich interaction experience. Smart cockpits are expected to provide more customizable in-car settings to further enrich user's mobility experience. Therefore, NEV manufacturers that are able to offer superior smart connectivity technologies will gain a competitive edge in the industry.

- ***More advanced autonomous driving technologies:*** NEV manufacturers strive to provide a safer driving experience while minimizing human intervention. See "— Levels of Autonomous Driving" for details. Leading players in the NEV industry have made significant investments in ADAS/autonomous driving technologies which require specialized R&D in advanced machine learning algorithms, multi-layered sensors, and strong computing power. Pure vision perception and LIDAR, and their combination are the mainstream solutions for autonomous driving technologies today. Moreover, offering ADAS/autonomous driving as a paid service has become an increasingly common practice for NEV manufacturers.

- ***Intelligent functionalities through OTA updates:*** As one of the smart technologies, OTA enables the improvement and expansion of intelligent functions in a convenient and cost-efficient manner. Leading NEV manufacturers can provide OTA updates to upgrade both software and firmware of the entire vehicle. NEV manufacturers with a high degree of software and hardware vertical integration and a more centralized E/E architecture will enjoy faster OTA updates. This will become a key industry focus. Customers may purchase more additional paid functions and services via cloud-based OTA in the future.

Levels of Autonomous Driving

The Society of Automotive Engineers ("**SAE**") categorized vehicle automation into six levels by the degree of driving automation and this has been widely acknowledged by the industry. SAE defines levels of driving automation from Level 0 (no driving automation) to Level 5 (full driving automation) in the context of vehicles and their operations on roadways. The following table outlines the six levels of autonomous driving in terms of the extent of human driver involvement and system involvement in each level, as defined by the SAE.

AD/ADAS Level	Human Driver Involvement	System Involvement
Level 0 (no driving automation)	• Execution of steering and acceleration/deceleration • Monitoring of driving environment • Fallback performance of dynamic driving task	• None
Level 1 (driver assistance automation)	• Execution of steering and acceleration/deceleration • Monitoring of driving environment • Fallback performance of dynamic driving task	• Execution of steering and acceleration/deceleration (under certain conditions)
Level 2 (partial driving automation)	• Monitoring of driving environment • Fallback performance of dynamic driving task	• Execution of steering and acceleration/deceleration
Level 3 (conditional driving automation)	• Fallback performance of dynamic driving task	• Execution of steering and acceleration/deceleration • Monitoring of driving environment
Level 4 (high driving automation)	• Fallback performance of dynamic driving task	• Execution of steering and acceleration/deceleration • Monitoring of driving environment • Fallback performance of dynamic driving task (under certain conditions)
Level 5 (full driving automation)	• None	• Execution of steering and acceleration/deceleration • Monitoring of driving environment • Fallback performance of dynamic driving task

At present, vehicles equipped with Level 2 autonomous driving technology have found their places in wide-scale commercial productions and commercialization in China. Meanwhile, some companies and research centers are testing vehicles equipped with Level 3 and above autonomous driving technologies in the specific scenarios of experimental and demonstration.

Value Chain of NEV Market in China

The value chain of the NEV industry mainly includes raw material suppliers, electronic component suppliers, conventional vehicle component manufacturers, software developers, NEV manufacturers, sales and after-sales services providers. In general, the main differences between the value chains of NEVs and ICE vehicles are the battery, electric drive, electric control systems and the diversified downstream value-added services.

- ***Upstream value chain:*** The battery, electric drive, intelligent electric control systems and chipsets are key components that differentiate NEVs from ICEs. The cost structure of NEVs is fundamentally different from ICE vehicles due to their different power systems. Similar to ICE vehicles' fuel engine and drivetrain system, battery, electric drive, electric control systems and other smart electronic components have become the primary NEV components, accounting for approximately 70% of BOM of an NEV.

- ***NEV manufacturers:*** NEV manufacturers are principally engaged in designing, developing and manufacturing NEVs and related components. Ability to launch new models within the target timeframe is a key success factor for NEV manufacturers, imposing high requirements on manufacturers' R&D and production capabilities. Currently, only a few NEV manufacturers are equipped with the in-house capabilities to develop proprietary core technologies and produce core systems and electronic components.

- ***Downstream value chain:*** The after-sales services in the NEV market include charging, battery recycling, auto insurance, finance and leasing, etc. With the ecosystem of the NEV industry continuing to expand with more participants, all stakeholders can access more monetization opportunities.

Entry Barriers to the NEV Market in China

- ***R&D and technological capabilities:*** Strong R&D and technological capabilities drive product differentiation in the highly competitive NEV market. These include: (i) technology development, which requires considerable amount of time and investment in R&D activities, (ii) recruiting and development of strong and experienced R&D teams, and (iii) R&D collaborations.

- ***Reputation and brand presence:*** Consumers are more willing to purchase branded products with superior quality, high safety standards and enriched functionalities. It takes a considerable amount of time and effort to build market reputation, gain users' trust and create a strong brand identity.

- ***Large-scale capital investments:*** NEV making is a capital-intensive business. Prior to the commercialization of models and technologies, NEV companies need to commit significant capital in R&D, material procurement, production facilities and sales and service networks. Moreover, a large amount of on-going investment is required to facilitate successful launch and mass production of new models.

- ***Establishment of sales and marketing network:*** Effective marketing strategies for NEV companies usually include dual-pronged marketing channels consisting of both online platforms and offline stores located in the busy areas such as central business districts of major cities. It is also crucial to recruit qualified sales and services personnel. In addition, NEV companies usually provide services such as test drives and professional consultancy to create an intuitive, convenient and comfortable customer experience. It requires a considerable amount of investment and time to establish such a sales and marketing network.

- ***Industry qualifications and expertise:*** The PRC government requires NEV manufacturers to satisfy an array of qualification requirements before they can obtain a license to produce and sell NEVs. Moreover, due to increasingly complex NEV technologies, it is difficult to develop, produce and deliver high quality products in a timely manner with cost efficiency without the expertise gained from years of experience.

Impact of the COVID-19 Pandemic on the Macroeconomic Environment in the PRC

Since March 2022, a new wave of the COVID-19 pandemic has begun to spread in China, affecting a number of provinces. In order to control the pandemic, many local governments have implemented restrictions over the flow of people and logistics, and megacities such as Shanghai have adopted city-wide restrictions, which have severely affected production, consumption and logistics. Affected by the government restrictions, the overall growth rate of industrial production in China slowed down in March 2022. China's industrial added value in March 2022 increased by 5% year-on-year, down 2.5 percentage points from January to February 2022.

The resurgence of COVID-19 has also caused obvious impacts in major affected cities, such as Shanghai. In the first quarter of 2022, Shanghai's GDP increased by 3.1% over the same period in 2021, and the growth rate was 1.6 percentage points lower than the two-year average growth rate in the same period. The total retail sales of consumer goods changed from an increase of 3.7% in January to February to a decline of 3.8% in the first quarter of 2022. However, the resilience of Shanghai's new economy remained prominent. In the first quarter of 2022, the total output value of Shanghai's industrial strategic emerging industries increased by 13.7% over the same period last year, 8.9 percentage points higher than the total output value of industrial enterprises above a designated size. Among them, the output value of the NEV market in Shanghai increased by 98.2%, or by 1.1 times year-on-year.

Looking forward, it is expected that, due to the continued spread of the pandemic in the short term, the growth rate of some major macro-indicators will be further impacted. Coupled with the uncertainty of the situation at home and abroad, the overall macroeconomy will experience downward pressure in the short term. With the gradual control of the pandemic as well as the resumption of work, the macroeconomy of China will recover.

Impact of the COVID-19 Pandemic on the EV Industry in the PRC

The major automotive industries in China are based in Changchun and Shanghai. As such, the outbreak of COVID-19 in Changchun and Shanghai has affected many companies along the electric vehicle industry chain since March 2022 and caused some impacts on the automotive industry and electric vehicle industry at large.

From the supply side, the manufacturing of electric vehicles and key components has been disrupted or slowed down, given the restrictions implemented since March 2022. Prominent automobile manufacturers located in Changchun suspended their production in March. During the same period, the production of OEMs based in Shanghai also ceased. Meanwhile, due to the limited logistics and decreasing upstream supply, the production of NEVs in other areas has been affected by the pandemic to some extent. For example, some market players announced in April that their vehicle production had been suspended as a result of supply chain constraints in Jilin province, Shanghai, Jiangsu province and other regions.

From the demand side, considering the decline in consumer income and rising commodity prices due to the restrictive measures, the overall purchasing power of consumers may be impacted, resulting in shrinking demand for electric vehicles in the short term. It is expected that the pandemic will bring a negative impact on the sales of electric vehicles due to decreasing demand as well as offline store closures.

According to data released by China Association of Automobile Manufacturers in March 2022, affected by factors such as the COVID-19 pandemic and processor chip shortage, China's overall automobile production and sales fell by 9.1% and 11.7% year-on-year, respectively. Despite this, the production and sales of NEVs achieved a notable growth. In March 2022, the production and sales of NEVs in China were 465 thousand units and 484 thousand units, respectively, representing an increase of 1.1 times year-on-year and a market penetration rate of 21.7%. In the first quarter of 2022, the production and sales of NEVs in China were 1,293 thousand units and 1,257 thousand units, respectively, representing an increase of 1.4 times year-on-year, with a market penetration rate of 19.3%.

Meanwhile, local governments in Shanghai and Changchun are being proactive in promoting the resumption of work and production in the electric vehicle industry. For example, on April 16, 2022, the Shanghai Municipal Commission of Economy and Information Technology issued the "Guidelines for the Resumption of Industrial Enterprises and the Pandemic Prevention and Control in Shanghai (First Edition)" (《上海市工業企業復工復產疫情防控指引(第一版)》). Among the first group of 666 key enterprises that had been approved to resume work, 249 auto-related companies have resumed operations since April 18, 2022. On April 18, 2022, with the full cooperation of Zhejiang Province, Jiangsu Province and Shanghai, the transit station for the emergency supply of important materials in the Yangtze River Delta (Zhejiang-Shanghai) (長三角重要物資應急保供中轉站(浙江－上海)) was officially put into operation, which will promote the inbound circulation of important inter-provincial production materials, including auto parts, and will effectively open up the transportation network in the Yangtze River Delta region to realize cross-regional supply chain interconnection.

In general, the growth rate of the electric vehicle industry in China is expected to slow down to a certain extent in 2022 as a result of the COVID-19 pandemic. However, with the continuous support of the governments and resumption of production and logistics, it is expected that the industry will recover gradually from the impacts of the pandemic and demonstrate significant growth potential.

COMPETITIVE LANDSCAPE OF THE EV MARKETS IN CHINA

According to Frost & Sullivan, there were approximately 70 automakers selling NEVs in China in the first half of 2022. The major players in China's NEV markets are emerging EV companies and ICE automakers that also produce NEVs. The top 25 NEV companies accounted for more than 90% of NEV sales in China in the first half of 2022. New NEV companies have been quick to capitalize on the NEV market opportunity with innovative smart technologies and product differentiation. Meanwhile, ICE automakers are also quickly adapting to the fast-growing EV market by introducing their smart EV models, leveraging their legacies of established brand and traditional manufacturing know-how. NEV manufacturers compete on key factors such as E/E architecture performance, mobility features, quality, reliability and price, as well as design, brand awareness and user experience. In 2021, we sold a total of approximately 43.9 thousand EVs, ranking 4th among the pure-play EV companies based in China as measured by sales volume in China. In the first half of 2022, we sold a total of approximately 46.2 thousand EVs, ranking 4th among the pure-play EV companies based in China as measured by sales volume in China.

The following tables set forth the top five pure-play EV companies based in China in terms of sales volume in 2021 and the first half of 2022, respectively.

Top Five Pure-Play EV Companies Based in China by Sales Volume in 2021 and the First Half of 2022

Automaker	Sales Volume in 2021	Ranking in 2021	Sales Volume in the First Half of 2022	Ranking in the First Half of 2022
	(thousand units)[1]		*(thousand units)*[1]	
Company B[2]	96.7	1	68.9	1
Company C[3]	90.8	2	49.4	3
Company D[4]	64.7	3	58.9	2
Leapmotor	43.9	4	46.2	4
Company E[5]	35.6	5	21.8	5

Source: Frost & Sullivan, CATARC

Notes:

(1) Sales volumes were calculated based on the number of vehicle insurance registrations in China sourced from CATARC.

(2) Company B is a smart EV company headquartered in Guangdong, China. Company B is listed on both the New York Stock Exchange and the Stock Exchange. Company B delivers electric sedans and SUVs in China and Europe.

(3) Headquartered in Shanghai, China, Company C is a smart EV company that designs, develops, jointly manufactures and sells premium smart EVs. Company C is listed on both the New York Stock Exchange and the Stock Exchange. Company C delivers electric sedans and SUVs in China and Europe.

(4) Company D is an emerging EV company headquartered in Zhejiang, China, and is mainly engaged in the design, development, production, sales and related consulting services of EV and components. Company D mainly delivers electric SUVs in China and Southeast Asia.

(5) Company E is an emerging provider of EV products and mobility solutions headquartered in Shanghai, China. Company E delivers electric sedans and SUVs in China.

The T03 was ranked third among vehicle models of pure-play EV companies based in China sold to consumers in 2021 and the first half of 2022. The following tables set forth the top five models of pure-play EV companies based in China measured by sales volume sold to customers in 2021 and the first half of 2022, respectively.

Top five models of pure-play EV companies based in China by sales volume sold to consumers in 2021:

Ranking	Model	Company	Sales volume *(thousand units)*[1]
1	Vehicle Model B	Company B	54.0
2	Vehicle Model D	Company D	40.1
3	T03	Leapmotor	37.7
4	Vehicle Model C	Company C	34.1
5	Vehicle Model E	Company C	25.1

Top five models of pure-play EV companies based in China by sales volume sold to consumers in the first half of 2022:

Ranking	Model	Company	Sales volume *(thousand units)*[1]
1	Vehicle Model D	Company D	36.4
2	Vehicle Model B	Company B	31.5
3	T03	Leapmotor	28.2
4	Vehicle Model F	Company B	21.6
5	Vehicle Model C	Company C	17.0

Source: Frost & Sullivan, CATARC

Note:

(1) Sales volumes were calculated based on the number of vehicle insurance registrations in China sourced from CATARC.

In addition to the pure-play EV companies, NEV market participants also compete with the traditional ICE vehicle manufacturers that produce NEVs. With growing market demand as well as favorable policies in relation to NEVs, traditional OEMs which have built their reputations with ICE vehicles are also quickly adapting to the fast-growing EV market by introducing their smart EV models. Leveraging their legacies of established brand and traditional manufacturing know-how, ICE vehicle manufacturers have also introduced NEV models that gained popularity. Meanwhile, compared with traditional ICE vehicle manufacturers, the leading pure-play EV companies also have advantages in terms of dedicated and advanced NEV platforms, quicker adoption of smart technologies, faster iteration of vehicle models as well as more efficient sales channel management. With the continuous growing brand recognition and improvements of infrastructure, it is expected that leading pure-play EV companies will further strengthen their market position in the NEV industry which will help them compete against traditional ICE vehicle manufacturers.

According to Frost & Sullivan, we ranked 19th and 14th in the China NEV market in terms of sales volume calculated based on vehicle insurance registrations in 2021 and the first half of 2022, with a market share of 1.6% and 2.2%, respectively. The following tables set forth the ranking of companies in terms of sales volume of NEVs in 2021 and the first half of 2022 in China, respectively. The top five companies by sales volume of NEVs accounted for 54.2% and 54.9% in China in 2021 and the first half of 2022, respectively, according to Frost & Sullivan.

Rankings of Companies by Sales Volume of NEVs in 2021 in China

Ranking	Automaker	Sales Volume
		(thousand units)[1]
1	Company F[2]	525.5
2	Company G[3]	425.8
3	Company A[4]	322.4
4	Company H[5]	134.4
5	Company I[6]	122.5
	.....	
7	Company B	96.7
	.....	
9	Company C	90.8
	.....	
16	Company J[7]	61.9
17	Company K[8]	55.0
18	Company L[9]	50.1
19	Leapmotor	43.9

Source: Frost & Sullivan, CATARC

Notes:

(1) Sales volumes were calculated based on the number of vehicle insurance registrations in China sourced from CATARC.

(2) Headquartered in Shenzhen, China, Company F is a high-tech company engaged in industries related to electronics, automobiles, new energy and rail transit. Company F is listed on the Stock Exchange and Shenzhen Stock Exchange. Company F delivers electric sedans and SUVs in the global market.

(3) Company G is a smart EV company headquartered in Liuzhou, China. Company G produces and sells NEVs and related components. Company G delivers electric sedans and SUVs in China.

(4) Headquartered in Texas, United States, Company A is an EV and energy company that produces and sells EVs, solar panels and energy storage equipment, etc. Company A is listed on NASDAQ. Company A delivers electric sedans and SUVs in the global market.

(5) Headquartered in Baoding, China, Company H designs and develops SUVs, passenger vehicles and pickup series as well as powertrains. Company H is listed on the Stock Exchange and Shanghai Stock Exchange. Company H delivers electric sedans and SUVs primarily in China and in the global market.

(6) Company I is a smart EV company headquartered in Guangzhou, China. Company I delivers electric sedans and SUVs primarily in China.

(7) Headquartered in Shanghai, China, Company J is a Sino-German joint venture that produces and sells vehicles, components and accessories. Company J delivers electric sedans and SUVs in China.

(8) Headquartered in Changchun, China, Company K is a Sino-German joint venture that manufactures large-scale passenger vehicles. Company K delivers electric sedans and SUVs in China.

(9) Headquartered in Munich, Germany, Company L is a multinational manufacturer of automotives and motorcycles. Company L is listed on the Frankfurt Stock Exchange. Company L delivers electric sedans and SUVs in the global market.

Rankings of Companies by Sales Volume of NEVs in the First Half of 2022 in China

Ranking	Automaker	Sales Volume
		(thousand units)[1]
1	Company F	568.3
2	Company G	218.0
3	Company A	198.2
4	Company M[2]	95.1
5	Company I	83.2
6	Company B	68.9
	……	
10	Company D	58.9
11	Company N[3]	56.9
12	Company O[4]	49.6
13	Company C	49.4
14	Leapmotor	46.2

Source: Frost & Sullivan, CATARC

Notes:

(1) Sales volumes were calculated based on the number of vehicle insurance registrations in China sourced from CATARC.

(2) Headquartered in Wuhu, China, Company M is a company engaged in automotive production. Company M delivers electric sedans and SUVs primarily in China.

(3) Company N is a smart electric mobility and energy service technology company headquartered in Hangzhou, China. Company N is listed on the Stock Exchange. Company N delivers electric sedans and SUVs primarily in China and in the global market.

(4) Company O is an automobile manufacturer headquartered in Wuhan, China. Company O is listed on the Stock Exchange. Company O delivers electric sedans and SUVs primarily in China and in the global market.

Among more than 30 smart electric sedans and more than 60 smart electric SUVs within the same price range available in China's EV market as of the Latest Practicable Date, the C01 and the C11 offers advantageous driving range, acceleration, interior space, and autonomous driving functions. In addition, EVs with more autonomous driving functions can satisfy a wider range of scenarios and offer consumers a better driving experience. Compared with the certain models within the same price range available in China's EV market as described on the relevant EV manufacturers' websites, the C01 and the C11 provides users with more diverse autonomous driving functions such as narrow road assist, highway assist and speed limit information function.

The following table sets forth benchmarking of C01 against major comparable electric sedan models within the same price range available in China's EV market as of the Latest Practicable Date.

Model	Leapmotor C01	BYD Han[(1)]	XPENG P7	BYD Seal	Model 3	NETA S
Official Price (RMB)	180,000-270,000	214,800-288,600	239,900-429,900	209,800-286,800	279,900-367,900	245,800-338,800
Driving Range (KM) (CLTC/NEDC)	500-717 (CLTC)	506/605/ 550 (NEDC)/ 610/715 (CLTC)	480/586/ 706/670/ 562 (NEDC)/ 625 (CLTC)	550/700/ 650 (CLTC)	556/675 (CLTC)	650/715 (CLTC)
Length*Width*Height (mm)	5,050*1,902*1,509	4,980*1,910*1,495	4,880*1,896*1,450	4,800*1,875*1,460	4,694*1,850*1,443	4,980*1,980*1,450
Wheelbase (mm)	2,930	2,920	2,998	2,920	2,875	2,980
Acceleration Time (0~100km/h) (s)	3.7-7.5	3.9/7.9	4.3/6.7	3.8/5.9/7.5	3.3/6.1	3.9/6.9
Number of Autonomous Driving Functions	23	19/24	15	12	15	23

Source: Company Websites, Frost & Sullivan

Notes:

(1) BYD Han includes BYD Han EV and BYD Han Chuangshi Version.

(2) The selection of the above electric sedan models for benchmarking is primarily because (i) the relevant EV manufacturers are leading NEV brands in China's NEV market; (ii) the prices of such electric sedan models are within the same price range as the C01; and (iii) the customer awareness of theses models are relatively higher in China's NEV market.

The following table sets forth benchmarking of C11 against major comparable electric SUV models within the same price range available in China's EV market as of the Latest Practicable Date.

Model	Leapmotor C11	AION V PLUS	XPENG G3i	WM EX5-Z	Volkswagen ID.4	NETA U
Official Price (RMB)	179,800-229,800	189,800-269,800	168,900-201,900	169,800-189,800	189,288-286,288	123,800-201,800
Driving Range (KM) (CLTC/NEDC)	510/550/ 610 (CLTC)	500/600/ 702 (NEDC)	460/520 (NEDC)	403 (NEDC)	425/555/ 607 (CLTC)	400/500/610 (NEDC)
Length*Width*Height (mm)	4,750*1,905*1,675	4,650*1,920*1,720	4,495*1,820*1,610	4,585*1,835*1,672	4,612*1,852*1,640	4,549*1,860*1,628
Wheelbase (mm)	2,930	2,830	2,625	2,703	2,765	2,770
Acceleration Time (0~100km/h) (s)	4.5/7.9	6.9/7.6/7.9	8.6	8.3	2.6/3.1/3.2 (0-50km/h)	7.0/9.5
Number of Autonomous Driving Functions	22	14	21	12	10	23

Source: Company Websites, Frost & Sullivan

Note:

(1) The selection of the above electric SUV models for benchmarking is primarily because (i) the relevant EV manufacturers are leading NEV brands in China's NEV market; (ii) the prices of such electric SUV models are within the same price range as the C11; and (iii) the customer awareness of theses models are relatively higher in China's NEV market.

R&D Capabilities and Production Strategies of NEV Companies in the China Market

NEV companies in China have adopted different approaches towards their R&D and production strategies, and have achieved different levels of R&D capabilities and various degrees of vertical integration. According to Frost & Sullivan, leading pure-play EV companies are generally focused on developing in-house core systems and electronic components of the vehicle. On the other hand, ICE automakers tend to adopt the more traditional business model and rely more on their suppliers.

According to Frost & Sullivan, (i) a full-suite of R&D capabilities refers to the ability of an NEV company to design and develop all key hardware and software across the core systems and electronic components, namely, battery system, electric drive system, autonomous driving system and smart cockpit system. These systems are the most important elements of an NEV and are critical to its level of technology and feature richness, which in turn affects the user experience; (ii) vertical integration refers to the ability of an NEV company to self-design and self-produce these systems. The more of these systems that an NEV company is able to self-design and self-produce, the more vertically integrated it is considered to be. There are very few NEV companies in China that have achieved a full-suite of R&D capabilities and a high degree of vertical integration. According to Frost & Sullivan's research (which includes primary and secondary researches, see "— Source of Information" for details), among the top 25 NEV companies which accounted for more than 90% of NEV sales in China in the first half of 2022 (which includes the domestic and international automakers that sell NEVs in China), (i) three have achieved a full-suite of R&D capabilities and a high degree of vertical integration, while (ii) others have different levels of R&D capabilities and vertical integration. Further, according to Frost & Sullivan's research, (i) for battery system and electric drive system, the majority of NEV companies, in particular the ICE automakers, have the ability to self-design and self-produce the key hardware and software; (ii) for autonomous driving system and smart cockpit system, the majority of NEV companies focus on the self-development of key software and only a few have the ability to self-design and self-produce the key hardware for these systems. As such, only very few NEV companies have built the in-house production capabilities for the electronic components of the autonomous driving system and smart cockpit system.

OVERVIEW OF CHINA'S EREV MARKET

Similar to BEVs, EREVs are powered entirely by the electric motor, with an auxiliary power unit, named a range extension system, to generate additional electric power. A range extension system is an ICE system that generates electric power from fossil fuel, bringing a flexible power replenishment solution by both electricity charging and gasoline refueling.

The EREVs offer a more convenient charging option in addition to battery recharging, which is especially relevant in areas with poor charging infrastructure support. This dual-pronged approach allows for more flexibility for power replenishment which reduces range anxiety by providing longer travel distance per energy refill and saving time for power replenishment. Due to the high fuel efficiency of the range extension system, EREVs typically enjoy a much lower overall energy consumption level than ICE vehicles in a similar class. While the coverage of fast-charging infrastructure is still insufficient and the next generation of large-capacity battery systems and charging technologies for BEVs is yet to become widely commercialized, as an ideal transitional solution, EREVs may help to promote the penetration of NEVs in China.

Competitive Landscape

In 2021, the sales volume of EREVs in China reached 107.1 thousand units, accounting for 3.2% of the total NEV market. The market is highly concentrated, with the top five models accounting for 99.2% of total EREV sales in 2021. Looking ahead, the EREV market is estimated to maintain relatively high growth in the coming years, as other NEV companies are entering the market and expecting to launch new EREV models or EREV versions of their existing EV models. Since 2021, a number of automotive companies in China, including pure-play EV companies and traditional automakers, have entered the EREV market and launched EREV models. Several automotive companies plan to launch BEV and EREV models concurrently, creating a diversified product portfolio and enhancing their appeal to potential customers. As a result, China's EREV market is expected to become less concentrated in the near future, according to Frost & Sullivan. EREVs sales in China are expected to reach 200.3 thousand units in 2022 and further increase to 651.7 thousand units in 2026.

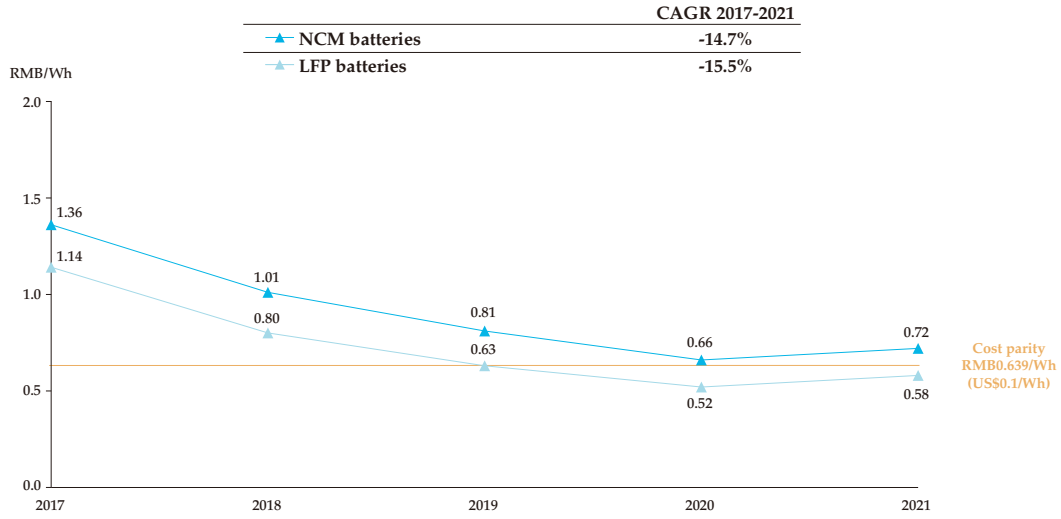
HISTORICAL TRENDS OF PRICES ON MAJOR RAW MATERIALS AND COMPONENTS FOR NEV PRODUCTION

The major raw materials and components for NEVs include: (i) battery cells; (ii) metal, such as copper, aluminum and stainless steel; (iii) electronic components and PCBs; and (iv) plastic components. The operating results of NEV manufacturers can be adversely affected by price hikes or supply fluctuations of raw materials as a result of changes in macroeconomic conditions, supply and demand, as well as market prospects.

Battery cell prices generally decreased from 2018 to 2020, mainly due to the technological advances and decreased anode material prices, according to Frost & Sullivan. Apart from fluctuations caused by short-term increases of raw material prices, battery costs are expected to continue to decrease to approximately US$100 per kWh, thus NEVs will reach cost parity with ICE vehicles of a similar class, accelerating the trend of NEVs replacing ICE vehicles. Stainless steel and plastics are mainly used for frames, chassis, in-car decoration and other components. Copper and aluminum are important raw materials for manufacturing batteries and vehicle parts.

The following chart sets forth the historical prices of Lithium-ion batteries:

Average Price of Lithium-ion Batteries for NEVs in China (2017-2021)



Note: Data in the chart is tax-inclusive prices;

Source: Frost & Sullivan

SOURCE OF INFORMATION

In connection with the Global Offering, we have engaged Frost & Sullivan to conduct a detailed analysis and prepare an industry report on the markets in which we operate. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We have agreed to a total of RMB680,000 in fees and expenses for the preparation and use of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful Listing or on the results of the Frost & Sullivan Report. Apart from the Frost & Sullivan Report, we have not commissioned any other industry report in connection with the Global Offering.

We have extracted certain information from the Frost & Sullivan Report in this section, as well as in the sections headed "Summary," "Risk Factors," "Business," "Financial Information" and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industries in which we operate. Unless otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan's research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

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

(I) REGULATIONS RELATING TO PRODUCTION ACCESS FOR NEW ENERGY VEHICLES

According to the laws and regulations of China, newly established new energy vehicle manufacturers, for the purpose of new energy vehicle manufacturing, are required to obtain filings from the local competent authorities of the National Development and Reform Commission of the PRC in relation to automobile investment projects and to obtain approval from the Ministry of Industry and Information Technology of the PRC ("**MIIT**") in relation to the access of new energy vehicle manufacturers and products.

According to the Provisions on Administration of Investments in the Automotive Industry (《汽車產業投資管理規定》), which was issued by the National Development and Reform Commission of the PRC ("**NDRC**") on December 10, 2018 and took effect on January 10, 2019, both automobile and other investment projects are subject to filing management by local development and reform authorities, with automobile investment projects to be filed with provincial development and reform authorities.

According to the Administrative Regulations for the Access of New Energy Vehicle Manufacturers and Products (《新能源汽車生產企業及產品准入管理規定》) promulgated by the MIIT on January 6, 2017, amended on July 24, 2020 and effective from September 1, 2020, the MIIT is responsible for implementing the access, supervision and management of new energy vehicle manufacturers and products nationwide. The MIIT promulgated the Announcement of Road Power-Driven Vehicle Manufacturing Enterprises and Products (《道路機動車輛生產企業及產品公告》), which lists the enterprises and products that have passed the examination to gain access to automobile production. New energy vehicle manufacturers shall comply with the requirements on production capacity, product production consistency assurance capability, after-sales service and product safety assurance capability as set out in the Administrative Regulations for the Access of New Energy Vehicle Manufacturers and Products, and meet the relevant requirements of the New Energy Vehicle Manufacturers Access Review Requirements (《新能源汽車生產企業准入審查要求》); new energy vehicle products shall meet the standard requirements of the Special Inspection Items and Basis Standards for New Energy Vehicle Products (《新能源汽車產品專項檢驗項目及依據標準》), pass the tests of the state-accredited testing institutions, and satisfy the safety technical conditions stipulated by the MIIT. Any new energy vehicle manufacturer, before obtaining the access approval, manufacturing or selling any new energy vehicle will face penalties including fines, forfeiture of illegally manufactured and sold vehicles and components and revocation of its business licenses.

According to the Special Administrative Measures for Entry of Foreign Investment (Negative List) (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the "**2021 Negative List**") promulgated by MOFCOM and the NDRC on December 27, 2021 and effective from January 1, 2022 and the Encouraged Industry Catalog for Foreign Investment (《鼓勵外商投資產業目錄》) jointly promulgated by MOFCOM and the NDRC in December 2020 and effective from January 27, 2021, foreign investments in domestic

industries are divided into three categories: "encouraged", "restricted" and "prohibited". According to the 2021 Negative List, investments in new energy vehicle manufacturing do not fall into the restricted or prohibited categories, while the limit on the foreign shareholding ratio in passenger car manufacturing and the limit that the same foreign company can establish less than two (inclusive) joint ventures for manufacturing similar vehicle products have been revoked.

(II) REGULATIONS RELATING TO AUTOMOBILE SALES AND CONSUMER RIGHTS PROTECTION

According to the Administrative Measures on Automobile Sales (《汽車銷售管理辦法》) promulgated by the MOFCOM on April 5, 2017 and effective from July 1, 2017, the local commerce authorities above the county level shall supervise and manage the sale of automobiles and their related service activities within their administrative areas; automobile suppliers and dealers, after receiving a business license, are required to file the basic information through the information management system for the national automobile circulation operated by the competent commerce department of the State Council within 90 days; and such automobile suppliers and dealers must update any change to their filed information within 30 days upon such change in information. Automobile suppliers and dealers shall sell the automobiles, accessories and other related products that comply with relevant national regulations and standards. Dealers shall make clear in their business premises the prices of the products sold and the standard charges for various services, and shall not increase the price of sales nor charge additional fees beyond the marked price. In respect of the vehicle products for sales, dealers shall also make clear the quality assurance, the warranty services and other after-sales service policies that consumers need to know.

According to the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), which was promulgated by the SCNPC on October 31, 1993, last amended on October 25, 2013 and effective from March 15, 2014, operators shall ensure that the goods or services they provide meet the requirements for the protection of the safety of persons and property. For goods and services that may endanger the safety of persons or property, they shall provide consumers with truthful explanations and clear warnings, as well as instructions and indications on the correct use of the goods or services and the methods to prevent the occurrence of hazards. If the operator finds that the goods or services provided by it are defective and may endanger the safety of persons or property, it shall immediately report to the relevant administrative departments and inform the consumers as well as take measures such as stopping the sales, issuing warnings, recall, harmless disposal, destruction of the products, discontinuation of production or service. Operators who fail to comply with the provisions relating to consumer protection are subject to civil or criminal liability in accordance with the laws.

(III) REGULATIONS RELATING TO PRODUCT QUALITY AND RECALL OF DEFECTIVE AUTOMOBILE PRODUCTS

According to the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), which was promulgated by the SCNPC on February 22, 1993, last amended on December 29, 2018 and effective from the same date, the market supervision and administration department under the State Council is in charge of the national supervision of product quality and prohibits producers and sellers from producing or selling industrial products that do not meet the standards and requirements for the protection of human health and the safety of persons and property. Producers shall be responsible for the quality of the products they produce, which shall not present an unreasonable risk of endangering the safety of persons or property, and which shall have the performance for use and indicate on the product or its packaging the product standards adopted. If a product is defective and causes damage to persons or the property of others, the victim may claim compensation from the producer of the product or from the seller of the product. Producers or 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 illegally produced or sold and be fined. Earnings from sales in violation of such standards or requirements may also be confiscated, and in severe cases, an offender's business license may be revoked. If it constitutes a crime, criminal responsibility will be pursued according to the laws.

According to the Administrative Provisions on Defective Automotive Product Recalls (《缺陷汽車產品召回管理條例》), which was promulgated by the State Council on October 22, 2012 and amended on March 2, 2019, the product quality supervision department of the State Council is in charge of the supervision and administration of recalls of defective automobile products nationwide. If an automobile producer is informed of any possible defect in its automobile products, it shall immediately organize an investigation and analysis and truthfully report the results of the investigation and analysis to the product quality supervision department of the State Council. If an automobile producer confirms the existence of a defect in its automobile products, it shall immediately cease the production, sale or import of the defective automobile products and recall all such defective products, and at the same time, it shall formulate a recall plan and file it with the product quality supervision and management department of the State Council. Any recall plan previously filed shall be filed again if there is any change to it. If the producer fails to implement the recall, the product quality supervision department of the State Council shall order the recall. If any automobile producer conceals a defect, refuses to recall by order or fails to stop producing or selling or importing the defective automobile products, it will be ordered to make a correction and subject to fines. Any illegal income will be confiscated, and in severe cases, the relevant permit will be revoked by the licensing authority.

According to the Implementation Rules on the Administrative Provisions on Defective Automotive Product Recalls (《缺陷汽車產品召回管理條例實施辦法》) issued by the General Administration of Quality Supervision, Inspection and Quarantine (which has been reorganized as the State Administration for Market Regulation, hereinafter referred to as "**SAMR**") on November 27, 2015 and amended on October 23, 2020, the SAMR is responsible for the supervision and administration of recalls of defective automobile

products nationwide. To implement a recall, the producer shall formulate a recall plan and file it with the SAMR and notify its operators in an effective manner. If a producer modifies a recall plan that is previously filed, it shall file it again with the SAMR and submit explanatory materials. The producer shall release the information of the defective automobile products and the information related to the implementation of a recall in ways that are convenient for the public to receive such information, such as through newspapers, websites, radio and television, and inform owners of the automobile products of such defects, emergency treatment to avoid damage and the producer's measures to eliminate the defects.

According to the Circular on Further Improving the Regulation of Recall of Automobile with OTA Technology (《市場監管總局辦公廳關於進一步加強汽車遠程升級(OTA)技術召回監管的通知》) promulgated by the SAMR on November 23, 2020 and effective from the same date, automobile producers that provide technical services through OTA, in respect of the vehicles sold, are required to complete filing with the SAMR. If a producer adopts the OTA method to eliminate defects in automobile products and implements a recall, it shall formulate a recall plan and file it with the SAMR. If the OTA method fails to effectively eliminate defects or cause new defects, the producer shall take recall measures again.

According to the Notice on the Filing of Online Upgrade of Automotive Software (《關於開展汽車軟件在線升級備案的通知》) promulgated and implemented by the MIIT Equipment Industry Development Center on April 15, 2022, filing shall be made for a vehicle manufacturer that has obtained the manufacturing permission license for road vehicles, the vehicle products with OTA upgrade function produced by it and the OTA upgrade activities conducted, with tiered filing based on the impact assessment of specific upgrading activities. In particular, it can be divided into three categories: (1) for upgrading activities not involving changes in product safety, environmental protection, energy saving, anti-theft and other technical performance, enterprises may directly conduct such upgrading activities after filing; (2) for upgrading activities involving changes in product safety, environmental protection, energy saving, anti-theft and other technical performance, enterprises shall submit verification materials to ensure that the products comply with national laws and regulations, technical standards and specifications as well as other relevant requirements. Among them, for upgrading activities involving the change of technical parameters in the Notice, enterprises shall apply for product change or extension with the MIIT in accordance with the management requirements of the Notice before filing such upgrading activities, with such upgrade subject to the completion of product admission under the Notice according to the process, so as to ensure the consistency of vehicle product production; (3) for upgrading activities involving vehicle autonomous driving functions (level 3 and above of driving automation classification), they should be approved by the MIIT.

According to the Guiding Opinions on Further Strengthening the Construction of Safety System for New Energy Vehicle Enterprises (《關於進一步加強新能源汽車企業安全體系建設的指導意見》) issued by the General Office of the MIIT, the General Office of the Ministry of Public Security, the General Office of the Ministry of Transport, the General Office of the Ministry of Emergency Management and the State Administration for Market Regulation on March 29, 2022, it proposed to comprehensively enhance the safety

capabilities of enterprises in safety management mechanism, product quality, operation monitoring, after-sales service, accident response and handling, as well as network security, improve the safety of new energy vehicles, and promote the high-quality development of the new energy vehicle industry.

(IV) REGULATIONS RELATING TO COMPULSORY PRODUCT CERTIFICATION

According to the Administrative Regulations on Compulsory Product Certification (《強制性產品認證管理規定》) promulgated by the SAMR on July 3, 2009 and effective from September 1, 2009, the SAMR is in charge of the compulsory product certification nationwide, and the Certification and Accreditation Administration of the People's Republic of China is in charge of the organization, implementation, supervision, administration and comprehensive coordination of the compulsory product certification of the whole country, while local quality and technical supervision authorities at all levels and the entry-exit inspection and quarantine authorities, in accordance with the laws and their respective responsibilities, are responsible for the supervision, administration, enforcement and investigations of compulsory product certification activities within their jurisdiction. With respect to products which are subject to compulsory product certification, China has issued a uniform catalogue of products, uniform compulsory technical requirements, standards and compliance review procedures, uniform certification signs and uniform fee-charging standards. According to the List of the First Batch of Products Subject to Compulsory Product Certification (《第一批實施強制性產品認證的產品目錄》), which was issued by the SAMR jointly with the Certification and Accreditation Administration of the People's Republic of China and effective from December 3, 2001, the motor vehicles and their safety accessories, motor vehicle tires and safety glass in the absence of the compulsory product certificate and the mandatory certification mark of China shall not leave the factory, export or put on sale.

(V) REGULATIONS RELATING TO BATTERY RECYCLING FOR ELECTRIC VEHICLES

The Interim Measures for the Administration of Recycling Traction Batteries of New Energy Vehicles (《新能源汽車動力蓄電池回收利用管理暫行辦法》), which was promulgated by the MIIT in conjunction with the Ministry of Science and Technology, the Ministry of Environmental Protection, the Ministry of Transport, the MOFCOM, the AQSIQ and the National Energy Administration on January 26, 2018 and effective from August 1, 2018, implements the system of extended responsibility of producers, according to which the main responsibility for traction battery recycling is borne by automobile manufacturers, and relevant enterprises shall fulfill their corresponding responsibilities in all aspects of traction battery recycling and utilization to ensure the effective use and environmentally-friendly disposal of traction batteries.

According to the Interim Provisions on Traceability Management of Traction Battery Recycling for New Energy Vehicles (《新能源汽車動力蓄電池回收利用溯源管理暫行規定》), which was issued by the MIIT on July 2, 2018 and effective from August 1, 2018, the "Integrated Management Platform for National Monitoring of New Energy Vehicles and Traceability of Traction Battery Recycling and Utilization" (新能源汽車國家監測與動力蓄電池回收利用溯源綜合管理平台) shall be established to collect information on the whole

lifecycle of traction battery production, sales, use, disposal, recycling and utilization, and to monitor the fulfillment of the responsibility of battery recycling and utilization by the subjects of each link. From the effective date of the Interim Provisions on Traceability Management of Traction Battery Recycling for New Energy Vehicles, the new energy vehicle products that have obtained the Announcement of Road Power-Driven Vehicle Manufacturing Enterprises and Products and the imported new energy vehicles that have obtained compulsory product certification are managed in a traceable manner. For the new energy vehicle products that have obtained access approval and the imported new energy vehicles that have obtained compulsory product certification before the effective date of the Interim Provisions on Traceability Management of Traction Battery Recycling for New Energy Vehicles, the implementation of traceability management will be delayed for 12 months. If, after the deadline, it is necessary to use traction batteries that are not coded according to national standards in the process of maintenance or other processes, an explanation shall be submitted.

(VI) FAVORABLE POLICIES RELATING TO NEW ENERGY VEHICLES IN CHINA

1. Government Subsidies for New Energy Vehicle Purchasers

According to the Notice by the MOF, the Ministry of Science and Technology, the MIIT and the NDRC of the Policies on Government Subsidies for Promotion and Application of New Energy Vehicles in 2016-2020 (《財政部、科學技術部、工業和信息化部、發展改革委關於2016-2020年新能源汽車推廣應用財政支持政策的通知》) jointly promulgated by the MOF, the Ministry of Science and Technology, the MIIT and the NDRC on April 22, 2015 and effective from the same date, those who purchase NEVs included in the Catalog of Recommended New Energy Vehicle Models for Promotion and Application (《新能源汽車推廣應用工程推薦車型目錄》) from 2016 to 2020 may obtain subsidies. The Notice specifies that the subject of the subsidies for new energy vehicles purchases are consumers, who will receive the subsidy in the form of an amount settled between the new energy vehicle manufacturer and the consumer at the price after deducting the subsidy when selling the product, and then the subsidy advanced by the enterprise will be paid by the central government to the new energy vehicle manufacturer in accordance with procedures. According to the Notice, the subsidy standard for other models (excluding fuel cell vehicles) for 2017 to 2020 is appropriately reduced, of which, the subsidy standard for 2017 to 2018 is reduced by 20% as compared to that of 2016, and for 2019 to 2020 by 40% as compared to that of 2016.

According to the Notice of Adjusting the Policies on Government Subsidies for Promotion and Application of New Energy Vehicles (《關於調整新能源汽車推廣應用財政補貼政策的通知》) jointly promulgated by the MOF, the Ministry of Science and Technology, the MIIT and the NDRC on December 29, 2016 and effective from January 1, 2017, the threshold of the Catalog of Recommended Models for obtaining government subsidy was raised and the subsidy from local government shall not exceed 50% of the subsidy from the central government for every vehicle. Meanwhile, it specifies that the central and local subsidy standards and caps for other models (excluding fuel cell vehicles) from 2019 to 2020 will be reduced by 20% as compared to the then existing subsidy standards.

According to the Notice of Adjusting and Improving the Policies on the Government Subsidies for Promotion and Application of New Energy Vehicles (《關於調整完善新能源汽車推廣應用財政補貼政策的通知》) (or referred to as the "**2018 Notice of the Polices on Government Subsidies for Vehicles**") and the Notice of Further Improving the Policies on Government Subsidies for Promotion and Application of New Energy Vehicles (《關於進一步完善新能源汽車推廣應用財政補貼政策的通知》) (Caijian 2019 No. 138) (or referred to as the "**2019 Notice of the Polices on Government Subsidies for Vehicles**") jointly promulgated by the MOF, the Ministry of Science and Technology, the MIIT and the NDRC between 2018 and 2019, the aforementioned notices gradually adjusted the subsidy scheme for the promotion of new energy vehicles and the product technical specifications for new energy vehicles.

According to the Notice of Improving the Policies on Government Subsidies for Promotion and Application of New Energy Vehicles (《關於完善新能源汽車推廣應用財政補貼政策的通知》) (or referred to as the "**2020 Notice of the Policies on Government Subsidies for Vehicles**") jointly promulgated by the MOF, the Ministry of Science and Technology, the MIIT and the NDRC on April 23, 2020 and came into effect on the same day, the implementation period of the policies on government subsidies for new energy vehicles was extended to the end of 2022, and it confirms that the subsidy standards for 2020 to 2022 will be in principle reduced by 10%, 20% and 30% respectively from a year earlier, and the subsidized vehicles shall be in principle capped at approximately 2 million units per year. The Notice stipulates that since 2020, new energy passenger vehicles and commercial vehicles enterprises shall make a single application for subsidy settlement of 10,000 and 1,000 units respectively, and new energy passenger vehicles must be sold for not more than RMB300,000 before the subsidy, except for the vehicles adopting battery-swapping technology. The abovementioned four departments jointly promulgated the Notice on Further Improving the Policies on Government Subsidies for Promotion and Application of New Energy Vehicles (《關於進一步完善新能源汽車推廣應用財政補貼政策的通知》) (or referred to as the "**2021 Supplementary Notice of the Polices on Government Subsidies for Vehicles**") on December 31, 2020, which specifies that the subsidy standard for new energy vehicles in 2021 will be reduced by 20% as compared to that of 2020. The abovementioned four departments further jointly promulgated the Notice of Improving the Policies on Government Subsidies for Promotion and Application of New Energy Vehicles in 2022 (《關於2022年新能源汽車推廣應用財政補貼政策的通知》) (or referred to as the "**2022 Supplementary Notice of the Policies on Government Subsidies for Vehicles**") on December 31, 2021, which specifies that the subsidy standard for new energy vehicles in 2022 will be reduced by 30% as compared to that of 2021 and it also specifies that the 2022 policies on government subsidies for new energy vehicles will end on December 31, 2022.

2. Exemption of Vehicle Purchase Tax

According to the Announcement on the Exemption of Vehicle Purchase Tax on New Energy Vehicles (《關於免徵新能源汽車車輛購置稅的公告》) jointly promulgated and implemented by the MOF, the SAT, the MIIT, and the Ministry of Science and

Technology on December 26, 2017, from January 1, 2018 to December 31, 2020, purchases of the new energy vehicles listed in the Catalog of New Energy Vehicle Models Exempt from Vehicle Purchase Tax (《免徵車輛購置稅的新能源汽車車型目錄》) are exempt from vehicle purchase tax.

According to the Announcement of the Policies on the Exemption of Vehicle Purchase Tax on New Energy Vehicles (《關於新能源汽車免徵車輛購置稅有關政策的公告》) jointly promulgated by the MOF, the SAT and the MIIT on April 16, 2020 and effective from January 1, 2021, the exemption period for the vehicle purchase tax on new energy vehicles will be further extended to December 31, 2022.

On August 19, 2022, at the executive meeting held by the State Council, it was decided that for NEVs, the policy on vehicle purchase tax exemption will be extended until the end of 2023, with the continuous support of exemption from vehicle and vessel tax, consumption tax, right of way, license plate, etc.

3. Exemption of Vehicle and Vessel Tax

According to the Notice of the Policies on Energy-saving and New-energy Vehicles Enjoying Vehicle and Vessel Tax Reduction and Exemption (《關於節能新能源車船享受車船稅優惠政策的通知》) jointly promulgated by the MOF, the Ministry of Transport, the SAT, and the MIIT on July 10, 2018 and effective from the same date, purely electric commercial vehicles, plug-in (including extended-range) hybrid vehicles, fuel cell commercial vehicles are exempt from vehicle and vessel tax, whereas purely electric passenger vehicle and fuel cell passenger vehicles are not subject to vehicle and vessel tax. The Catalog of New Energy Vehicle Models Enjoying Vehicle and Vessel Tax Reduction and Exemption (《享受車船稅減免優惠的節約能源使用新能源汽車車型目錄》) jointly promulgated by MIIT and the SAT from time to time lists the new energy vehicle models eligible for enjoying vehicle and vessel tax reduction and exemption.

4. Plates of New Energy Vehicles

In order to ease road traffic congestion and improve air quality, local governments in Beijing, Shanghai, Guangzhou, Shenzhen and Hangzhou, China have issued restrictions on the issuance of plates, while generally offered exemption from such restrictions for the plates of new energy vehicles, allowing new energy vehicle consumers to obtain plates more easily. For example, according to the Implementation Measures on Encouraging Purchase and Use of New Energy Vehicles in Shanghai (《上海市鼓勵購買和使用新能源汽車實施辦法》) jointly promulgated by the Shanghai Development and Reform Commission, Shanghai Municipal Commission of Economy and Informatization, Shanghai Municipal Commission of Commerce, Shanghai Municipal Transportation Commission and Shanghai Public Security Bureau on February 4, 2021 and effective from March 1, 2021, from the date of implementation to December 31, 2023, the special plate quota will be issued for free to qualified consumers who purchase new energy vehicles, while from January 1, 2023, the special license plate quota will no longer issued to consumers who purchase plug-in hybrid (including extended-range) vehicles.

According to the Notice by the General Office of Hangzhou Municipal People's Government of the Issuance of the Provisions on the Regulation of the Total Number of Passenger Vehicles in Hangzhou (《杭州市人民政府辦公廳關於印發杭州市小客車總量調控管理規定的通知》) issued by the General Office of Hangzhou Municipal People's Government on January 6, 2017, qualified entities and individuals who apply for the registration of passenger vehicles and imported purely electric vehicles listed in the Catalog of Recommended New Energy Vehicle Models for Promotion and Application (《新能源汽車推廣應用推薦車型目錄》) by the MIIT can apply for plates directly, without going through any lottery or bidding procedures.

5. Policies Relating to Incentives for Electric Vehicle Charging Infrastructure

According to the Guiding Opinions of the General Office of the State Council on Accelerating the Promotion and Application of New Energy Vehicles (《國務院辦公廳關於加快新能源汽車推廣應用的指導意見》) effective on July 14, 2014, the Guiding Opinions of the General Office of the State Council on Accelerating the Construction of Electric Vehicle Charging Infrastructure (《國務院辦公廳關於加快電動汽車充電基礎設施建設的指導意見》) effective on September 29, 2015 and the Guidance on the Development of Electric Vehicle Charging Infrastructure (2015-2020) (《電動汽車充電基礎設施發展指南(2015-2020年)》) effective on October 9, 2015, in recent years, the PRC government has actively promoted the construction of charging infrastructure and requires local governments to actively build urban public charging facilities and appropriately simplify relevant planning and construction approval, improve the policies on fiscal prices and gradually standardize the charging services pricing mechanism, with the aim to add more than 12,000 centralized charging piles and 4.8 million decentralized charging piles by 2020 to meet the charging needs of 5 million electric vehicles nationwide.

According to the Notice of the Incentive Policies on the 13th Five-Year Plan New Energy Vehicle Charging Infrastructure and the Strengthening in the Promotion and Application of New Energy Vehicles (《關於「十三五」新能源汽車充電基礎設施獎勵政策及加強新能源汽車推廣應用的通知》) jointly promulgated and implemented by Ministry of Finance, the Ministry of Science and Technology, the MIIT, the NDRC and the NEA on January 11, 2016, from 2016 to 2020, the central government will provide incentives and subsidies to local governments with relatively sound charging infrastructure and relatively large-sized promotion and application of new energy vehicles to encourage them to formulate and introduce measures on charging infrastructure construction and operation management and local incentive policies in line with local realities.

According to the Notice on Accelerating the Development of Electric Vehicle Charging Infrastructure in Residential Areas (《關於加快居民區電動汽車充電基礎設施建設的通知》) jointly promulgated by the NDRC, the NEA, the MIIT and the MOHURD on July 25, 2016, new residential areas shall unify the laying of power supply lines to dedicated fixed parking spaces with pre-reserved room for meter boxes, charging facility installation locations and electricity capacity, and develop the construction plans on power supply facilities for public parking spaces according to local conditions, facilitating the construction and installation of

charging infrastructure, and local governments are encouraged to take the lead in developing a comprehensive pilot construction program for the construction and operation of charging infrastructure in residential areas and actively carrying out pilot demonstrations.

According to the Development Plan for the New Energy Vehicle Industry (2021-2035) (《新能源汽車產業發展規劃(2021-2035年)》) promulgated by the General Office of State Council on October 20, 2020, China will accelerate construction of charging infrastructure, improve the level of charging infrastructure services, and encourage business model innovation.

Pursuant to the Notice on the Issuance of Financial Support to Facilitate Efforts in Reaching Peak Carbon Dioxide Emissions and Carbon Neutralization (《關於印發財政支持做好碳達峰碳中和工作的意見的通知》) issued by the Ministry of Finance on May 25, 2022, it proposes to vigorously support the development of new energy vehicles and improve the supporting policies for charging and replacement infrastructure.

Pursuant to the Opinions on Promoting Urbanization Construction with County Towns as an Important Carrier (《關於推進以縣城為重要載體的城鎮化建設的意見》) issued and implemented by the General Office of the CPC Central Committee and the General Office of the State Council on May 6, 2022, it emphasizes to improve municipal transportation facilities. One of the initiatives is to accelerate the construction of charging piles by optimizing the construction layout of public charging and replacement facilities.

According to the Implementation Plan for New-type Urbanization During the 14th Five-Year (《「十四五」新型城鎮化實施方案》) promulgated by the NDRC on June 21, 2022, it will optimize the construction layout of public charging facilities, improve the charging facilities of residential areas and public parking, and construct charging facilities or reserve installation conditions for all the reserved parking spaces of new residential areas.

According to the Implementation Plan for Reaching Peak Carbon Dioxide Emissions in Urban-Rural Development (《城鄉建設領域碳達峰實施方案》) promulgated and implemented by the MOHURD and the NDRC on June 30, 2022, it encouraged the selection of NEVs and promoted the construction of community charging and replacement facilities.

6. Corporate Average Fuel Consumption and New Energy Vehicle Credits Scheme for Vehicle Manufacturers and Importers

According to the Measure on the Parallel Administration of the Corporate Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises (《乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法》) jointly promulgated by the MIIT, the MOF, the MOFCOM, the General Administration of Customs and the SAMR on September 27, 2017 and effective from April 1, 2018, vehicle manufacturers and vehicle importers meeting a certain scale are required to

maintain their new energy vehicles credits, or NEV credits, above zero. The NEV credits for Passenger Vehicle Enterprises are the difference between the actual value of the enterprise's NEV credits and the standard value, with positive credits being arisen when the actual value is higher than the standard value, otherwise negative credits. Enterprises can only obtain NEV credits by manufacturing or importing new energy vehicles. Excess positive credits for new energy vehicles held by passenger vehicle enterprises can be freely traded in the credit management system established by the MIIT. For an enterprise with negative NEV credits, it may offset such credits by purchasing excess positive NEV credits from other vehicle enterprises. Positive NEV credits may not be transferred, except for positive NEV credits generated in 2019 which can be carried forward in equal amounts for the next year.

According to the Decision on Amending the Measures for the Parallel Administration of the Corporate Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises (《關於修改〈乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法〉的決定》) jointly promulgated by the MIIT, the MOF, the MOFCOM, the General Administration of Customs and the SAMR on June 15, 2020 and effective from January 1, 2021, passenger vehicles capable of burning alcohol-ether fuel are included in the scope of traditional energy passenger vehicles under the Management Measures, which also specifically refines and modifies the credits calculation methods for different models of new energy passenger vehicles.

On July 7, 2022, the MIIT requested public comments on the Decision on Amending the Measures for the Parallel Administration of the Corporate Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises (Draft for Comments) (《關於修改〈乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法〉的決定(徵求意見稿)》. The draft for comments proposed to establish a mechanism for the collection and release of positive credits of NEVs, ensuring the smooth operation of the credit trading market. The MIIT established a credit pool for the collection and release of positive credits of NEVs. It clarified the ratio requirements for assessing NEV credits from 2024 to 2025 were 28% and 38%, respectively, and adjusted the calculation method and cap of credits accordingly. In addition, the draft for comments also added the requirement that enterprises shall publicly announce their average carbon emission levels.

7. Recent Policies to Promote New Energy Vehicle Consumption

Pursuant to the Guiding Opinions on Further Promoting Electric Energy as Replacement (《關於進一步推進電能替代的指導意見》) jointly issued by ten ministries and commissions including the NDRC and the MIIT on March 4, 2022, it proposes to further promote the electrification of the transportation sector. It suggests the acceleration of the electrification of urban public transport by prioritizing the use of new energy vehicles in sectors such as urban public transport, taxis, sanitation, postal services, logistics and distribution. Where vehicles and equipment need to be added and replaced in key areas of air pollution prevention and control such as ports and airports, those areas shall prioritize the use of new energy vehicles. Besides, it vigorously promotes household electric vehicles and speeds up the construction of infrastructure such as electric vehicle charging piles.

Pursuant to the Opinions on Further Unleashing Consumption Potential to Promote Sustained Recovery of Consumption (《關於進一步釋放消費潛力促進消費持續恢復的意見》) issued and implemented by the General Office of the State Council on April 25, 2022, it emphasizes to break down the barriers of consumption restrictions. One of the initiatives is to steadily increase the consumption of automobiles and other consumption in bulk stocks and no additional vehicle purchase restriction measures shall be issued in all regions. In the regions where purchase restrictions have been implemented, it shall gradually increase the number of vehicle increment indicators, relax the eligibility criteria for vehicle purchasers, and gradually remove vehicle purchase restrictions based on local conditions; vigorously develop green consumption and continue to support the acceleration of development of new energy vehicles, as well as fully tap into the consumption potential in counties and townships, while emphasizing on guiding enterprises to carry out promotions in rural areas with the focus on automobiles and home appliances, encouraging eligible areas to introduce new energy vehicles and green smart home appliances to the countryside, and promoting the construction of charging piles (stations) and other supporting facilities, so as to fully explore consumption potentials from counties and villages.

Pursuant to the Notice of the State Council on Issuance of a Series of Policies and Measures to Consolidate and Stabilize the Economy (《國務院關於印發扎實穩住經濟一攬子政策措施的通知》) issued by the State Council on May 31, 2022, it emphasizes to steadily increase the consumption of automobiles and other consumption in bulk stock, and no additional automobile purchase restrictions shall be issued in all regions. In the regions where purchase restrictions have been implemented, it shall gradually increase the number of vehicle increment indicators, relax the eligibility criteria for vehicle purchasers, and encourage the implementation of differentiated policies based on urban and rural indicators; optimize the investment, construction and operation models of new energy vehicle charging piles (stations), and gradually realize full coverage of charging facilities in all communities and operating parking lots, and accelerate the construction of charging piles (stations) in expressway service areas, passenger transport hubs and other areas.

According to the Notice on the Measures for Invigorating Automobile Circulation and Boosting Automobile Consumption (《關於搞活汽車流通擴大汽車消費若干措施的通知》) issued by 17 departments including the MOFCOM on July 5, 2022, it provided to (1) support the purchase and use of NEVs; (2) accelerate the activation of the second-hand cars market; (3) promote vehicle renewal consumption; (4) promote the sustainable and healthy development of the parallel import of vehicles; (5) optimize the environment for vehicle use; (6) enrich vehicle financing services.

In addition, various provinces and cities recently have also actively responded and introduced tailor-made domestics polices for promoting vehicle consumption. For example: (1) On May 21, 2022, the Shanghai Municipal People's Government issued the Work Plan for Accelerating Economic Recovery and Revitalization for Shanghai (《上海市加快經濟恢復和重振行動方案》), which proposes to vigorously promote vehicle consumption, increase the quota of non-commercial passenger vehicle license plates by 40,000 for the year and implement phased

reduction of the purchase tax for certain passenger vehicles as required by the national policy. Prior to December 31, 2022, individual consumers who scrap or transfer out a passenger car registered under his name in Shanghai which meets the relevant standards and purchase a battery electric vehicle, is entitled to financial subsidies of RMB10,000 per vehicle. (2) On April 27, 2022, the General Office of the Guangdong Province People's Government issued the Notice on Several Measures for Further Promoting Consumption in Guangdong Province (《廣東省進一步促進消費若干措施的通知》), which emphasizes to encourage vehicle consumption. Firstly, the special campaign for automobile "old for new" service will continue, and subsidies are granted to those who scrap or transfer out old vehicles with license plates registered in Guangdong under their names and buy new ones in their respective provinces with old-for-new promotion models and licensed in the province. Among which, subsidies for scraping old vehicles and purchasing new energy vehicles are RMB10,000 per unit and for scraping old vehicles and purchasing ICE vehicles are RMB5,000 per unit; subsidies for transferring out old cars and purchasing new energy vehicles are RMB8,000 per unit and for transferring out old cars and purchasing ICE vehicles are RMB3,000 per unit. Secondly, it encourages purchase of new energy vehicles. From May 1 to June 30, 2022, subsidies for individual consumers who purchase new energy vehicle models within the range of old-for-new promotion models in their respective provinces are RMB8,000 per unit. Thirdly, it optimizes car purchase management. It further revises and improves the regulations on car purchase qualifications, and increases the number of vehicle incremental indicators; (3) On April 1, 2022, the Shandong Provincial People's Government issued the Notice on Issuance of the 2022 "Seeking Progress in Stability" High-Quality Development Policy List (Second Batch) (《關於印發2022年「穩中求進」高質量發展政策清單(第二批)的通知》), which requires the implementation of the national new energy vehicle promotion and application financial subsidy policy. In 2022, the maximum subsidies for new energy vehicles in the non-public sector is up to RMB50,400 per vehicle, and the maximum subsidies for new energy vehicles in the public sector is up to RMB64,800 per vehicle. The Shandong Provincial Department of Commerce, Shandong Provincial Development and Reform Commission, Shandong Provincial Department of Finance and Shandong Provincial Bureau of Statistics jointly issued the Notice on Several Measures to Promote Automobile Consumption in Shandong Province (《關於山東省促進汽車消費若干措施的通知》) on May 22, 2022, as of June 30, 2022, consumer coupons worth of RMB3,000 to RMB6,000 will be granted to individual consumers who purchase new energy passenger cars (except second-hand vehicles) and obtain license in Shandong Province based on the purchase amount for each vehicle; consumer coupons worth of RMB2,000 to RMB5,000 will be granted to individual consumers who purchase ICE passenger cars (except second-hand vehicles) and obtain license in Shandong Province based on the purchase amount for each vehicle; For individual consumers who scrap their old vehicles to purchase new vehicles (except second-hand vehicles), on the basis of the above standards, an additional consumer coupon worth of RMB1,000 will be granted to each vehicle; (4) On May 24, 2022, the People's Government of Hubei Province issued the Notice of the General Office of the Provincial People's Government on the Issuance of Certain Measures to Accelerate the Recovery and Boosting of Consumption (《省人民政府辦公廳關於印發加快消費恢復提振若干措施的通知》) to encourage automobile consumption, the key measures include: ① the implementation of a special campaign to exchange old

vehicles for new ones from June to December 2022, which provides subsidies to individual consumers who scrap or transfer out old vehicles with Hubei license plates under their names while purchasing new vehicles in Hubei Province and registering them in the province, with the required funds to be shared among the provincial government and municipalities at 50% respectively. Among which: subsidies for scrapping old vehicles and purchasing new energy vehicles are RMB8,000 per vehicle, and subsidies for scrapping old vehicles and purchasing ICE vehicles are RMB3,000 per vehicle; subsidies for transferring out old vehicles and purchasing new energy vehicles are RMB5,000 per vehicle, and subsidies for transferring out old vehicles and purchasing fuel vehicles are RMB2,000 per vehicle. The tax reduction policy of reducing the VAT on second-hand vehicle transactions from 2% to 0.5% will be fully implemented to reduce the costs of second-hand vehicle trading and improve circulation efficiency. Vehicle production will be encouraged and trading enterprises are encouraged to adopt various methods to benefit consumers; ② the organization and implementation of a new round of new energy vehicle introduction to the countryside; ③ carrying out new energy vehicle promotion activities and the implementation of the existing national promotion subsidy and exemption from vehicle purchase tax policy for consumers (including business units) who purchase new energy vehicles.

(VII) REGULATIONS RELATING TO INTERNET INFORMATION AND AUTOMOTIVE DATA SECURITY

Internet information in the PRC is regulated and restricted from a national security standpoint. Pursuant to the Decision on the Maintenance of Internet Security (《關於維護互聯網安全的決定》) passed by the SCNPC on December 28, 2000 and last amended and effective from August 27, 2009, anyone who commits any of the following acts, which constitutes a crime, making use of the internet shall be investigated for criminal responsibility in accordance with laws: (1) invading the computer data system of state affairs, national defense buildup or the sophisticated realms of science and technology; (2) intentionally inventing and spreading destructive programs such as computer viruses to attack the computer system and the communications network, thus damaging the computer system and the communications network; (3) in violation of state regulations, discontinuing the computer network or the communications service without authorization, thus making it impossible for the computer network or the communications system to operate normally; (4) making use of the computer network to spread rumors, libels or publicize or disseminate other harmful information for purpose of instigating attempts to subvert state power and overthrow the socialist system, or to split the country and undermine unification of the state; (5) stealing or divulging state secrets, intelligence or military secrets via the computer network; (6) making use of the computer network to instigate ethnic hostility or discrimination, and thus undermining national unity; (7) making use of the computer network to form cult organizations or contact members of cult organizations, thus obstructing the implementation of state laws and administrative regulations; (8) making use of the computer network to sell shoddy products or give false publicity to commodities or services; (9) making use of the computer network to jeopardize another person's business credibility and commodity reputation; (10) making use of the computer network to infringe on another person's intellectual property right; (11) making use of the computer network to fabricate and spread false information which affects the exchange of securities and futures or other

information which disrupts financial order; (12) establishing on the computer network pornographic web sites or web pages, providing services for connecting pornographic web sites, or spreading pornographic books and periodicals, movies, audiovisuals or pictures.

Pursuant to the Administrative Measures for the Security Protection of the International Networking of Computer Information Networks (《計算機信息網絡國際聯網安全保護管理辦法》) issued by the Ministry of Public Security on December 16, 1997 and last amended and effective from January 8, 2011, the agency of computer administration and supervision under the Ministry of Public Security shall be in charge of the work of security protection administration of the international networking of computer information networks. It is forbidden to use the international networking to divulge state secrets, endanger state security and engage in illegal criminal activities.

Pursuant to the National Security Law of the People's Republic of China (《中華人民共和國國家安全法》) issued by the SCNPC and implemented on July 1, 2015, no individual or organization shall compromise national security or provide any funding or assistance to any individual or organization that compromises national security. The state shall establish the rules and mechanisms for national security review and supervision, and conduct national security review of foreign investment, particular materials and key technologies, network information technology products and services that affect or may affect national security, construction projects that involve national security matters, and other major matters and activities to effectively prevent and resolve national risks.

Pursuant to the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》) issued by the SCNPC on November 7, 2016 and implemented on June 1, 2017, the state shall implement the rules for graded protection of cybersecurity. Network operators shall, according to the requirements of laws and requirements as well as the mandatory requirements of national and industry standard, develop internal security management mechanisms, take technical measures and other necessary measures to ensure network security and stable operation. The state emphasizes the protection of critical information infrastructure in important sectors and areas such as public telecommunications and information services, energy, transportation, irrigation, finance, public services, e-government, etc., which may gravely harm national security, national economy, people's livelihood and public interest. Personal information and important data collected and produced by critical information infrastructure during operation shall be stored within the territory; where due to business requirements it is truly necessary to provide it outside the mainland, a security assessment shall be conducted according to the requirements of relevant departments. Under the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》), where network operators provide network access and domain registration services for users, handle network access formalities for fixed-line or mobile phone users, or provide users with information release services, instant messaging services and other services, they shall require users to provide true identity information, or otherwise, the network operators shall not provide them with relevant services. The Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》) also specifies that the network operators shall provide technical support and assistance to public security organs and state security organs for safeguarding national security and crime investigation activities. Network operators in violation of the provisions of this law may be subject to penalties, such as being ordered to

make rectifications, given warnings or fines, confiscated of unlawful gains, ordered to a temporary suspension of operations, a suspension of business for corrections, closing down of websites, revocation of relevant operations permits, etc. Pursuant to the Notice to Seek Public Comments on the "Decision to Revise the Cybersecurity Law of the People's Republic of China (Draft for Comments) (《關於修改〈中華人民共和國網絡安全法〉的決定（徵求意見稿）》) ('Cybersecurity Law Revision Draft')" issued by the CAC on September 14th, the violations of the Cybersecurity Law might be subject to more severe punishment if the Cybersecurity Law Revision Draft is implemented in its current form. Specifically, the Cybersecurity Law Revision Draft enhanced the punishment against violations of the network operation security obligation, the critical information infrastructure operation security obligation, and the network information security obligation by increasing the upper limits of the fines and imposing additional punishment. The Cybersecurity Law Revision Draft also enhanced the punishment against personal information infringement by referencing to the punishment under applicable laws which would include relevant punishment under the Personal Information Protection Law.

Pursuant to the Provisions on the Technical Measures for the Protection of the Security of the Internet (《互聯網安全保護技術措施規定》) issued by the Ministry of Public Security on December 13, 2005 and implemented on March 1, 2006, the providers of internet services shall carry into effect the technical measures for security protection in accordance with laws, record and preserve user information (including registration information, time of log in and log out, IP address, contents released by users and release time) for not less than 60 days.

Pursuant to the Announcement on Launching the Security Certification of Apps (《關於開展APP安全認證工作的公告》) jointly issued by the Office of the Central Cyberspace Affairs Commission and the SAMR and implemented on March 13, 2019 and the appendix Rules for Implementing the Security Certification of Mobile Internet Applications (APP) (《移動互聯網應用程序（APP）安全認證實施規則》), the state encourages the APP operators to pass the APP security certification on a voluntary basis, and encourages search engines and APP stores to provide clear identification and give priority to APPs that pass the certification.

According to the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》) passed by the SCNPC on June 10, 2021 and implemented on September 1, 2021, the state establishes a classified and tiered system for data protection. When conducting data processing activities, one shall comply with laws and regulations, establish a sound, full-range data security and management system, organize and conduct data security education and training as well as take corresponding technical measures and other necessary measures to protect data safety. The use of the internet and other information networks to carry out data processing activities shall, on the basis of the hierarchical network security protection system, fulfill the obligations of data security protection. The processors of important data shall, in accordance with relevant provisions, carry out risk assessment on their data processing activities on a regular basis and submit risk assessment reports to the relevant competent authorities. Relevant organizations and individuals shall cooperate with public security departments or state security organs in obtaining data for the purpose of safeguarding state security or investigating crimes according to law. Those who fail to fulfill the obligations of data security protection and provide important data abroad in violation of the law will be ordered to correct, warned, fined, suspended with their business or suspended for rectification, or revoked of relevant business licenses.

According to the Opinions on Strictly Cracking Down on Illegal Securities Activities in accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) jointly issued by the General Office of the CPC Central Committee and the General Office of the State Council on July 6, 2021, China will strengthen the standard review in data security, cross-border data flow and confidential information management.

On September 30, 2021, the MIIT issued the Measures for Data Security Administration in the Industry and Information Technology Field (Trial Implementation) (Draft for Comments) (《工業和信息化領域數據安全管理辦法(試行)(徵求意見稿)》) for public comments and on February 10, 2022, the MIIT issued again the Measures for public comments. In accordance with the draft measures, the industrial and telecommunication data processors shall classify data firstly based on the data's category and then based on its security level on a regular basis, to classify and identify data based on the industry requirements, business needs, data sources and purposes and other factors, and to make a data classification list. In addition, the industrial and telecommunication data processors shall establish and improve a sound data classification management system, take measures to protect data based on the levels, carryout key protection of critical data, implement stricter management and protection of core data on the basis of critical data protection, and implement the protection with the highest level of requirement if different levels of data are processed at the same time. The draft measures also impose certain obligations on industrial and telecommunication data processors in relation to, among others, implementation of data security work system, administration of key management, data collection, data storage, data usage, data transmission, provision of data, publicity of data, data destruction, safety audit and emergency plans, etc. As of the Latest Practicable Date, the draft measures have not been formally adopted.

The Administrative Provisions on Security Vulnerability of Network Products (《網絡產品安全漏洞管理規定》) (the "**Provisions**") was jointly promulgated by the MIIT, the CAC and the Ministry of Public Security on July 12, 2021 and became effective on September 1, 2021. Network product providers, network operators as well as organizations or individuals engaging in the discovery, collection, release and other activities of network product security vulnerability are subject to the Provisions and shall establish channels to receive information of security vulnerability of their respective network products and shall examine and fix such security vulnerability in a timely manner. In response to the Cybersecurity Law, network product providers are required to report relevant information of security vulnerability of network products with the MIIT within two days and to provide technical support for network product users. Network operators shall take measures to examine and fix security vulnerability after discovering or acknowledging that their networks, information systems or equipment have security loopholes. According to the Provisions, the breaching parties may be subject to monetary fine as regulated in accordance with the Cybersecurity Law. Since the Provisions is relatively new, uncertainties still exist in relation to its interpretation and implementation.

According to the Several Provisions on the Management of Automobile Data Security (for Trial Implementation) (《汽車數據安全管理若干規定(試行)》) ("**Several Provisions on Automotive Data**") jointly issued by the CAC, NDRC, MIIT, the Ministry of Public Security and the Ministry of Transport on August 16, 2021 and implemented on October 1, 2021, automobile data processors including automobile manufacturers,

components and parts and software suppliers, dealers, maintenance organizations, and ride-hailing and sharing service enterprises shall process automobile data in a lawful, legitimate, specific and clear manner, and such data include personal information and important data involved during the design, production, sales, use, operation and maintenance, among others, of vehicles. Automobile data processors are encouraged by the Several Provisions on Automobile Data to adhere to the following principles: the principle of in-vehicle processing, unless it is indeed necessary to transfer data out of the vehicle; the principle of non-collection by default; the principle of appropriate accuracy and coverage, and the principle of desensitization. Automobile data processors shall obtain individual consent for processing personal information or rely on other legal bases in accordance with applicable laws and regulations. Where the automobile data processors collect data containing images of people outside the vehicle and transmit the data out of the vehicle for the purpose of improving driving safety, and if it is not possible to obtain the consent of these people, such personal information shall be anonymized by means such as deleting the pictures containing identifiable natural persons, or partially contouring the facial information in the pictures. The Provisions also provided that important data means the data that may endanger national security, public interests, or the lawful rights and interests of individuals or organizations once it has been tampered with, destroyed, leaked, or illegally obtained or used, including data of important sensitive areas, operating data of vehicle charging networks, personal information involving more than 100,000 personal information subjects, video and image data outside the vehicles that contain face information, license plate information, etc. Important data shall be stored domestically by laws. If such data need to be provided outside China due to business needs, it shall go through the safety assessment organized by the national cyberspace administration and relevant ministries of the State Council. To process important data, automobile data processors shall conduct risk assessment in accordance with the regulations and submit risk assessment reports to related departments at provincial levels. As of the Latest Practicable Date, no implementing rule had been published in this regard. In addition, automotive data processor processing important data shall, by December 15 of each year, report to the related departments at provincial levels the information on automotive data security management. The implementation of such requirement on annual report is subject to the authority of related departments at provincial levels. Illegal automobile data processors shall bear administrative punishment by laws and if a crime is committed, shall bear criminal liability. See "Business — Cybersecurity, Data Privacy and Personal Information."

According to the Regulations on Protecting the Security of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) issued by the State Council on July 30, 2021 and implemented on September 1, 2021, critical information infrastructure means network facilities and information systems in important industries and fields – such as public communication and information services, energy, transportation, irrigation, finance, public services, e-government, and science and technology industries for national defense - that may seriously endanger national security, national economy and people's livelihood, and public interests in the event that they are damaged or lose their functions or their data are leaked. The Regulations emphasize that no individual or organization may engage in any activity of illegally hacking into, interfering with, or damaging any critical information infrastructure or endanger the critical information infrastructure security.

On April 13, 2020, the Cybersecurity Review Measures (《網絡安全審查辦法》) was jointly promulgated by the CAC, the NDRC, the MIIT, the Ministry of Public Security, the Ministry of State Security, the Ministry of Finance, the MOFCOM, the PBOC, the SAMR, the National Radio and Television Administration, the National Administration of State Secrets Protection and the State Cryptography Administration, revised on December 28, 2021 by the aforementioned departments and the China Securities Regulatory Commission, and the revised Cybersecurity Review Measures was formally implemented on February 15, 2022. According to the revised Cybersecurity Review Measures, operators of online platforms with personal information of more than one million users must file a cybersecurity review with the Cybersecurity Review Office when they pursue listing in a foreign country. In the meantime, the governmental authorities have the discretion to initiate a cybersecurity review on any data processing activity if they deem such a data processing activity affects or may affect national security. The specific implementation rules on cybersecurity review are subject to further clarification by subsequent regulations.

On October 29, 2021, the CAC issued the Measures for the Security Assessment of Cross-border Data Transmission (Draft for Comments) (《數據出境安全評估辦法（徵求意見稿）》), and then on July 7, 2022, the CAC officially issued the Measures for the Security Assessment of Cross-border Data Transmission (《數據出境安全評估辦法》), which will be effective and implemented on September 1, 2022. The Measures applies to the security assessment conducted by data processors where they provide overseas parties with important data and personal information collected and generated during the operation in the PRC. Based on the Measures, data processors shall apply for the security assessment of data cross-border transfer to the national cyberspace administration through the provincial cyberspace administration in the place where they operate if they provide data outside China and fall into one of the following conditions: (1) data processors provide important data outside China; (2) operators of critical information infrastructure and data processors who process personal information of over 1 million users provide personal information outside China; (3) data processors who provide accumulative personal information of over 100,000 users or accumulative sensitive personal information of over 10,000 users outside China from January 1 of previous year provide personal information outside China; (4) other situation as required to declare the security assessment for data cross-border transfer as requested by the cyberspace administration.

On November 14, 2021, the CAC issued the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例（徵求意見稿）》), data processors who carry out the following activities, according to relevant regulations in China, shall apply for cybersecurity review: (1) the merger, reorganization or division of internet platform operators that have gathered a large amount of data resources related to national security, economic development and public interests, which affects or may affect national security; (2) the data processors who process personal information of at least one million users apply for overseas listing; (3) the data processors' listing in Hong Kong affects or may affect national security; (4) other data processing activities that affect or may affect national security. Large internet platform operators who set up headquarters or operation centers or research and development centers overseas shall report to the national cyberspace administration and the competent authorities. As of the Latest Practicable Date, the Regulations have not been formally adopted.

According to the Amendment (IX) to the Criminal Law of the People's Republic of China (《中華人民共和國刑法修正案(九)》) issued by the SCNPC on August 29, 2015 and implemented on November 1, 2015, network service providers shall undertake criminal punishment if the network service providers breach the obligation of information network security management required by the Amendment (IX) to the Criminal Law of the People's Republic of China and reject the rectification ordered by relevant authorities.

(VIII) REGULATIONS RELATING TO INTELLIGENT CONNECTED VEHICLES AND AUTONOMOUS DRIVING

The MIIT, the Ministry of Public Security and the Ministry of Transport issued the Circular on the Norms on Administration of Road Testing of Intelligent Connected Vehicles (Trial Implementation) (《智能網聯汽車道路測試管理規範(試行)》) on April 3, 2018, which was implemented on May 1, 2018 and annulled currently. The aforesaid three authorities jointly issued and implemented the Rules for the Administration of the Road Testing and Demonstrative Application of Intelligent Connected Vehicles (for Trial Implementation) (《智能網聯汽車道路測試與示範應用管理規範(試行)》) on July 27, 2021, which was implemented from September 1, 2021. Pursuant to the Circular on the Norms on Administration of Road Testing of Intelligent Connected Vehicles and Demonstration Application (Trial Implementation) (《智能網聯汽車道路測試與示範應用管理規範(試行)》), any entity intending to conduct a road testing of autonomous driving vehicles must obtain a road-testing certificate and a temporary license plate for each tested vehicle. To qualify for above testing certificate and temporary license plate, an applicant entity must satisfy, among others, the following requirements: (1) it must be an independent legal person registered in PRC with the capacity to conduct intelligent connected vehicles-related businesses such as manufacturing, technological research and testing of vehicles and vehicle parts, which has established protocol to test and assess the performance of autonomous driving system and is capable of conducting real-time remote monitor of the road tested vehicles, and with the ability of event recording, analysis and reproduction of the vehicles under road testing and ensuring the network security of the vehicles under road testing and the remote monitor platforms; (2) the vehicle under road testing must be equipped with a driving system that can switch between autonomous pilot mode and human operating mode in a safe, quick and simple manner and allows human driver to take control of the vehicle any time immediately when necessary; (3) the tested vehicle must be equipped with the functions of recording, storing and real-time monitoring the condition of the vehicle and is able to transmit real-time data of the vehicle, such as the driving mode, location and speed; (4) the applicant entity must sign an employment contract or a labor service contract with the driver of the tested vehicle, who must be a licensed driver with more than three years' driving experience and a track record of safe driving and is familiar with the testing protocol for autonomous driving system and proficient in operating the system; (5) the applicant entity must insure each tested vehicle for at least RMB5 million against car accidents or provide a letter of guarantee covering the same. In addition, during testing, the testing entity should post a noticeable identification logo for autonomous driving test on each tested car and should not use autonomous driving mode unless in the permitted testing areas specified in the road-testing certificate. If the testing entity intends to conduct road testing in the region beyond the administrative territory of the certificate issuing authority, it must apply for a separate road-testing certificate and a separate temporary license plate from the relevant authority supervising the road-testing of autonomous cars in that region. In addition, the

testing entity is required to submit to the road-testing certificate issuing authority a periodical testing report every six months and a final testing report within one month after completion of the road testing. In the case of a car accident causing severe injury or death of personnel or vehicle damage, the testing entity must report the accident to the road-testing certificate issuing authority 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.

Under the Opinions of the Ministry of Industry and Information Technology on Strengthening the Administration of Intelligent Connected Vehicle Manufacturers and Access of Products (《工業和信息化部關於加強智能網聯汽車生產企業及產品准入管理的意見》), which was issued by the MIIT and implemented on July 30, 2021, the primary opinion that enterprises producing auto products with autonomous driving function shall ensure that the auto products at least satisfy the following requirements: (1) it is capable of automatically identify the failure of the autonomous driving system and whether the designed operating conditions are continuously met, and take risk mitigation measures to achieve the minimum risk level; (2) it is equipped with human-machine interaction function displaying the operating condition of the autonomous driving system; (3) it has an event data recording system and autonomous driving data recording system to meet relevant functions, performance and safety requirements for accident reconstruction, liability determination and cause analysis, etc.; (4) it must satisfy the safety requirements to ensure functional safety, expected functional safety, network safety and other process safety, as well as testing requirements such as simulation nature, closed area, actual road, network safety, software upgrade, data recording, to avoid foreseeable and preventable accidents under the designed operating conditions of the tested vehicles.

Pursuant to the Notice of the Ministry of Industry and Information Technology on Strengthening Network Safety and Data Safety Work of Vehicle Connectivity (《工業和信息化部關於加強車聯網網絡安全和數據安全工作的通知》) issued by the MIIT and implemented on September 15, 2021, enterprises engaged in vehicle connectivity shall strengthen the prevention and protection of intelligent connected vehicles safety, vehicle connectivity's network safety, vehicle connectivity's service platform safety and data safety, and improve the safety standard system, for network safety and data safety.

(IX) REGULATIONS RELATING TO PERSONAL PRIVACY PROTECTION

Under the Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》) issued by the MIIT on December 29, 2011 and effective on March 15, 2012, the Decision on Strengthening the Protection of Online Information (《關於加強網絡信息保護的決定》) issued by the SCNPC and implemented on December 28, 2012, the Order for the Protection of Telecommunications and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》) issued by the MIIT and implemented on July 16, 2013, and the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) issued by the SCNPC on November 7, 2016 and implemented on June 1, 2017, any collection and use of a user's personal information must be legal, rational and necessary, and the user should be clearly notified the purposes, methods and scopes of collecting and using information, channels for enquiring and correcting information, and the consequence of refusal to provide information. An

internet information service provider shall be prohibited from divulging, tampering or destroying any personal information, or selling or providing such information to other parties. Any violation of these laws and regulations may subject to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, closedown of websites or even criminal liabilities.

The Announcement of Conducting Special Supervision Against the Illegal Collection and Use of Personal Information by Apps (《關於開展APP違法違規收集使用個人信息專項治理的公告》) jointly promulgated and implemented by the Office of the Central Cyberspace Affairs Commission, the MIIT, the Ministry of Public Security and the SAMR on January 23, 2019, reiterates that App operators should collect and use personal information in strict compliance with the responsibilities and obligations under the Cybersecurity Law of the PRC, collect and use personal information in accordance with the law, and encourages application operators to conduct security certifications, search engines and application stores to clearly mark and recommend certified applications. In addition, the Methods of Identifying Illegal Acts of Apps to Collect and Use Personal Information (《APP違法違規收集使用個人信息行為認定辦法》) jointly promulgated and implemented by the CAC, the MIIT, the Ministry of Public Security and the SAMR on November 28, 2019 clarifies specific circumstances of illegal collection of information, including "failing to publish the rules on the collection and use of personal information", "failing to explicitly explain the purposes, methods and scope of the collection and use of personal information", "collecting and using personal information without the users' consent", "collecting personal information unrelated to the services it provides and beyond necessary principle", "providing personal information to others without the users' consent", and "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".

Pursuant to the PRC Civil Code (《中華人民共和國民法典》) adopted by the National People's Congress on May 28, 2020 and implemented on January 1, 2021, the personal information of natural persons is protected by law. Any organization or individual must legally obtain the relevant personal information of others and must ensure the security of the relevant information, and must not illegally collect, use, process or disseminate the personal information of others, nor illegally trade, provide or disclose the personal information of others.

According to the Several Provisions on Administration of Automobile Data Security (For Trial Implementation) (《汽車數據安全管理若干規定(試行)》) jointly promulgated by the CAC, the NDRC, the MIIT, the Ministry of Public Security and the Ministry of Transport on August 16, 2021 and implemented from October 1, 2021, automobile data processors (including automobile manufacturers, components and parts and software suppliers, dealers, maintenance organizations, and ride-hailing and sharing service enterprises) shall process automobile data (including personal information data and important data during the design, production, sales, use, operation and maintenance of vehicles) in a lawful, legitimate, specific and clear manner. When processing personal information, automobile data processors shall obtain personal consent or comply with other circumstances stipulated by laws and administrative regulations. If the automobile data processors collect data of subjects outside the vehicle for the purpose of ensuring driving safety, but are unable to obtain consent from such subjects, the automobile data

processors shall anonymize the data by means such as deleting the pictures containing identifiable natural persons, or partially contouring the facial information in the pictures.

According to the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) adopted by the SCNPC on August 20, 2021 and implemented from November 1, 2021, the personal information of natural persons shall be protected by law. No organization or individual may infringe upon natural persons' rights and interests relating to personal information. The Personal Information Protection Law of the PRC integrates previously scattered rules on personal information rights and privacy protection, and initially establishes a personal information protection system. The Law clarifies that personal information shall be processed under the principles of lawfulness, legitimacy, necessity and good faith and shall be processed for a clear and reasonable purpose, directly related to the processing purpose and in a manner that has the minimum impact on the rights and interests of individuals, and limited to the minimum scope necessary for achieving the processing purpose. It shall be processed under the principle of openness, and the quality of information shall be guaranteed and measures shall be taken to protect personal information from divulging, tampering or lose. The Personal Information Protection Law reiterates the circumstances under which a personal information processor could process personal information and the requirements for such circumstances, such as when (1) the individual's consent has been obtained; (2) the processing is necessary for the conclusion or performance of a contract to which the individual is a party concerned; (3) the processing is necessary to fulfill statutory duties and statutory obligations; (4) the processing is necessary to respond to public health emergencies or protect natural persons' life, health and property safety under emergency circumstances; (5) the personal information that has legally been made public by the relevant individual or otherwise is processed within a reasonable scope; (6) personal information is processed within a reasonable scope to conduct news reporting, public opinion-based supervision, and other activities in the public interest; or (7) under any other circumstance as provided by any law or regulation. It also stipulates the obligations of a personal information processor. The Personal Information Protection Law provides that a personal information processor could process publicly disclosed information within the reasonable scope in accordance therewith on the basis of the six circumstances already specified thereunder. No organization or individual may illegally collect, use, process or transmit personal information, illegally buy or sell, provide or make personal information public, or engage in the processing of personal information that endangers the national security or public interests. The Personal Information Protection Law clarifies the definition of "sensitive personal information", which means personal information that, once leaked or illegally used, may give rise to discrimination against individuals or seriously endanger personal or property security, including information on biometrics, religious beliefs, specific identifications, medical health, financial accounts, and personal whereabouts, among others. To process sensitive personal information, a personal information processor shall obtain the individual consent from the individual. Where any law or administrative regulation provides that written consent shall be obtained for processing sensitive personal information, such provision shall prevail. However, there remain uncertainties regarding the meaning of "individual consent" and whether individual consent is required if the processing is based on legal bases other than individual's consent.

The Amendment (IX) to the Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》) promulgated by the SCNPC on August 29, 2015 and implemented on November 1, 2015, network service providers who violate the information network security management obligations stipulated by relevant laws and refuse to make rectification after being ordered shall be subject to criminal penalties. In addition, the Notice of the Supreme People's Court, the Supreme People's Procuratorate, and the Ministry of Public Security on Lawfully Punishing Criminal Activities Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院、公安部關於依法懲處侵害公民個人信息犯罪活動的通知》) issued in 2013 and the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) issued on May 8, 2017 and effective on June 1, 2017 clearly stipulate the conviction and sentencing standards for crimes related to infringement of personal information.

(X) REGULATIONS RELATING TO RESTRICTION IN VALUE-ADDED TELECOMMUNICATIONS SERVICES

According to the PRC Telecommunications Regulations (《中華人民共和國電信條例》) and the Catalog of Telecommunications Services (《電信業務分類目錄》) promulgated by the State Council on September 25, 2000 and last amended on February 6, 2016, the state establishes a licensing system for telecommunications services according to the different categories of the services. Telecommunications services are divided into two categories: basic telecommunications services and value-added telecommunications services. Basic value-added telecommunications business refers to the provision of public network infrastructure, public data transmission and basic voice communication, while value-added telecommunications business refers to the provision of telecommunications and information services by utilizing the public network infrastructure. Anyone that intends to be engaged in basic telecommunications business shall be approved by competent authorities and obtain a Basic Telecommunications Business Operating Permit (《基礎電信業務經營許可證》). Anyone that intends to be engaged in value-added telecommunications business shall be approved by competent authorities and obtain a Value-added Telecommunications Business Operating Permit (《增值電信業務經營許可證》). An operator who failed in obtaining relevant operating permits will face correction orders, warnings, fines, confiscation of illegal gains, and in case of severe circumstances, be ordered to suspend business for rectification.

According to the Catalog of Telecommunications Services (2015) (《電信業務分類目錄(2015)》) promulgated by the MIIT on December 28, 2015 and last amended and implemented on June 6, 2019, value-added telecommunications services are divided into two categories. The first category of value-added telecommunications services includes "internet data center services, content distribution network services, domestic Internet virtual private network services and Internet access services." The second category of value-added telecommunications services includes "online data processing and transaction processing services, domestic multi-party communications services, storage and forwarding services, call center services, information services, coding and regulation conversion services."

According to the Measures for the Administration of Internet Information Services (《互聯網信息服務管理辦法》) promulgated by the State Council on September 25, 2000 and last amended and effective on January 8, 2011, internet information services refer to the provision of information through internet to web users. Internet information service is divided into two categories: non-commercial internet information service and commercial internet information services. A commercial internet information service provider shall obtain an Operating License for Value-added Telecommunications Business from relevant telecommunications administrative agencies. According to the Administrative Measures for Telecommunication Business Operating Permits (《電信業務經營許可管理辦法》) promulgated by the MIIT on March 1, 2009, last amended on July 3, 2017 and effective from September 1, 2017, the provincial administrations of telecommunications are in charge of the review and approval of operating permits. For a value-added telecommunications operating permit, it shall be valid for five years and can be renewed by submitting a renewal application within 90 days before its expiration.

According to the Provisions on the Administration of Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》) promulgated by the CAC on June 28, 2016 and effective from August 1, 2016, the CAC is in charge of the law enforcement of supervision and administration of the information contents of mobile internet apps nationwide; providers rendering permitted internet information services via mobile internet applications shall also be subject to information security requirements; and mobile internet application providers shall sign a service agreement to clarify the rights and obligations of both parties.

Under the 2021 Negative List, the provision of value-added telecommunications services falls into the restricted category (except for e-commerce, domestic multi-party communications, and store-and-forward and call center services) and the foreign shareholding ratio shall not exceed 50%.

The Company offers online services to registered APP users, including ordering vehicles, charging pile navigation, vehicle remote control, user community and Leapmotor mall, which constitute "online extension of the services" relating to the Group's offline automobile sale and use, in addition to its own product sale and free interactive information sharing. The Company generates revenue through automobile sales, use of related services and sale of other products, rather than offering of commercial internet information through its Leapmotor APP. Therefore, as advised by our PRC Legal Advisor, the online services offered on its APP are not operational internet information services within the meaning of Measures for the Administration of Internet Information Services.

(XI) REGULATION RELATING TO ENVIRONMENTAL PROTECTION AND WORK SAFETY

1. Environmental Protection

Pursuant to the PRC Environmental Protection Law (《中華人民共和國環境保護法》) promulgated by the SCNPC on December 26, 1989, last amended on April 24, 2014 and implemented from January 1, 2015, any enterprises, public institutions and other producers and operators which discharges pollutants must take measures to prevent and control waste gas, waste water, waste residue, medical waste, dust, malodorous gases, radioactive substances, as well as noise, vibrations, light

radiation, electromagnetic radiation, and other environmental pollutions and hazards produced during the course of production, construction or other activities. China implements the pollutants discharge permit administration system in accordance with the provisions of the law, and enterprises, public institutions and other producers and operators subject to pollutants discharge permit administration shall discharge pollutants in accordance with the requirements of the pollutants discharge permit; no pollutants can be discharged without a pollutants discharge permit.

In accordance with the Administrative Regulations on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998, last amended on July 16, 2017 and implemented from October 1, 2017, the PRC practices a system that evaluates the environmental impact of a construction project. A construction unit should submit an environmental impact report or environmental impact statement before the commencement of the construction project for approval or submit the environmental impact registration form in accordance with the requirement of environmental protection administrative department of the State Council for record. Besides, after the completion of the construction project as prepared in the environmental impact report and the environmental impact statement, the construction unit should inspect and accept the environmental protection facilities for a project and prepare an acceptance report in compliance with the standards and procedures stipulated by the environmental protection administrative department of the State Council. For construction projects which are built in phases, put into production or use in phases, its corresponding environmental protection facilities shall be inspected and accepted in phases.

In accordance with the Administrative Measures for Pollutant Discharge Licensing (For Trial Implementation) (《排污許可管理辦法(試行)》) promulgated by the Ministry of Environmental Protection (later known as Ministry of Ecology and Environment) on January 10, 2018, last amended on August 22, 2019 and implemented on the same date, enterprises, public institutions and other producers and operators that are included in the category-based administration catalogue of pollutant discharge licensing for stationary pollution sources shall apply for and obtain a pollutant discharge permit within the prescribed time limit. Pollutant discharging units not included in the above catalogue currently do not need to apply for a pollutant discharge license.

In accordance with the Regulation on the Administration of Pollutants Discharge Permits (《排污許可管理條例》) promulgated on January 24, 2021 by the State Council and implemented on March 1, 2021, enterprise, public institution and other producers and operators subject to the administration of pollutant discharge permit shall apply for a pollutant discharge permit under the provisions of this Regulation; and may not discharge pollutant without obtaining a pollutant discharge permit.

2. Work Safety

Vehicle and component manufacturers shall comply with relevant regulations related to environmental protection and work safety. In accordance with the Work Safety Law of the PRC (《中華人民共和國安全生產法》) promulgated on June 29, 2002 by the SCNPC, last amended on June 10, 2021 and implemented from September 1, 2021, a production and operation unit must develop a well-established work safety responsibility system and work safety rules and systems for all employees, meet the conditions for safe production as stipulated by laws and regulations, national standards or industry standards, and those who do not have such production conditions shall not engage in production and operation activities. The production and operation unit shall conduct safety production education and training for employees to ensure that they are equipped with necessary safety production knowledge and are familiar with relevant safety production rules and regulations and safety operation procedures.

3. Fire Safety Inspection and Acceptance

Pursuant to the Fire Safety Law of the PRC (《中華人民共和國消防法》) promulgated by the SCNPC in April 1998 and last amended and implemented on April 29, 2021, and the Interim Provisions on Administration of Fire Control Design Review and Acceptance of Construction Project (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020 and implemented from June 1, 2020, the fire protection design or construction of a construction project must conform to the national fire protection technical standards for project construction and construction projects shall undergo the fire protection design review and final inspection system. The production workshops of labor-intensive enterprises with a total construction area of more than 2,500 square meters and the construction units of other special construction projects must apply to the fire control department for fire protection design review, and complete the fire protection acceptance procedures after the completion of the construction project. The construction unit of other construction projects must complete the fire protection filing of the fire protection design and the completion acceptance within five working days after the completion acceptance of the construction project. If a construction project fails to pass the fire safety inspection before it is put into use, or does not meet the fire safety requirements after the inspection, it will be ordered to suspend the construction and use of such project, or suspend production and business, and be imposed a fine.

(XII) REGULATIONS RELATING TO LAND AND CONSTRUCTION PROJECTS

Under the Interim Regulations on Assignment and Transfer of the Rights to the Use of the State-Owned Urban Land (《城鎮國有土地使用權出讓和轉讓暫行條例》) promulgated by the State Council on May 19, 1990, last amended on November 29, 2020 and implemented from the same date, China adopts a system of assignment and transfer of the right to use state-owned land. The assignment of land use rights may be carried out by agreement, bidding or auction. The land user shall pay the premium of the land use right

to the State, and the State may assign such right to the user for an agreed term. The land user who has obtained the land use right may, within the term of land use, transfer, lease or mortgage the land use right or use it for other economic activities.

Pursuant to the regulations abovementioned and the PRC Urban Real Estate Administration Law (《中華人民共和國城市房地產管理法》) promulgated by the SCNPC on July 5, 1994, last amended on August 26, 2019 and implemented from January 1, 2020, an assignment contract shall be signed between the regional land administration authority and land users 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 to acquire the land use rights. The land user shall develop, utilize and operate the land in accordance with the provisions of the assignment contract and the requirements of urban planning.

Pursuant to the Regulations on Planning Administration Regarding Assignment and Transfer of the Rights to Use of the State-Owned Land in Urban Area (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by the Ministry of Construction on December 4, 1992, amended on January 26, 2011 and implemented from the same date, the land assignee shall obtain a construction land planning permit from the municipal planning authority. Pursuant to the Urban and Rural Planning Law (《城鄉規劃法》) promulgated by the SCNPC on October 28, 2007 and last 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.

Pursuant to the Administrative Provisions on Construction Permit of Construction Projects (《建築工程施工許可管理辦法》) issued by the Ministry of Construction (the predecessor of the Ministry of Housing and Urban-Rural Development) on October 15, 1999, last amended on March 30, 2021 and implemented on the same date, for the construction, renovation and decoration of all kinds of buildings within the territory of China and the auxiliary facilities thereof, the installation of supporting lines, pipes and equipment, and the construction of municipal infrastructure projects in cities and towns, the construction unit shall, before starting construction, apply to the housing and urban-rural development administrative department of the people's government at or above the county level where the project is located for a construction permit in accordance with the Provisions. For a construction project whose investment is less than RMB300,000 or whose construction area is less than 300 square meters, the construction unit may be allowed not to apply for a construction permit.

According to the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated by the Ministry of Housing and Urban-Rural Development on December 2, 2013 and implemented on the same date, construction units of all types of buildings and municipal infrastructure projects that are newly built, expanded, or rebuilt within the territory of China shall file with the competent construction authority of the local people's government at or above the county level where the project is located within 15 days from the date when the project is completed and accepted.

(XIII) REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

1. Patents

According to the Patent Law of the PRC (《中華人民共和國專利法》) issued by the SCNPC on March 12, 1984, last amended on October 17, 2020 and implemented on June 1, 2021, China National Intellectual Property Administration shall be responsible for administration of the patent work across the country and the administrative departments for patent work under the people's governments at the provincial level shall be responsible for the administration of patent work within their respective administrative areas. Any invention or utility model for which a patent right may be granted must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds, nuclear transformation method or substances obtained by means of nuclear transformation. A patent is valid for a twenty-year term for an invention, a ten-year term for a utility model and a fifteen-year term for design. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent, otherwise it will constitute an infringement of the rights of the patent owner.

2. Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) issued by the SCNPC on September 7, 1990, last amended on November 11, 2020 and implemented on June 1, 2021, copyrights include personal rights such as the right of publication and that of attribution, as well as property rights such as the right of production and that of distribution. Copyright protection extends to internet activities, products and software products transmitted through the internet. Reproducing, distributing, performing, projecting, broadcasting, compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided under the Copyright Law of the PRC, shall constitute infringements of copyrights. The infringer shall undertake to cease the infringement, eliminate the influence, offer an apology and pay for damages.

According to the Computer Software Copyright Registration Procedures (《計算機軟件著作權登記辦法》) issued by the National Copyright Administration of the PRC on February 20, 2002 and implemented on the same date, registration of software copyright and registration of exclusive licensing contract and transfer contract of software copyright shall be standardized. The National Copyright Administration is in charge of the administration of software copyright registration throughout the country and recognizes the Copyright Protection Center of China as software registration organization. The Copyright Protection Center of China will grant registration certificates to applicants of computer software that comply with

the provisions of the Software Copyright Registration Procedures (《軟件著作權登記辦法》) and the Regulations for the Protection of Computer Software (《計算器軟件保護條例》) (amended in 2013).

3. Trademarks

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982, last amended on April 23, 2019 and implemented on November 1, 2019, and the Implementation Regulation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002 and amended and implemented on April 29, 2014, registered trademarks in China include commodity trademarks, service trademarks, collective marks, and certification marks.

The Trademark Office of China National Intellectual Property Administration is responsible for trademark registration and administration in China. The period of validity of a registered trademark shall be ten years. If a registrant needs to continue to use the registered trademark after the period of validity, an application for renewal of registration shall be made every ten years. Application for renewal of registration shall be submitted within 12 months prior to the expiry date. The registrant of registered trademark may license the other party to use its registered trademark by entering into trademark license agreement. The trademark license agreement shall be filed at the Trademark Office for record. The licensor shall supervise the quality of the goods for which the trademark is used and the licensee shall assure the quality of relevant goods. A principle of first come, first file is adopted in the registration of trademark in China. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Applying for registration of a trademark shall not prejudice the existing right first obtained by others, nor could 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. Using a trademark identical or similar to the registered trademark on the same or similar commodities without the permission of the trademark registrant constitutes an infringement on the exclusive right to use a registered trademark. The infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial measures and compensate for losses.

4. Domain Names

In accordance with the Administrative Measures on Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and implemented from November 1, 2017 to replace the Administrative Measures of China on Domain Names (《中國互聯網絡域名管理辦法》) issued in November 2004, the MIIT supervises and administrates the domain name service nationwide. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and applicants become domain name holders upon successful registration.

(XIV) REGULATIONS RELATING TO FOREIGN EXCHANGE AND OVERSEAS INVESTMENT

Pursuant to the Regulations on the Administration of Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996 and last amended and implemented on August 5, 2008, RMB can be converted into other currencies for current accounts such as trade-related income and expenses and payments of interest and dividends. While for capital items such as direct equity investment, loan and divestment, the conversion of RMB into other currencies and the remittance of the converted foreign currencies outside China shall be subject to prior approval of the SAFE or its local branches.

The Circular of the State Administration of Foreign Exchange on Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) ("**Circular 59**"), which was promulgated by SAFE on November 19, 2012 and last amended on October 10, 2018, part of which was abolished on December 30, 2019, substantially amends and simplifies the foreign exchange procedure. Pursuant to Circular 59, the opening of various special purpose of foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and deposits accounts, the reinvestment of RMB proceeds derived by foreign investors within the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces. In February 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), part of which was abolished in December 2019. It stipulates that banks shall, on behalf of SAFE, directly examine and handle foreign exchange registration under domestic direct investment and overseas direct investment, and SAFE and its branches shall exercise indirect supervision over foreign exchange registration of direct investment through banks.

On May 11, 2013, SAFE promulgated the Provisions on Foreign Exchange Administration over Domestic Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》) ("**Circular 21**"), which was effective on May 13, 2013, amended on October 10, 2018 and partially abolished on December 30, 2019. Circular 21 stipulates that SAFE and its branches shall manage foreign investors' indirect investment within the PRC through registration, and banks shall handle the foreign exchange business of direct investment within the PRC according to the registration information provided by SAFE or its branches.

Pursuant to the Notice on Issues Concerning the Administration of Foreign Exchange in Overseas Listing (《關於境外上市外匯管理有關問題的通知》) promulgated by SAFE on December 26, 2014 and implemented on the same date, a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment. The proceeds from an overseas listing of a domestic company may be

remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the relevant content included under the document and other disclosure documents.

Pursuant to the Notice of the State Administration of Foreign Exchange on Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) ("**Circular 19**"), which was promulgated on March 30, 2015, implemented on June 1, 2015 and partially abolished on December 30, 2019, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis based on the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited from using the foreign exchange capital settled in RMB (1) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (2) for direct or indirect securities investment; (3) to provide entrusted loans (unless permitted in the business scope), repay inter-company loans (including advances to third parties) or repay RMB bank loans that have been on-lent to a third party; and (4) to purchase real estate not for self-use purposes (save for real estate enterprises). On June 9, 2016, SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) ("**Circular 16**"), which came into effect on the same date. Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties). However, there remain substantial uncertainties with respect to Circular 16's interpretation and implementation in practice.

On January 26, 2017, SAFE issued and implemented on the same date the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Management Reform (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) ("**Circular 3**"), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (1) banks shall review board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements to check if the transaction is genuine; (2) domestic entities shall make up for previous years' losses before remitting the profits. In addition, pursuant to Circular 3, domestic entities shall make detailed explanations to the bank in respect of the sources of the capital and its utilization arrangements, and provide board resolutions, contracts and other supporting materials when undergoing the registration procedures in connection with an outbound investment.

On October 23, 2019, SAFE promulgated the Notice on Further Facilitating Cross-Board Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) which became effective on the same date (except for Rule 2 of Article 8, which became effective on January 1, 2020). The Notice cancels restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange

settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenue under capital accounts, such as capital funds, foreign debt offering proceeds and remitted foreign listing proceeds for domestic payments without providing supporting materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current administrative regulations for use of revenue from capital accounts.

(XV) REGULATIONS RELATING TO TAX

1. Enterprise Income Tax (EIT)

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), which was promulgated by the SCNPC on March 16, 2007, last amended on December 29, 2018 and implemented on the same date, a domestic enterprise established within the PRC in accordance with the law shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% on its income generated within the PRC. A preferential EIT shall be applicable to key industries or projects supported or encouraged by the State.

The Enterprise Income Tax Law allows qualified high-tech enterprises to enjoy an EIT rate of 15% after reduction. In addition, relevant laws and regulations on EIT also stipulate that enterprises identified as high-tech enterprises shall be exempted from EIT for two years from the first profit-making year, and the EIT shall be halved at the normal tax rate for the following three calendar years. Enterprises qualified as high-tech enterprises can enjoy a preferential EIT rate of 10%.

2. Business Tax and Value-added Tax (VAT)

Pursuant to the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值税暫行條例》), which was promulgated by the State Council on December 13, 1993, last amended on November 19, 2017 and implemented from the same date, and the Detailed Implementing Rules of the Provisional Regulation of the PRC on Value-added Tax (《中華人民共和國增值税暫行條例實施細則》), which was promulgated by the MOF and SAT on December 25, 1993, last amended on October 28, 2011 and implemented on November 1, 2011, entities or individuals that engage in the sale of goods, the provision of processing, repair and replacement services or importation of goods within the territory of the PRC are subject to VAT.

Unless otherwise specified, the VAT rate for sale of goods shall be 17% and the VAT rate for service shall be 6%. Pursuant to the Notice of Ministry of Finance and the State Administration of Taxation on Adjustment of Value-Added Tax Rates (《財政部、税務總局關於調整增值税税率的通知》) jointly promulgated by the MOF and SAT on April 4, 2018 and implemented from May 1, 2018, (1) for VAT taxable sales acts or importation of goods originally subject to value-added tax rates of 17% and 11%, respectively, such tax rates shall be adjusted to 16% and 10%, respectively; (2) for purchase of agricultural products originally subject to rate of 11%, such rate shall be adjusted to 10%; (3) for purchase of agricultural products for the purpose of

production and sales or consigned processing of goods subject to tax rate of 16%, such tax shall be calculated at the rate of 12%; (4) for exported goods originally subject to tax rate of 17% and export tax refund rate of 17%, the export tax refund rate shall be adjusted to 16%; and (5) for exported goods and cross-border taxable acts originally subject to tax rate of 11% and export tax refund rate of 11%, the export tax refund rate shall be adjusted to 10%.

Since November 16, 2011, the MOF and the SAT have implemented the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業税改徵增值税試點方案》), which impose VAT in lieu of business tax for certain modern service industries in certain regions and eventually expanded to nation-wide application in 2013. According to the Implementation Measures of the Pilot Plan for Imposition of VAT to Replace Business Tax (《營業税改徵增值税試點實施辦法》) promulgated by the MOF and the SAT in respect of the VAT Pilot Program, the modern service industries include research, development and technology services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services. In accordance with the Notice of Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (《關於做好全面推行營改增試點工作的通知》) promulgated by the State Council on April 29, 2016, replacing business tax with value-added tax shall be implemented in all regions and industries.

The Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值税改革有關政策的公告》), which was jointly promulgated by the MOF, the SAT and the General Administration of Customs on March 20, 2019 and implemented on April 1, 2019, stipulates that: (1) the VAT rates of 16% and 10% originally applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively; (2) the VAT rates of 10% originally applicable to the taxpayers who purchased agricultural products are adjusted to 9%; (3) for purchase of agricultural products for the purpose of production or consigned processing of goods subject to tax rate of 13%, such tax shall be calculated at the rate of 10%; (4) for exported goods originally subject to tax rate of 16% and export tax refund rate of 16%, the export tax refund rate shall be adjusted to 13%; and (5) for exported goods and cross-border taxable acts originally subject to tax rate of 10% and export tax refund rate of 10%, the export tax refund rate shall be adjusted to 9%.

(XVI) REGULATIONS RELATING TO LABOR AND EMPLOYMENT

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994, last amended on December 29, 2018 and effective on the same date, employers must ensure the safety and hygiene of the workplace in accordance with national laws and regulations, provide relevant training to their employees to prevent accidents during work and reduce occupational hazards.

Pursuant to Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, last amended on December 28, 2012 and implemented from July 1, 2013, employers must execute written labor contracts with each employee. The employer shall not force its employees to work overtime, and when the employer arranges for overtime, it must pay employees overtime fees. The salary of each employee shall not be lower than the local minimum wage standard.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010, last amended on December 29, 2018 and implemented on the same date, and other relevant regulations, employees should participate in five types of social insurance covering pension insurance, medical insurance, unemployment insurance, maternity insurance and work-related injury insurance. Maternity insurance premiums and work-related injury insurance premiums are paid by the employer, and pension insurance premiums, medical insurance premiums and unemployment insurance premiums are paid by the employer and employees jointly.

Pursuant to the Regulations on the Administration of Housing Funds (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999, last amended on March 24, 2019 and implemented on the same date, employers shall register with the main housing accumulation fund management center and pay housing accumulation fund for its employees. If the employer fails to pay the housing fund, it can be ordered to pay within a certain period of time, and if it still fails to pay, it can be applied to the court for compulsory enforcement.

(XVII) REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

The Company Law of the PRC (《中華人民共和國公司法》) and the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) are the main laws and regulations regulating the dividend distribution of foreign-invested enterprises in PRC. According to the regulatory mechanism provided by the above-mentioned laws, a foreign-invested enterprise in PRC may only pay dividends out of accumulated profits (if any) determined in accordance with PRC accounting standards and regulations. The PRC companies (including foreign-invested enterprises) are required to draw at least 10% of their after-tax profits into the statutory reserve fund until the relevant reserve fund reaches 50% of their registered capital, except as otherwise provided by the laws on foreign investment; and no profit shall be distributed before making up any loss in the previous fiscal year. Retained profits for previous fiscal years may be distributed together with distributable profits for the current fiscal year.

(XVIII) REGULATIONS RELATING TO ANTI-UNFAIR COMPETITION AND ANTI-MONOPOLY

1. Anti-monopoly

Pursuant to the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》) promulgated by the SCNPC on August 30, 2007 and implemented from August 1, 2008, and the Anti-Monopoly Law of the PRC (2022 revision) (《中華人民共和國反壟斷法(2022修正)》) considered and passed by the SCNPC on June 24, 2022 and

implemented from August 1, 2022, prohibited monopolistic conducts include monopoly agreements, abuse of dominant market position and concentration of business operators that may have the effect of eliminating or restricting competition.

Monopoly Agreement

Competing operators shall not enter into monopoly agreements that exclude or restrict the effect of competition, such as boycotting transactions, fixing or altering commodity prices, restricting commodity production, or fixing commodity prices for resales to third parties, unless the agreement satisfies the exemption conditions stipulated in the Anti-Monopoly Law of the PRC (2022 revision) (《中華人民共和國反壟斷法(2022修正)》), for example, where the operators can prove that they do not have the effect of excluding or restricting competition, or where the operators can prove that their shares in relevant market is lower than the standards set by the anti-monopoly law enforcement agency of the State Council and meets other conditions stipulated by it, or improving technology, enhancing the competitiveness of small and medium-sized operators, and maintaining legitimate rights and interests in cross-border economic and trade cooperation. Meanwhile, the operators shall not enter into monopoly agreements with other operators or provide substantial support to other operators to reach monopoly agreements. If the regulations are violated, the punishments include orders to cease the relevant acts, confiscation of illegal income, and a penalty of not less than 1% but not more than 10% of the sales volume in the previous year; if there is no sales volume in the previous year, a penalty of not more than RMB5,000,000 shall be imposed. Where the monopoly agreement reached has not been implemented, a penalty of less than RMB3,000,000 would be imposed. If relevant violation is critically serious, causing material adverse impact and severe consequences, the anti-monopoly law enforcement agency of the State Council may determine the specific amount of penalty not less than two times but not more than five times the amount of the aforementioned fine.

The Interim Provisions on the Prohibition of Monopoly Agreements (《禁止壟斷協議暫行規定》) promulgated by the SAMR on June 26, 2019 and implemented on September 1, 2019, and last amended on March 24, 2022 and implemented on May 1, 2022, further provided for the prevention and prohibition of monopoly agreement-related matters, and replaced some of anti-trust rules and regulations previously issued by the State Administration for Industry and Commerce.

Abuse of Dominant Market Position

A business operator with a dominant market position shall not abuse its dominant market position, such as selling commodities at an unfairly high price or purchasing commodities at an unfairly low price, selling commodities at prices below cost without justifiable reasons and rejecting to trade with trading counterparts. In case of violation of the prohibition on abuse of dominant market position, the punishments include orders to cease relevant acts, confiscation of illegal gains, and a penalty of not less than 1% but not more than 10% of the sales volume in the previous year. If relevant violation is critically serious, causing

material adverse impact and severe consequences, the anti-monopoly law enforcement agency of the State Council may determine the specific amount of penalty not less than two times but not more than five times the amount of the aforementioned fine.

The Interim Provisions on Prohibition of Abuse of Dominant Market Position (《禁止濫用市場支配地位行為暫行規定》) promulgated by the SAMR on June 26, 2019 and implemented on September 1, 2019, and last amended on March 24, 2022 and implemented on May 1, 2022, further prevented and curbed abuse of market dominance.

Concentration of Business Operators

Operators shall declare the concentration reaching the threshold of declaration prescribed by the State Council to the anti-monopoly law enforcement agency of the State Council before conducting concentration. Concentration of business operators refers to the following circumstances: (1) merger of business operators; (2) a business operator acquires control over other business operators by acquiring their equities or assets; or (3) a business operator acquires control over other business operators or is able to exert a decisive influence on other business operators by contract or any other means. Where a business operator fails to comply with the mandatory reporting requirements, and has or may have the effect of excluding or restricting competition, the anti-monopoly law enforcement agency of the State Council has the power to order to cease the implementation of the concentration, dispose of shares or assets and transfer the business within a time limit, and take other necessary measures to restore the state before the concentration, and impose a penalty of not more than 10% of the sales volume in the previous year; if the operators fail to conduct concentration according to regulations and do not have the effect of excluding or restricting competition, a penalty of not more than RMB5,000,000 would be imposed. If relevant violation is critically serious, causing material adverse impact and severe consequences, the anti-monopoly law enforcement agency of the State Council may determine the specific amount of penalty not less than two times but not more than five times the amount of the aforementioned fine.

The Interim Provisions on the Review of Business Operator Concentration (《經營者集中審查暫行規定》) promulgated by the SAMR on October 23, 2020 and implemented on December 1, 2020, and last amended on March 24, 2022 and implemented on May 1, 2022, further provided for matters such as the declaration and review of the concentration of business operators and the investigation of the illegal implementation of the concentration of business operators.

2. Anti-Unfair Competition

Pursuant to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) promulgated by the SCNPC on September 2, 1993, last amended on April 23, 2019 and implemented on the same date, operators are not allowed to use improper means to engage in market transactions and harm competitors, including but not limited to: the use of power or influence to influence transactions, market confusion, commercial bribery, misleading false propaganda, infringement of trade secrets, low-price sales, unfair prize-winning sales, and commercial slander. Any

operator who violates the Anti-Unfair Competition Law of the PRC by engaging in the aforementioned unfair competition activities will be ordered to suspend the relevant illegal activities, eliminate the impact of such activities, or be liable for damages caused to any party. Relevant supervision and inspection departments may also confiscate illegal gains or impose fines on the relevant operators.

(XIX) ON OVERSEAS LISTING AND STRICT CRACKDOWN ON ILLEGAL SECURITIES ACTIVITIES

Pursuant to the Opinions on Strictly Cracking Down on Illegal Securities Activities in accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) jointly promulgated and implemented by the General Office of the CPC Central Committee and the General Office of the State Council on July 6, 2021, it is required to strengthen the supervision of China concept stock companies and revise the special regulations on the overseas offering of shares of these companies, clarify the responsibilities of domestic industry supervisors and regulatory authorities.

On December 24, 2021, the China Securities Regulatory Commission ("**CSRC**") issued the Notice for Public Comments on the "Administrative Provisions of the State Council on Overseas Issuance of Securities and Listing of Domestic Enterprises (Draft for Comments)" (《關於就〈國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)〉公開徵求意見的通知》) (the "**Administrative Provisions (Draft for Comments)**"), which implement unified filing management for direct and indirect overseas issuance and listing of securities by domestic enterprises, and the issuer shall perform filing procedures and report relevant information to the securities regulatory authority under the State Council. It is also stipulated that in the following circumstances, domestic enterprises shall not be listed overseas: (1) it is clearly prohibited from listing for financing by national laws and regulations and relevant provisions; (2) overseas issuance or listing will threaten or jeopardize national security as reviewed and determined by the relevant competent authorities of the State Council in accordance with the law; (3) there exist major disputes over the ownership of equity, major assets, core technology and other aspects; (4) the domestic enterprises and their controlling shareholders, de facto controllers have committed corruption, bribery, misappropriation of property, misappropriation of property or criminal offences that disrupted the socialist market economic order within the last three years, or are being investigated by judicial authorities because of suspected crime, or being investigated for material violations or incompliance with laws and regulations; (5) Directors, Supervisors and senior management have been subject to administrative punishment with serious circumstances within the last three years, or are being investigated by judicial authorities because of suspected crime, or being investigated for material violations or incompliance with laws and regulations; (6) other circumstances determined by the State Council. As of the Latest Practicable Date, the Provisions have not been formally adopted.

On December 24, 2021, the CSRC issued the Notice for Public Comments on the "Administrative Measures for the Filing of Overseas Issuance of Securities and Listing of Domestic Enterprises (Draft for Comments)" (《關於就〈境內企業境外發行證券和上市備案管理辦法(徵求意見稿)〉公開徵求意見的通知》) (the "**Filing Measures (Draft for Comments)**"), pursuant to which, the issuer shall perform the filing procedures and

report the relevant information of the direct overseas issuance and listing of domestic enterprises; or the issuer shall designate a major domestic operating entity to perform the filing procedures and report the relevant information of the indirectly overseas listing issuance and listing of domestic enterprises. A domestic company is deemed to be indirectly listed overseas if the issuer meets the following conditions: (I) the operating revenue, total profit, total assets or net assets of the domestic company for the last accounting year account for more than 50% of the relevant data in the issuer's audited combined financial statements for the same period; (II) the majority of senior management responsible for business operations and management are Chinese citizens or their frequent residences are located domestically, and the major premises of business operations are located or mainly operated domestically. The issuer shall submit the filing materials to CSRC within three working days after the overseas submission of the application documents for initial public offering. As of the Latest Practicable Date, the Provisions have not been formally adopted.

On April 2, 2022, the CSRC issued the Provisions on Strengthening the Confidentiality and File Management Work Related to the Overseas Issuance and Listing of Securities by Domestic Enterprises (Draft for Comments) (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定(徵求意見稿)》), which specifies that during the overseas issuance of securities and listing activities of domestic enterprises, domestic enterprises and securities companies and securities service institutions that provide relevant securities services shall, by strictly abiding by the relevant laws and regulations of the People's Republic of China and the requirements therein, establish sound confidentiality and file work systems, take necessary measures to implement confidentiality and file management responsibilities, and shall not leak national secrets and undermine national and public interests. Files such as the work manuscripts generated in the PRC by securities companies and securities service institutions that provide relevant securities services for overseas issuance and listing of securities by domestic enterprises shall be kept in the PRC. Without the approval of relevant competent authorities, it shall not be transferred overseas by any means such as carrying or shipping or transferred to overseas institutions or individuals by any means such as information technology. Where files or copies thereof with significant preservation value to the state and society need to be transferred outside of the PRC, it shall be subject to the approval procedures in accordance with relevant PRC regulations. As of the Latest Practicable Date, this provision has not been officially promulgated.

(XX) H SHARE FULL CIRCULATION

Full circulation means listing and circulation on the Stock Exchange of the domestic unlisted shares (including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing and unlisted shares held by foreign shareholders) of H-share companies. On November 14, 2019, CSRC announced the Guidelines for the Full Circulation Program for Domestic Unlisted Shares of H-share Companies (《H股公司境內未上市股份申請全流通業務指引》), allowing certain qualified H-share companies and H-share companies intended for listing to apply to the CSRC for full circulation.

According to the Guidelines for the Full Circulation Program for Domestic Unlisted Shares of H-share Companies, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for full circulation. To file an application for full circulation, an H-share company shall file the application with the CSRC according to the administrative licensing procedures necessary for the "examination and approval of public issuance and listing (including additional issuance) of shares overseas by a joint stock company". After the application for full circulation has been approved by the CSRC, an H-share company shall submit a report on the relevant situation to the CSRC within 15 days after the registration with CSDC of the shares related to the application has been completed.

In order to fully promote the reform of H-shares full circulation and clarify the business arrangement and procedures for the relevant shares' registration, custody, settlement and delivery, China Securities Depository and Clearing Corporation Limited has promulgated the Circular on Issuing the Guide to the Program for Full Circulation of H-shares (《關於發佈〈H股全流通業務指南〉的通知》) in February 2020, which specified the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc. In February 2020, CSDC (Hong Kong) promulgated the Guide to the Program for Full Circulation of H-shares (《中國證券登記結算(香港)有限公司H股全流通業務指南》) to specify the relevant escrow, custody, agent service of CSDC (Hong Kong), arrangement for settlement and delivery and other relevant matters.

According to the Administrative Provisions (Draft for Comments) and the Filing Measures (Draft for Comments), for a domestic company directly listed overseas, shareholders holding its unlisted domestic shares may convert such shares held by them into listed overseas shares in accordance with the laws and go for listing circulation in the overseas stock exchange after fulfilling the filing procedures with the securities regulatory authority of the State Council. As of the Latest Practicable Date, the Administrative Provisions (Draft for Comments) and the Filing Measures (Draft for Comments) are in the process of collecting views and has not yet come into effect.

OVERVIEW

We are a smart EV company based in China that strives to deliver the finest smart mobility experience to all consumers. Our history began in 2015 when our Company was established by Mr. Zhu, Mr. Fu and other initial shareholders in the PRC. Mr. Zhu and Mr. Fu were co-founders of Dahua Technology. Sharing the same vision and optimism in the future development of NEVs, Mr. Zhu and Mr. Fu, together with independent individual investors who they have known in the past and employees from Dahua Technology, established our Company with their own funds. Over the years, leveraging our proprietary software and hardware technologies and comprehensive manufacturing capabilities, we have built an expanding, diversified portfolio of smart EVs. Since 2019, we have launched four BEV models, including the S01 in 2019, the T03 in 2020, the C11 in 2021 and the C01 in 2022, appealing to varied customer demand and preferences.

BUSINESS DEVELOPMENT MILESTONES

The following table summarizes the key milestones in our business development:

Year	Milestone
2015	Zhejiang Leapmotor Technology Limited (浙江零跑科技有限公司), being our predecessor, was established in the PRC in December.
2017	We started the construction of Jinhua Plant.
2019	We started delivering the S01, a smart electric coupe in July.
2020	We started delivering the T03, a four-door smart electric mini car in May.
2021	Our Company was converted from a limited liability company into a joint stock limited company in April. Our team won the first place at Real Time 2D Detection Challenge at the 2021 Waymo Open Dataset Challenges in June. We started delivering the C11, a mid-sized smart electric SUV in October. We completed the acquisition of the relevant plots of land for the construction of the Hangzhou Plant (with production expected to commence in 2023) in December.
2022	The number of registered users on our Leapmotor APP has reached 392,024 as of March 31, 2022. We launched the C01, a mid- to large-sized smart electric sedan in May. As of June 30, 2022, we had delivered 2,729 units of the S01, 79,220 units of the T03 and 22,880 units of the C11.

Year	Milestone
2022	As of the Latest Practicable Date, we had 1,617 patents and patent applications related to our proprietary technologies (including electric drive, battery systems and autonomous driving technologies).

OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, our Company carried out our business through our subsidiaries in the PRC. Set out below is the corporate information of our major subsidiaries that made a material contribution to our performance during the Track Record Period:

Name	Place of Establishment	Date of Establishment	Shareholding	Principal business activities
Leapmotor Automobile Co., Ltd. (零跑汽車有限公司)	PRC	January 12, 2017	100%	Electric vehicles and components manufacturing
Zhejiang Leapmotor Automobile Sales Service Co., Ltd (浙江零跑汽車銷售服務有限公司)	PRC	August 13, 2018	100%	Electric vehicles and components sales and after-sales services
Lingpao Automobile Trading Co. Ltd (凌跑汽車商貿有限公司)	PRC	July 23, 2020	100%	Electric vehicles sales and after-sales services through investing in directly operated stores
Zhejiang Leapmotor New Energy Vehicle Parts Technology Co., Ltd. (浙江零跑新能源汽車零部件技術有限公司)	PRC	March 31, 2021	100%	Electric vehicles components manufacturing, research and development
Leapmotor (Jinhua) New Energy Vehicle Parts Technology Co., Ltd. (金華零跑新能源汽車零部件技術有限公司)	PRC	August 5, 2021	100%	Electric vehicles electronic components manufacturing

ESTABLISHMENT AND DEVELOPMENT OF OUR COMPANY

(1) Establishment of Our Company

On December 24, 2015, our Company was established as a limited liability company under the laws of the PRC, with an initial registered capital of RMB100,000,000. The shareholding structure of our Company upon establishment is set forth in the table below:

Shareholders	Registered capital subscribed for	Percentage of shareholding
	(RMB'000)	*(%)*
Dahua Technology[(1)]	33,000	33.0
Mr. Fu	32,000	32.0
Mr. Zhu	20,000	20.0
Hangzhou Junyi Venture Capital L.P. (杭州君溢創業投資合夥企業(有限合夥)) ("**Hangzhou Junyi**")[(2)]	7,000	7.0
Mr. Wu Liqiang (吳利強)[(3)]	4,000	4.0
Ms. Jing Hua (敬華)[(4)]	2,000	2.0
Mr. Xu Wei (許煒)[(5)]	2,000	2.0
Total	**100,000**	**100**

Notes:

(1) Dahua Technology is listed on Shenzhen Stock Exchange (stock code: 002236). As of the Latest Practicable Date, Mr. Fu, Mr. Zhu and Ms. Chen held approximately 34.19%, 5.36% and 2.38% of the issued share capital of Dahua Technology, respectively.

(2) To the best of the Company's knowledge, Hangzhou Junyi is an Independent Third Party.

(3) Mr. Wu Liqiang was a former director of our Company and served from December 2015 to May 2020. Mr. Wu left the Company in May 2020 to start his own business. There were no disagreements between Mr. Wu and the Company.

(4) Ms. Jing Hua is the senior vice president, secretary to the Board and joint company secretary of our Company.

(5) Mr. Xu Wei was a former Director and served from November 2018 to April 2021. Mr. Xu left the Company in April 2021 due to his work adjustment. There were no disagreements between Mr. Xu and the Company.

(2) Equity Transfer and Capital Increase in 2017

In April 2017, Hangzhou Junyi transferred the registered capital of our Company of RMB6,000,000 to the following parties.

Transferors	Transferees	Registered capital transferred	Consideration
		(RMB'000)	*(RMB'000)*
Hangzhou Junyi	Hangzhou Jingbo Equity Investment L.P. (杭州景博股權投資合夥企業(有限合夥)) ("**Hangzhou Jingbo**")(1)	3,000	3,000
Hangzhou Junyi	Hangzhou Yisheng Investment L.P. (杭州易盛投資合夥企業(有限合夥)) ("**Hangzhou Yisheng**") (2)	1,000	1,000
Hangzhou Junyi	Zhejiang Mituo Investment Co., Ltd. (浙江米拓投資有限公司) ("**Zhejiang Mituo**")(3)	1,000	1,000
Hangzhou Junyi	Mr. Li Ke (李柯) (4)	1,000	1,000

Notes:

(1) As of the Latest Practicable Date, the general partner of Hangzhou Jingbo is Mr. Zhang Xingming (張興明), an Independent Third Party holding 33.33% therein. The limited partners of Hangzhou Jingbo are Mr. Fu and an Independent Third Party, each holding 33.33% therein respectively.

(2) To the best of the Company's knowledge, Hangzhou Yisheng is an Independent Third Party.

(3) As of the Latest Practicable Date, Zhejiang Mituo was owned as to (i) 40% by Mr. Wu Yefeng (吳燁鋒), our Supervisor, and (ii) 60% by a company controlled by Mr. Wu Jinhai (吳金海), father of Mr. Wu Yefeng.

(4) Mr. Li Ke was subsequently appointed as our Director in December 2017 and ceased to be our Director in May 2020. Mr. Li left our Company following his divestment in our Company. There were no disagreements between Mr. Li and the Company.

In May 2017, the registered capital of our Company was increased in the amount of RMB300,000,000 from RMB100,000,000 to RMB400,000,000, among which (i) RMB20,000,000 was subscribed by Hangzhou Jingxuan Equity Investment L.P. (杭州景萱股權投資合夥企業(有限合夥)) ("**Hangzhou Jingxuan**"), (ii) RMB10,000,000 was subscribed by Hangzhou Jingyue Equity Investment L.P. (杭州景越股權投資合夥企業(有限合夥)) ("**Hangzhou Jingyue**"), (iii) RMB10,000,000 was subscribed by Hangzhou Jinghang Equity Investment L.P. (杭州景航股權投資合夥企業(有限合夥)) ("**Hangzhou Jinghang**") and (iv) RMB260,000,000 was subscribed by our then Shareholders. Each of Hangzhou Jingxuan, Hangzhou Jingyue and Hangzhou Jinghang was our employee shareholding platform.

In December 2017, the following transfers of registered capital of our Company were effected:

Transferors	Transferees	Registered capital transferred	Consideration
		(RMB'000)	*(RMB'000)*
Mr. Fu	Ningbo Huayang[(1)]	24,000	24,000
Mr. Wu Liqiang (吳利強)	Wenzhou Qiangpao Equity Investment L.P. (溫州強跑股權投資合夥企業(有限合夥)) ("**Wenzhou Qiangpao**")[(2)]	14,400	14,400
Mr. Zhu	Mr. Geng Yongping (耿永平)[(3)]	3,600	3,600
Mr. Li Ke (李柯)	Wanzai Mingzhao[(4)]	3,600	3,600
Hangzhou Jingxuan	Ningbo Jinghang[(5)]	20,000	0[(6)]
Hangzhou Jingyue	Ningbo Jinghang[(5)]	10,000	0[(6)]
Hangzhou Jinghang	Ningbo Jinghang[(5)]	28,00	0[(6)]
Hangzhou Jinghang	Wanzai Mingzhao[(4)]	7,200	0[(6)]

Notes:

(1) Ningbo Huayang is a limited partnership established in the PRC and controlled by Mr. Fu as its general partner. As of the Latest Practicable, Date, it was owned as to approximately (i) 0.71% by Mr. Fu, (ii) 99.29% by 49 limited partners, including 7.80% by Ningbo Huayan Qianxing Venture Capital Partnership (Limited Partnership) (寧波華晏前行創業投資合夥企業(有限合夥)), the general partner of which was controlled by Ms. Chen, and 91.49%, by 48 other limited partners, who are employees of Dahua Technology.

(2) Wenzhou Qiangpao is controlled by Mr. Wu Liqiang as the general partner. As of the Latest Practicable, Date, it was owned as to (i) 95% by Mr. Wu Liqiang, (ii) 5% by his spouse as limited partner.

(3) To the best of the Company's knowledge, Mr. Geng Yongping is an Independent Third Party.

(4) Wanzai Mingzhao is controlled by Mr. Zhu as the general partner. As of the Latest Practicable Date, it was owned as to approximately (i) 57.4% by Mr. Zhu, and (ii) 33.3% and 9.3% respectively by two limited partners, each an Independent Third Party.

(5) Ningbo Jinghang is one of our employee shareholding platforms and is controlled by Mr. Zhu as the general partner. As of the Latest Practicable Date, it was owned as to approximately (i) 0.08% by Mr. Zhu, and (ii) 70.28% by Mr. Wu Baojun, an executive Director and the president of our Company, 24.62% by Mr. Xu Wei and 5.02% by Ms. Jing Hua, each a limited partner.

(6) The consideration was nil as the respective registered capital of our Company was not paid up by each of Hangzhou Jingxuan, Hangzhou Jingyue and Hangzhou Jinghang as of the date of such transfer.

Upon completion of the above capital increase and equity transfers, the shareholding structure of our Company was as follows:

Shareholders	Registered capital of our Company	Percentage of shareholding
	(RMB'000)	*(%)*
Mr. Fu	91,200	22.8
Dahua Technology	90,000	22.5
Mr. Zhu	68,400	17.1
Ningbo Jinghang	32,800	8.2
Mr. Li Ke (李柯)[(1)]	28,800	7.2
Ningbo Huayang	24,000	6.0
Wenzhou Qiangpao	14,400	3.6
Hangzhou Jingbo	10,800	2.7
Wanzai Mingzhao	10,800	2.7
Ms. Jing Hua (敬華)	7,200	1.8
Mr. Xu Wei (許煒)	7,200	1.8
Hangzhou Junyi	3,600	0.9
Zhejiang Mituo	3,600	0.9
Hangzhou Yisheng	3,600	0.9
Mr. Geng Yongping (耿永平)	3,600	0.9
Total	**400,000**	**100**

Note:

(1) In May 2020, Mr. Li Ke transferred to Ningbo Jinghang the registered capital of our Company of the remaining RMB28,800,000 at a consideration of RMB43,200,000. The equity transfer was completed on June 24, 2020 upon completion of registration of such equity change, and the consideration was fully paid on July 3, 2020.

(3) Series Pre-A Financing and Capital Increases in 2018

We have completed the series Pre-A1 Financing in January 2018 and the series Pre-A2 Financing in March 2018, through capital increases as detailed below. For further details, see "— Pre-IPO Investments" below. At the same time, Ningbo Jinghang, our employee shareholding platform, subscribed for the increased registered capital of RMB8,929,664 at a consideration of RMB8,929,664. As a result, the registered capital of our Company was increased to RMB489,296,637.

Subscribers	Registered capital subscribed for	Consideration
	(RMB)	*(RMB)*
Series Pre-A1 Financing		
Ningbo Meishan Free Trade Zone Sequoia Zhisheng Capital Investment L.P. (寧波梅山保税港區紅杉智盛股權投資合夥企業(有限合夥)) ("**Sequoia Zhisheng**")[1]	37,431,193	170,000,000
Series Pre-A2 Financing		
Ningbo Gulin[2]	20,917,431	95,000,000
Hangzhou Yipu Enterprise Management L.P. (杭州易璞企業管理合夥企業(有限合夥)) ("**Hangzhou Yipu**")[3]	5,504,587	25,000,000
Hangzhou Qianyun Yongzhen Investment L.P. (杭州錢運湧臻投資合夥企業(有限合夥)) ("**Qianyun Yongzhen**")[3]	4,403,670	20,000,000
MA Tingqi (馬婷琪)[3]	4,403,670	20,000,000
Hangzhou Yueyou Canal Industrial Investment L.P. (杭州岳佑運河產業投資合夥企業(有限合夥)) ("**Hangzhou Yueyou**")[3]	3,302,752	15,000,000
Mr. Gao Dong (高冬)[3]	2,201,835	10,000,000
Ms. Chen Jinxia (陳金霞)[3]	2,201,835	10,000,000
Total	**80,366,973**	**365,000,000**

Notes:

(1) See "— Pre-IPO Investments — Information about Our Major Pre-IPO Investors" below. Pursuant to the director appointment right of Sequoia Zhisheng, Sequoia Zhisheng appointed Mr. Xiang Xiaoxiao (項曉驍) as a director of the Company. Mr. Xiang Xiaoxiao ceased to be our Director in December 2021 when all special rights of shareholders were terminated and ceased to be effective in December 2021. There was no disagreement between Mr. Xiang Xiaoxiao and the Company.

(2) Ningbo Gulin is controlled by Mr. Fu as the general partner. As of the Latest Practicable Date, it was owned as to approximately (i) 3.39% by Mr. Fu, and (ii) 96.61% by 27 limited partners, each an Independent Third Party holding between approximately 1% to 14%.

(3) To the best of the Company's knowledge, such investors are Independent Third Parties.

(4) Series A Financing

We have completed the Series A1 Financing in November 2018 and the Series A2 Financing in August 2019, through capital increases as detailed below. For further details, see "— Pre-IPO Investments" below. As a result, the registered capital of our Company was increased to RMB580,713,558.

Subscribers	Registered capital subscribed for	Consideration
	(RMB)	*(RMB)*
Series A-1 Financing		
Shanghai Electric Hong Kong Co. Ltd. (上海電氣香港有限公司) ("**Shanghai Electric HK**")[1]	40,774,720	499,999,997
Ningbo Hualing[2]	8,154,944	100,000,000
Industrial Securities Investment Management Limited (興證投資管理有限公司) ("**Industrial Securities Investment**")[3]	4,077,472	50,000,000
Ningbo Sequoia Jiesheng Equity Investment L.P. (寧波紅杉捷盛股權投資合夥企業(有限合夥)) ("**Sequoia Jiesheng**")[1][3]	4,077,472	50,000,000
Hangzhou Xintu[4]	4,077,472	50,000,000
Ms. Chen Jinxia	815,494	10,000,000
Everfront Phoenix Mountain Ltd. ("**Everfront Phoenix**")[5]	81,549	1,000,000
Series A-2 Financing		
Jinhua Yuxuan Smart IoT New Energy Industry L.P. (金華輿軒智慧物聯新能源產業合夥企業(有限合夥)) ("**Jinhua Yuxuan**")[1]	29,357,798	360,000,000
Total	**91,416,921**	**1,120,999,997**

Notes:

(1) See "— Pre-IPO Investments — Information about Our Major Pre-IPO Investors" below.

(2) Ningbo Hualing is controlled by Ms. Chen as the general partner. As of the Latest Practicable Date, it was owned as to (i) 1% by Ms. Chen, and (ii) 99% by Mr. Fu Yiqin (傅益欽), the son of Mr. Fu and Ms. Chen, as the limited partner.

(3) To the best of the Company's knowledge, Industrial Securities Investment is an Independent Third Party.

(4) Hangzhou Xintu is owned as to 70% by Mr. Zhu, and 30% by Ms. Liu, the spouse of Mr. Zhu.

(5) Everfront Phoenix is a limited liability company established in the British Virgin Islands, and is wholly owned by Mr. Zhang Jie (張傑), who was subsequently appointed as our Director in November 2018. Mr. Zhang Jie's appointment was pursuant to the director appointment right of Shanghai Electric HK, and he ceased to be our Director in December 2021 when all special rights of shareholders were terminated and ceased to be effective in December 2021. There was no disagreement between Mr. Zhang Jie and the Company.

(5) Series B Financing

We have completed the Series B-1 Financing and Series B-2 Financing in January 2021 through capital increases as detailed below. For further details, see "— Pre-IPO Investments" below. As a result, the registered capital of our Company was increased to RMB788,802,584.

Subscribers	Registered capital subscribed for	Consideration
	(RMB)	*(RMB)*
Series B-1 Financing		
Ningbo Hualing	48,392,797	1,000,000,000
Mr. Zhu	24,196,398	500,000,000
Changsha Nuofeng Private Equity Fund L.P. (長沙諾豐私募股權基金合夥企業(有限合夥)) ("**Changsha Nuofeng**")[1]	14,517,839	300,000,000
Hangzhou Hanzhi Investment L.P. (杭州漢智投資合夥企業(有限合夥)) ("**Hangzhou Hanzhi**")[1]	14,517,839	300,000,000
Hefei Xuanyizhihui New Energy Industry Investment Fund L.P. (合肥軒一智匯新動力產業投資基金合夥企業(有限合夥)) ("**Hefei Xuanyi**")[2]	9,678,559	200,000,000
Ms. Chen Jinxia (陳金霞)	7,258,919	150,000,000
Huzhou Heninghai Equity Investment L.P. (湖州和凝海股權投資合夥企業(有限合夥)) ("**Huzhou Heninghai**")[2]	5,966,832	123,300,000
Hangzhou Fanlian Technology Co., Ltd. (杭州泛鏈科技有限公司) ("**Hangzhou Fanlian**")[2][3]	4,839,280	100,000,000
Zhoushan Haohai Venture Capital L.P. (舟山灝海創業投資合夥企業(有限合夥)) ("**Zhoushan Haohai**")[1]	4,839,280	100,000,000
Hangzhou Qianyao Investment L.P. (杭州乾曜投資合夥企業(有限合夥)) ("**Hangzhou Qianyao**")[2]	2,613,211	54,000,000
Shanghai Xiangheyongyuan Equity Investment L.P. (上海祥禾湧原股權投資合夥企業(有限合夥)) ("**Shanghai Xianghe**")[2]	2,419,640	50,000,000
Mr. Zhang Wenjun (張文軍)[2]	2,419,640	50,000,000
Mr. Gao Dong (高冬)	1,451,784	30,000,000
Everfront Phoenix	24,196	500,000

Subscribers	Registered capital subscribed for	Consideration
	(RMB)	*(RMB)*
Series B-2 Financing		
Hangzhou Hanzhi[(1)]	22,120,347	457,100,000
Zhoushan Haohai[(1)]	15,727,659	325,000,000
Huzhou Jingxin Equity Investment L.P. (湖州景鑫股權投資合夥企業(有限合夥)) ("**Huzhou Jingxin**")[(1)]	13,549,983	280,000,000
Huzhou Heninghai[(2)]	3,842,388	79,400,000
Central SOEs Industrial Investment Fund for Rural Area Co., Ltd. (中央企業鄉村產業投資基金股份有限公司) ("**SOE IIF**")[(2)]	2,419,640	50,000,000
Hangzhou Chunsheng Investment Co., Ltd. (杭州春生投資有限公司) ("**Hangzhou Chunsheng**")[(2)]	2,419,640	50,000,000
Mr. Gao Yanfeng (高雁峰)[(2)]	2,419,640	50,000,000
Mr. Gao Dong (高冬)	1,451,784	30,000,000
Zhejiang Mituo	967,856	20,000,000
Everfront Phoenix	33,875	700,000
Total	**208,089,026**	**4,300,000,000**

Notes:

(1) See "— Pre-IPO Investments — Information about Our Major Pre-IPO Investors" below.

(2) To the best of the Company's knowledge, such investors are Independent Third Parties.

(3) Subsequently in January 2021, Hangzhou Fanlian transferred to Ningbo Meishan Free Trade Port Zone Xingmao Investment Management L.P. (寧波梅山保稅港區星茂投資管理合夥企業(有限合夥)) ("**Xingmao Investment**") the entire interest it held in the registered capital of our Company of RMB4,839,280 at nil consideration. To the best of the Company's knowledge, each of Hangzhou Fanlian and Xingmao Investment is ultimately controlled by Mr. Chen Weixing (陳偉星), an Independent Third Party.

(6) Equity Transfer to Employee Shareholding Plan in February 2021

In February 2021, Ningbo Jinghang transferred certain registered capital of our Company of RMB57,723,164 to Guosen Securities Co., Ltd. (國信證券股份有限公司) ("**Guosen Securities**") as the manager of Guosen Securities Leapmotor Technology Employee Shareholding No. 1 Single Asset Management Plan (國信證券零跑科技員工持股1號單一資產管理計劃) ("**Employee Shareholding Plan**") at a consideration of RMB27,779,110. The equity transfer was completed on February 24, 2021 upon completion of registration of equity change, and the consideration was fully paid on February 23, 2021.

The Employee Shareholding Plan was established in recognition of the contributions of our key employees and to incentivize them to further promote our development. As of the Latest Practicable Date, Guosen Securities held approximately 5.70% interest in our Company for the benefit of a total of over 1,000 employees, including (i) 0.12% for Mr. Zhu, (ii) 0.06% for Mr. Wu Baojun, the executive Director and president of our Company, (iii) 0.16% for Mr. Cao Li, the executive Director and senior vice president of our Company, (iv) 0.01% for Ms. Jing, the senior vice president and secretary to the Board of our Company, (v) 0.05% for Mr. Mo Chengrui, the Supervisor of our Company, (vi) 0.02% for Ms. Yao Tianzhi, the employees' representative Supervisor of our Company and (vii) 5.29% for other qualified participants.

(7) Conversion into a Joint Stock Limited Company in April 2021

On March 21, 2021, our Board passed resolutions approving, among other matters, the conversion of our Company from a limited liability company into a joint stock limited company and the change of name of our Company from Zhejiang Leapmotor Technology Limited. (浙江零跑科技有限公司) to Zhejiang Leapmotor Technology Co., Ltd. (浙江零跑科技股份有限公司). Pursuant to the promoters' agreement dated March 21, 2021 entered into by all the then Shareholders, all promoters approved the conversion of the net assets value of our Company as of February 28, 2021 into 788,802,584 Shares of our Company with a nominal value of RMB1.00 each, with the excess of the net assets converted over nominal value of the Shares included as capital reserves of our Company.

On April 6, 2021, our Company convened the inaugural shareholder's meeting, and passed related resolutions approving the conversion of our Company into a joint stock limited company, the articles of association and the relevant procedures. Upon completion of the conversion, the registered capital of our Company became RMB788,802,584 divided into 788,802,584 Shares with a nominal value of RMB1.00 each, which were subscribed by all the then Shareholders in proportion to their respective interests in our Company before the conversion. The conversion was completed on April 30, 2021 when our Company obtained a new business license.

(8) Series C Financing

We have completed the Series C-1 Financing in August 2021 and the Series C-2 Financing in November 2021 through capital increases as detailed below. For further details, see "— Pre-IPO Investments" below. As a result, the registered capital of our Company was increased to RMB1,011,886,959.

The respective subscription amount and consideration paid by the subscribers of the Series C Financing are as follows:

Subscribers	Shares subscribed for	Consideration
		(RMB)
Series C-1 Financing		
Ningbo Gulin	843,835	23,000,000
Zhejiang Mituo	733,770	20,000,000
Everfront Phoenix	47,695	1,300,000
Hangzhou Guoshun Lingpao Equity Investment L.P. (杭州國舜領跑股權投資合夥企業(有限合夥)) ("**Guoshun Lingpao**")[1][2][3]	110,065,477	3,000,000,000
Hangzhou CICC Binchuang Equity Investment L.P. (杭州中金濱創股權投資合夥企業(有限合夥)) ("**CICC Binchuang**")[1]	18,142,459	494,500,000
Qingdao Green Intelligence Venture Capital Fund L.P. (青島綠色智能創業投資基金合夥企業(有限合夥)) ("**Green Intelligence**")[2]	9,539,008	260,000,000
Huzhou Tanzhonghe Equity Investment L.P. (湖州碳中合股權投資合夥企業(有限合夥)) ("**Huzhou Tanzhonghe**")[2][4]	7,337,698	200,000,000
Hangzhou Yangzhi Equity Investment L.P. (杭州洋智股權投資合夥企業(有限合夥)) ("**Hangzhou Yangzhi**")[2]	6,970,814	190,000,000
Qingdao Tandafeng Equity Investment L.P. (青島碳達峰股權投資合夥企業(有限合夥)) ("**Qingdao Tandafeng**")[1][2][4]	4,035,734	110,000,000
China Securities Investment Limited (中信建投投資有限公司) ("**China Securities Investment**")[2]	3,668,849	100,000,000
Guangdong Wenlve No. 1 Equity Investment Partnership Enterprise (Limited Partnership) (廣東文略一號股權投資合夥企業(有限合夥)) ("**Wenlve No. 1**")[2]	3,034,138	82,700,000
CITIC Dicastal Co., Ltd. (中信戴卡股份有限公司) ("**CITIC Dicastal**")[2][5]	1,430,851	39,000,000

Subscribers	Shares subscribed for	Consideration
		(RMB)
Series C-2 Financing		
Qingdao Tandafeng	5,503,274	150,000,000
Mr. Zhang Wenjun (張文軍)	1,100,655	30,000,000
Hangzhou Yangzhi[(2)]	366,885	10,000,000
Mr. Ge Weidong (葛衛東)[(2)]	18,344,246	500,000,000
CICC Chuanyu Fenghuang (Hangzhou) Equity Investment Partnership L.P. (中金傳譽鳳凰(杭州)股權投資基金合夥企業(有限合夥)) ("**CICC Chuanyu**")[(1)]	8,071,468	220,000,000
CCB International Industrial Investment (Zhuhai) Co., Ltd. (建銀國際產業投資(珠海)有限公司) ("**CCB Zhuhai**")[(2)]	7,337,698	200,000,000
Hangzhou Zhongcaishengsheng Capital Co., Ltd. (杭州中財生生資本有限公司) ("**Hangzhou Zhongcai**")[(2)]	7,337,698	200,000,000
Wang Mingwang (王明旺)[(2)]	5,503,274	150,000,000
Zibo Wenlve No.4 Equity Investment Partnership Enterprise (Limited Partnership) (淄博文略四號股權投資合夥企業(有限合夥)) ("**Wenlve No.4**")[(2)]	3,668,849	100,000,000
Total	**223,084,375**	**6,080,500,000**

Notes:

(1) See "— Pre-IPO Investments — Information about Our Major Pre-IPO Investors" below.

(2) To the best of the Company's knowledge, such investors are Independent Third Parties.

(3) On August 27, 2021, Guoshun Lingpao transferred 49,529,465 Shares to Hangzhou Green Lingpao Venture Capital L.P. (杭州綠色領跑創業投資合夥企業(有限合夥)) ("**Green Lingpao**") at nil consideration as the respective share capital of our Company was not paid as of the date of such transfer. Guoshun Lingpao is a limited partnership established in the PRC, the general partner of which is Hangzhou Guoyi Corporate Management Co., Ltd. (杭州国屹企業管理有限公司), a state-owned enterprise.

(4) On August 31, 2021, Huzhou Tanzhonghe transferred 3,668,849 Shares to Qingdao Tandafeng at nil consideration as the respective share capital of our Company was not paid as of the date of such transfer. Huzhou Tanzhonghe is a limited partnership established in the PRC, the general partner of which is Hangzhou Heju Asset Management Co., Ltd. (杭州核聚資產管理有限公司) ("**Hangzhou Heju**"), an Independent Third Party. Hangzhou Heju is also the general partner of Qingdao Tandafeng.

(5) In November 2021, CITIC Dicastal transferred its investment in our Company to Qinhuangdao Xinneng Energy Equipment Co., Ltd. (秦皇島信能能源設備有限公司) ("**Xinneng Energy**"), a wholly-owned subsidiary of CITIC Dicastal.

THE SINGLE LARGEST GROUP OF SHAREHOLDERS

On February 1, 2016, Mr. Zhu and Mr. Fu entered into an acting-in-concert agreement, pursuant to which Mr. Zhu and Mr. Fu agreed to act in concert by aligning their votes at the Board and/or Shareholders' meetings of our Company in accordance with the consensus achieved between them. In the event that they are unable to reach consensus on any matter presented, the parties shall vote in accordance with the direction of Mr. Zhu, subject to applicable laws and regulations and without prejudice to interests of our Company, Shareholders and creditors. The agreement has a term commencing from the date of its execution until 36 months after the Listing and shall only be terminated by consensus of all parties. Ms. Chen, as spouse of Mr. Fu, and her controlled entity Ningbo Hualing have been acting in concert (as defined under the Takeovers Code) with Mr. Fu and Mr. Zhu on voting and making decisions in respect of her interest in our Company. Ms. Liu, as spouse of Mr. Zhu, has also been acting in concert (as defined under the Takeovers Code) with Mr. Zhu and Mr. Fu. Accordingly, Mr. Zhu, Mr. Fu, Ms. Liu and Ms. Chen are parties acting in concert with respect to their shareholding in the Company. As of the Latest Practicable Date, Mr. Zhu, Mr. Fu, Ms. Liu and Ms. Chen were in aggregate directly and indirectly interested in approximately 31.01% shareholding interest in our Company.

PRE-IPO INVESTMENTS

Overview

Our Company concluded several rounds of investments with the Pre-IPO Investors. For further details, see the subsection headed "Establishment and Development of Our Company" in this section.

The following table summarizes the key terms of the Pre-IPO Investments to our Company made by the Pre-IPO Investors:

	Series Pre-A1	Series Pre-A2	Series A-1	Series A-2	Series B-1	Series B-2	Series C-1	Series C-2
Amount of registered capital subscribed for *(RMB)*	37,431,193	42,935,780	62,059,123	29,357,798	143,136,214	64,952,812	165,850,328	57,234,047
Amount of consideration paid *(RMB)*	170,000,000	195,000,000	761,000,000	360,000,000	2,957,800,000	1,342,200,000	4,520,500,000	1,560,000,000
Basis of determining the consideration paid	The consideration for the Pre-IPO Investments was determined based on arm's length negotiations between the Company and the Pre-IPO Investors after taking into consideration various factors including but not limited to, the timing of the investments, the market value, and the prospects of our business.							
Date of agreements	December 2017	February 2018	November 2018	August 2019	January 2021	January 2021	August 2021	November 2021
Date of payment in full	January 15, 2018	June 29, 2018	July 29, 2019	December 30, 2019	February 26, 2021	February 23, 2021	October 29, 2021	November 15, 2021
Consideration Cost per Share	RMB4.54	RMB4.54	RMB12.26	RMB12.26	RMB20.66	RMB20.66	RMB27.26	RMB27.26
Discount to the Offer Price (approximation) [(1)]	90.65%	90.65%	74.76%	74.76%	57.46%	57.46%	43.87%	43.87%
Lock-up Period	Pursuant to the applicable PRC law, all current Shareholders (including the Pre-IPO Investors) are subject to the relevant PRC statutory transfer restriction for a period of one year from the Listing Date.							
Use of proceeds from the Pre-IPO Investments	We utilized the proceeds from the Pre-IPO Investments for the principal business of our Group, including but not limited to research and development activities, the growth and expansion of our Company's business and general working capital purposes. As of the Latest Practicable Date, approximately 47% of the net proceeds from the Pre-IPO Investments had been utilized.							
Strategic benefits to our Company brought by the Pre-IPO Investors	At the time of the Pre-IPO Investments, our Directors were of the view that our Group could benefit from the additional funds provided by the Pre-IPO Investors' investments in our Group, insights for industry, advice on business expansion and strategic direction, upstream and downstream resources that the Pre-IPO Investors bring to the Company, and the knowledge and experience of the Pre-IPO Investors. Their investments also demonstrated their confidence in our Group's operations and served as an endorsement of our Group's performance, strengths and prospects.							

Notes:

(1) Calculated based on the assumption that the Offer Price is HK$55.00 per Share (being the mid-point of the indicative Offer Price range of HK$48.00 to HK$62.00).

Rights of the Pre-IPO Investors

Pursuant to the existing shareholders' agreements and capital increase agreements, the Pre-IPO Investors had been granted certain special rights, including, among others, (i) pre-emptive right, (ii) right of first refusal and co-sale, (iii) anti-dilution rights, (iv) redemption rights, (v) liquidation preferences, (vi) dividend right, (vii) information rights and (viii) most favorable treatment (for a Pre-IPO Investor who participated in multiple rounds of Pre-IPO Investments, it was entitled to the "most favorable treatment" where if it was granted certain rights that were more favorable in the previous round(s) of its Pre-IPO Investments, such more favorable rights shall apply and prevail). All special rights have ceased to be effective and been discontinued as of the Latest Practicable Date.

Joint Sponsors' Confirmation

On the basis that (i) the consideration for the Pre-IPO Investments was irrevocably settled more than 28 clear days before the date of our first submission of the listing application to the Stock Exchange; and (ii) the special rights granted to the Pre-IPO Investors have ceased to be effective and been discontinued as of the Latest Practicable Date, the Joint Sponsors confirm that the Pre-IPO Investments are in compliance with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on October 13, 2010 and as updated in March 2017 and the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017.

Information about Our Major Pre-IPO Investors

Set out below is a description of our major Pre-IPO Investors, which are private equity funds and strategic investment corporations, have made meaningful investments in our Company. To the best of our knowledge, each of the following Pre-IPO Investors is an Independent Third Party.

Sequoia Zhisheng and Sequoia Jiesheng

Each of Sequoia Zhisheng and Sequoia Jiesheng is a limited partnership established in the PRC and is principally engaged in equity investments. Sequoia Zhisheng and Sequoia Jiesheng made investment into our Company after meeting with our management and conducting their independent due diligence. The general partner of Sequoia Zhisheng and Sequoia Jiesheng is Jiaxing Sequoia Kunsheng Investment Management Partnership (嘉興紅杉坤盛投資管理合夥企業(有限合夥)) ("**Sequoia Kunsheng**"), which is ultimately controlled by an Independent Third Party, Mr. Zhou Kui (周逵).

Sequoia Zhisheng is owned as to (i) 0.01% by Sequoia Kunsheng, and (ii) 59.99% and 40.0% by Ningbo Meishan Free Trade Port Sequoia Mingsheng Equity Investment Partnership (Limited Partnership) (寧波梅山保税港區紅杉銘盛股權投資合夥企業(有限合夥)) and Ningbo Meishan Bonded Port Area Sequoia Jiasheng Equity Investment Partnership (Limited Partnership) (寧波梅山保税港區紅杉嘉盛股權投資合夥企業(有限合夥)) respectively, which are limited partnerships themselves with the general partner being Sequoia Kunsheng. Sequoia Jiesheng is owned as to (i) 1.95% by Sequoia Kunsheng, (ii) 58.83% by Sequoia Zhisheng; and (iii) 39.22% by a partnership controlled by Gopher

Asset Management Co., Ltd (歌斐資產管理有限公司) ("**Gopher Asset**"). Gopher Asset is wholly owned by Shanghai Noah Investment Management Co., Ltd. (上海諾亞投資管理有限公司), which is a consolidated variable interest entity of Noah Holdings Limited (諾亞控股有限公司), a wealth and asset management company listed on the New York Stock Exchange (NYSE: NOAH).

Shanghai Electric HK

Shanghai Electric HK is a wholly-owned subsidiary of Shanghai Electric Group Company Limited (上海電氣集團股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 02727) and Shanghai Stock Exchange (stock code: 601727). Shanghai Electric HK made investment into our Company after meeting with our management and conducting their independent due diligence. As an integrated platform of industry and finance, the business portfolio of Shanghai Electric HK includes overseas EPC, trade, equity investment, project investment and asset management, etc.

Jinhua Yuxuan

Jinhua Yuxuan is a limited partnership established in PRC. It is principally engaged in equity investments in new energy and IoT industry. Jinhua Yuxuan made investment into our Company after meeting with our management and conducting their independent due diligence. The general partner of Jinhua Yuxuan is Ningbo CRRC Equity Investment Fund Management Co., Ltd. (寧波中車股權投資基金管理有限公司), which holds approximately 0.8% therein and is ultimately controlled by CRRC Corporation Limited (中國中車集團有限公司), a state-owned conglomerate primarily engaged in research and development, sale, leasing and technological services of transportation and urban infrastructure, new energy, energy conservation and environmental protection equipment. The limited partnerships of Jinhua Yuxuan include (i) Ningbo Hualing holding 29.1% therein, (ii) Hangzhou Xintu holding 11.1% therein, (iii) CRRC Capital Holdings Co., Ltd. (中車資本控股有限公司), a company wholly owned by CRRC Corporation Limited and holding 29.0% therein, and (iv) two Independent Third Parties in aggregate holding 30.0% therein.

Changsha Nuofeng

Changsha Nuofeng is a limited partnership established in PRC. It is mainly engaged in equity investment. Changsha Nuofeng made investment into our Company after meeting with our management and conducting their independent due diligence. The general partner of Changsha Nuofeng is Wuhu Gopher Asset Management Co., Ltd. (蕪湖歌斐資產管理有限公司) ("**Wuhu Gopher**"), which is wholly owned by Gopher Asset, and the limited partners of Changsha Nuofeng include several limited partnerships, the general partner of which is either Wuhu Gopher or Gopher Asset. Gopher Asset is wholly owned by Shanghai Noah Investment Management Co., Ltd. (上海諾亞投資管理有限公司), which is a consolidated variable interest entity of Noah Holdings Limited (諾亞控股有限公司), a wealth and asset management company listed on the New York Stock Exchange (NYSE: NOAH).

Hangzhou Hanzhi

Hangzhou Hanzhi is a limited partnership established in PRC. It is mainly engaged in equity investment. Hangzhou Hanzhi made investment into our Company after meeting with our management and conducting their independent due diligence. The general partner of Hangzhou Hanzhi is Hangzhou Jiuzhi Investment Management Co., Ltd. (杭州九智投資管理有限公司), which holds approximately 0.01% therein and is controlled by an Independent Third Party, Mr. Han Hualong (韓華龍). The limited partners of Hangzhou Hanzhi include (i) Zhejiang Longsheng Group Co., Ltd. (浙江龍盛集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600352.SH) and an Independent Third Party holding 39.55% therein and (ii) five entities ultimately controlled by Mr. Han Hualong holding in aggregate 60.44% therein.

Zhoushan Haohai

Zhoushan Haohai is a limited partnership established in PRC. It is mainly engaged in equity investment. Zhoushan Haohai made investment into our Company after meeting with our management and conducting their independent due diligence. The general partner of Zhoushan Haohai is Zhejiang Donghaichao Industrial Group Co., Ltd. (浙江東海潮實業集團有限公司), which holds approximately 0.01% therein and is controlled by an Independent Third Party, Mr. Wang Xiaoan (王孝安). The limited partners of Zhoushan Haohai include Mr. Wang Xiaoan holding 71.41% therein and two limited partnerships each holding 14.29% therein.

Huzhou Jingxin

Huzhou Jingxin is a limited partnership established in PRC. It is mainly engaged in equity investment. Huzhou Jingxin made investment into our Company after meeting with our management and conducting their independent due diligence. The general partner of Huzhou Jingxin is Ms. Li Xinyan (李新燕), who holds approximately 0.2% therein. The limited partner of Huzhou Jingxin is Shandong Yizhou Energy Co., Ltd. (山東沂州能源股份有限公司), which is holding approximately 99.8% therein and is ultimately wholly held by an Independent Third Party, Mr. Zhang Jianqun (張劍群).

Guoshun Lingpao

Guoshun Lingpao is a limited partnership established in the PRC. It is mainly engaged in equity investment. Guoshun Lingpao made investment into our Company after meeting with our management and conducting their independent due diligence. The general partner of Guoshun Lingpao is Hangzhou Guoyi Enterprise Management Co., Ltd. (杭州國屹企業管理有限公司), which holds approximately 0.0018% therein and is wholly owned by Hangzhou Industrial Investment Co., Ltd. (杭州產業投資有限公司) ("**Hangzhou Industrial Investment**"). The remaining interest is owned by three limited partners, including 60.6% by Hangzhou Industrial Investment, 9.09% by Hangzhou Heda Industrial Fund Investment Co., Ltd. (杭州和達產業基金投資有限公司) ("**Heda Industrial Fund**") and 30.3% by Hangzhou Industrial Development Investment Co., Ltd. (杭州市產業發展投資有限公司), each a state-owned enterprise. Jin Yufeng, our non-executive Director, is a director of Heda Industrial Fund.

Green Lingpao

Green Lingpao is a limited partnership established in the PRC. It is mainly engaged in equity investment. Green Lingpao made investment into our Company after meeting with our management and conducting their independent due diligence. The general partner of Green Lingpao is Hangzhou Heda Investment Management Co., Ltd. (杭州和達投資管理有限公司) ("**Heda Investment Management**"), which holds 0.01% therein and is a state-owned enterprise. The limited partners of Green Lingpao are Heda Industrial Fund, a state-owned enterprise, CCB Financial Management Co., Ltd. (建信理財有限責任公司), a wholly-owned subsidiary of China Construction Bank Corporation Co., Ltd. (中國建設銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601939.SH) and the Hong Kong Stock Exchange (00939.HK) and Everbright Wealth Management Co., Ltd. (光大理財有限責任公司), a wholly-owned subsidiary of China Everbright Bank Company Limited (中國光大銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601818.SH) and the Hong Kong Stock Exchange (stock code: 06818.HK), which hold 20.17%, 72.43% and 7.39% interest therein, respectively. Jin Yufeng, our non-executive Director, is a director of Heda Investment Management.

CICC Binchuang and CICC Chuanyu

Each of CICC Binchuang and CICC Chuanyu is a limited partnership established in the PRC, which is mainly engaged in equity investment. CICC Binchuang and CICC Chuanyu made investment into our Company after meeting with our management and conducting their independent due diligence. The general partner of both CICC Binchuang and CICC Chuanyu is CICC Capital Management Co., Ltd. (中金資本運營有限公司) ("**CICC Capital**"), a wholly-owned subsidiary of China International Capital Corporation Limited, which is listed on the Hong Kong Stock Exchange (stock code: 03908) and Shanghai Stock Exchange (stock code: 601995).

CICC Binchuang is owned as to (i) 0.20% by CICC Capital, and (ii) 97.80% and 2.00% respectively by two limited partners, each an Independent Third Party. CICC Chuanyu is owned as to (i) 2% by CICC Capital, (ii) 10% by Ningbo Hualing as the limited partner, (iii) 5% by a limited partnership held by Ms. Liu; and (iv) 83% by 12 other limited partners, each an Independent Third Party holding no more than 10% therein.

Ge Weidong (葛衛東)

Mr. Ge Weidong (葛衛東) is an entrepreneur and an Independent Third Party. Mr. Ge made investment into our Company after meeting with our management and conducting his independent due diligence. Mr. Ge is currently the chairman of the board of directors of Shanghai Hundun Investment (Group) Co., Ltd. (上海混沌投資(集團)有限公司), a limited liability company established in the PRC engaging in assets and equity investment.

Wenzhou Qiangpao

Wenzhou Qiangpao is a limited partnership established in the PRC and is principally engaged in equity investment. The general partner of Wenzhou Qiangpao is Mr. Wu Liqiang (吳利強), who is one of our initial shareholders and a former Director of the Company from December 2015 to May 2020. Wenzhou Qiangpao is owned as to 95% by Mr. Wu and 5% by his spouse.

Qingdao Tandafeng

Qingdao Tandafeng is a limited partnership established in the PRC and is principally engaged in equity investment. Qingdao Tandafeng made investment into our Company after meeting with our management and conducting their independent due diligence. The general partner of Qingdao Tandafeng is Hangzhou Heju Asset Management Co., Ltd. (杭州核聚資產管理有限公司), which is a limited liability company established in the PRC and ultimately controlled by an Independent Third Party. The limited partners of Qingdao Tandafeng include various limited partnerships, limited companies and individuals, each holding less than 30% of interests therein.

Hangzhou Jingbo

Hangzhou Jingbo is a limited partnership established in the PRC and is principally engaged in equity investment. The general partner of Hangzhou Jingbo is Mr. Zhang Xingming (張興明), an Independent Third Party holding 33.33% therein. The limited partners of Hangzhou Jingbo are Mr. Fu and an Independent Third Party, each holding 33.33% therein respectively.

Chen Jinxia (陳金霞)

Ms. Chen Jinxia (陳金霞) is an entrepreneur and an Independent Third Party. Ms. Chen Jinxia made investment into our Company after meeting with our management and conducting her independent due diligence. Ms. Chen Jinxia is currently the actual controller of Yongjin Industry (Group) Co., Ltd. (湧金實業(集團)有限公司), a limited liability company established in the PRC principally engaging in equity investments.

Public Float

The 220,552,174 Domestic Shares that will not be converted into H Shares (representing approximately 19.30% of our total issued Shares upon Listing (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), or approximately 18.61% of our total issued Shares upon exercise of the Offer Size Adjustment Option and the Over-allotment Option in full) will not be considered as part of the public float as the Domestic Shares will not be converted into H Shares and will not be listed following the completion of the Global Offering.

Of the 750,372,750 H Shares to be converted from Domestic Shares and listed on the Stock Exchange following the completion of the Global Offering:

(a) 230,271,538 of such H Shares (representing approximately 20.15% of our total issued Shares upon Listing (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised), or approximately 19.43% of our total issued Shares upon exercise of the Offer Size Adjustment Option and the Over-allotment Option in full) will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing as such shares are being held by the Single Largest Group of Shareholders and/or the core connected persons of our Company[1];

(b) 520,101,212 of such H Shares (representing approximately 45.51% of our total issued Shares upon Listing (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised), or approximately 43.89% of our total issued Shares upon exercise of the Offer Size Adjustment Option and the Over-allotment Option in full) will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing as such remaining shareholders are not core connected persons of our Company upon Listing nor accustomed to take instructions from the Company's core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and their acquisition of Shares were not financed directly or indirectly by the Company's core connected persons.

Further, the 40,962,035 H Shares (representing approximately 3.58% of our total issued Shares upon Listing (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised), or approximately 3.46% of our total issued Shares upon exercise of the Offer Size Adjustment Option and the Over-allotment Option in full) held by Shanghai Electric HK and Everfront Phoenix to be converted from Unlisted Foreign Shares and listed on the Stock Exchange following the completion of the Global Offering will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing as these entities will not be core connected persons of our Company upon Listing, are not accustomed to take instructions from core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and their acquisition of Shares were not financed directly or indirectly by core connected persons.

Note:

(1) Such Shareholders include Mr. Zhu (as to 37,038,559 H Shares that he holds), Mr. Fu (as to 18,240,000 H Shares that he holds), Dahua Technology (as to 45,000,000 H Shares that it holds), Ningbo Hualing, Ningbo Huayang, Ningbo Jinghang, Hangzhou Xintu, Ningbo Gulin and Wanzai Mingzhao.

Following the completion of the Global Offering, the Shareholders' interests that count towards the public float are set forth as below:

Shareholders	Converted H Shares that count towards the public float
Shareholders holding Domestic Shares as of the date of this Prospectus	
Guoshun Lingpao	48,428,810
Guosen Securities	57,723,164
Green Lingpao	42,100,045
Sequoia Zhisheng	26,201,835
Hangzhou Hanzhi	36,638,186
Jinhua Yuxuan	29,357,798
Zhoushan Haohai	20,566,939
Mr. Ge Weidong (葛衛東)	18,344,246
CICC Binchuang	14,513,967
Changsha Nuofeng	7,258,920
Wenzhou Qiangpao	13,680,000
Huzhou Jingxin	13,549,983
Qingdao Tandafeng	13,207,857
Hangzhou Jingbo	10,800,000
Ms. Chen Jinxia (陳金霞)	10,276,248
Huzhou Heninghai	9,809,220
Hefei Xuanyi	9,678,559
Green Intelligence	9,539,008
CICC Chuanyu	8,071,468
Hangzhou Yangzhi	7,337,699
CCB Zhuhai	7,337,698
Hangzhou Zhongcai	7,337,698
Ms. Jing Hua (敬華)	6,480,000
Mr. Xu Wei (許煒)	6,480,000
Hangzhou Yipu	5,504,587
WANG Mingwang	5,503,274
Zhejiang Mituo	4,771,463
Mr. Gao Dong	5,105,403
Xingmao Investment	4,839,280
Qianyun Yongzhen	4,403,670
Ms. Ma Tingqi (馬婷琪)	4,403,670
Industrial Securities Investment	4,077,472
Sequoia Jiesheng	2,854,230
Huzhou Tanzhonghe	3,668,849
China Securities Investment	2,201,310
Wenlve No. 4	3,668,849

Shareholders	Converted H Shares that count towards the public float
Hangzhou Junyi	3,600,000
Hangzhou Yisheng	3,600,000
Mr. Geng Yongping (耿永平)	3,600,000
Mr. Zhang Wenjun (張文軍)	3,520,295
Hangzhou Yueyou	3,302,752
Wenlve No. 1	3,034,138
Hangzhou Qianyao	2,613,211
Shanghai Xianghe	2,419,640
SOE IIF	2,419,640
Hangzhou Chunsheng	2,419,640
Mr. Gao Yanfeng (高雁峰)	2,419,640
Xinneng Energy	1,430,851
Shareholders holding Unlisted Foreign Shares as of the date of this Prospectus	
Shanghai Electric	40,774,720
Everfront Phoenix	187,315

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisor has confirmed that we have legally and properly completed, settled, and obtained the requisite legal approvals and completed requisite governmental registrations with relevant governmental authorities in the PRC with respect to all the aforesaid capital increases and equity transfers.

CAPITALIZATION OF OUR COMPANY

The table below is a summary of the capitalization of our Company as of the date of this prospectus and the Listing Date (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised):

Shareholders	Number of Shares	Ownership percentage as of the prospectus date	Ownership percentage immediately after completion of the Global Offering
		(%)	*(%)*
Mr. Zhu[(1)(A)]	92,596,398	9.15	8.10%
Mr. Fu[(1)(A)]	91,200,000	9.01	7.98%
Dahua Technology[(2)(A)]	90,000,000	8.89	7.88%
Guoshun Lingpao[(3)(A)]	60,536,012	5.98	5.30%
Guosen Securities[(4)(C)]	57,723,164	5.70	5.05%
Ningbo Hualing[(1)(C)]	56,547,741	5.59	4.95%
Green Lingpao[(3)(A)]	49,529,465	4.89	4.33%
Shanghai Electric HK[(3)(B)]	40,774,720	4.03	3.57%
Sequoia Zhisheng[(3)(A)]	37,431,193	3.70	3.28%
Hangzhou Hanzhi[(3)(C)]	36,638,186	3.62	3.21%
Jinhua Yuxuan[(3)(C)]	29,357,798	2.90	2.57%
Ningbo Huayang[(1)(C)]	24,000,000	2.37	2.10%
Ningbo Gulin[(1)(C)]	21,761,266	2.15	1.90%
Zhoushan Haohai[(3)(C)]	20,566,939	2.03	1.80%
Mr. Ge Weidong (葛衛東)[(3)(5)(C)]	18,344,246	1.81	1.61%
CICC Binchuang[(3)(A)]	18,142,459	1.79	1.59%
Changsha Nuofeng[(3)(A)]	14,517,839	1.43	1.27%
Wenzhou Qiangpao[(3)(5)(A)]	14,400,000	1.42	1.26%
Huzhou Jingxin[(3)(C)]	13,549,983	1.34	1.19%
Qingdao Tandafeng[(3)(5)(C)]	13,207,857	1.31	1.16%
Ningbo Jinghang[(1)(C)]	12,806,500	1.27	1.12%
Hangzhou Jingbo[(6)(C)]	10,800,000	1.07	0.95%
Wanzai Mingzhao[(1)(C)]	10,800,000	1.07	0.95%
Ms. Chen Jinxia (陳金霞)[(3)(5)(C)]	10,276,248	1.02	0.90%
Huzhou Heninghai[(5)(C)]	9,809,220	0.97	0.86%
Hefei Xuanyi[(5)(C)]	9,678,559	0.96	0.85%
Green Intelligence[(5)(C)]	9,539,008	0.94	0.83%
CICC Chuanyu[(3)(C)]	8,071,468	0.80	0.71%
Hangzhou Yangzhi[(5)(C)]	7,337,699	0.73	0.64%
CCB Zhuhai[(5)(C)]	7,337,698	0.73	0.64%
Hangzhou Zhongcai[(5)(C)]	7,337,698	0.73	0.64%
Ms. Jing Hua (敬華)[(7)(A)]	7,200,000	0.71	0.63%

Shareholders	Number of Shares	Ownership percentage as of the prospectus date	Ownership percentage immediately after completion of the Global Offering
		(%)	*(%)*
Mr. Xu Wei (許煒)[5](A)	7,200,000	0.71	0.63%
Hangzhou Yipu[5](C)	5,504,587	0.54	0.48%
WANG Mingwang[5](C)	5,503,274	0.54	0.48%
Zhejiang Mituo[8](A)	5,301,626	0.52	0.46%
Mr. Gao Dong[5](C)	5,105,403	0.50	0.45%
Xingmao Investment[5](C)	4,839,280	0.48	0.42%
Qianyun Yongzhen[5](C)	4,403,670	0.44	0.39%
Ms. Ma Tingqi (馬婷琪)[5](C)	4,403,670	0.44	0.39%
Industrial Securities Investment[5](C)	4,077,472	0.40	0.36%
Hangzhou Xintu[1](C)	4,077,472	0.40	0.36%
Sequoia Jiesheng[3](A)	4,077,472	0.40	0.36%
Huzhou Tanzhonghe[5](C)	3,668,849	0.36	0.32%
China Securities Investment[5](A)	3,668,849	0.36	0.32%
Wenlve No.4[5](C)	3,668,849	0.36	0.32%
Hangzhou Junyi[5](C)	3,600,000	0.36	0.32%
Hangzhou Yisheng[5](C)	3,600,000	0.36	0.32%
Mr. Geng Yongping (耿永平)[5](C)	3,600,000	0.36	0.32%
Mr. Zhang Wenjun (張文軍)[5](C)	3,520,295	0.35	0.31%
Hangzhou Yueyou[5](C)	3,302,752	0.33	0.29%
Wenlve No.1[5](C)	3,034,138	0.30	0.27%
Hangzhou Qianyao[5](C)	2,613,211	0.26	0.23%
Shanghai Xianghe[5](C)	2,419,640	0.24	0.21%
SOE IIF[5](C)	2,419,640	0.24	0.21%
Hangzhou Chunsheng[5](C)	2,419,640	0.24	0.21%
Mr. Gao Yanfeng (高雁峰)[5](C)	2,419,640	0.24	0.21%
Xinneng Energy[5](C)	1,430,851	0.14	0.13%
Everfront Phoenix[9](B)	187,315	0.02	0.02%
Investors taking part in the Global Offering	130,819,100	0	11.45%
Total	**1,142,706,059**	**100.00**	**100.00**

Notes:

(1) Mr. Zhu, Mr. Fu and Ms. Chen and their respective controlled entities are members of the Single Largest Group of Shareholders. See "— The Single Largest Group of Shareholders" above for further details.

(2) Dahua Technology is listed on Shenzhen Stock Exchange (stock code: 002236). As of the Latest Practicable Date, Mr. Fu, Mr. Zhu and Ms. Chen held approximately 34.19%, 5.36% and 2.38% of the issued share capital of Dahua Technology, respectively.

(3) See "— Information of our Major Pre-IPO Investors" above for the detailed background information of each of the major Pre- IPO Investors.

(4) Guosen Securities holds such interest in our Company for the benefit of the Employee Shareholding Plan. See "— (6) Equity Transfer to Employee Shareholding Plan in February 2021" above for details.

(5) To the best of the Company's knowledge, such Shareholders are Independent Third Parties.

(6) As of the Latest Practicable Date, the general partner of Hangzhou Jingbo is Mr. Zhang Xingming (張興明), an Independent Third Party holding 33.33% therein. The limited partners of Hangzhou Jingbo are Mr. Fu and an Independent Third Party, each holding 33.33% therein respectively.

(7) Ms. Jing Hua is the senior vice president, secretary to the Board and joint company secretary of our Company.

(8) Zhejiang Mituo is owned as to (i) 40% owned by Mr. Wu Yefeng (吳燁鋒), our Supervisor, and (ii) 60% by a company controlled by Mr. Wu Jinhai (吳金海), father of Mr. Wu Yefeng.

(9) Everfront Phoenix is wholly owned by Mr. Zhang Jie (張傑), who was appointed as our Director in November 2018. Mr. Zhang Jie's appointment was pursuant to the director appointment right of Shanghai Electric HK, and he ceased to be our Director in December 2021 when all special rights of shareholders were terminated and ceased to be effective in December 2021. There was no disagreement between Mr. Zhang Jie and the Company.

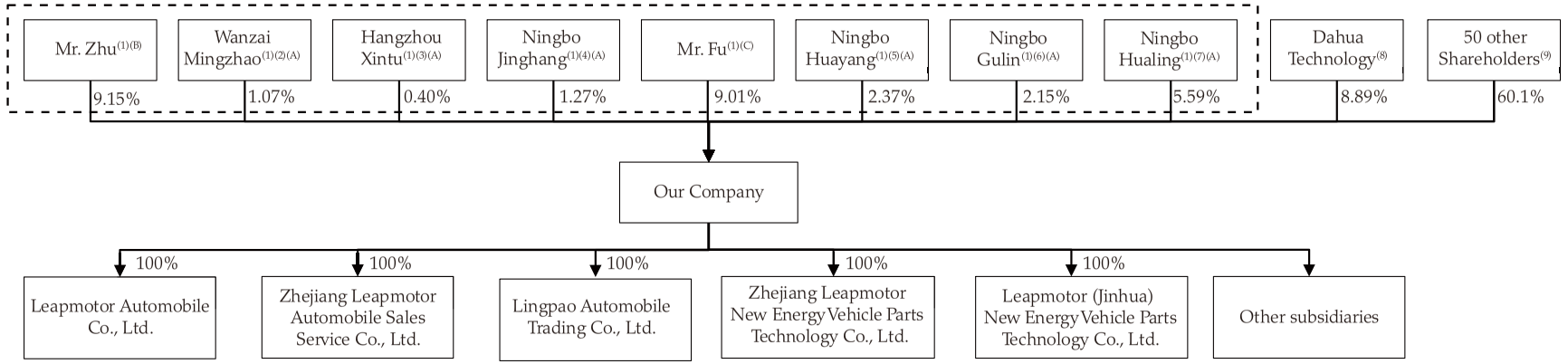
(A) The Shares held by these Shareholders are Domestic Shares, and a portion of such Shares will be converted into H Shares upon Listing.

(B) The Shares held by these Shareholders are Unlisted Foreign Shares, which will be converted into H Shares upon Listing.

(C) The Shares held by these Shareholders are Domestic Shares, and all of such Shares will be converted into H Shares upon Listing.

CORPORATE STRUCTURE IMMEDIATELY BEFORE COMPLETION OF THE GLOBAL OFFERING

The chart below sets out the shareholding structure of our Company immediately before the completion of the Global Offering:



Notes:

(1) Mr. Zhu, Mr. Fu and Ms. Chen and their respective controlled entities are members of the Single Largest Group of Shareholders. See "— The Single Largest Group of Shareholders" above for further details.

(2) Wanzai Mingzhao is controlled by Mr. Zhu as the general partner. As of the Latest Practicable Date, it was owned as to approximately (i) 57.4% by Mr. Zhu, and (ii) 33.3% and 9.3% by two limited partners, Ms. Cong Beibei (叢蓓蓓) and Mr. Zhao Gang (趙剛) respectively, each an Independent Third Party.

(3) Hangzhou Xintu is owned as to 70% by Mr. Zhu, and 30% by Ms. Liu, the spouse of Mr. Zhu.

(4) Ningbo Jinghang is one of our employee shareholding platforms and is controlled by Mr. Zhu as the general partner. As of the Latest Practicable Date, it was owned as to approximately (i) 0.08% by Mr. Zhu, and (ii) 70.28% by Mr. Wu Baojun, an executive Director and the president of our Company, (iii) 24.62% by Mr. Xu Wei and (iv) 5.02% by Ms. Jing Hua, the senior vice president and secretary to the Board of the Company, each a limited partner.

(5) Ningbo Huayang is a limited partnership established in the PRC and controlled by Mr. Fu as its general partner. As of the Latest Practicable, Date, it was owned as to approximately (i) 0.71% by Mr. Fu, (ii) 99.29% by 49 limited partners, including 7.80% by Ningbo Huayan Qianxing Venture Capital Partnership (Limited Partnership) (寧波華晏前行創業投資合夥企業(有限合夥)), the general partner of which was controlled by Ms. Chen, and 91.49%, by 48 other limited partners, who are employees of Dahua Technology.

(6) Ningbo Gulin is controlled by Mr. Fu as the general partner. As of the Latest Practicable Date, it was owned as to approximately (i) 3.39% by Mr. Fu, and (ii) 96.61% by 27 limited partners, each an Independent Third Party holding between approximately 1% to 14%.

(7) Ningbo Hualing is controlled by Ms. Chen as the general partner. As of the Latest Practicable Date, it was owned as to (i) 1% by Ms. Chen, and (ii) 99% by Mr. Fu Yiqin (傅益欽), the son of Mr. Fu and Ms. Chen, as the limited partner.

(8) Dahua Technology is listed on Shenzhen Stock Exchange (stock code: 002236). As of the Latest Practicable Date, Mr. Fu, Mr. Zhu and Ms. Chen held approximately 34.19%, 5.36% and 2.38% of the issued share capital of Dahua Technology, respectively.

(9) See "— Capitalization of our Company" above for details of other Shareholders.

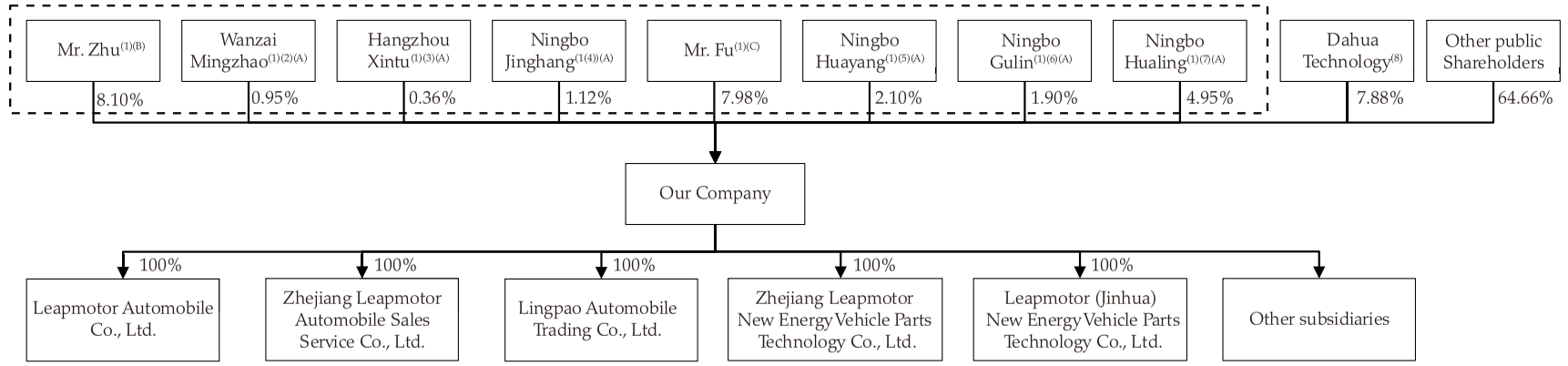
(A) The Shares held by these Shareholders are H Shares.

(B) Mr. Zhu is the beneficial owner of 92,596,398 Shares, among which 55,557,839 Shares will remain as Domestic Shares and 37,038,559 Shares will be converted into H Shares upon Listing.

(C) Mr. Fu is the beneficial owner of 91,200,000 Shares, among which 72,960,000 Shares will remain as Domestic Shares and 18,240,000 Shares will be converted into H Shares upon Listing.

CORPORATE STRUCTURE IMMEDIATELY FOLLOWING COMPLETION OF THE GLOBAL OFFERING

The chart below sets out the shareholding structure of our Company immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised):



Notes (1)-(C): See the respective notes under "Corporate Structure Immediately Before Completion of The Global Offering."

OVERVIEW

Who We Are

Founded in 2015, we are a smart EV company based in China primarily focusing on the mid- to high-end segment of China's NEV market with a price range of RMB150,000-300,000. Our flagship models, the C11 and C01, provide longer driving range, greater acceleration, more interior space and a wider variety of autonomous driving functions than most comparable models within the same price range available in China's EV market as of the Latest Practicable Date. We delivered a total of 43,748 vehicles in 2021, a 443.5% increase from 2020, making us the fastest-growing among the leading pure-play EV companies based in China in terms of delivery volume, according to Frost & Sullivan. We delivered 51,994 smart EVs in the first half of 2022, representing an increase of 265.3% from the same period in 2021.

We internally develop all our key hardware and software across the core systems and electronic components of our vehicles. We are the only pure-play EV company based in China, and one of the few NEV companies in China market[(Note 1)], with such a full-suite of R&D capabilities, according to Frost & Sullivan. We develop cross-platform systems and electronic components from the ground up, which are highly configurable and easily adaptable across different EV models, making our R&D highly efficient and cost-effective. We are also the most vertically integrated pure-play EV company based in China, and one of the most vertically integrated NEV companies in China market[(Note 1)], designing and producing in-house all of the core systems and electronic components for our vehicles, according to Frost & Sullivan. These include our intelligent power system (Leapmotor Power), autonomous driving system (Leapmotor Pilot), and smart cockpit system (Leapmotor OS). See "— Our Full-Suite of R&D Capabilities and Vertical Integration" for details. We believe such unique capabilities in smart EVs enable us to produce high caliber products, develop new models rapidly and enjoy a cost advantage.

China's NEV market consists of four segment markets according to selling price of vehicles, namely (i) entry-level segment (below RMB80,000), (ii) mid-range segment (RMB80,000-below RMB150,000), (iii) mid- to high-end segment (RMB150,000-RMB300,000), and (iv) premium segment (above RMB300,000). The mid- to high-end segment in China's NEV market is expected to be the largest and fastest-growing market segment from 2022 onwards, according to Frost & Sullivan. We have launched four BEV models and plan to further expand our product portfolio by launching seven new BEV models by 2025, at a pace of one to three new models every year. As an addition to our product offering, we also plan to launch the EREV version of these new models based on our proprietary EREV technology, concurrently or subsequently, to broaden our target audience to include customers with different needs and preferences. We believe our diversified product line-up will better position us to capture the market opportunities in the mid- to high-end segment of the NEV market in China. See "Industry Overview — Segment Market of NEV and EV Industry by Price."

We have established comprehensive in-house engineering and manufacturing capabilities with advanced technology. We produce smart EVs and their core systems and electronic components in our manufacturing plant in Jinhua, Zhejiang province. This wholly-owned, AI-enabled, digitalized plant has a production capacity of 200,000 vehicles per annum. To capture the NEV market growth opportunities, we are also planning a new production facility in Hangzhou, Zhejiang province to further expand production capacity.

Note 1: The aforementioned NEV companies include domestic and international automakers that sell NEVs in China.

As a customer-centric company, we directly engage with our users through an integrated online/offline sales and service network. We utilize a dual-pronged sales model, consisting of directly operated stores and channel partner stores, enabling us to swiftly scale up our network with capital efficiency and flexibility, while establishing direct customer relationships to best serve their needs. We have developed a thriving user community through a variety of online and offline events initiated by us or directly by our users, such as test drives, product launches and Leapmotor Club gatherings, all of which enable greater engagement and interaction with our users. Through these events, we collect and analyze valuable user feedback to continuously improve our product and service quality, thereby strengthening our connection with users and their trust in our brand. Through omni-channel customer engagement and value-added services, we continue to acquire new customers as well as enhance user satisfaction, drive more user referrals and cultivate long-term user loyalty.

China's NEV market is highly competitive. New NEV companies have been quick to capitalize on the NEV market opportunity with innovative smart technologies and products differentiation, while ICE automakers are also quickly adapting to the fast-growing EV market by introducing their smart EV models. We were the fourth largest pure-play EV company based in China by sales volume in China in 2021 and the first half of 2022, according to Frost & Sullivan. We were ranked 19th and 14th in the China NEV market in terms of sales volume measured by vehicle insurance registrations in 2021 and the first half of 2022, with market shares of 1.6% and 2.2%, respectively. The top five companies by sales volume of NEVs accounted for 54.2% and 54.9% in China in 2021 and the first half of 2022, respectively, according to the same source. See "Industry Overview — Competitive Landscape."

Our EVs

We have a diverse and expanding portfolio of smart EVs. In July 2019, we started delivery of our first mass-produced model, the S01, a smart electric coupe. In May 2020, we started delivery of the T03, a smart electric mini car. The T03 was a top three best-selling model by pure-play EV companies based in China by sales volume (based on the consumer vehicle insurance registrations) in 2021 and the first half of 2022, according to Frost & Sullivan. In October 2021, we started delivery of the C11, a mid-sized smart electric SUV that provides one of the most comprehensive suites of autonomous driving features among EV models within its price range, according to Frost & Sullivan. The C11 also features a wide variety of smart interactive functions, generous interior space, and user-centric cabin design and configurations, offering a premium, smart mobility experience at a compelling price.

In May 2022, we launched the C01, a mid- to large-sized smart electric sedan. The C01 shares the same platform as the C11, and offers a variety of features that outperform other competing EV models within its price range, according to Frost & Sullivan. At 5,050 mm in length, the C01 is the longest of any electric sedan within the same price range available in China's EV market as of the Latest Practicable Date, matched only by the best-selling, higher priced premium EV models in the market. With a 0–100 km/h acceleration in 3.7 seconds, the C01 Pro+ High Performance Edition has the fastest acceleration among all competing EV models within its price range. Equipped with Leapmotor Power, the C01 Ultra-Long Range Edition has a CLTC range of up to 717 km, which is among the longest ranges on a single charge compared with EV models within the same price range available in China's EV market as of the Latest Practicable Date. With the delivery of the C01 in the third quarter of 2022, we expect to become the world's first pure-play EV company to apply CTC technology in a mass produced vehicle. CTC technology enables the integration of the battery module with the battery tray and the vehicle body, breaking the boundaries between battery modules, packs and vehicles to result in longer range, faster acceleration, more interior space, improved collision safety and lower cost. The C01 also offers 23 autonomous driving functions, one of the most comprehensive suites of such features among EV models within the same price range available in China's EV market as of the Latest Practicable Date.

The table below sets forth certain specifications of our BEV vehicle models:

Model[1]	C01 (Mid- to Large-sized Sedan)	C11 (Mid-sized SUV)	T03 (Mini Car)	S01 (Coupe)
Length x Width x Height (mm)	5,050×1,902×1,509	4,750×1,905×1,675	3,620×1,652×1,592	4,075×1,760×1,380
Wheelbase (mm)	2,930	2,930	2,400	2,500
CLTC range[2] (km)	500 – 717	510/550/610	301/403	451
0–100 km/h acceleration (s)	3.7 – 7.6	4.5/7.9	12.0/14.5	6.9
Maximum power[3] (kW)	200/400	200/400	55/80	125
Maximum torque[4] (Nm)	360/720	360/720	155/158	250
Post-subsidy price (RMB)	180,000 – 270,000[5]	179,800 – 229,800	79,500 – 96,500	129,900 – 149,900

Notes:

(1) Specifications of each EV model vary due to the various versions available for each model.

(2) China Light-duty Vehicle Test Cycle, a testing standard to measure and establish a vehicle's driving range developed by the CATARC.

(3) An indicator to describe the dynamic performance of a vehicle. A vehicle with more power will generally have better acceleration and higher maximum speed.

(4) An indicator for the acceleration performance of the vehicle, especially the acceleration at low speed.

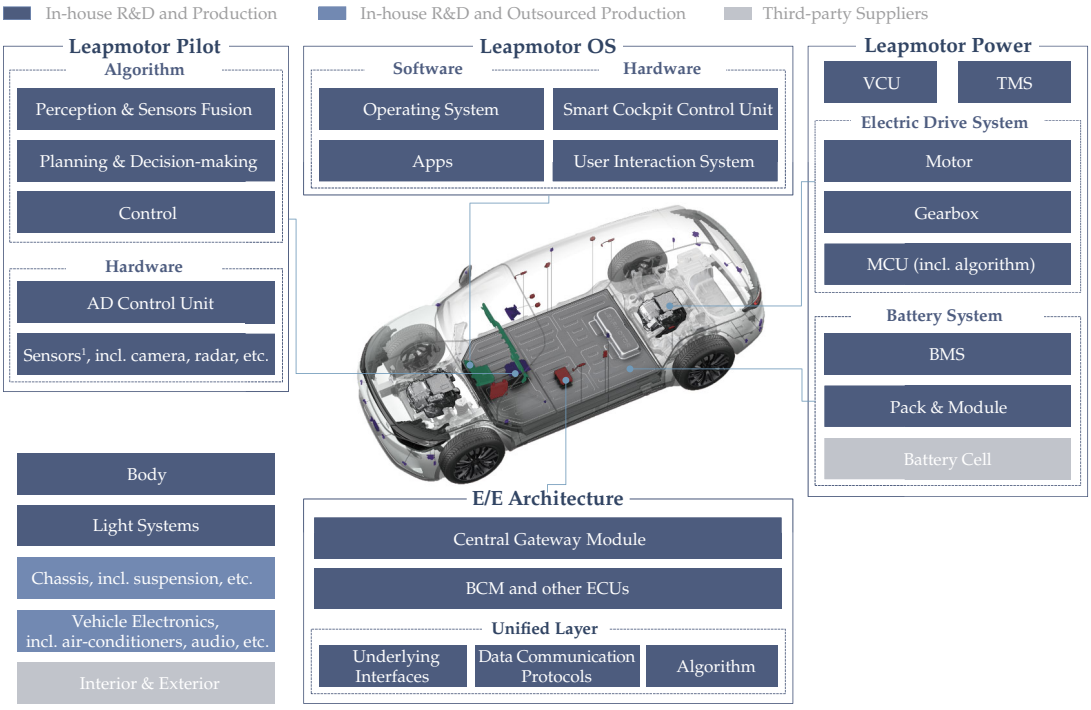
(5) Indicative price.

We will further penetrate the mid- to high-end segment in China's NEV market and cater to evolving and diverse customer needs by rapidly expanding and upgrading our product portfolio. We target to launch seven new BEV models by 2025, at a pace of one to three models every year covering sedans, SUVs, and MPVs in various sizes. All of these seven new models will be developed on our A, C and D platforms focusing on the mid- to high-end segment in China's NEV market. We design and develop each of these platforms to complement each other with distinctive attributes whilst catering to different segments of our target market. This allows us to seize a greater share of market opportunities. As an addition to our product offering, we also plan to launch the EREV version of these new models based on our proprietary EREV technology, concurrently or subsequently, to broaden our target audience to include customers with different needs and preferences.

Our Full-Suite of R&D Capabilities and Vertical Integration

We internally develop and produce all key hardware and software across core systems and electronic components of our smart EVs with unified underlying interfaces, algorithms and data communication protocols. This unique approach and capability make our cross-platform E/E architecture and vehicle architecture highly adaptable across EV models.

The following diagram illustrates the core systems and electronic components we develop and produce in-house:



Note:

(1) Sensors are developed and produced by our associate, Huaruijie Technology.

According to Frost & Sullivan, through our full-suite of R&D capabilities, we self-develop more types of key hardware and software for core systems than any other pure-play EV companies based in China, and most of the NEV companies in the China market(*Note 1*), including electric power systems, autonomous driving systems and smart cockpit systems. For example, we design and develop our own hardware and software for the electric drive system, consisting of motor, gearbox and MCU, as well as the battery management system and VCU, while our peers typically source, or partially source, from third parties. In addition, under our vertically integrated business model, we produce more types of hardware and software for core vehicle systems and electronic components in-house than any other pure-play EV companies based in China and most of the NEV

Note 1: The aforementioned NEV companies include domestic and international automakers that sell NEVs in China.

companies in China market[(Note 1)], according to Frost & Sullivan. We believe our full-suite of R&D capabilities and vertically integrated business model differentiate us from other pure-play EV players based in China, and most of the NEV companies in the China market[(Note 1)], and confer the following competitive advantages:

- ***Diverse portfolio of Smart EVs.*** Our EVs provide a smart mobility experience with a variety of features that outperform other competing EV models within the same price range available in China's EV market as of the Latest Practicable Date. Leapmotor Pilot 3.0, our latest autonomous driving system, enables 23 autonomous driving features such as adaptive cruise control, highway autopilot, automated parking and early warning system. See "— Our Technologies — Leapmotor Pilot — Autonomous Driving System." This represents one of the most comprehensive sets of features among EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to Frost & Sullivan. Leapmotor OS, our smart cockpit system, offers a broad spectrum of customizable smart interactive functions, as well as cloud-based services through its IoV system. Equipped with Leapmotor Power, the C11 delivers a CLTC range of up to 610 km for its Premium Edition and 0–100 km/h acceleration in 4.5 seconds for its Performance Edition. With a 0–100 km/h acceleration in 3.7 seconds, the C01 Pro+ High Performance Edition has the fastest acceleration among all competing EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to Frost & Sullivan. The C01 Ultra-Long Range Edition has a CLTC range of up to 717 km, which is among the longest ranges on a single charge compared with EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to the same source. In addition, we offer comprehensive OTA updates and remote intelligent diagnostics functions to continuously improve product performance and user experience. In particular, more than 85% of the ECUs of the C11 can be updated via OTA, including MCU, BMS, autonomous driving and smart cockpit systems.

- ***High R&D Efficiency.*** Our cross-platform E/E architecture and vehicle architecture are highly adaptable across EV models, enabling us to develop new models within a shorter timeframe, enhance R&D efficiency and scale up production quickly. We have launched four BEV models since 2019. We expect to start delivering the C01, a mid- to large-sized smart electric sedan, in the third quarter of 2022, which would be one of the shortest intervals between consecutive deliveries of two models for any pure-play EV company based in China, according to Frost & Sullivan. Leveraging our full-suite of R&D capabilities, we believe we can further expand and upgrade our EV portfolio rapidly, efficiently addressing the evolving needs and preferences of customers.

- ***Cost Advantage.*** Our full-suite of R&D capabilities and in-house production of all core systems and electronic components allow us to simplify and streamline our supply chain with lower procurement and production costs. As we continue to grow, we believe this cost advantage will become increasingly apparent in the long run.

Note 1: The aforementioned NEV companies include domestic and international automakers that sell NEVs in China.

Our Technological Prowess

We have robust innovation and technological capabilities across the most critical areas in smart EVs:

- ***E/E Architecture***. We have developed proprietary E/E architecture on our mass-produced models that enables domain-centralized control of key vehicle systems, including autonomous driving, smart cockpit and vehicle control. By adopting unified underlying interfaces, algorithms and data communication protocols across systems, our E/E architecture achieves a high degree of adaptability across EV models. Moreover, we are currently developing the next-generation of our E/E architecture, which utilizes a powerful centralized vehicle computing platform that is capable of processing highly complex functions.

- ***Electric Drive System.*** We have developed a proprietary electric drive system with in-house hardware and software technologies. Heracles, the current generation of our proprietary electric drive system, integrates electric motors, MCUs and gearboxes to achieve high performance and safety, while remaining light weight and cost efficient. In 2022, we have commercialized a more advanced oil-cooling electric drive system called Pan Gu (盤古), featuring a maximum efficiency of up to 94.6%. Moreover, with our deep learning algorithms and highly adaptable hardware, we can upgrade the electric drive system through OTA over the full vehicle lifecycle to continuously improve our vehicles' driving performance.

- ***Battery System.*** We developed our own battery pack and battery management technologies. Our proprietary thermal management system is compact and energy-efficient, enabling the battery system to function at a temperature as low as –30°C. With the planned delivery of the C01 in the third quarter of 2022, we expect to become the world's first pure-play EV company to apply CTC technology in mass production, according to Frost & Sullivan. CTC technology enables the integration of the battery module with the battery tray and the vehicle body, breaking the boundaries between battery modules, packs and vehicles. Specifically, it has reduced the number of components for the battery system by 20%, resulting in lighter vehicle weight, longer range, faster acceleration and lower cost. The lightweight index is increased by 20% while the vehicle body's torsional strength is elevated by 25%, which improves collision safety. In addition, the safety of our battery system has been extensively tested and validated, with all testing results meeting the national standards. The results of a number of relevant tests, such as vibration test, thermal diffusion test, enclosure test and several types of impact tests, have exceeded the mandatory national standard for batteries of electric vehicles (GB 38031-2020) and the optional standard for degrees of protection provided by enclosure (GBT/4208-2017). The integrated structure increases the vertical space inside the vehicle and offers greater comfort for passengers.

- ***Autonomous Driving.*** Leapmotor Pilot 3.0, our latest Level 2 autonomous driving system, provides 360-degree vision and 23 autonomous driving features, such as adaptive cruise control, highway autopilot, automated parking and early warning system. See "— Our Technologies — Leapmotor Pilot — Autonomous Driving System." This represents one of the most comprehensive sets of features among EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to Frost & Sullivan. Leapmotor Pilot 3.0 is powered by our full stack autonomous driving software, in particular, proprietary visualization algorithms with high processing accuracy, according to the same source. In June 2021, our algorithms team won the first place in the Real Time 2D Detection Challenge at the 2021 Waymo Open Dataset Challenges, which speaks to our strength and leadership position in algorithms for autonomous driving. It has been widely acknowledged by the industry that vehicle automation is categorized into six levels by the degree of driving automation, which is from Level 0 (no driving automation) to Level 5 (full driving automation) in the context of vehicles and their operations on roadways. See "Industry Overview — Levels of Autonomous Driving" for details.

- ***Smart Cockpit.*** Leapmotor OS provides a wide variety of highly-integrated interactive functions and enables automatic configuration of 25 customizable in-car settings based on user preference. Leapmotor OS also offers cloud-based services through its IoV system, including remote vehicle control and mobile voice control. We will continue to add more functions to Leapmotor OS via OTA updates.

OUR STRENGTHS

Full-Suite of R&D Capabilities

We are the only pure-play EV company based in China, and one of the few NEV companies in the China market[(Note 1)], that develops all key hardware and software across the core systems and electronic components, according to Frost & Sullivan. We develop modularized and cross-platform hardware and software from the ground up, resulting in high adaptability across different EV models, high level of system interconnectivity, and hardware-software integration. This approach enables us to develop and apply the latest proprietary technologies to all our smart EVs with a shorter R&D cycle and achieve higher cost efficiency with faster speed to market. We believe our unique R&D approach will further strengthen our competitiveness and market leadership.

Most Vertically Integrated Pure-Play EV Maker in China

We have achieved the highest level of vertical integration of R&D and in-house production among pure-play EV companies based in China, according to Frost & Sullivan. We are also one of the most vertically integrated NEV companies in the China market[(Note 1)], according to the same source. Our smart EVs are built with proprietary, self-designed and produced core systems and electronic components, including the electric drive system, battery system, autonomous driving system and smart cockpit system. Our manufacturing plant produces both our EVs and their core components.

Note 1: The aforementioned NEV companies include domestic and international automakers that sell NEVs in China.

Our vertically integrated business model significantly simplifies and streamlines our supply chain, lowering procurement costs, providing a stable supply of vehicle components, and maintaining strict quality control throughout the manufacturing process. Moreover, our R&D and in-house production complement and augment each other, forming a virtuous cycle that allows us to keep improving vehicle performance and quality during the vehicle's lifecycle. As an example, three months ahead of its delivery, we invited customers to test drive and provide feedback on the C11, based on which we promptly fine-tuned certain in-car configurations and functions. This demonstrates our unwavering commitment to customers, and our ability to improve product quality from design to production seamlessly and rapidly in response to customers' preferences.

Our high degree of vertical integration across R&D and production allows us to expeditiously launch distinctive EV models with a cost advantage and to scale up deliveries more rapidly.

Diverse Portfolio of Smart EVs

We offer a diverse portfolio of smart EVs primarily targeting the mid- to high-end segment in China's NEV market, which is expected to be the largest and fastest-growing segment from 2022 onwards. Our vehicles differentiate from competing models by delivering remarkable driving performance and immersive interactive experience of smart design, coupled with generous interior space and configurations.

Our flagship SUV, the C11, offers one of the most comprehensive suites of autonomous driving features among EV models within its price range, according to Frost & Sullivan. It enables 22 autonomous driving features, including adaptive cruise control, automated parking and automatic emergency braking. The C11 is also equipped with a triple-display interactive system and offers a wide variety of smart interactive functions, including AI voice control over most in-car functions and automatic configurations of 15 customizable settings. Moreover, the C11 Premium Edition offers a CLTC range of up to 610km and the Performance Edition has 0–100km/h acceleration in 4.5 seconds. It offers generous interior space with a wheelbase of close to three meters, and is equipped with multiple premium features including acoustic glass, air quality system and seats covered with Nappa leather. These features are typically only available in models within a higher price range in the market. Our latest flagship sedan, the C01, offers 23 autonomous driving features, among the most comprehensive suites of such features among EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to Frost & Sullivan. According to the same source, we expect to become the world's first pure-play EV company to apply CTC technology in a mass-produced model, which reduces the number of components for the battery system by 20%, leading to lighter vehicle weight, longer range, faster acceleration and lower cost. The lightweight index is increased by 20% while the vehicle body's torsional strength is elevated by 25%, which improves collision safety. With a 0–100 km/h acceleration in 3.7 seconds, the C01 Pro+ High Performance Edition has the fastest acceleration among all competing EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to Frost & Sullivan. Equipped with Leapmotor Power, the C01 Ultra-Long Range Edition has a CLTC range of up to 717 km, which is among the longest ranges on a single charge compared with EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to the same source.

Furthermore, we introduce new features and functionalities regularly via OTA updates over the full vehicle lifecycle. For instance, the C11 has undergone two OTA updates within two months following its first delivery in October 2021, upgrading 18 functions including radar-based parking spot recognition, 360-degree safe distance alert, and adaptive cruise control. At the end of March 2022, we delivered another OTA update for the C11, delivering more ADAS functions and adding a number of new quick apps and mini programs to the vehicle infotainment system. In addition, we also started to provide subscription services through a popular music app. The upgrade has significantly improved the in-car sound experience and provides a wealth of entertainment content for a luxurious and enjoyable ride, thus enabling us to further expand our revenue streams.

We believe our ability to develop smart EVs that offer users a premium mobility experience at compelling price makes us uniquely positioned to gain market share.

Proven Ability to Rapidly Expand Vehicle Portfolio

Our cross-platform E/E architecture and vehicle architecture allow high adaptability of systems and components across our EV models, enabling us to rapidly develop and deliver new models to address evolving and diverse customer preferences. We have successfully launched four BEV models since 2019, establishing a proven track record of EV development and delivery. We plan to launch seven new BEV models by 2025 at a pace of one to three new models every year, covering sedans, SUVs, and MPVs in various sizes. We expect to deliver the C01, a mid- to large-sized smart electric sedan, in the third quarter of 2022. All of these seven new models will be developed on our A, C and D platforms focusing on the mid- to high-end segment in China's NEV market. We design and develop each of these platforms to complement each other with distinctive attributes whilst catering to different segments of our target market. As an addition to our product offering, we also plan to launch the EREV version of these new models based on our proprietary EREV technology, concurrently or subsequently, to broaden our target audience to include customers with different needs and preferences.

Concurrently, we continue to launch new versions of popular existing models. For example, we launched three new versions of the T03 in April, August and December 2021. We have also launched a four-wheel drive version of the C11 and plan to launch an extended-range version of the C11 in 2022.

We believe our proven ability to rapidly innovate, develop and upgrade products allows us to scale up quickly and build a diversified premium EV portfolio appealing to a growing customer base with diverse and evolving preferences.

Advanced Autonomous Driving and Smart Cockpit Technologies

We believe Leapmotor Pilot 3.0 and Leapmotor OS deliver a smart mobility experience to our users.

Leapmotor Pilot 3.0, our latest proprietary autonomous driving system, provides one of the most comprehensive sets of autonomous driving functions in the mid- to high-end segment of the NEV market in China, according to Frost & Sullivan. It is powered by our full stack autonomous driving software, in particular, our visual algorithms with high processing accuracy. Moreover, with our AI engineers' in-depth expertise, we have built strong corner case analytics capabilities. Our visual algorithms can recognize small objects, semi-obstructed objects, and special-shaped vehicles with high success rate and at speed. In March 2022, the C11, equipped with Leapmotor Pilot 3.0 achieved a five-star C-NCAP safety rating for occupant safety, pedestrian safety and active safety. We also continuously refine algorithms with high iteration efficiency. In June 2021, our autonomous driving algorithms team won the first place in the Real Time 2D Detection Challenge at the 2021 Waymo Open Dataset Challenges, which speaks to our strength and leadership position in visual algorithms for autonomous driving.

Leapmotor OS, our smart cockpit system, integrates a wide variety of smart interactive functions and enables automatic configuration of 25 customizable in-car settings, offering one of the most comprehensive suites of smart interactive functions in the market, according to Frost & Sullivan. Leapmotor OS also offers a wealth of content services, such as in-car music, smart navigation, audio and video content, delivering an immersive smart interactive experience that drives strong user engagement. In addition, Leapmotor OS provides cloud-based services leveraging IoV technologies, including remote vehicle control, mobile voice control, and short video sharing, achieving seamless interconnectivity among user, mobile device and vehicle. Leapmotor OS has passed the testing requirements of the National Automobile Quality Supervision and Inspection Center for remote services and electromagnetic compatibility. We continuously upgrade Leapmotor OS via OTA to ensure our smart interactive experience remains the best in the market.

Visionary Management Team with Proven Ability to Execute

Mr. Zhu Jiangming, our founder, Chairman and Chief Executive Officer, has nearly 30 years of experience and success as both an entrepreneur and engineer in electronics and AI technologies and is credited with ground-breaking innovations. We also have a deep management team with diverse backgrounds who worked at world-renowned automotive and technology companies and financial institutions, including Toyota, Bosch, Emerson, Samsung Electronics and J.P. Morgan. They bring years of in-depth expertise and business acumen in EV technology, AI development, product design, engineering, manufacturing, supply chain management, marketing and financial markets. Under the leadership of our founder and management team, we have successfully built a full-suite of R&D and in-house production capabilities, making us the most vertically integrated pure-play EV company based in China, and one of the most vertically integrated NEV companies in the China market[(Note 1)]. We believe their long history of entrepreneurship, industry experience and proven ability to execute will drive our long-term success in the EV industry.

Note 1: The aforementioned NEV companies include domestic and international automakers that sell NEVs in China.

OUR STRATEGIES

We will pursue the following strategies to achieve our goals as identified below:

Relentless Pursuit of Innovation in Vehicle Intelligence and Electrification Technologies

We will continue to invest in advanced intelligence and electrification technologies. We will develop a more advanced Leapmotor Pilot by expanding our autonomous driving team and continue to develop algorithms with high processing accuracy. In particular, we plan to offer Leapmotor Pilot with the Navigation Assistance Pilot (NAP) function on city streets by 2024, which enables assisted driving in urban environments. Additionally, we will upgrade Leapmotor OS to provide customers with a smarter and more personalized user experience. We will also increase investment in the next-generation vehicle electrification technologies, including vehicle-centralized E/E architecture, high-voltage electric drive system, and a more integrated battery system to further enhance the performance and reliability of our smart EVs.

We will continuously upgrade the systems and functions of smart EVs through OTA to enhance performance and mobility experience over the full vehicle lifecycle, increase customer satisfaction and referrals, and cultivate long-lasting customer loyalty.

Enhance Vertical Integration

We plan to enhance our vertical integration and operational efficiency. We will further optimize the full process of R&D, supply chain management and EV and components manufacturing, seeking to achieve the highest quality control standards, production and cost efficiencies. Furthermore, we will continue to invest in advanced intelligent and automated manufacturing facilities to further strengthen our EV and components production capabilities.

Expand and Upgrade Our Smart EV Portfolio

China's NEV market reached an inflection point of growth in 2021 and its growth is expected to accelerate in the future. NEVs are expected to exceed ICE vehicles in sales volume in China in 2026, according to Frost & Sullivan. We will continue to penetrate the mid- to high-end segment. We intend to launch seven new BEV models by 2025 with one to three models every year, in response to evolving and diverse customer preferences covering sedans, SUVs, and MPVs from compact to mid-to-large in size. As an addition to our product offering, we also plan to launch the EREV version of these new models based on our proprietary EREV technology, concurrently or subsequently, to broaden our target audience to include customers with different needs and preferences. All of our new models will be developed and built in-house with our full suite of R&D and manufacturing capabilities, allowing us to launch and deliver new models on an accelerated basis.

Establish a Stronger Brand Presence and Expand Our Sales and Service Network

We will increase our investment in building a stronger brand presence. We will increase brand awareness and strengthen its recognition by launching a variety of online and offline marketing campaigns, such as promotions through traditional and social media platforms as well as participating in various auto shows.

We will continue to execute direct-to-customer strategy and increase the number of directly operated stores, channel partner stores and delivery and service center. Leveraging our uniform digital management platform, we will strengthen the implementation of our integrated management and operations for all stores to consistently deliver high quality customer experience and enhance brand identity. We also endeavor to offer more functions and features to our online user community to increase user engagement and conversion to fuel business growth.

Launch and Monetize Digital Value-Added Services

We plan to launch in-vehicle pay-as-you-go and subscription-based value-added services to unlock new revenue streams. We expect to offer the most cutting-edge autonomous driving and smart cockpit functions, such as an advanced NAP feature, which we plan to roll out on a subscription basis. We will also offer digital services and contents in lifestyle, productivity and entertainment. These value-added service offerings will generate new revenue streams and increase customer lifetime value. Furthermore, with our growing user community, we intend to explore providing more services tailored to a vibrant mobile lifestyle.

Expand Globally

As a first step, we intend to strategically establish our international presence by entering into the European market, the second largest EV market in the world. We plan to open our first overseas flagship store in Europe by 2023. Following that, we plan to expand our presence into other major EV markets with a view to become a global EV company delivering a premium product at a compelling price.

OUR VEHICLES

We design, develop, manufacture and sell smart EVs. Our expanding and diverse portfolio of smart EVs is strategically focused on the mid- to high-end segment in China's NEV market. We have launched four smart EV models since 2019. We commenced delivery of the S01, a smart electric coupe, as our first mass-produced model in July 2019. In May 2020, we delivered the T03, a smart electric mini car. In October 2021, we started delivering the C11, a mid-sized smart electric SUV with an enthralling product performance. In May 2022, we launched the C01, our latest flagship mid- to large-sized smart electric sedan, further demonstrating our R&D efficiency and technical prowess in vehicle development.

C01

In May 2022, we launched the C01, a mid- to large-sized smart electric sedan, with expected delivery in the third quarter of 2022. The C01 has an indicative post-subsidy price ranging from RMB180,000 to RMB270,000, targeting the mid- to high-end segment in China's NEV market. The C01 features a highly distinctive esthetic appearance and offers a spacious interior with a vehicle length of 5,050 mm, wide rear legroom of over 300 mm as well as generous trunk space. With a 0–100 km/h acceleration in 3.7 seconds, the C01 Pro+ High Performance Edition has the fastest acceleration among all competing EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to Frost & Sullivan. Equipped with Leapmotor Power, the C01 Ultra-Long Range Edition has a CLTC range of up to 717 km, which is among the longest ranges on a single charge compared with EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to the same source. With delivery of the C01 in the third quarter of 2022, we expect to become the world's first pure-play EV company to apply CTC technology in a mass-produced model, according to Frost & Sullivan.

The exterior and interior of the C01 and the CTC structure

We offer five editions of the C01 with varying battery capacity and power. The four-wheel drive editions are equipped with two electric motors, bringing even more impressive power performance. The following table sets forth certain technical features of the C01:

	RWD[1]			4WD[2]	
Configuration	Standard Edition	Long Range Edition	Ultra-Long Range Edition	Pro Performance Edition	Pro+ High Performance Edition
Length×Width×Height (mm)			5,050×1,902×1,509		
Wheelbase (mm)			2,930		
CLTC range (km)	500	606	717	630	630
0–100 km/h acceleration (s)	7.6	7.5	7.2	4.2	3.7
Maximum power (kW)	200	200	200	400	400
Maximum torque (Nm)	360	360	360	720	720

Notes:

(1) Refers to rear-wheel drive (where the engine drives the rear wheels only).

(2) Refers to four-wheel drive (where a two-axled vehicle powertrain is capable of providing torque to all of its wheels simultaneously).

The C01 brings remarkable driving experience with innovative technologies, offering luxurious interior configuration, advanced power system, smart cockpit and comprehensive autonomous driving capabilities:

- ***Distinctive Esthetic Appearance.*** The full-width light bar at the front of the vehicle is matched by the brand logo connecting the taillights on both sides and the ducktail spoiler design, giving the vehicle a dynamic appearance. Moreover, the C01 features an elegant design with frameless doors, flush door handles and sport-back design, which together contribute to a low drag coefficient of 0.226.

- ***Luxurious Interior Configuration.*** The vehicle interior harmonizes technology and luxury, with a T-shaped triple screen located in the center console area, accompanied by a coated panoramic roof, leather-wrapped interior door panels, Nappa leather seats and a large suede ceiling. The C01 allows the passenger seat to move forward and the rear seat to recline at the touch of a button, creating a wide and comfortable space that is unique in its price range. In addition, it features Hi-Fi 3D audio with 12 speakers tuned by a dedicated professional tuning team, and integrates a karaoke system into the infotainment with a customized microphone for passengers.

- ***Advanced Power System.*** The C01 is equipped with CTC technology, which enables the integration of the battery module with the battery tray and the vehicle body. It breaks the boundaries between battery modules, packs and vehicles. The number of components for the battery system has been reduced by 20%, resulting in lighter vehicle weight, longer range, faster acceleration and lower cost. The lightweight index is increased by 20%, while the vehicle body's torsional strength is elevated by 25%, leading to improved collision safety. In addition, the safety of our battery system has been extensively tested and validated, with a number of testing results exceeding the national standards. The integrated structure increases the vertical space inside the vehicle and offers greater comfort for passengers. With the support of our intelligent battery management system, the C01 Ultra-Long Range Edition has increased its CLTC range up to 717 km.

- ***Smart Cockpit.*** Powered by the Qualcomm Snapdragon 8155 chipset, the C01's smart cockpit system offers automatic configuration of 25 customizable in-car settings, as well as the first Android virtual machine feature in the PRC EV market which is compatible with most of the popular applications. The software system is also compatible with mainstream mobile devices, allowing users to access certain functions through their smartphones or smartwatches, such as locking/unlocking the car and vehicle remote control.

- ***Comprehensive Autonomous Driving Capabilities.*** The C01 is supported by our Leapmotor Pilot 3.0 autonomous driving system with 28 high-precision sensors and 23 autonomous driving features, including AR real-time navigation, automated parking and NAP. The system aids the driver in various scenarios such as regular city driving, highway driving, intersections and traffic congestion.

C11

We started delivering the C11, a mid-sized smart electric SUV, in October 2021. The C11 adopts our self-designed and manufactured core systems and electronic components, including advanced electric drive system, battery system, smart cockpit and autonomous driving system. The C11 has a post-subsidy price ranging from RMB179,800 to RMB229,800, targeting the mid- to high-end segment in China's NEV market. The C11 is equipped with one of the most comprehensive sets of autonomous driving features among EV models within its price range, and possesses extensive smart interactive functions, according to Frost & Sullivan. The C11 also features a CLTC range of up to 610 km for its Premium Edition and 0-100 km/h acceleration in 4.5 seconds for its Performance Edition, and offers extensive vehicle configuration options. With a wheelbase of 2,930 mm, the C11 offers a spacious interior for passengers, combined with frameless doors, panoramic roof and highly recognizable LED matrix headlights for a distinctive esthetic appearance. As of June 30, 2022, we delivered 22,880 units of the C11.

The exterior and interior of the C11 and frameless doors

We offer three editions of the C11 with varying battery capacity and power. The four-wheel drive edition is equipped with two electric motors to further improve the power performance. The following table sets forth certain technical features of the C11:

	RWD[1]		4WD[2]
Configuration	**Deluxe Edition**	**Premium Edition**	**Performance Edition**
Length×Width×Height (mm)		4,750×1,905×1,675	
Wheelbase (mm)		2,930	
CLTC range (km)	510	610	550
0–100 km/h acceleration (s)	7.9	7.9	4.5
Maximum power (kW)	200	200	400
Maximum torque (Nm)	360	360	720
Battery type	LFP	NCM	NCM
Battery capacity (kWh)	78.5	90.0	90.0

Notes:

(1) Refers to rear-wheel drive (where the engine drives the rear wheels only).

(2) Refers to four-wheel drive (where a two-axled vehicle powertrain is capable of providing torque to all of its wheels simultaneously).

The C11 distinguishes itself from competing EV models currently sold within a similar price range, in terms of its driving experience, exhilarating performance, long driving range, smart cockpit, autonomous driving capabilities and comprehensive safety design:

- ***Driving Experience.*** The C11 provides users with smooth vehicle control, generous interior space, user-centric cabin design and a comprehensive in-vehicle infotainment system. The acoustic glass and acoustically insulated tires contribute to a serene travel experience, while the air quality system purifies the air. To ensure a comfortable mobility experience for passengers, we also offer breathable seats covered with Nappa leather and with heating and massage functions.

- ***High Performance and Long Driving Range.*** Supported by our proprietary and highly integrated powertrain system, Leapmotor Power, the C11 has a CLTC range of 510 to 610 kilometers, which can effectively eliminate users' "range anxiety." In October 2021, our C11 was ranked first in electric SUVs among 15 popular EV models in a range competition hosted by Autohome, a leading online platform for automobile consumers in China.[1]

1 In the competition, the C11 was ranked first in the range-to-price ratio for models over RMB100,000, and first among all SUVs in absolute range and the ratio of actual range to NEDC/CLTC range.

- ***Smart Cockpit.*** We provide an array of personalized smart cockpit functions through our Leapmotor OS, powered by the Qualcomm Snapdragon 8155 chipset, with automatic configuration of 15 customizable in-car settings. In addition, it provides AI voice assistant and in-vehicle infotainment system supported by three high-definition screens. These functions offer passengers an engaging and entertaining mobility experience. The C11 is one of the first models in China that supports Quick Apps, which offers intuitive user interface whilst saving storage space at the same time.

Smart Cockpit of the C11

- ***Autonomous Driving Features.*** The C11 is supported by our self-developed Leapmotor Pilot 3.0 system. The comprehensive sensor suite includes 11 cameras, five millimeter wave radars and 12 ultrasonic radars. The C11 offers 22 autonomous driving features, such as ACC and automated parking, as well as active safety features including automatic emergency braking, forward distance monitoring, and blind spot visualization. It provides one of the most comprehensive suites of autonomous driving features compared to models within its price range, according to Frost & Sullivan.

- ***Comprehensive Safety Design.*** The C11 is equipped with our proprietary vehicle stability control system, which delivers a high degree of driving safety, even under extreme driving conditions. For example, the system prevents the vehicle from sideslip when emergency braking. Our proprietary battery safety management system delivers an optimal balance among multiple technical areas, such as performance, driving range and battery safety. In March 2022, the C11 achieved a five-star C-NCAP safety rating for occupant safety, pedestrian safety and active safety.

T03

In May 2020, we began delivering our second mass-produced smart EV, the T03, and had delivered 79,220 units to customers as of June 30, 2022. The T03 is a four-door smart electric mini car, with an appealing post-subsidy price ranging from RMB79,500 to RMB96,500. The T03 was the third best-selling model by pure-play Chinese EV companies by sales volume to consumers in 2021 and the first half of 2022, according to Frost & Sullivan.

Compared to other electric mini cars currently sold within the same price range available in China's EV market as of the Latest Practicable Date, the T03 excels in extensive intelligent functions and impressive driving performance. In China, the T03 was the first mini car model equipped with ADAS functions and AI voice assistant, according to Frost & Sullivan. The Leapmotor OS smart cockpit system also provides smart navigation and in-vehicle infotainment system.

The T03 is equipped with our self-developed integrated electric drive system, Heracles, which has a high power density ratio to provide impressive driving performance. The T03 achieves a maximum CLTC range of 403 kilometers powered by our proprietary battery system, while its peer models typically have a CLTC range of approximately 300 kilometers in comparison, according to Frost & Sullivan.

In addition, we deploy advanced technologies to ensure driving safety for the T03, with our autonomous driving system. We ensure the T03's battery safety by adopting an intelligent battery management system. Moreover, the T03's body and frame utilize high-strength steel and aluminum structural components, achieving high safety standards.

The following table sets forth certain technical features of the T03:

Configuration	Agate Edition	Deluxe Edition[(1)]
LengthxWidthxHeight (mm)	3,620×1,652×1,592	3,620×1,652×1,592
Wheelbase (mm)	2,400	2,400
CLTC range (km)	301	403
0–100 km/h acceleration (s)	14.5	12.0
Maximum power (kW)	55	80
Maximum torque (Nm)	155	158
Battery type	LFP	LFP
Battery capacity (kWh)	31.9	41.0

Note:

(1) Including four versions with different configurations for smart functions.

S01

We entered the EV market by launching the smart electric coupe S01, first delivered in July 2019. The S01 offers a sports car driving experience with strong power performance, in addition to its long driving range, appealing design and advanced technologies. The S01 has a post-subsidy price ranging from RMB129,900 to RMB149,900.

The following table sets forth certain technical features of the S01:

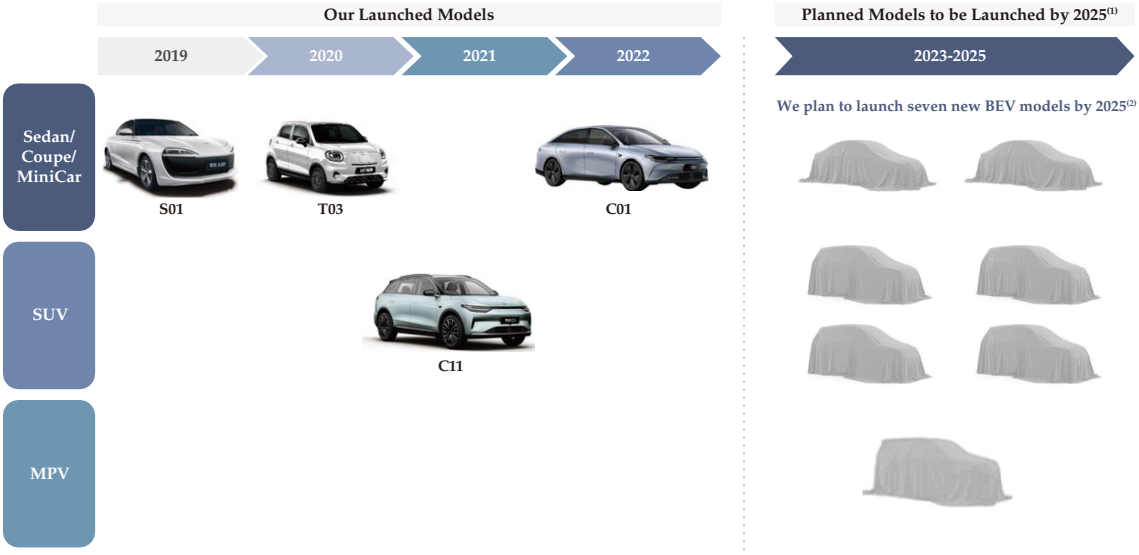
Configuration	Standard Edition
Length×Width×Height (mm)	4,075×1,760×1,380
Wheelbase (mm)	2,500
CLTC range (km)	451
0–100 km/h acceleration (s)	6.9
Maximum power (kW)	125
Maximum torque (Nm)	250
Battery type	NCM
Battery capacity (kWh)	48

Pipeline of Future Models

We will continuously introduce new models to expand and upgrade our smart product portfolio and customer base, with a focus on the mid- to high-end segment in China's NEV market. We are targeting to launch seven new BEV models by 2025, at a pace of one to three new models every year, which will cover sedans, SUVs and MPVs in various sizes. All of these seven new models will be developed on our A, C and D platforms focusing on the mid- to high-end segment in China's NEV market. We design and develop each of these platforms to complement each other with distinctive attributes whilst catering to different segments of our target market. This allows us to seize a greater share of market opportunities.

As an addition to our product offering, we also plan to launch the EREV version of these new models based on our proprietary EREV technology, concurrently or subsequently, to broaden our target audience to include customers with different needs and preferences. We have technical advantages in developing EREV models. Benefiting from our full-suite R&D capability in vehicle development, we expect to develop and produce the EREV version on the same vehicle platform as the correspondent EV model, promoting time and cost efficiencies. We leverage our capabilities in powertrain and control system design as well as simulation optimization to optimize the fuel efficiency of our self-developed range extender system. Our know-how in developing thermal management systems and protection strategies has allowed us to develop innovative cooling systems for EREVs to avoid engine heat damage. Our EREVs are expected to share the competitive strengths of other EV models, including, but not limited to, generous interior space, autonomous driving system and overall smart mobility experience, while offering more flexibility in power replenishment.

The following diagram illustrates the development plan with the expected time of delivery of our future smart EV models.



Notes:

(1) The expected time of delivery and exact format of future models might change.

(2) We also plan to launch the EREV version of these new models.

VEHICLE DELIVERY

The following table sets forth the number of our smart EVs delivered in the periods indicated:

	Three months ended													
Smart EV model	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021	Mar 31, 2022	Jun 30, 2022	Total
S01	3	473	561	241	423	213	160	85	282	216	51	21	–	2,729
T03	–	–	–	–	537	1,933	4,543	4,150	9,715	12,002	13,282	13,767	19,291	79,220
C11	–	–	–	–	–	–	–	–	–	253	3,712	7,791	11,124	22,880
Total	**3**	**473**	**561**	**241**	**960**	**2,146**	**4,703**	**4,235**	**9,997**	**12,471**	**17,045**	**21,579**	**30,415**	**104,829**

We started to deliver the S01 in July 2019 and the T03 in May 2020. The decrease in the number of S01s we delivered during the Track Record Period was primarily due to the shift of market demand and our strategic focus on the mid- to high-end of the NEV market in China.

The T03 sales figures have been steadily increasing as we continuously enrich the T03 product and service offerings. For example, we launched three new versions of the T03 in April, August and December 2021, respectively, optimizing existing functions as well as introducing new features. These new versions have attracted new customers and further enhanced our brand awareness and recognition. We began delivering the C11 in October 2021. We have launched the C01 in May 2022 and expect to start delivery in the third quarter of 2022.

The growth in our smart EVs sales has also benefited from the rapid expansion of our sales and service network, with the number of our stores growing from 49 as of December 31, 2019, to 95 as of December 31, 2020, and further to 291 as of December 31, 2021 and 336 as of March 31, 2022. As of July 31, 2022, our sales and service network consisted of 443 stores, covering 151 cities across China. We strategically open our stores in high-traffic commercial areas, such as shopping malls, to increase our brand awareness and increase the sales conversion. In addition, we have refined the store operations by optimizing our IT system, improving management of sales leads, as well as enhancing our service quality. See "— Sales and Marketing" for details.

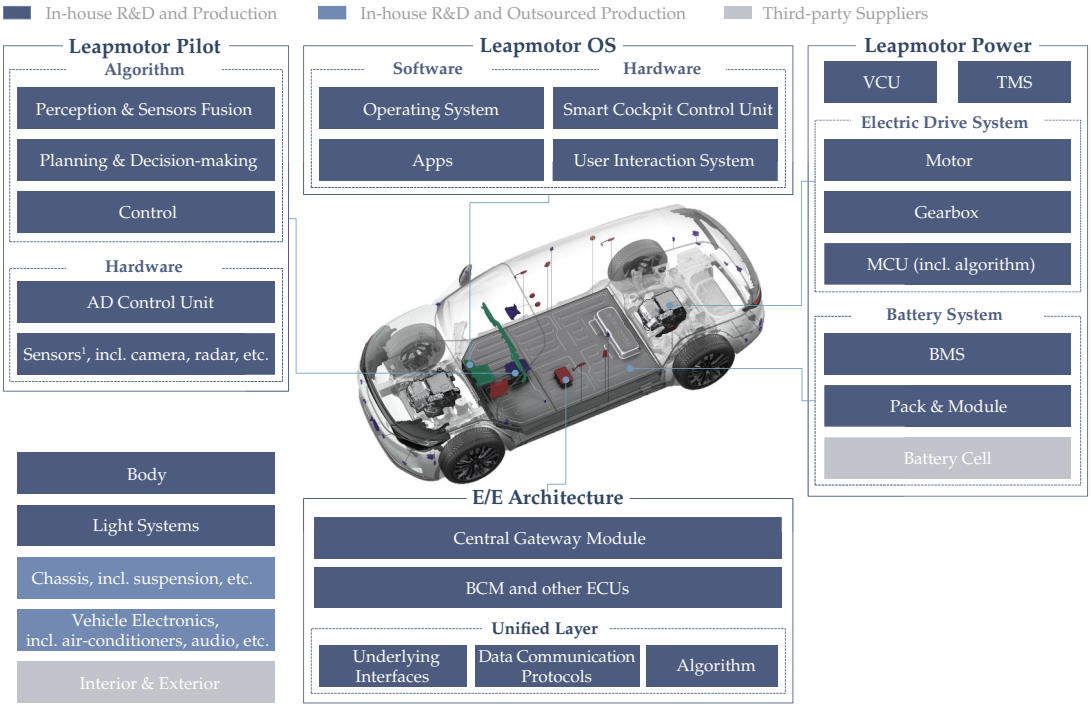
OUR TECHNOLOGIES

We are the only pure-play EV company based in China, and one of the few NEV companies in the China market[(Note 1)], that internally develops all key hardware and software across the core systems and electronic components, according to Frost & Sullivan. Through unified underlying interfaces, algorithms, and data communication protocols across systems, we have designed and developed cross-platform E/E architecture, vehicle architecture, core EV systems and electronic components with a high degree of adaptability across different vehicle models.

Note 1: The aforementioned NEV companies include domestic and international automakers that sell NEVs in China.

We dedicate significant resources towards research and development. We develop our core vehicle technologies in-house to enable rapid pace of innovation. Our R&D team consisted of 1,869 members as of June 30, 2022, representing approximately 32.7% of our total number of employees. Our R&D team is led by Mr. Cao Li, who is responsible for vehicle and battery, Mr. Zhou Hongtao for autonomous driving and automotive electronics, and Mr. Wu Cun for electric drives, supported by members with expertise in E/E architecture, electric drive system, battery system, artificial intelligence, automotive engineering and information technology. Our R&D expenses amounted to RMB358.3 million, RMB289.2 million, RMB740.0 million and RMB242.5 million in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively.

The following diagram illustrates our full-range technology stack, which includes E/E architecture, battery and electric drive system, autonomous driving system and smart cockpit system:



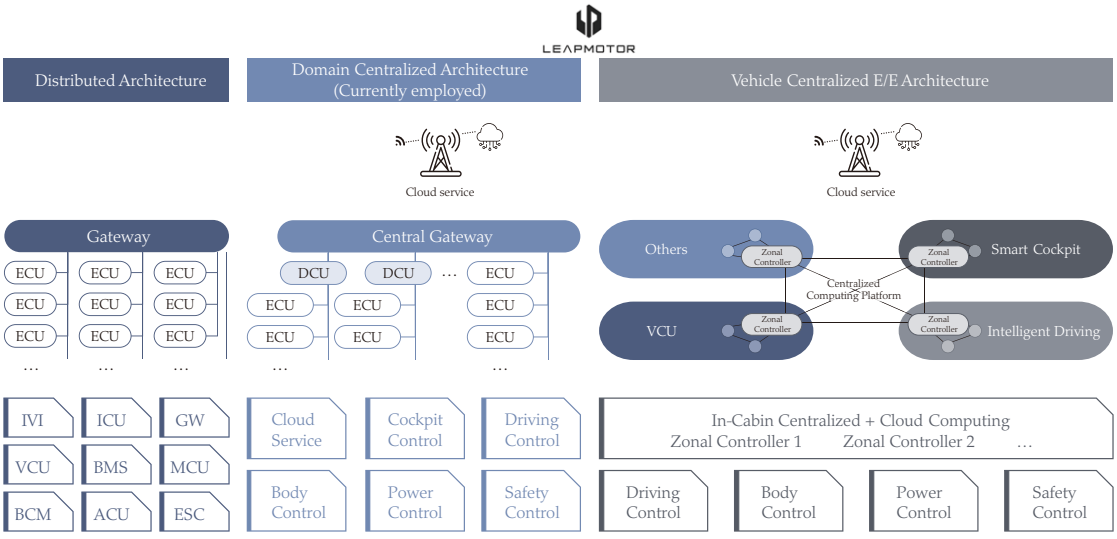
Note:

(1) Sensors are developed and produced by our associate, Huaruijie Technology.

E/E Architecture

The E/E architecture connects the electronic component systems and controls various vehicle functions. The traditional distributed architecture uses independent ECUs with their own computing power, data processing and connectivity mode for each isolated vehicle function. To meet the growing computing power and data connectivity needs for EVs, we have developed and deployed our domain centralized architecture into our mass-produced models. We structure our E/E architecture across several systems. Each domain control unit (DCU) consolidates functions and performs control tasks of different parts and components of the vehicle. Moreover, we are currently developing the next-generation vehicle-centralized E/E architecture, which utilizes a powerful centralized vehicle computing platform that is capable of processing highly complex functions, and executes these functions through zonal controllers.

The following chart sets forth the evolution of E/E architecture and the development stage of our E/E architecture:



Note: For illustration purpose only

Our domain centralized architecture enables centralized control of three key systems, namely, autonomous driving system, smart cockpit system and vehicle control system. Benefiting from our in-house R&D capabilities, more than 85% of the ECUs of the C11 can be updated via OTA, including MCU, BMS, autonomous driving and smart cockpit. Moreover, approximately 95% of ECUs of the C11 are covered by remote intelligent diagnostic system. We have dedicated significant resources to conduct computer-simulated testing and prototyping, so as to achieve a seamless integration of software and hardware. Through standardized interfaces, unified algorithms, and data communication protocols across systems, we achieve a high degree of adaptability across our smart EV models. This allows us to develop new models within a shorter timeframe.

Our E/E architecture is highly efficient. Our proprietary design centralizes and integrates the use of control modules, which allows us to reduce computing power consumption and hardware costs. Our next-generation vehicle centralized E/E architecture will have an even higher degree of integration, more optimized layout of electrical and electronic components, efficient implementation of control strategies and smoother connectivity, in order to further improve vehicle performance while reducing costs. The new architecture is expected to support increasingly complex data and more dynamic communications, and is scalable for the development of advanced smart EV models.

Electric Drive System

We design high-performance electric drive systems for our smart EVs to achieve increased efficiency, power output and smooth vehicle control, with high safety standard. We integrate our electric motors, gearboxes and MCUs into our proprietary electric drive system, Heracles. The MCU, which is upgradeable via firmware OTA, further amalgamates the DC/DC converter, power distribution unit and on-board charger. In 2022, we began to mass-produce a more advanced oil-cooling electric drive system, Pan Gu, which features a maximum efficiency of up to 94.6%, reducing noise and energy loss in order to further improve driving range and enhance ride comfort. Pan Gu is compact and light-weight, with a power density of 2.56 kW/kg, and is the first variable architecture electric drive system in the industry that can be adapted for different in-vehicle placement requirements to achieve an optimized and flexible vehicle layout, according to Frost & Sullivan.

The table below sets forth certain features of the Pan Gu electric drive system as of the Latest Practicable Date:

Configuration	**Pan Gu**
Peak power (kW)	214.6
Peak torque (Nm) [(1)]	3,646.9
Rated voltage (V)	396V (compatible with 800V)
Maximum speed (rpm)	16,000
Protection standard	IP67, IP69K
Cooling solution	Oil-cooling
Maximum efficiency (%)	94.6%
Weight without oil (kg)	<85
Design life (km)	1,000,000
Silicon Carbide Power System	Compatible

Note:

(1) Peak torque is calculated as maximum motor torque multiplied by gear ratio and gearbox efficiency.

The increasing power density of electric drive systems places higher requirements for cooling capacity. In contrast to the commonly used water-cooling solutions, oil-cooling electric drive systems do not require a separate cooling jacket. Instead, the cooling oil passes through the motor and directly contacts the conductive parts, providing an optimal cooling effect. As a result, such system is smaller in size and lighter in weight, and achieves efficient cooling, which is in line with miniaturization trends of electric drives. Going forward, we are committed to developing the direct-drive oil-cooling range extender generator and high-power, high-voltage oil-cooling electric drive, both of which are expected to be in mass production in 2022 and 2024, respectively.

We pioneered in delivering the first predictive analytic drive software system, through innovative software algorithms and cloud-based AI control technology to bring a safer and smoother driving experience, according to Frost & Sullivan. For example, the intelligent predictive thermal management technology greatly improves the reliability of the electric motor and ensures a stable output of motor performance under harsh working conditions.

Our R&D capabilities in electric drive systems have been well recognized by the industry. Our C11B water-cooling electric drive system, equipped on our current C11 models, was presented with the top ten NEV electric drive systems award in the "Heart of China 2021." As of the Latest Practicable Date, we had 161 patents and patent applications related to electric drive technology, including 31 algorithm patents and patent applications. Our patents cover a wide range of areas, such as electric drive structure, control software, control hardware, motor body, gearbox, reliability, thermal management, and NVH control.

High-Voltage Platform

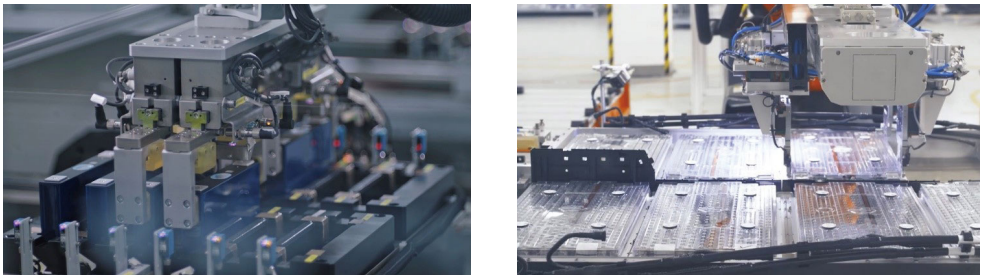
Slow charging is one of the core pain points in the current NEV industry. It is critical to increase input electric voltage to improve charging efficiency.

Compared with the widely used traditional silicon-based material within electrical circuits and power electric modules, SiC is a semiconductor material that can operate at a higher voltage and temperature. SiC-based power devices enjoy various advantages over traditional silicon-based devices in terms of energy efficiency and system compactness. The use of SiC materials will allow charging devices to withstand higher operating voltages and temperatures, while improving the power density of the whole electric drive system, saving more space and reducing the overall weight.

We are developing our proprietary high-performance, 800V electric drive system using SiC-based power devices to replace the current silicon-based solution. We plan to adopt SiC-based devices in several EV systems, including the on-board charger, the DC/DC converter, and motor controllers. When equipped with the high-voltage platform, our smart EV is expected to support 400 kW of fast-charging capability, achieving a range of more than 200 kilometers on a five-minute charge. We plan to commence mass production of our future models equipped with this system by 2024, when the public charging infrastructure is expected to be more compatible with the operating voltage of high-voltage EV models. We believe that our R&D prowess in electric drive systems will be one of our technological advantages.

Battery System

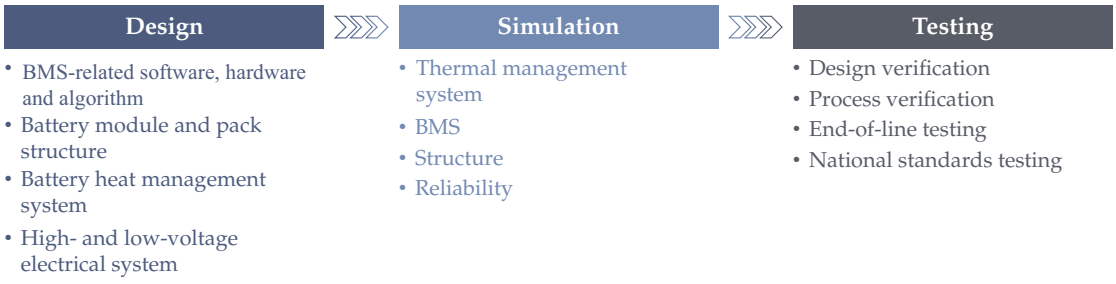
We design our battery systems in-house to enhance power performance and driving range for our smart EVs. We procure high-energy density NCM and LFP battery cells from top-tier suppliers, and pack them into battery modules using our proprietary packing techniques. With our uniquely designed battery pack structure, we seal battery cells into modules together with high-performance materials that prevent batteries from overheating by absorbing excess heat, and integrate with highly efficient thermal management components and durable battery cases. Such structure further keeps vibration of the battery system to the minimum level, enhances safety in the event of a collision, and achieves high-standard water- and dust-resistance performance. We adopt a multi-branch liquid cooling battery heat management system to control the charging and working temperature, ensuring the battery system functions at a temperature ranging from -30 to 55°C. Our battery heat management system is highly integrated with the vehicle's HVAC system and electric drive cooling system, which are jointly managed by our TMS to achieve highly efficient battery cooling or heating solutions that help reduce energy consumption and preserve battery health of our smart EVs. Leveraging our vertically integrated production capabilities, we have enhanced the overall performance of the battery system with reduced cost.



Our Proprietary Battery Module Packing Techniques

With the exception of battery cells, we independently develop all components of the battery system, including battery modules, packs, battery management system (BMS) and related algorithms. Our self-developed battery system comprises a comprehensive array of sensors and software to achieve high accuracy of temperature control and power output, which provides better safety and longer driving range of our smart EVs.

Our proprietary technologies in battery system development cover the entire process from design and simulation to product testing. As of the Latest Practicable Date, we had 169 patents and patent applications related to battery system. The following chart sets forth our battery system development process:



Battery Management System (BMS)

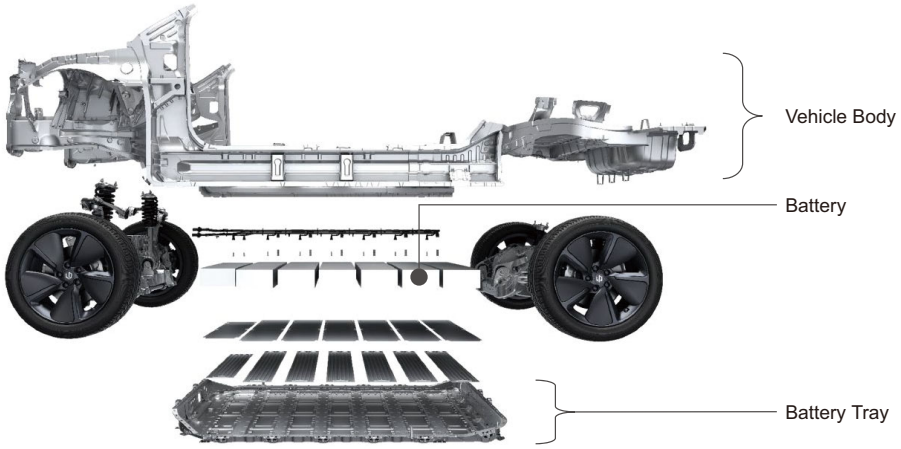
Our BMS is designed and developed in-house with strong battery state estimation capabilities that accurately calculate the remaining battery energy, and the accuracy of such calculation is essential to the safety and lifetime of the battery system, as well as to our customers' driving experience.

Our dedicated BMS development team engages in R&D activities from embedded development, algorithm training, simulation, validation and testing. Specifically, we have implemented a flexible battery diagnostic function using our self-developed intelligent detection module. The module monitors battery voltage, current and temperature with high accuracy, providing reliable dataset. Our adaptive control algorithms analyze such data in real time to monitor the battery pack status, optimize the battery cell performance, and improve safety and efficiency of the system. We have built a multi-layer protection design into BMS software to further improve the battery safety. The extensive coverage and detection of diagnostic signals allow us to accurately identify faults and quickly troubleshoot through our Unified Diagnostic Services (UDS) system. Meanwhile, the cross-platform software and algorithm are fully adaptable across EV models, improving our R&D efficiency.

Cell-to-Chassis (CTC) Integration

The battery pack is typically designed, manufactured and assembled as an independent component in EVs. The battery cells are laid out on a high-strength frame and are connected to form modules, and each module is eventually embedded into a battery pack. To improve the efficiency of battery packs, we strategically focus on reducing structural redundancy by integrating our battery module with the battery tray and the vehicle body. We have successfully applied the first generation cell-to-pack (CTP) technology to our mass-produced vehicle models, where the cells were built directly into the battery packs. Our CTC integration solution further breaks down the boundaries between battery modules, packs and vehicles. It eliminates the need for a separate battery pack, integrating battery cells with the chassis frame instead of the battery being an add-on component, so that the entire lower body chassis structure is coupled to the battery tray structure.

With the planned delivery of the C01 in the third quarter of 2022, we expect to become the world's first pure-play EV company to apply CTC technology in a mass-produced model, according to Frost & Sullivan. The CTC system equipped in the C01 increases its lightweight index by 20% and brings the following benefits:



- ***Faster acceleration:*** CTC technology reduces the number of components for the battery system by 20%. The lighter vehicle weight results in better energy efficiency with faster acceleration.

- ***Longer range:*** The lighter weight of the vehicle directly contributes to enhanced drive performance, extending the drive range as a result.

- ***Lower cost:*** The integrated structure requires fewer welding spots and battery pack components for the battery system, consequently reducing costs.

- ***Enhanced collision safety:*** The integration of the battery system and chassis leads to an increase of 25% in the torsional strength, contributing to better collision safety.

- ***More interior space for passengers:*** With fewer components, CTC technology improves the space utilization by sufficiently optimizing the battery system structure. It enables a more efficient layout for the interior space and offers greater comfort for passengers.

The CTC technology is built on highly sophisticated technical capabilities, with breakthroughs in installation accuracy, wiring and chassis sealing. While the vehicle body and the battery system have traditionally been two separate parts, our highly coordinated R&D team has leveraged our vertically integrated R&D capabilities to design and develop the system as a whole. Going forward, we plan to continuously explore evolutionary structural battery pack technologies, such as the single-piece casting solution, and continue to extend the driving range of our smart EVs.

Leapmotor Pilot — Autonomous Driving System

Our smart EVs are equipped with a self-developed Level 2 autonomous driving solution, which is optimized based on road conditions in China. We deploy a multi-sensor fusion system to achieve perception intelligence with a combination of cameras, ultrasonic radars and millimeter wave radars. Leapmotor Pilot 2.0 provides ten autonomous driving features such as automated parking, ACC, and low-speed following, supported by three cameras, one millimeter wave radar and eleven ultrasonic radars. Equipped with Leapmotor Pilot 2.0, the T03 was the first mini car model in China to have ADAS functions, according to Frost & Sullivan.

We equip the C11 and the C01 with Leapmotor Pilot 3.0, our latest proprietary autonomous driving system, which integrates 28 sensors, and more advanced computing capabilities and algorithms. It enables 360-degree vision and 23 autonomous driving features for all scenarios, including local roads, congested roads, highways and parking, delivering one of the most comprehensive suites of autonomous driving features among EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to Frost & Sullivan. Going forward, we plan to introduce more autonomous driving functions. For example, in March 2022, we added several new features to Leapmotor Pilot on the C11 via OTA, including rear collision warning, door opening warning, forward start alert, adaptive cornering, and remote control of automated parking. We expect to further deliver firmware OTA upgrades in 2022 to enable NAP on expressways.

Leapmotor Pilot 3.0 offers 23 autonomous driving features in three main categories:

- ***Advanced driving assistance.*** Leapmotor Pilot 3.0 offers features that can automatically drive the vehicle under limited conditions, and provide steering, braking and acceleration support to reduce driving errors while enhancing passenger safety and convenience. Such features mainly include adaptive cruise control, highway autopilot, lane centering control and active trace control that aids driving on acute or sharp curves, among others.

- ***Automatic parking assistant.*** Leapmotor Pilot 3.0 offers automated parking and remote parking assistance. Based on the automated parking technology, we develop functions targeting common use scenarios to create more convenience for users. For example, after finding a parking space, vehicle users may activate the automated parking function through their Leapmotor APP or with a simple touch on the door handle to enable the system to park automatically.

- ***Early warning system.*** Leapmotor Pilot 3.0 offers features such as hands off steering wheel warning, blind spot view, forward collision warning, lane change warning and door opening warning. These features alert the driver to driving mistakes, helping to avoid accidents caused by inattentiveness, unintentional straying or blind spots, effectively promoting overall driving safety.

For the levels of autonomous driving features, see "Industry Overview — Future Trends of NEVs — Levels of Autonomous Driving."

Our proprietary algorithms offer high visual information processing accuracy. In June 2021, our visual processing algorithm team won the first place in the Real Time 2D Detection Challenge at the 2021 Waymo Open Dataset Challenges. Our proprietary visual algorithms can address corner cases with a high success rate and at speed, such as the recognition of small objects, semi-obstructed objects, and special-shaped vehicles.

Leapmotor OS — Smart Cockpit System

Leapmotor OS makes the ride more enjoyable with enhanced interactive experience through AI voice assistant, smart navigation and an APP store. Leapmotor OS is powered by the third-generation Qualcomm Automotive Digital Cockpit flagship platform. Our users can control and manage most of the functions through voice control, such as doors, windows, air conditioning, seats and audio system. This has transformed our vehicles from cold, lifeless machines to delightful companions.

We develop our proprietary hardware and customize the operating system as well as application software, so that Leapmotor OS can be tailored to match individual user preferences. Benefiting from the modularized design, this system can be transferred across EV models with minimal re-configuration.

- ***AI Voice Assistant.*** Our smart in-car assistant, Xiao Ling, with continuous voice instruction recognition capabilities, can control most of the in-car functions. To achieve optimal recognition, we have developed the underlying hardware to achieve optimal microphone data sampling, thus ensuring a high recognition success rate.

- ***Customized Interactive Functions.*** Leapmotor OS enables automatic configuration of 25 customizable in-car settings based on each user's preferences, such as rear-view mirrors, seat position, air conditioning and driving mode.

- ***Video Recording and Sharing.*** Leveraging our intelligent recording system, our customers can safely record and share videos in real time with just one touch.

- ***Quick Apps and Third-Party Applications.*** We are one of the first automobile manufacturers in the industry to support Quick Apps that allow users to access specific functions of an application without complete installation, according to Frost & Sullivan. The core applications that are most frequently used by our customers, such as music, navigation and video streaming, are either developed in-house or customized to ensure user friendliness. We expect to offer digital services and content in lifestyle, productivity and entertainment in the future and provide both paid and free applications.

- ***Vehicle Remote Control.*** We allow users to control their cars remotely via the Leapmotor APP, and offer a wide range of functions such as locking and unlocking the car, turning the air conditioning on and off, opening the trunk, seat heating, air conditioning timer and battery preheating. In addition, the smart charge feature in the APP enables our users to set timers, so that they may schedule charging during off-peak times, and control charging progress to protect the battery.

OTA Updates

Our technical capabilities in software and hardware integration and E/E architecture allow us to upgrade our smart EVs through flexible and efficient firmware and software OTA updates. We aim to deploy our latest smart technologies to provide customers with the most up-to-date features and the finest mobility experience. We deliver regular OTA updates throughout the entire vehicle lifecycle, from enhancements of the central control screen interface, operation menu and in-vehicle infotainment system, to major upgrades of the power system and autonomous driving system. We proactively and regularly seek feedback from our users, and deliver OTA upgrades responding to their feedback in a timely manner.

Our OTA technology allows us to introduce our latest value-added service offerings. Since its launch, the T03 has undergone five firmware OTA updates, introducing 36 new functions, such as fully-automated parking, and improved functions of the battery heating algorithms and VCUs to optimize the battery management system. For example, in July 2020, we upgraded the autonomous driving system with new features including lane-keep assistance, automatic emergency braking and ACC. Leveraging our highly-adaptable hardware design, we continuously optimize our vehicles' power performance through firmware OTAs updates. In August 2021, we upgraded the BMS to protect batteries from overheating, adjusted the VCUs to simulate the creeping motion of automatic ICE vehicles, and optimized the MCUs to provide better driving experience at low speed.

Over 85% of the ECUs on the C11 can be updated through OTA. In November 2021, one month after we began to deliver the C11, we completed its first firmware OTA update to bring new safety features, such as radar parking spot recognition and 360-degree safety distance alert, as well as improvement to the performance of the ACC system. Further firmware OTA upgrades were delivered in December 2021, unlocking new autonomous driving features, such as blind spot detection, lane change assistance and lane centering control. We have also introduced automatic heating of the steering wheel and seats, as well as automatic ventilation of the seats. At the end of March 2022, we delivered a third OTA update for the C11, bringing more ADAS functions and adding a number of new quick apps and mini programs to the vehicle infotainment system, including an upgrade of its audio performance.

VEHICLE DESIGN AND ENGINEERING

Our strong proprietary know-how in vehicle design and engineering covers the full spectrum of the vehicle development process from product positioning, interior and exterior design, chassis, E/E engineering, performance improvement, simulation, to cost analysis and optimization. Our current models are developed on S, T and C vehicle platforms, respectively. In addition, we have commenced development of our A and D vehicle platforms, and expect to expand our product portfolio to cover a wide range of sizes from the A00 Class to the C+ Class. We plan to develop seven new BEV models by 2025 based on the A, C and D vehicle platforms. Each of our vehicle platforms will have its own distinctive competencies to complement each other and targeting a specific subset within the mid- to high-end segment in China's NEV market, with unique design language, features, and differentiated price points to meet the wide range of demand of a larger customer base. These vehicle platforms are designed to be adaptable and scalable for future models and features.

Our vehicle technology stack, including chassis system, E/E architecture, battery system, electric drive system and autonomous driving system, is shared across vehicle models. By developing modularized and cross-platform hardware and software, we expect to enjoy cost efficiencies in R&D, reduce development risks, and accelerate the introduction of new yet reliable products, not only for models on the same platform but also across different platforms. Such strategy allows us to offer a wide range of vehicle models that cater to different users' preferences, and improve manufacturing scalability and efficiency.

The following table illustrates our main vehicle platforms:

	Vehicle Platform			
	T	**A**	**C**	**D**
Range of length (mm)	3,500–4,100	4,600–4,800	4,700–5,050	5,050–5,200
Wheelbase (mm)	2,400–2,500	2,700–2,850	2,850–2,950	2,950–3,100
Vehicle layout	FWD[(1)]	RWD[(2)]/4WD[(3)]	RWD[(2)]/4WD[(3)]	RWD[(2)]/4WD[(3)]

Notes:

(1) Refers to front-wheel drive.

(2) Refers to rear-wheel drive.

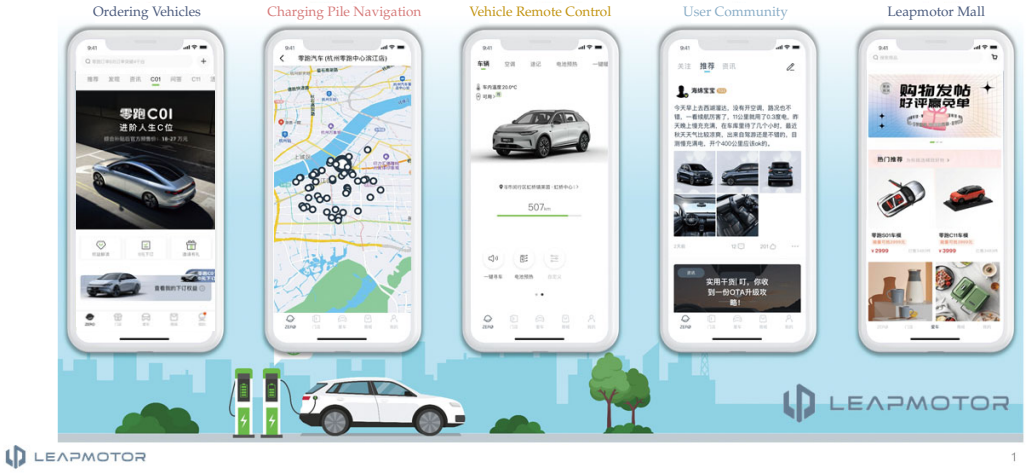
(3) Refers to four-wheel drive.

SALES AND MARKETING

Leapmotor APP

We have developed our own integrated online and offline platform to directly engage with our customers throughout the journey, from initial engagement, follow-up, transaction to after-sales services. We adopt a standardized sales information management system for all of our stores to manage the entire sales and service process, from test drive reservation to after-sales maintenance.

As of March 31, 2022, we had approximately 392,024 registered users on our Leapmotor APP. Active users accessed the APP an average of 5.48 times per day in March 2022. Our Leapmotor APP offers our users with a wide range of services and functionalities, such as:



- ***Ordering Vehicles.*** Through Leapmotor APP, customers can compare different vehicle models, locate the nearest stores, make appointments for test drives, customize their vehicle configurations and place orders.

- ***Charging Pile Navigation.*** Users can locate the nearest charging piles through the Leapmotor APP.

- ***Vehicle Remote Control.*** Using their remote control, car users can check their vehicle condition in real time to schedule charging, set the air conditioning timer, and preheat the seat and cabin. See "— Our Technologies — Leapmotor OS — Smart Cockpit System" for details.

- ***User Community.*** We have built an online user community and social network for users to share photos, videos and experiences. To better interact with our customers, we also promote offline campaigns on our APP, such as owners' club activities.

- ***Leapmotor Mall.*** We provide users with a wide range of peripheral products under our brand and have implemented a rewards program to incentivize user engagement.

Our Sales and Service Network

We market our smart EVs and interact with customers through an integrated online and offline sales and service network. Supported by our digitalized platform, we effectively manage our directly operated stores and channel partner stores for unified sales and services control to ensure service quality and customer satisfaction. According to Frost & Sullivan, channel partner is an appropriate term in the NEV industry to refer to organizations that partner with, and are authorized by, NEV manufacturers to market and manage vehicle sales. The conventional licensed distributors (or 4S dealerships) for ICE vehicles, whose scope of business includes not only vehicle sales but also repairs, maintenance and other after-sales services, are mainly located in suburban areas where rental cost is lower. On the other hand, channel partners of NEV manufacturers are only engaged in vehicle sales and deliveries to customers. Channel partner stores are typically located in high-traffic areas in order to be in closer proximity to consumers, and provide better services and greater convenience to them. We offer repairs, maintenance and other after-sales services through our service network, primarily consisting of our own service centers as well as third party service providers. We build our own sales network. Under the direct sales model, vehicle buyers can directly place orders through our Leapmotor APP by paying a deposit. We will follow up with the vehicle buyers, arrange production, shipment to the selected stores and delivery services. In addition, our channel partner strategy allows us to quickly expand market reach while minimizing our investment in sales infrastructure and maximizing our flexibility in market coverage. See "— Management of Channel Partners" for details.

In 2019, 2020, 2021 and the three months ended March 31, 2022, the revenue from our directly operated stores was RMB42.1 million, RMB94.6 million, RMB532.8 million and RMB323.9 million, respectively, representing approximately 36.0%, 15.4%, 17.4% and 16.3% of our total revenue from sales of vehicles and parts, respectively. For the same periods, the revenue from channel partner stores was RMB74.9 million, RMB521.2 million, RMB2,526.0 million and RMB1,667.9 million, respectively, representing 64.0%, 84.6%, 82.6% and 83.7% of our total revenue from sales of vehicles and parts, respectively.

Our stores are generally located in high-traffic areas, such as shopping malls. This helps us maximize brand exposure and effectively attract customers. As of July 31, 2022, our sales and service network consisted of 443 stores, covering 151 cities across China. Of these stores, 49 were directly operated stores and 394 were channel partner stores. Most of our stores are strategically located in tier 1 and tier 2 cities in China. We derived a majority of our revenue from these stores during the Track Record Period. The following table sets forth the number of our stores and its changes in the periods indicated:

	As of/Year ended December 31,			As of/ Three months ended March 31,
	2019	2020	2021	2022
Directly Operated Stores				
At the beginning of the period	–	4	6	23
Opening of new stores	4	2	17	1
Closure of stores	0	0	0	0
Net increase in the number of stores	4	2	17	1
At the end of period	4	6	23	24
Channel Partner Stores				
At the beginning of the period	–	45	89	268
Opening of new stores	47	47	191	44
Closure of stores	2	3	12	0
Net increase in the number of stores	45	44	179	44
At the end of period	45	89	268	312
Total	**49**	**95**	**291**	**336**

We started to establish our sales and service network in 2019. We continue to refine the store operations, and improve our sales leads management and test drive services. We have developed and operate a universal IT system for all of our directly operated and channel partner stores. This allows us to standardize our sales process management, as well as realize marketing collaborations across stores.

Our sales and service network has expanded quickly, with the number of our stores growing from 49 as of December 31, 2019, to 95 and 291 as of December 31, 2020 and 2021, respectively, and further to 336 as of March 31, 2022. The closure of some channel partner stores was mainly due to the optimization of our sales and service network. We expect to significantly expand the number and coverage of both directly operated and channel partner stores. We have adopted a series of measures to manage potential cannibalization between existing stores and stores to be opened. We conduct customer and market surveys to understand the actual market potential of the specific area, before setting up a directly operated or channel partner store. We then optimize the locations of stores to fully capture

the sales potential without geographic overlap. Our channel partners are not allowed to appoint a sub-channel partner and this restriction allows us to manage the geographical coverage of our stores and prevent potential cannibalization. As we strategically locate our stores primarily in tier 1 and tier 2 cities, we have identified the optimal number of locations for each region and forecast their performance on a single store basis. In addition, we plan to cover more cities to expand the addressable market and avoid potential cannibalization.

In December 2021, we officially opened centralized delivery centers in Beijing and Hangzhou, which also function as our showrooms and service centers. By standardizing and streamlining the vehicle delivery process, they offer customers a more immersive, convenient and high-quality service experience. We plan to open additional delivery centers to make such experience more widely accessible to our customers. The following are sample images of our delivery centers:

Management of Channel Partners

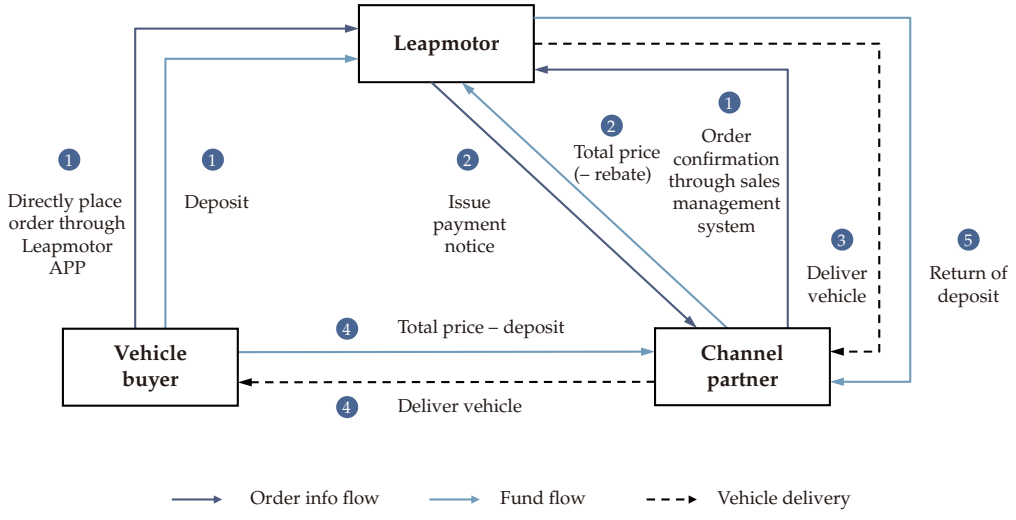
We select channel partners with proven track records in the automotive retail business. We stringently evaluate their industry credentials and background, marketing capabilities and financial condition. We designate regions on a non-exclusive basis to our channel partners to market our products. They may engage marketing agents to promote products and expand the customer base, but are not allowed to appoint a sub-channel partner. The marketing agents are mainly marketing service providers that display our vehicles and promotional materials to attract traffic to channel partner stores, and are not authorized to enter into transactions directly with, or receive funds from, vehicle buyers. Use of channel partners is in line with industry practice, according to Frost & Sullivan. To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our channel partners are Independent Third Parties.

We adopt a uniform management approach for all our directly operated stores and channel partner stores, offering a consistent brand image and customer experience. Buyers typically place orders through our Leapmotor APP and pick up vehicles from stores of their choices once the vehicle is ready. All channel partner stores are operated with the same price policy and sales process. We evaluate the operation of the stores, carry out on-site inspections and provide training for channel partners.

We enter into standard sales agreements with our channel partners. Such agreements are on normal commercial terms based on arm's-length negotiation. These agreements usually have an initial term of one year and are renewable by mutual consent. The channel partners shall sell within their respective designated regions and are not allowed to sell competing products in the Leapmotor-brand stores. We have the right to terminate the agreement under material breach of channel partners, such as relocation of stores without prior consent, or failure to fulfill sales targets. In event of termination of a channel partnership, such channel partner has to cease to operate as one of our channel partner stores. In addition, channel partners should follow our policy and criteria for storefront design, as well as train their employees to follow our guidelines. Disputes arising from sales agreements will be submitted to the courts of the jurisdictions where we are located in the event that we are unable to reach an amicable solution.

We do not set minimum purchase requirements for our channel partners. Our channel partners are required to meet annual and monthly sales targets for different EV models as agreed and specified in their agreements. We review our marketing strategies regularly, and publish sales targets and a range of rebates to our channel partners. Our channel partners are entitled to sales rebates, which are determined by factors including (i) achievement of sales targets and (ii) vehicle models sold. We may terminate the channel partnership agreement at our discretion if the monthly sales targets are not met for six consecutive months, or if the annual sales target is not met.

The following chart illustrates the transaction flow with our channel partners, from vehicle buyer's order placement to delivery of the vehicle.



Transaction process:

1. Vehicle buyer directly places order through Leapmotor APP with the channel partner store selected as the pick-up store and pays deposit directly to us. Such channel partner confirms the order through the sales management system and signs a sales agreement with the vehicle buyer.

2. After we issue a payment notice to the channel partner, the channel partner pays us the total price of the vehicle but deducts the rebate.

3. Once the vehicle is ready for delivery and payment is received from the channel partner, we arrange shipment to the channel partner store.

4. After the vehicle is delivered to the channel partner store, the vehicle buyer pays the outstanding price (i.e. total price minus the deposit) to the channel partner and picks up the vehicle at the channel partner store.

5. After the vehicle buyer picks up the vehicle, we return the deposit to the channel partner.

Our channel partners maintain minimal inventory as we adopt a make-to-order approach. They are generally not permitted to return vehicles purchased from us except for those that are defective, which is in line with the industry practice according to Frost & Sullivan. We recognize the revenue when the vehicle is delivered to the channel partners. With respect to the details of our revenue recognition policy for sales through channel partners, see "Financial Information — Critical Accounting Estimates and Judgements — Revenue Recognition."

Pricing and Government Subsidies

We aim to offer premium quality products at compelling prices. We price our vehicles considering a variety of factors, such as market positioning, government subsidy policy, competition, customer feedback and our cost base.

All of our vehicles are eligible for government subsidies, which roughly ranged from RMB10,000 to RMB20,000 per unit across our vehicle models in 2021.

We apply for and collect these government subsidies on behalf of our customers. As such, the amount of the government subsidies is deducted from original price when customers make payments. If we do not receive the subsidies due to the customer's fault, such as refusal or delay in providing application information, the customer remains responsible for these payments.

The Government subsidy scheme for NEVs is being phased out, with the subsidy amount per unit in 2020, 2021 and 2022 generally decreasing by 10%, 20% and 30%, respectively, from the previous year's subsidy amounts. See "Regulatory Overview — Favorable Policies Relating to New Energy Vehicles in China — Government Subsidies for New Energy Vehicle Purchasers" and "Risk Factors — Risks Relating to Our Business and Industry — Changes in government incentives or subsidies to support NEVs could adversely affect our business, financial condition and results of operations" for details.

Marketing

We increase our brand presence through online promotions and offline events. We utilize various news and information platforms, automotive vertical media and social media platforms for online marketing.

We are committed to increasing our product exposure and building our brand through creating content on major social media platforms. We produce high-quality videos in-house that feature our product specifications and smart technologies, and target our potential customers precisely and effectively by placing advertisements through data-driven online precision marketing. In addition, we strive to generate word-of-mouth referrals. We have established our customer referral system, and organized various customer and user engagement activities to improve customer loyalty.

We also hold offline promotion campaigns and place advertisements in high-traffic areas, such as shopping malls, airports and high-speed trains. In addition, we actively participate in major automotive industry events, such as auto shows, to demonstrate our technical prowess and to launch new models.

Customer and User Engagement

We are dedicated to continuously improve our customer experience, effectively manage and convert our sales leads, and develop trusting and intimate customer relationships. We drive customer engagement by organizing activities both online and offline, interacting with customers through various channels, and collecting timely feedback based on their user experience. We invite customers to participate in our auto shows, and multiple Leapmotor owners' clubs have been established by us or directly by users to create a dynamic user community.

We interact with our users to understand their needs and preferences on a regular basis to co-create products and services that continuously enhance user experience. For example, we have organized various test drive events for our customers to provide suggestions on vehicles and services. We then promptly fine-tune and improve certain in-car configurations and functions to best serve their needs. Ahead of its delivery, we invited users to participate in the seating improvement plan for the C11 and optimized the backseat design following their feedback. Moreover, based on users' votes, we added a brown color interior option for the C11 in April 2022. Users may also participate in testing vehicles for endurance and reliability, and other vehicle development.

We regularly hold multi-dimensional online and offline promotion events and Leapmotor Club activities to support our user growth and cultivate a vibrant user community. We promote our new product and service launches through differentiated and comprehensive marketing initiatives. Users and customers, existing and prospective, are invited to participate in these events, which are designed to be informative, engaging and entertaining. We also regularly work with key opinion customers during our product launches, and facilitate the sharing of their test drive experience online and offline. On September 28, 2021, we organized 32 offline launch events for the C11 in 27 cities for our users and prospective customers. User-generated content from these events has been

shared on major online platforms in the automobile industry, significantly contributing to our brand and product awareness. In addition, users and customers regularly organize Leapmotor Club gatherings, which are facilitated through our stores nationwide.

We believe these events further enhance our user and customer engagement, while promoting brand loyalty in the process. This results in more recurring business as well as brand advocacy by our users and customers.

CUSTOMER SERVICE

Charging Solutions

We strive to provide our customers with a convenient charging experience that gives them cost-effective access to an extensive and expanding charging network.

- ***Home Charging.*** We offer free installation of home chargers to our customers.

- ***Third Party Charging Network.*** Our customers can access public charging piles. Through the Leapmotor APP, users can easily locate the nearest charging piles and fully control the charging process through remote control. We plan to further extend our coverage to additional third-party charging networks.

We plan to partner with the industry's leading charging service providers to provide extensive and easy charging access to our users. Our users can access the nearest and best charging resources in real time through the "charging map" function on our APP. Under this arrangement, users will pay the charging fees at the standard rate. We aim to bring over 200,000 charging piles online within the year 2022, covering over 300 cities, thus meeting users' needs for intra-city commuting and long-distance highway charging. At the same time, we will upgrade the smart cockpit system by delivering new functions such as intelligent charging pile locating, route planning and one-key navigation, to respond to users' needs in a timely manner.

After-sales Services and Warranty

We place great emphasis on the satisfaction of our customers. Our products are complemented by a comprehensive set of after-sales services that are available on our Leapmotor APP and at our stores. We are committed to providing quality and digitalized after-sales services.

We mainly offer the following value-added services:

- ***Auto Insurance.*** We assist our clients in obtaining auto insurance from insurance companies.

- ***Maintenance and Repair.*** We provide a one-time free maintenance service for our vehicles. In addition to our store network, we also collaborate with Tuhu, a nationwide maintenance service provider, to offer additional choices of services to our customers.

- ***Free Roadside Assistance Service.*** We provide unlimited, free of charge professional roadside assistance service irrespective of distance for any warranty-covered vehicle quality issues.

- ***Mobility Scooter Service.*** We provide a free mobility scooter or transportation allowance in connection with any warranty-covered repair longer than five days.

- ***Emergency Rescue for Power Loss.*** We provide a free emergency rescue service for vehicle power loss.

We provide our staff with comprehensive training to deliver high quality services to our customers. We keep track of customers' feedback on our product and service quality. We have dedicated customer service personnel and service hotline, among other channels, to ensure that customers have easy access to express their views on our products and services. We are committed to timely responding to customers' feedback and concerns, and taking measures in accordance with relevant procedures. Our comprehensive after-sales services and maintenance protocol monitors, and ensures timely response to, each complaint from customers. Such protocol sends daily online prompts to the relevant store, ensuring timely response. We endeavor to process a complaint within two hours, and resolve it within 72 hours. We believe our customer service system helps improve customer satisfaction, build customer loyalty and trust, reduce similar complaints in the future, and maintain our brand image.

During the Track Record Period, we received some customer complaints regarding certain vehicle issues, and we have addressed all complaints appropriately in a timely manner. We did not receive any material claims or penalties as a result of these issues during the Track Record Period. In September 2020, we noted a software optimization issue with the vehicle's instrument panel that could affect 360-degree panoramic image viewing and instrument panel display while driving. We then voluntarily recalled 150 units of the S01 produced between June 27, 2019 and December 31, 2019. We rectified the issues through OTA updates either at stores or remotely. We also upgraded the relevant software for the S01 in production. We were not required to compensate consumers for this recall as the issues did not cause any accident or personal injury. We did not receive any claims or penalties relating to this recall.

This incident did not have any material impact on our results of operations and financial condition for the following reasons: (i) the issue involved in the recall did not cause any accident or injury, and no similar issue had occurred in the past; (ii) we did not incur any compensation paid to consumers nor were any claims or penalties received; (iii) the revenue derived from the recalled vehicles amounted to RMB12.8 million, which represented a small percentage of our total revenue during the Track Record Period; (iv) our PRC Legal Advisor is of the view that this recall was conducted in accordance with applicable PRC laws and regulations regarding vehicle recalls; and (v) after the recall occurred, in addition to performing software upgrades on the recalled vehicles, we have also upgraded the relevant software in the latest version of the S01 to ensure that similar issues no longer exist. There was no other product recall incident during the Track Record

Period save for the aforementioned S01 product recall incident published on the SAMR website. As of the Latest Practicable Date, to the best of our knowledge, we were not aware of any circumstances that may cause an imminent product recall.

In accordance with Provisions on the Liability for the Repair, Replacement and Return of Household Automotive Products (《家用汽車產品修理更換退貨責任規定》) and in line with the industry practice, we accept product returns due to material defects caused by us under situations specified in the regulations. During the Track Record Period and up to the Latest Practicable Date, there were no material product returns, product liability claims, warranty expenses or customer complaints that adversely affected our business. To the best of our knowledge, our smart EVs were not involved in any material accident caused by vehicle defects, or deficiencies in our autonomous driving system during the Track Record Period.

We offer competitive warranty terms for our vehicles. For the C11, we offer (i) a four-year or 120,000 kilometers (whichever comes first) warranty, and (ii) an eight-year or 150,000 kilometers (whichever comes first) warranty for battery system, electric drive system and electric control system. For the T03, we offer (i) a three-year or 120,000 kilometers (whichever comes first) warranty, and (ii) an eight-year or 150,000 kilometers (whichever comes first) warranty for battery system, electric drive system and electric control system. For the S01, we offer (i) a four-year or 120,000 kilometers (whichever comes first) warranty, and (ii) an eight-year or 120,000 kilometers (whichever comes first) warranty for battery system, electric drive system and electric control system. In addition, we offer a guarantee that the power battery will not decay by more than 20% during the warranty period of the vehicle. We generally make provisions for product warranty by reference to the sales volume and the expected unit costs for warranty services. We re-evaluate the adequacy of the warranty accrual on a regular basis. As of March 31, 2022, our accrued warranty expenses amounted to RMB137.5 million.

MANUFACTURING

Our production process is designed to promote high standards of quality while being able to rapidly ramp up production to satisfy customers' needs.

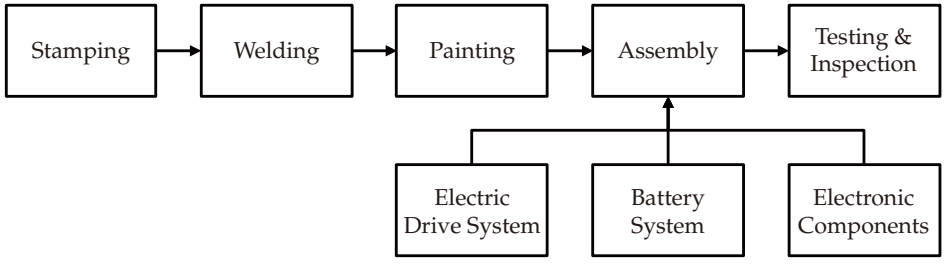
We design, develop and manufacture EVs and core electronic components, such as battery packs, electric drive systems, vehicle body and other key auto parts, which allow us to better control the quality and cost of our products. We outsource certain non-core parts, components or materials from quality suppliers to optimize our cost structure.

Our Production Process

We typically manufacture our vehicles based on customer orders. In order to maximize efficiency, reduce defect rate and ensure timely product delivery, we employ a variety of manufacturing technologies, including automated production lines and modular, intelligent and flexible production systems.

Our engineering team is committed to the continuous development of production and management technologies in component manufacturing and product assembly, with the goal of improving the digitalization level and realizing "smart factories." Many of our machines and equipment are highly automated. We also have customized production equipment to better facilitate our production and testing processes.

We have a highly integrated manufacturing facility, where we perform most of our stamping, welding and painting work in a highly automated process. We have introduced a manufacturing and assembly workshop for electronic components, in order to achieve the in-house assembly of battery systems and electric drive systems. We implement high manufacturing standards under which we integrate our production processes to maximize cost efficiency. We are committed to accelerating the speed with which we can launch new products and make continuous improvements. The following flow chart illustrates the principal steps in the in-house production of our smart EVs:



- ***Stamping:*** We use pre-engineered tonnage stamping equipment or machines to manufacture automotive parts, modules and frames. Currently, our fully-automated and programed stamping lines can handle a mixture of high-strength steel and aluminum material forming processes, with an automatic recycling procedure for scrap parts.

- ***Welding:*** We use welding robots to automate the welding of joints and adopt laser welding on the vehicle roof for enhanced body stiffness, thereby improving vehicle safety.

- ***Painting:*** We adopt state-of-the-art environmental-friendly water-based coating technology. The painting process is fully automated and computer-controlled.

- ***Assembly:*** At final assembly, the chassis, wheels, electric drive systems, lights, and braking systems are attached to the vehicle body. We have equipped our assembly lines with fully automated quality control and inspection systems.

Set forth below are examples of our core production lines and automated robotic equipment:

Stamping

Welding

Painting

Assembly

We leverage our advanced automated workshops to produce core electronic components. Specifically, the battery pack production workshop utilizes an Automated Guided Vehicle (AGV) production line that can handle diverse materials and accommodate the production of various types of battery packs installed on our different models. Set forth below are examples of our production lines for battery packs and electric drive systems:

Battery packs

Electric drive systems

Our facilities are highly digitalized and automated, allowing us to track, monitor, control and optimize the end-to-end production process in real time, from planning, procurement, testing to product warehousing.

Our Production Facilities

We currently produce the C11 and T03, and their core components, in the Jinhua Plant with effective control over the supply chain, manufacturing process and quality control. The Jinhua Plant has an annual production capacity of 200,000 units. To further expand our production capacity, we are planning a new production facility in Hangzhou, Zhejiang province.

During the Track Record Period, we initially outsourced the production of the S01 and T03 to Hangzhou Changjiang Passenger Vehicles Co., Ltd. ("**Hangzhou Changjiang**"), an automobile original equipment manufacturer. We paid Hangzhou Changjiang volume-based service fees and were responsible for the product warranty. As we had not yet obtained the vehicle manufacturing qualification at the time, such arrangement enabled us to exercise effective control over the supply chain, production process and overall quality, without material capital expenditure at the initial stage of product development. Since August 2021, all of our T03s have been produced in the Jinhua Plant, while Hangzhou Changjiang continues to produce the S01. We have been committed to in-house production of EVs, leveraging our full-suite of R&D capabilities and vertically integrated business model. Whilst the transition of our main models to in-house production did not materially change the cost structure, we believe that it has resulted in the following advantages: (i) realization of a highly integrated business model with better quality control throughout the manufacturing process; (ii) minimized risks associated with contract manufacturing, such as potential capacity constraints and late deliveries by the contracting manufacturers; and (iii) improved economies of scale with the significantly increased number of self-produced EVs. As a result, we believe that our in-house production will contribute to our long-term profitability.

Jinhua Plant

The Jinhua Plant currently occupies land area of over 367,000 square meters and has a construction area of over 220,000 square meters. The Jinhua Plant started operation in August 2021 and has an annual production capacity of 200,000 units, with a utilization rate of approximately 43% in the first quarter of 2022. Our Jinhua Plant currently produces the T03 and the C11, and will also produce the C01. The Jinhua Plant houses electronic components manufacturing facilities, vehicle manufacturing facilities, as well as R&D and vehicle testing functions. Most of our core vehicle components are self-developed and produced in the Jinhua Plant, including battery packs, electric drive systems, lights and other core electronic components.

We utilize industrial robots to highly automate our production and improve precision cost-efficiently. We have two fully-automated production lines for stamping. The stamping process uses industrial robots with maximum punching times of 15 times per minute. The welding workshop has 238 sets of industrial robots, realizing 100% automation rate for five main production lines of welding. We use laser welding for the car roof, which can substantially improve the sealing and appearance of the vehicle as well as welding efficiency. We use 52 robots to achieve fully-automatic internal and external spraying, and use 360-degree flip process for electrophoresis. We have five main lines for assembly, including two lines for interior, two lines for chassis and one for final

assembly. The core workstations are fully automated. We adopt a sophisticated manufacturing execution system (MES) to monitor the whole process, and have invested heavily in safety and environmental protection.

Hangzhou Plant

We expect to start the construction of a new plant in Qiantang New District, Hangzhou in 2022, to support our business growth and fulfill future demand. We plan to start the construction of vehicle manufacturing facilities upon receiving the relevant regulatory approvals. The new Hangzhou Plant is expected to occupy a parcel of land of over 542,000 square meters and significantly expand our production capacity. We plan to adopt fully-automated production lines and use industrial robots for in-house stamping, welding and painting. The Hangzhou Plant is expected to commence production of core components in the second half of 2023.

QUALITY CONTROL

We are committed to maintaining high product quality of our smart EVs. We have established a comprehensive quality control system for our battery, electric drive and electric control system, and vehicle production. Our quality control system allows us to uphold our product quality standards, meet our customer's requirements, minimize waste and improve production efficiency. Our quality control procedures cover the entire product life cycle, primarily including: (i) R&D activities; (ii) supply chain management; and (iii) production process.

R&D Activities

We develop our products in accordance with the requirements of relevant laws and regulations and industry practices. We conduct a series of rigorous evaluation and validation processes on prototype products to ensure product quality while controlling production costs. Our new models are tested under a variety of environmental conditions to meet the diverse needs of our users.

Supply Chain Management

We have comprehensive policies and detailed procedures in place to ensure the quality of the components and raw materials we purchase from suppliers. When selecting and evaluating suppliers, we conduct due diligence and consider a number of factors, including, but not limited to, their reputations, credentials, experience, service or product availability, price and delivery time. For those parts and components customized for our vehicles, we require suppliers to develop, test and produce in accordance with our project plan and quality control standards. Our suppliers are expected to follow our requirements for product labeling and packaging identification to ensure traceability.

We require all of our suppliers to comply with our internal supply management policies. Our designated quality control team is responsible for communicating with suppliers regarding quality standards, and will thoroughly inspect product samples to ensure that they meet all the technical requirements set forth in our product designs. We may conduct regular or ad hoc on-site inspections of suppliers and require suppliers to timely remedy quality issues upon notice.

Manufacturing Process

Our vertical integration approach enables us to exercise stringent quality control across the entire manufacturing process. We have devoted substantial resources to the automation of production in order to achieve a holistic quality control process through our MES system. Our quality control team, within our production department, is responsible for ensuring strict compliance with our specifications and instructions, therefore avoiding any production disruption or deviation from our intended procedures. In addition, once any product defect has been identified, our quality control inspectors report immediately to our quality control team, who will conduct analysis on the quality or technical issue, formulate rectification plans, and implement corrective and preventive measures accordingly.

We summarize all quality issues to create quality reports and share with relevant departments on a daily and weekly basis. In addition, we regularly organize meetings to improve and resolve the quality issues identified in the manufacturing process.

We are committed to complying with the applicable vehicle production and sales laws, regulations, and national and industrial standards. We have been accredited with vehicle quality management system certifications, such as the IATF16949:2016 relating to our innovation, orientation of core components, and ISO9001:2015 relating to the automobile production.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material sales returns, product recalls or product liability claims due to quality control issues.

BUSINESS SUSTAINABILITY

To pave the way for long-term success in the fast-growing market, we have been focusing on R&D, product development, growth in our customer base, and expansion of our sales and service network, rather than seeking short-term financial return or profitability. Due to the successful implementation of our growth strategies, we have experienced a robust business growth during the Track Record Period. Our revenue increased by 439.7% from RMB117.0 million in 2019 to RMB631.3 million in 2020, and further increased by 396.1% to RMB3,132.1 million in 2021. Our total revenue increased by 616.4% from RMB278.0 million for the three months ended March 31, 2021 to RMB1,991.8 million for the three months ended March 31, 2022. Moreover, along with business growth, we have demonstrated a clear trajectory of profitability margin improvement. Our gross margin improved from -95.7% in 2019 to -50.6% in 2020, and further to -44.3% in 2021 and -49.4% for the three months ended March 31, 2021 to -26.6% for the three months ended March 31, 2022, reflecting our improved operational efficiency with improving economies of scale.

In addition, we have a healthy cash balance to support our operations and future business expansion. As of March 31, 2022, our total cash balance was RMB5,532.4 million, including RMB4,277.1 million in cash and cash equivalents, RMB301.3 million in wealth management products and RMB954.0 million in restricted cash. Our total cash balance is sufficient to cover our net cash flows used in operating activities, providing ample liquidity for our continuing business operations. We believe that we possess sufficient working capital, including sufficient cash and liquidity assets, taking into account the financial resources available to us and the estimated net proceeds from the Global Offering.

On the other hand, we recorded gross losses, net losses and net operating cash outflow during the Track Record Period, and we currently expect such positions may continue until we achieve greater economies of scale. In the future, we aim to maintain sustainability and achieve profitability through: (i) expanding volume and revenue growth; (ii) improving gross margin; and (iii) enhancing operating leverage. With our improved profitability, we also expect our operating cash flow to improve concurrently.

Expanding Volume and Revenue Growth

We have achieved significant growth in smart EV deliveries, despite the impact of the COVID-19 pandemic. We delivered 8,050 smart EVs in 2020, representing an increase of 676.3% from 2019 and further delivered 43,748 smart EVs in 2021, representing an increase of 443.5% from 2020. Despite the resurgence of COVID-19 in China in the first quarter of 2022, we delivered 21,579 vehicles, which is an increase of 409.5% from the same period in 2021. Moreover, in March 2022, our delivery reached 10,059 units.

We expect our production and delivery volume continue to grow robustly, as we continue to launch new smart EVs models. Our continued rapid expansion and upgrade of our EV portfolio will drive delivery volume and revenue growth. We will continue to ramp up our production capacity in the next few years. See "Future Plans and Use of Proceeds" for details of our expansion plans in enhancing our production capacity and capabilities.

We had 336 stores nationwide as of March 31, 2022, and we expect to expand in 2022. We will increase our investment in building a stronger brand presence. We expect the enhanced brand recognition and sales network will promote a broader customer reach and more effective customer acquisition. We will continue to execute a direct-to-customer strategy and increase the number of directly operated stores, channel partner stores and delivery and service centers.

We also plan to expand globally. As a first step, we intend to strategically establish our international presence by entering into the European market, the second largest EV market in the world. We will conduct marketing activities and build our network to develop our customer base in Europe. We expect to open our first overseas flagship store in the European market by 2023. Following that, we plan to expand our presence into other major markets. We believe that sales to the international market will also contribute to our revenue growth in the future.

Improving Gross Margin

We have demonstrated rapid and consistent improvement in our gross margin during the Track Record Period, from -95.7% in 2019 to -50.6% in 2020 and further to -44.3% in 2021 and -49.4% for the three months ended March 31, 2021 to -26.6% for the three months ended March 31, 2022. Our gross margin has benefited from, and is expected to continue to benefit from, the following factors:

(i) ***Expansion of product portfolio and production volume.*** The average selling price of our smart EVs is expected to increase modestly as we continue to deliver new smart EV models with more premium feature offerings resulting in a change in product mix. For example, we started to deliver our third smart EV model, the C11, in October 2021 and it has a higher selling price than the T03 due to more advanced features and more high-end positioning. We recorded a higher average selling price across our portfolio in the first three months of 2022, as compared to the same period in 2021, as our product mix evolved and the number of C11s we delivered increased. Our latest smart EV model, the C01, is expected to enjoy an even higher average selling price. The increasing average selling price of our smart EVs will drive the improvement of our gross margin. In addition, our gross margin is expected to further increase following the ramp-up of production and delivery volume, which drives economies of scale. Our vehicle delivery volume increased from 1,037 units in 2019 to 43,748 units in 2021. For the three months ended March 31, our vehicle delivery volume increased from 4,235 units in 2021 to 21,579 units in 2022. As a result, our vehicle margins increased as our average manufacturing cost per vehicle significantly decreased from RMB65,838 in 2019 to RMB19,851 in 2020, and further decreased to RMB5,134 in 2021, and from RMB13,214 for the three months ended March 31, 2021 to RMB6,850 for the three months ended March 31, 2022; and

(ii) ***Digital value-added services.*** In addition to offering our full-stack advanced autonomous driving and smart cockpit functions, we will also offer digital services and content in lifestyle, productivity and entertainment. Furthermore, with our growing user community, we intend to explore providing more services tailored to a vibrant mobile lifestyle. We believe the provision of digital and other value-added services would contribute to the improvement of our gross margin.

Enhancing Operating Leverage

During the Track Record Period, we incurred significant operating expenses, including R&D expenses, selling expenses, and administrative expenses, to develop new vehicle models and enhance our brand recognition. In the near term to medium term, we will continue to invest in our R&D, product development, branding and marketing activities as well as sales and service network expansion. As we continue to scale up and our brand becomes more well-known, the operating expenses as a percentage of revenue is expected to decrease.

The following table sets forth a summary of our operating expenses in absolute amounts and as a percentage of our revenue for the periods presented:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)									
R&D expenses	358,318	306.4	289,248	45.8	740,015	23.6	92,996	33.4	242,545	12.2
Selling expenses	131,148	112.1	154,920	24.5	427,855	13.7	89,728	32.3	162,375	8.2
Administrative expenses	160,830	137.5	183,810	29.1	398,310	12.7	84,371	30.3	154,126	7.7

During the Track Record Period, our R&D expenses as a percentage of revenue decreased from 306.4% in 2019 to 45.8% in 2020, and further to 23.6% in 2021 and from 33.4% for the three months ended March 31, 2021 to 12.2% for the three months ended March 31, 2022, as we dedicated significant resources to R&D and in developing our full-suite of R&D capabilities in-house to enable a rapid pace of innovation. Looking forward, our R&D expenses in absolute amounts are expected to increase alongside the development of our smart EV technologies and the expansion of our product portfolio in the future. However, our R&D expenses as a percentage of revenue are expected to decrease as our revenue continues to grow and we develop modularized and cross-platform hardware and software that are highly adaptable across different EV models. This approach enables us to develop and apply the latest proprietary technologies to all our smart EVs with a shorter R&D cycle and achieve higher cost efficiency. The majority portion of our R&D expenses is related to employee compensation, which does not grow proportionally with sales volume or revenue and therefore can benefit from economies of scale.

Our selling expenses amounted to RMB131.1 million, RMB154.9 million, RMB427.9 million and RMB162.4 million, accounting for 112.1%, 24.5%, 13.7% and 8.2% of our revenue in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively. During the Track Record Period, our selling expenses decreased as a percentage of our revenue, primarily due to the significant increase in our revenue and the benefit from economies of scale as a result of our business growth. We expect our selling expenses in the absolute amount to increase alongside our business expansion in the future but to decrease as a percentage of revenue as the majority of selling expenses consists of advertising and marketing expenses, which will not grow proportionally with sales volume and revenue. In particular, we believe the following factors will help improve the efficiency of our selling expenses: (i) strengthened implementation of our integrated management and operations for all stores leveraging our uniform digital management platform; (ii) improved brand awareness driving more word-of-mouth marketing; (iii) wide coverage of sales and service network allowing broader customer reach and better service; and (iv) sales ramp-up in both directly operated stores and channel partner stores.

Our administrative expenses amounted to RMB160.8 million, RMB183.8 million, RMB398.3 million and RMB154.1 million, accounting for 137.5%, 29.1%, 12.7% and 7.7% of our revenue in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively. During the Track Record Period, our administrative expenses decreased as a percentage of our revenue, primarily due to the significant increase in our revenue and the benefit from economies of scale as a result of our business expansion. We expect our administrative expenses in the absolute amount to increase alongside our business expansion in the future but to decrease as a percentage of revenue as the majority of administrative expenses is related to employee compensation, which does not grow proportionally with our sales volume and revenue. We also plan to make continuous improvement to our administrative efficiency.

Enhancing Working Capital Efficiency

We also expect to improve our cash flow positions by continuously enhancing working capital efficiency. We review our payment term policy with suppliers to improve cash outlay, as well as negotiate for favorable credit terms with our suppliers to extend payment cycle. We also maintain relationships with banks, such that we used commercial acceptance bills to decrease our cash outlay for day-to-day operations. We receive payments from our channel partners in advance of vehicle deliveries, which also improves our cash position. We adopt the make-to-order production approach to keep our inventories at a low level. Our inventory turnover days decreased from 131.9 days in 2019 to 66.6 days in 2020 and further to 37.6 days in 2021, and from 51.1 days for the three months ended March 31, 2021 to 33.7 days for the same period in 2022.

LOGISTICS AND INVENTORY MANAGEMENT

Logistics and Warehouse

We operate our warehouses in the Jinhua Plant primarily for storing certain components and raw materials. We engage third-party logistics service providers for the delivery of all finished goods from our production facilities to our stores. Raw materials and components are delivered to our production facilities directly by suppliers or through third-party logistics service providers engaged by us. To the extent possible, we have prioritized partnering with suppliers with operations in close proximity to the Jinhua Plant to minimize logistics costs.

Inventory Management

Our inventory primarily includes raw materials and finished goods. Our inventory turnover days were 131.9 days, 66.6 days and 37.6 days in 2019, 2020 and 2021, respectively. We implement strict inventory control policies to monitor our inventory levels at our production facilities and warehouses, and maintain a relatively low level of inventory as we generally adopt a make-to-order approach.

CUSTOMERS

While we generally consider individuals who purchase our vehicles as our customers, we also account for channel partners as our customers as we sell our vehicles through them. We have a large customer base and we do not rely on any single customer. Revenue generated from our largest customer for 2019, 2020, 2021 and the three months ended March 31, 2022 accounted for 6.8%, 5.1%, 2.3% and 1.7%, respectively, of our total revenue during those periods. Revenue generated from our five largest customers during the Track Record Period accounted for 27.1%, 16.2%, 9.5% and 6.1%, respectively, of our total revenue during those periods. As of the Latest Practicable Date, we had maintained business relationships with our five largest customers that have been our channel partners for one to three years.

As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or, to the knowledge of Directors had owned, more than 5% of our issued share capital) had any interest in any of our five largest customers.

SEASONALITY

Traditionally, sales are higher in the fourth quarter, which is a peak season in China for the auto industry, mainly due to nationwide auto shows and increasing vehicle purchases near year end. Sales volume for new cars typically declines in the first quarter, especially around the Chinese New Year holiday. Due to our limited operating history, the seasonal trends that we have experienced in the past may not fully apply to, or be fully indicative of, our future operating results. See "Risk Factors — Risks Relating to Our Business and Industry — Our business is subject to seasonal fluctuations."

OUR SUPPLIERS

In line with industry practice, we cooperate with reliable domestic and international suppliers. Our suppliers are selected very carefully, taking into account their price, quality, production capacity, financial conditions, delivery scheme, business scale and reputation. A localized and stable supply chain is one of our key focuses in production, and a majority of our raw materials and components are purchased in China. To ensure an accurate procurement and production plan, we also gained direct access to production data and sales data of our key suppliers. Such data includes the utilization rate of their production facilities, inventory levels, historical sales records and market trends.

We collaborate with a number of globally renowned suppliers, such as Infineon and Continental. Infineon is a reputable supplier of a wide range of semiconductor solutions, microcontrollers and power electronics modules; and Continental is one of the largest auto parts and tire manufacturers in the world. The parts and components are generally customized for our vehicles. This allows us to engage our suppliers with instant communication, tailor-made prototyping, and more importantly access to frontier technologies. Our partnership with suppliers is one of the key factors of our success. Our suppliers also intend to maintain long-term relationships with us, regarding us as a competitive and trustworthy partner in the NEV industry in China. Such strategic partnership may offer us advantages, such as favorable pricing, capacity reservation and prioritized supply.

Aside from component manufacturers, we also collaborate with R&D teams of leading technology companies and purchase certain software and IT services to enhance our Leapmotor OS and Leapmotor Pilot systems. This ensures advanced and consistent product quality in a cost-efficient manner.

Raw Materials, Parts and Components

We procure various components and raw materials, such as steel, battery cells, certain non-core electronic components, and various vehicle components such as seats and tires. We source them from both domestic and international suppliers. We have entered into cooperation with many industry-leading companies with strong technological capabilities both domestically and internationally, creating mutually beneficial relationships between our partners and us. During the Track Record Period, prices of our raw materials and components experienced certain fluctuations. We manage the impact of such fluctuations by entering into strategic agreements and pricing agreements with our suppliers, adjusting the prices based on average prices over a longer period of time and taking volatility into account. In addition, we diversify our suppliers and optimize inventory level based on production schedule. During the Track Record Period and up to the Latest Practicable Date, we did not experience quality issues with our raw materials that materially affected our operations. For supply chain management, see "— Quality Control — Supply Chain Management."

We monitor and manage our supply chain risk by obtaining components from multiple qualified sources, where practicable. In the EV industry, it is customary and more cost-efficient for an EV manufacturer to engage single-source suppliers and customize certain parts and components. Therefore, in line with such industry practice, we procure certain components from single-source suppliers, including components for the electronic stability control (ESC) system. As alternative suppliers for these components are readily available in the market, we believe that the procurement from single-source suppliers does not pose an imminent risk to our business operations. However, for the key components, such as battery cells and semiconductor chips, we implement a multi-source procurement policy, which allows us to source components from multiple domestic and international suppliers to reduce the reliance on single-source suppliers. According to Frost & Sullivan, there are alternative suppliers of key components, including battery cells and semiconductor chips, in the market. In addition, as we strive to develop and offer smart EVs with advanced smart EV technologies, we select industry leaders for the supply of battery cells and semiconductor chips. For example, we source battery cells from all top three independent domestic leading suppliers in the industry. For semiconductor chips, we source from several major suppliers in the international market, including Qualcomm and STMicroelectronics. We also entered into long-term agreements with our key suppliers to secure supply stability. Such agreements set forth the general terms of conditions, pursuant to which we place separate purchase orders. We are typically granted a credit term of 30 to 90 business days upon receipt of invoice. We sometimes make full or partial advanced payments to procure supply. Suppliers must meet our specified quality requirements and are liable for any product defect. We will continue to identify and approach qualified suppliers to expand our supplier base. We believe our continuous business expansion will enable us to negotiate and secure stable supplies on terms comparable to those of our current suppliers.

Due to the impact of the COVID-19 pandemic and the related impact on the global transportation network and upstream supply chain turmoil, we have experienced shortages of certain of our raw materials and components, such as battery cells and semiconductor chips, which affected our production schedule. However, we had not experienced any production suspension during the Track Record Period and, as of the Latest Practicable Date, such shortages in battery cells and chipsets did not result in a material adverse impact on our business operations or financial performance, as evidenced by our growth in revenue. See "Financial Information — Impact of the COVID-19 Pandemic on Our Operations and Financial Performance" for details.

Since October 2020, there has been a global shortage in the supply of semiconductor chips for automotive production. Together with the impacts of the COVID-19 pandemic, this global semiconductor chips shortage adversely affected our production schedule. We have taken a series of measures to mitigate the risk of such situation. We strategically entered into long-term agreements to procure semiconductor chips in anticipation of potential supply shortage. Our internal team forecasts the necessary inventory levels of semiconductor chips, and places orders accordingly with our suppliers in advance to secure supply to the largest extent. We maintain a safety stock inventory for semiconductor chips in anticipation of the expected increase in our vehicle production. In addition, we enter into reserve agreements with some of our suppliers of semiconductor chips, pursuant to which the suppliers agree to maintain a safety stock of inventory of the semiconductor chips that they supply to us. We have also reached an understanding with our chip suppliers that they will inform us promptly of any impending supply shortages in advance. Based on our communication with these suppliers, as well as currently available information, we are not aware of any circumstances that may materially affect the ability for our semiconductor chip suppliers to deliver within the upcoming 12 months. In addition, most of the semiconductor chips we procure are standard chips. We have adopted a "design for availability" approach to develop our key components to be compatible with semiconductor chips from multiple suppliers, with minimal costs for customization and testing to be incurred when switching between suppliers. As a result, we are able to source semiconductor chips from alternative suppliers for key components at the same time. With advance notice from the suppliers of supply shortages, we are able to increase order quantities with other suppliers to meet our production schedule. During the Track Record Period and up to the Latest Practicable Date, we did not have any material shortage of semiconductor chips. As we typically select domestic or international industry leaders as our suppliers of key components, which enables us to maintain a good business relationship with them, our Directors believe the likelihood that these suppliers' termination of relationship with us or any material adverse change to our business relationship with such suppliers is relatively low, and the supply chain risk is unlikely to have any material adverse impact on our operational and financial performance. See "Risk Factors — We rely on domestic and global suppliers to provide certain components of our smart EVs. Our suppliers may fail to deliver such components as required in terms of time, cost, quality and quantity."

Our Major Suppliers

Our major suppliers are suppliers of battery cells, automotive electronics and service providers. Purchases from our largest supplier for 2019, 2020, 2021 and the three months ended March 31, 2022 accounted for 5.4%, 21.4%, 19.1% and 16.2%, respectively, of our cost of sales during those periods. Purchases from our five largest suppliers accounted for 17.1%, 28.2%, 33.7% and 35.4%, respectively, of our cost of sales for each of the same periods. As of the Latest Practicable Date, we had generally maintained business relationships with our five largest suppliers for three years. We typically settle payments with our five largest suppliers with bank transfer or bank draft.

For the three months ended March 31, 2022

Supplier	Major products/ services purchased	Purchase amount	% of total cost of sales	Years of relationship with us	Settlement method
		(RMB'000)			
Supplier C	Lithium electronic cell	344,152	16.2%	2 years	Bank transfer/ bank draft
Supplier O	Lithium electronic cell	137,544	6.5%	2 years	Bank transfer/ bank draft
Supplier B	Lithium electronic cell	115,917	5.5%	3 years	Bank transfer/ bank draft
Supplier A	Power battery	80,010	3.8%	3 years	Bank transfer/ bank draft
Supplier P	Car seat and decoration	73,010	3.4%	2 years	Bank transfer/ bank draft
Group purchases		**2,119,023**	**100.0%**		

For the year ended December 31, 2021

Supplier	Major products/ services purchased	Purchase amount	% of total cost of sales	Years of relationship with us	Settlement method
		(RMB'000)			
Supplier A	Power battery	845,879	19.1%	3 years	Bank transfer/bank draft
Supplier B	Lithium electronic cell	255,225	5.7%	3 years	Bank transfer/bank draft
Supplier C	Lithium electronic cell	206,598	4.6%	2 years	Bank transfer/bank draft
Supplier D	Bodywork and fittings	102,376	2.3%	3 years	Bank transfer/bank draft
Supplier E	Power supply	86,974	2.0%	3 years	Bank transfer/bank draft
Group purchases		**4,438,346**	**100.0%**		

For the year ended December 31, 2020

Supplier	Major products/services purchased	Purchase amount	% of total cost of sales	Years of relationship with us	Settlement method
		(RMB'000)			
Supplier A	Power battery	239,197	21.4%	3 years	Bank transfer/bank draft
Supplier F	Lithium electronic cell	25,573	2.3%	3 years	Bank transfer/bank draft
Supplier G	Automotive electronics	17,508	1.5%	3 years	Bank transfer
Supplier H	Automotive electronics	16,596	1.5%	3 years	Bank transfer/bank draft
Supplier I	Power module	16,365	1.5%	3 years	Bank transfer
Group purchases		**1,116,370**	**100.0%**		

For the year ended December 31, 2019

Supplier	Major products/services purchased	Purchase amount	% of total cost of sales	Years of relationship with us	Settlement method
		(RMB'000)			
Supplier J	Lithium electronic cell	42,511	5.4%	3 years	Bank transfer/bank draft
Supplier K	Construction	28,649	3.6%	3 years	Bank transfer
Supplier L	Lithium electronic cell	26,857	3.4%	1 year	Bank transfer/bank draft
Supplier M	Interior and exterior decoration	19,369	2.4%	3 years	Bank transfer/bank draft
Supplier N	Machinery	18,006	2.3%	3 years	Bank transfer
Group purchases		**791,315**	**100.0%**		

As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or to the knowledge of the Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

CYBERSECURITY, DATA PRIVACY AND PERSONAL INFORMATION

We are fully committed to complying with cybersecurity and data privacy laws and protecting the security of customer's data. When customers purchase EVs, we retain their names, phone numbers and addresses. We also collect data from our smart EVs, including vehicle status, electric drive status, location information, and assisted driving information. We have designed strict data protection policies to ensure that data is collected, used, stored, transmitted and disseminated in compliance with applicable laws and prevailing industry practices.

Collection: We collect data in accordance with the applicable laws and regulations, and obtain customers' prior consent, if required. Our privacy policy and user manual provides adequate notice of the collection, processing, sharing, storage and protection of the user data, and offer information as to our contact, the types of data processed, the purposes and methods of processing, data retention period, user rights, termination of information collection, and other disclosures required by the applicable laws and regulations.

Usage: We use user data in compliance with the requirements as stipulated in the Personal Information Protection Law of the PRC based on user consent, necessity for the fulfillment of contracts, and necessity for the fulfillment of legal obligations. For the purpose of fulfilling legal obligations, we collect and submit regulatory reporting data to the national monitoring platform. For the vehicle interaction data, we collect and use the data locally in real time at the vehicle end, and do not transmit the data outside the vehicle.

Storage: We use a variety of technologies to protect the data. For instance, we de-sensitize personal information and ensure that our data used for improving our products, services and technology capabilities are without sensitive information. We carry out all data processing activities within the territory of China, and store such data in our own data center or a data center operated by a third-party service provider located within the territory of China, in accordance with the relevant laws and regulations.

Transmission: We provide certain services to our users in cooperation with third-party service providers, primarily including channel partners and after-sales service providers. To the extent necessary for the provision of the services and as permissible under the relevant rules and regulations, we may share the user data with such third-party service providers. We enter into a personal information and data protection undertaking with these service providers, or include a data protection clause in the agreement specifying the data protection obligations of the third-party service provider. We are entitled to terminate the contract in the event of a breach of this clause by the other party.

Automobile data compliance: Personal information and important data involved in the design, manufacturing, sales, use, operation and maintenance of automobiles would be deemed as automobile data pursuant to the Several Provisions on Automobile Data. See "Regulatory Overview — Regulations Relating to Internet Information and Automotive Data Security." In line with the industry practice, we collect, store, use, process, transmit and share automobile data in support of our business operations concerning, among others, automobile manufacturing, sales, operations and maintenance. We store limited amounts of important data, as broadly defined by the Several Provisions on Automobile Data, in our on-premises servers as well as in cloud storages, which are all located in China. We do not transfer automobile data, including the abovementioned important data, outside of China. The Several Provisions on Automobile Data recommends data processors to complete data processing at the vehicle-end, yet this is not a mandatory requirement. Whereas before transmitting personal information outside the vehicle, the data processors shall obtain individual consent for processing personal information or rely on other legal bases in accordance with applicable laws and regulations. Currently, to the extent that it is not feasible to complete in-vehicle data processing due to the limits of vehicle-end computing power, or where it is necessary to transmit data out of the vehicle to carry out certain functions, certain automobile data will be transmitted out of the vehicle. For example, we transmit data related to vehicle status, components and parts to our backend systems for processing outside the vehicle, so as to allow customers to remotely control and manage their vehicles. We notify our customers of such data processing through our privacy policy, and we process personal information in accordance with the applicable laws and regulations, and obtain customers' prior consent if required. Currently, we do not transmit personal information out of the vehicle without

data subjects' consent. For example, we will not transmit exterior video or image data containing license plate information out of the vehicle. If we plan to use data containing personal information to provide services to our customers, we will anonymize such data as required by applicable law when we are unable to obtain the consent of the data subject.

Our data privacy and protection measures are an integral part of our internal control system. We undertake to upgrade our system and infrastructure to ensure that our data is safeguarded and utilized under the latest technologies. We have adopted the Guideline of the Data Security Management to minimize the potential security risks, under which we have implemented comprehensive confidentiality policies and data use approval procedures. For example, we encrypt our data storage and transmission to ensure data confidentiality, and implement access control and account authority control for all data. We segregate our internal operating databases from unauthorized access, back up both our customer and operation data on a regular basis to minimize the risk of data loss, and provide our employees and channel partners with regular training to raise their data security awareness. To prevent improper use of data by our channel partners, we conduct a background review and evaluate our channel partners' qualifications before entering into cooperation. We require all channel partners to acknowledge a confidentiality clause contained in the channel partner agreements before sending user data. If any of the channel partners do not process data in accordance with legal requirements or contractual terms, we will require them to cease the breach, take effective remedial action to protect the data, and reserve the right to pursue further legal action for any damages caused.

Our dedicated information security task force is responsible for maintaining our systems and infrastructure to ensure that the storage and use of data are in compliance with the applicable laws and regulations and our internal policies. We have established an Information Security Committee consisting of members of senior management that oversees our data protection and information security. Our Information Security Working Group reports to the committee and is responsible for our day-to-day information security management and decision making on major issues. Our working group consists of three specialized teams, namely the emergency response team, the data compliance team and the audit team, which coordinate with various departments. In addition, we have established a department responsible for Telematics data security, consisting of seven department members, which is responsible for the technical architecture design of Telematics business, including cloud platform, in-vehicle terminals and Telematics security. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with data security laws or regulations. To the best of our knowledge, we are not aware of any material data leakage or security breaches during the Track Record Period. In the past, we have successfully blocked and prevented major cyber-attacks and hacking attempts, and thus these attempts did not have adverse effect on our operations. As confirmed by our legal advisor as to PRC data security law, during the Track Record Period and up to the Latest Practicable Date, we had been in compliance with applicable PRC laws and regulations with respect to privacy and personal data protection in all material aspects, and we believe we will continue to comply with such laws and regulations going forward.

COMPETITION

We compete in a large yet highly competitive market. China was the world's largest passenger vehicle market in 2021, according to Frost & Sullivan, with a sales volume amounting to approximately 20.9 million units. The penetration rate of NEVs in China's PV market increased from 2.4% in 2017 to 16.0% in 2021 and is expected to surge from 22.4% in 2022 to 50.1% in 2026, according to the same source. Meanwhile, NEVs have become increasingly desirable to mainstream consumers. The mid- to high-end segment, with the price range between RMB150,000 and RMB300,000, is expected to become the largest and fastest-growing segment in China's NEV market from 2022 onwards.

We compete with both emerging NEV companies and ICE automakers operating in the NEV market. New NEV companies have been quick to capitalize on the NEV market opportunity with innovative smart technologies and products differentiation. Meanwhile, ICE automakers are also quickly adapting to the fast-growing EV market by introducing their smart EV models, leveraging their legacies of established brand and traditional manufacturing know-how. We compete with NEV manufacturers on key factors such as product features, quality, reliability and price, as well as design, brand awareness and user experience. To remain competitive in the market, we are committed to launching a diverse product portfolio in current and future markets over the long term, leveraging our vertically integrated business model and full-suite of R&D capabilities.

We were the fourth largest pure-play EV company based in China by sales volume in China in 2021 and the first half of 2022, according to Frost & Sullivan. According to the same source, we were ranked 19th and 14th in the China NEV market in terms of sales volume calculated based on vehicle insurance registrations in 2021 and the first half of 2022, with a market share of 1.6% and 2.2%, respectively. See "Industry Overview — Competitive Landscape" for details.

INTELLECTUAL PROPERTY

We regard our proprietary domain names, copyrights, trademarks, trade secrets, and other intellectual property, critical to our business operations and fundamental to our success and competitiveness, and we devote significant time and resources to the development and protection. We rely on a combination of patents, copyrights, trademarks, trade secret laws, and restrictions on disclosure to protect our intellectual property. As of the Latest Practicable Date, we had 1,103 registered patents and 514 patent applications, 304 trademarks, 18 registered software copyrights and four registered copyrights. As of the same date, we have registered patents for all our core technologies.

For detailed information about our material intellectual property, see "Appendix VI — Statutory and General Information — Further Information about Our Business — Intellectual Property Rights."

We implement a set of comprehensive measures to protect our intellectual property, in addition to making trademark and patent registration applications. Our employees are generally required to enter into a standard employment contract that includes a confidentiality clause and a clause acknowledging that all inventions, trade secrets, developments and other processes generated by them during their employment with us are our properties, and assigning to us any ownership rights that they may claim in those works. We will actively monitor and pursue claims against any unauthorized use of our intellectual property. In addition, we have implemented screening procedures during the recruitment process, which helps us prevent potential dispute arising from hiring former employees of competitors.

In the future, we may need to seek or renew licenses related to certain aspects of our products, processes and services. We have established an in-house legal team and an IP team, supplemented by professional external IP counsel, to assist in the registration, application and review process of patents and trademarks.

During the Track Record and as of the Latest Practicable Date, we had not been subject to any material dispute or claims for infringement upon third parties' trademarks, licenses and other intellectual property rights in China.

EMPLOYEES

As of June 30, 2022, we had 5,723 full-time employees, the majority of whom are based in Zhejiang province, China. The following table sets forth the number of our employees by function:

Function	Number of employees	% of Total
Manufacturing	2,395	38.9
Research and development	1,869	32.7
Sales and marketing	907	15.8
Supply chain management	225	3.9
General and administration	327	8.6
Total	**5,723**	**100.0**

Our success depends on our ability to attract, retain and motivate qualified personnel, and we believe that our high-quality talent pool is one of our core strengths. As of June 30, 2022, our R&D personnel account for 32.7% of the total employees. We use various methods for our recruitment, including campus recruitment, online recruitment, internal referrals and recruitment firms or agents, to satisfy our demand for different types of talents. We conduct safety awareness, quality awareness and corporate culture training for R&D and manufacturing staff, and implement a comprehensive training system for all employees. We hold various training courses conducted online and offline on a weekly basis.

As required under PRC laws and regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury, maternity, and unemployment benefit plans, under which we make contributions at specific percentages of the salaries of our employees. As advised by our PRC Legal Advisor, we were in compliance with applicable laws and regulations related to social insurance and housing provident funds in all material aspects during the Track Record Period.

Our employees have formed employee unions. We believe we maintain a good working relationship with our employees, and we had not experienced any material labor dispute or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

We consider our insurance coverage to be adequate, as we maintain all the mandatory insurance policies required by PRC laws and regulations and in accordance with the commercial practices in our industry. We also maintain an insurance policy for our fixed assets.

In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain any "key man" insurance or insurance policies covering damages to our information technology systems. During the Track Record Period, we did not make any material insurance claims in relation to our business. See "Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage strategy may not be adequate to protect us from all business risks."

ENVIRONMENTAL, SAFETY AND SOCIAL MEASURES

We seek to be a leader in fulfilling environmental, social and governance ("**ESG**") responsibilities by exploring ways to protect the environment and supporting social causes. We commercialize and produce smart EVs that emit fewer greenhouse gases and air pollutants than ICE vehicles, significantly reducing carbon emissions while enhancing user experience. We earn tradable automotive regulatory credits in the operation of our business as we design, develop and produce battery electric vehicles. The regulatory credit system is designed to incentivize more ICE automakers to produce NEVs, thereby reducing carbon emissions.

We are committed to sustainability and environmental protection as we continue to grow our revenue and expand our production facilities. We have adopted comprehensive measures to minimize any environmental impact from our business in the near, medium and long term.

We closely monitor the social impact of our operations, and adhere to stringent quality standards to continuously enhance customer satisfaction. We have been accredited with vehicle quality management system certifications, such as IATF16949:2016 and ISO9001:2015, which, among other things, attests to our efforts to reduce waste in the automobile production. In addition, we have established comprehensive after-sales service and maintenance protocols to address customer feedback and concerns in a timely manner, see "— Customer Service — After-sales Services and Warranty" for details.

We have coordinated efforts across departments, including our human resources, R&D, manufacturing, supply chain departments and sales departments, led by our senior management, to report on ESG issues to our Board. Our management is responsible for establishing, adopting and reviewing the Group's ESG-related policies, metrics and targets, as well as assessing, defining and addressing ESG-related risks at least once a year. We may from time to time engage independent professional third parties to help us make necessary improvements. In addition, we undertake to establish an ESG committee within one year of the Listing to assist our Board to oversee ESG governance, ensure implementation of ESG policies, monitor ESG-related performance and targets, adjust ESG strategies as appropriate and prepare the ESG report.

Our ESG policy is effectively demonstrated, and communicated in a transparent manner to our shareholders, employees, value chain partners, government and regulatory agencies, communities and other stakeholders through a series of measures. When marketing our NEVs to the mass market, we promote the value of environmental protection and resource utilization. We conduct environmental impact assessments when formulating future production and business expansion plans, and seek to minimize pollutant emissions and comply with all regulatory requirements. In addition, we have adopted a number of policies and measures to enhance occupational health and safety, and organize educational events and training for our employees. All our suppliers are required to execute anti-corruption commitments before engagement, and we regularly conduct internal trainings with our employees on anti-corruption policies.

Environmental Protection

We are subject to various environmental laws and regulations related to the manufacture of our smart EVs, including the use of hazardous materials in the manufacturing process and the operation of our Jinhua Plant. Such laws and regulations govern the use, storage, discharge and disposal of hazardous materials during the manufacturing process. See "Regulatory Overview — Regulation Relating to Environmental Protection and Work Safety" for details on PRC environmental laws and regulations that we are subject to. Complying with environmental and safety laws and regulations could impose substantial costs upon us and cause delays in building our production facilities. See "Risk Factors — Risks Relating to Our Business and Industry — We are subject to various environmental and safety laws and regulations that could impose substantial costs upon us and cause delays in building our production facilities" for details.

We seek to minimize our environmental impact through developing and integrating environmentally sustainable practices into our operations. We use rooftop solar photovoltaic panels to generate power for our production. Our photovoltaic project in the Jinhua Plant is expected to generate nearly 10 million kWh of electricity annually, reducing the consumption of 72,800 tons of standard coal, or emission of 194,500 tons of carbon dioxide, throughout its 25-year designed life span. It will also cumulatively reduce 1,458 tons of sulfur oxides and 495 tons of nitrogen oxides during the time span, effectively promoting pollution prevention and control. The photovoltaic carport included in the project construction covers an area of about 24,000 square meters, with more than 1,000 standard parking spaces, and is currently the largest photovoltaic carport

in Jinhua. We adopted the Building Integrated Photovoltaics (BIPV) system, replacing the roof of the carport with photovoltaic modules, so that the roof simultaneously serves as building envelope material and power generator.

We have established energy management measures to effectively manage the energy used by our manufacturing plants, such as electricity, natural gas, water, compressed air and photovoltaic. We include energy usage in the performance assessment to ensure that our energy saving plan and measures are effectively implemented. We recycle resources, which currently includes recycling approximately 30% of our total annual water consumption. In October 2021, we were certified as a water-saving enterprise by Jinhua City, Zhejiang province.

We use a B1B2 silane film process for pre-painting treatment, which employs materials that do not contain heavy metals such as phosphorus and zinc-nickel-manganese. This process helps reduce our wastewater discharge by approximately 20%, compared with the traditional phosphating process. In the top coating process, we use water-based materials in the automatic spraying process which contains less volatile solvent content than traditional oil-based materials, allowing us to reduce the emission level at the source. In addition, we use rotary concentrators and regenerative thermal oxidizers that destroy hazardous air pollutants, volatile organic compounds and odorous emissions created during industrial processes. The process has high purification efficiency, allowing us to reuse waste heat with the thermal efficiency up to 95%.

We require our suppliers to use recyclable packaging materials and reduce the types of packaging materials they use in order to reduce the consumption of such materials and facilitate waste recycling. In addition, we are committed to improving resource utilization of our vehicles. For example, we aim to minimize the waste of energy during the power transmission and use of batteries in our EVs, thereby reducing carbon emissions. Our self-developed battery system has achieved 83% energy efficiency. Going forward, we plan to continuously explore frontier technologies for battery energy storage and carbon reduction, and bring users a more comfortable and environmentally friendly travel experience through ongoing technological innovation.

We follow the standards of the pollutant discharge permit issued by the local environmental protection authority to discharge waste gas and strive to minimize the relevant impact. In the year ended December 31, 2021, we discharged 0.7 tons of sulfur dioxide, 3.6 tons of nitrogen oxides and 8.4 tons of volatile organic compounds (VOCs), accounting for only 32%, 34% and 42% of the amount allowed under the pollutant discharge permit, respectively. We plan to further decrease the emission of pollutants in the foreseeable future. In assessing and managing the environmental impact of our business activities, such as the release of pollutants or hazardous substances in production, we are committed to complying with the standards, metrics and targets established or issued by relevant ESG-related laws and regulations. See "Regulatory Overview — Regulation Relating to Environmental Protection and Work Safety — Environmental Protection" for details.

For our facility construction and expansion projects, we have implemented measures to ensure compliance with laws and regulations in relation to environment and occupational health and safety. Before the commencement of the projects, we will obtain third-party reports to assess the feasibility of the precautionary measures for environment and occupational health and safety. We also designate personnel to supervise the implementation of the measures on site. Upon completion of the projects, we will obtain reports from third-party assessment agencies to ensure the relevant requirements for environment and occupational health and safety are satisfied.

We have implemented company-wide policies and detailed protocols to manage pollutants. We have engaged competent assessment agencies to monitor our pollutants discharge levels and issue reports as per requirements of the pollutant discharge permit. We keep records for solid pollutants that we dispose of. We also conduct sewage treatment before discharge and engage third-party assessment agencies to issue relevant reports.

Metric and Targets

In accordance with our ESG policies, we have established a comprehensive set of key performance indicators to assess and guide our business operations. The following table presents a quantitative analysis of our environmental performance during our Track Record Period.

	For the Five Months Ended December 31,	For the Year Ended December 31,		For the seven months ended July 31,
	2019	2020	2021	2022
Electricity consumption				
Total electricity consumption in thousand kWh	810.0	1,615.4	39,856.8	40,532.3
Electricity generated by photovoltaic panels in thousand kWh	–	–	9,277.0	6,568.1
Water consumption				
Total water consumption in thousand tons	10.0	97.8	473.6	510.3
Gas consumption				
Total gas consumption in thousand cubic meters	639.8	997.6	2,827.9	2,475.0

We take environment impact into account when evaluating the future plans of production. We are committed to improving energy efficiency in our Hangzhou Plant, and expect to adopt various measures, such as energy management system and use of energy efficient robotic arms. In 2021 and the seven months ended July 31, 2022, the power generated by our rooftop solar photovoltaic panels, which is used for our production, amounted to 9.3 million kW/h and 6.6 million kW/h, respectively, satisfying 18.9% and 16.2% of the industrial electricity demand for our production during the same periods, respectively. Going forward, we plan to keep promoting the use of photovoltaic power to reduce carbon emissions from electricity use. We strive to improve water efficiency in our operations. Benefiting from our measures to promote water conservation, our Jinhua Plant was accredited by local authorities for being one of the 38 water-saving enterprises of Jinhua in 2021.

We intend to expand with a sustainable perspective, based on our projections for business expansion and taking into account relevant power and resources saving measures and manufacturing techniques and equipment that will be implemented in the future. We intend to decrease the consumption of energy and resources per vehicle unit in our daily business operations while meeting the requirement of relevant regulations and laws. Specifically, we target to reduce the water, electricity and gas consumption per vehicle produced by 8%, 5% and 5%, respectively, by 2023 compared to 2022. At the same time, we will continue to establish more comprehensive ESG-related indicators and targets as we discuss with relevant stakeholders.

Employee Care

We are committed to social responsibilities and high standard of corporate governance. We comply with various PRC laws and regulations in respect of occupational health and safety. We are committed to complying with PRC regulatory requirements, preventing and reducing hazards and risks associated with our operation, and ensuring the health and safety of our employees and communities, with an aim to improve the satisfaction rate of our employees. We have adopted and maintained a series of policies and measures to maintain a safe environment for our employees, including, among others, safety incident management policy, occupational hazard monitoring and management policy. For example, we conduct various types of training, including onboarding and on-the-job training, for both regular employees and third-party contractors. We conducted employee training and development sessions for a total of 200, 152 and 553 hours in 2019, 2020 and 2021, respectively. In 2021, our employee training covered 3,503 employee, with a training rate of 153.9% and an average training time of 12.54 hours per employees. We conducted trainings of 1,080 hours in aggregate in the first half of 2022, representing a 419.2% growth compared to 208 hours in the first half of 2021. In addition, we have adopted relevant measures to ensure the health and safety of our employees and hygiene of our work environment at our manufacturing plant in Jinhua. We have formulated an occupational health management system, engaged third-party professionals to assess the effectiveness of occupational health hazard control, as well as implementing appropriate protective measures for positions with occupational health hazards. Specifically, we conduct pre-job, on-the-job and off-the-job occupational health screenings for positions with potential exposure to dust, noise, light pollution, benzene and other hazards in the stamping, welding, painting, electric drive testing and other workshops. Meanwhile, we

provide supplemental commercial medical insurance and an annual physical examination for all regular employees. We endeavor to provide a safe work environment in light of the COVID-19 pandemic, including procurement of epidemic prevention materials, release of work-from-home plan and work resumption plan, food delivery service and regular check of our employees' health condition.

As of the Latest Practicable Date, we had not experienced any material accidents in the course of our business operation, and we were not aware of any material claims for personal or property damages in connection with health and occupational safety.

We have adopted recruitment standards and procedures to ensure equal work opportunities for our employees and potential recruitment candidates are without bias as to gender, age, race, nationality or other factors. In addition, we aim to continuously improve diversity and inclusion. As of December 31, 2021, we had 3,191 full-time employees, including 521 female employees.

We are committed to providing a friendly workplace without discrimination, harassment of all kinds and violence.

- We prohibit child labor, and we do not use any products or services provided by any suppliers that employ child labor. We also commit not to force our employees to work overtime.

- We enhance the appraisal mechanism and employee incentive schemes as long-term incentives for our employees.

- We have established a comprehensive talent development program. We develop and introduce managerial, technological and general courses, and help employees advance in their careers through diversified training modes, consisting of online platforms and offline sessions. We internally train, certify and appoint instructors and trainers in accordance with our business strategies and future plans.

- We also cultivate and nurture the overall health and well-being of our employees. We provide various welfare and benefits to our employees, such as free annual health screening, team building activities and giveaways on holidays. We purchase annual commercial insurance such as supplemental medical insurance plans for our employees, and offer discounted insurance plans for employees' spouses, children, and parents to their own purchase. We strive to promote the culture of achieving good work-life balance by organizing various recreational and sports activities to enrich the cultural life of our employees.

Fair Trade and Anti-Corruption

To protect our reputation and integrity, we have implemented an anti-bribery and anti-corruption policy to prohibit any form of fraud or corruption by our suppliers or employees during the cause of our business. Our suppliers must comply with all the

applicable laws and regulations relating to the procurement transactions in relevant countries or regions and our anti-bribery. We further require our suppliers to sign a letter of commitment for anti-corruption (the "**Letter of Commitment**"), through which they commit in writing not to engage in non-compliances, fraud, corruption or bribery during the cause of business. The Letter of Commitment prohibits our suppliers from offering our employees or their family any improper benefits, including cash or cash equivalents, lavish entertainment and meals or any other benefits. In addition, where our employees request any bribery explicitly or implicitly, our suppliers must refuse such request and report to us.

Potential Risks and Opportunities

Our business operations are subject to environmental protection laws and regulations promulgated by the PRC government. For example, government authorities require us to conduct environmental impact assessments prior to the construction of plants or production facilities to minimize the environmental impact of our business operations. Maintaining compliance with applicable environmental rules and regulations can be costly. If we violate any laws and regulations relating to the environmental protection or face any charges of negligence therein, we may be subject to potential fines and penalties. Such events could adversely affect our business brand and credibility, and our business opportunities may be adversely affected. For example, our suppliers may be reluctant to grant us longer credit terms, and our potential customers may prefer the competitors' products. Notwithstanding the above, during the Track Record Period and up to the Latest Practicable Date, our business, results of operation and financial condition had not been materially adversely impacted by any environment-related incident.

Furthermore, potential transition risks may result from the transitioning to a lower-carbon economy which entails change in climate-related regulations and policy. Tightened environmental regulations may require significant investment to be made in transforming our business and operations. On the other hand, in the face of the potential transition risks, we, as a pure-play EV company with advanced technologies and operating procedures, may be able to adapt to the new environmental regulations as well as changing consumer preference and demand in a swifter manner, thereby capturing more business opportunities.

Supervised by our Board, we actively identify and monitor the climate-related risks and opportunities over the short, medium and long term and we seek to incorporate such climate-related issues into our businesses, strategy and financial planning. For example, we continuously reduce energy consumption and reduce greenhouse gas emissions through energy-saving transformation. We have established internal environmental protection guidelines and procedures, which specify the management responsibilities and evaluation criteria for our major pollutants and emissions. We aim to minimize the use of hazardous materials, energy and other natural resources in our production activities. In addition, we monitor the emissions of major pollutants for our Jinhua Plant, and have set a target to achieve zero environmental issue, with indicators including pollutant discharge standards for wastewater, exhaust and waste treatment. We plan to work further with our suppliers to calculate and assess their carbon footprint and set reasonable carbon reduction targets.

PROPERTIES

Our corporate headquarters is located in Hangzhou, China. As of the Latest Practicable Date, we operated our business through four properties of which we own land use rights, as well as 127 leased properties in the PRC.

Owned Properties

As of the Latest Practicable Date, we owned four parcels of land with an aggregate site area of over 977,141 square meters in the PRC. We own two parcels of land of over 367,856 square meters in Jinhua, Zhejiang, with land use rights expiring in 2067, where we have constructed our Jinhua Plant. We own land use rights with respect to a parcel of land of approximately 66,667 square meters in Jinhua to further expand our production, and such land use rights expire in 2071. In addition, we own one parcel of land of approximately 542,618 square meters in Hangzhou, Zhejiang, with land use rights expiring in 2071, where we plan to construct our Hangzhou Plant.

Leased Properties

As of the Latest Practicable Date, we maintained 127 properties in the PRC, including an aggregate gross floor area of approximately 201,894.9 square meters in our headquarters primarily for corporate administration, research and development, storage, trial production and testing, as well as an aggregate gross floor area of approximately 37,232.47 square meters primarily for our directly operated stores and delivery centers across China.

As of the Latest Practicable Date, the actual usage of 31 leased properties, which are used as our offices and directly operated stores, was inconsistent with the usage for industrial purpose set out in such title certificates or relevant authorization documents. With respect to these properties, our PRC Legal Advisor is of the view that we may not be able to lease, occupy and use such leased properties if the local authorities challenge the validity of the leases, resume the land use right or require us to restore the land to its original use. Our Directors are of the view that the defects of these leased properties would not materially and adversely affect our business operations, considering that: (i) as the abovementioned leased premises are mainly used for offices and directly operated stores, we would be able to find comparable properties as alternatives at commercially acceptable terms to us, and such relocation will not have any material adverse effect on our financial condition or our results of operations; (ii) the majority of the local authorities where the relevant leased properties are located have issued certificates, confirming that they are aware of the fact that we are leasing such properties, and either confirming that we are not violating laws and regulations on natural resources management or acknowledging the actual use of such properties, and (iii) for the rest of the relevant leased properties, the lessors have undertaken to indemnify us for the loss where we have to cease the use of these leased properties due to inconsistent usage. As advised by our PRC Legal Advisor, given that the certificates issued by the relevant local authorities acknowledge the use of these properties and that the relevant lessors have undertaken to indemnify us for the potential loss, the risk is remote that we will be penalized or suffer from material loss for the use of these leased properties. We will maintain regular

communication with the local authorities, and are prepared to relocate to alternative premises upon the expiration of the lease term and in compliance with the administrative requirements.

As of the Latest Practicable Date, lessors of seven of our leased properties had not provided us with valid title certificates or building permit. As a result, the leases may not be valid and there are risks that we may not be able to continue to use such properties, according to our PRC Legal Advisor. As we have acquired relevant authorization documents evidencing the lessor's rights to lease the property to us, the defect would not materially and adversely affect our business operations.

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban Development of the PRC. As of the Latest Practicable Date, we had not yet completed the registration of 100 property lease contract we entered into in the PRC. As advised by our PRC Legal Advisor, failure to complete the lease registration will not affect the validity of the lease agreements according to PRC law, but we may have a maximum penalty of RMB10,000 imposed on us for each non-registered lease if we fail to complete the registration of any of our future lease agreements after we are requested to do so by the competent PRC government authorities. As of the Latest Practicable Date, we had not been ordered to make corrections by the competent local counterpart of Ministry of Housing and Urban Development. See "Risk Factors — Risks Relating to Our Business and Industry — Legal defects regarding some of our leased properties may adversely affect our business, financial condition and results of operations."

As of March 31, 2022, none of the properties leased or owned by us had a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempt from the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report.

U.S. EXPORT CONTROL IMPLICATIONS ON TRANSACTIONS AND SHAREHOLDING RELATIONSHIPS WITH DAHUA TECHNOLOGY AND ITS SUBSIDIARIES

U.S. Export Control Laws and Regulations

The Entity List is a list of names maintained by BIS of certain foreign persons that are "reasonably believed to be involved, or to pose a significant risk of being or becoming involved in activities contrary to the national security or foreign policy interest of the United States." When a foreign person is included on the Entity List, generally, any export, re-export or transfer (in-country) of an item subject to the Export Administration Regulations ("**EAR**") to such foreign person on the Entity List requires a U.S. export license. An exporter may also violate "General Prohibition 10" in the EAR if it proceeds with a transaction with "knowledge" that a violation of the EAR has occurred or is about to occur. Moreover, a person may violate General Prohibition 10, among other provisions

in the EAR where it exports, re-exports, or transfers an item subject to the EAR to a party acting as an agent, front, or a shell company in order to facilitate transactions that would not otherwise be permissible with a company on the Entity List.

Pursuant to the EAR, certain non-U.S. made items are subject to the EAR, including a non-U.S. made item incorporating controlled U.S.-origin content in an amount exceeding the *de minimis* level as specified in the EAR, which in general is not more than 25% controlled U.S.-origin content by value.

Relationship with Dahua Technology

Dahua Technology, one of our shareholders and a connected person, was added to the Entity List in October 2019. However, as advised by our U.S. Export Control Legal Advisor, we are not subject to the U.S. export control restrictions imposed on Dahua Technology as a result of Dahua Technology's Entity List designation, as we are legally distinct entities from Dahua Technology. As noted by BIS FAQ No. 134, "[s]ubsidiaries, parent companies, and sister companies are legally distinct from listed entities [and].....[t]herefore, the licensing and other obligations imposed on a listed entity by virtue of its being listed do not per se apply to its subsidiaries, parent companies, sister companies, or other legally distinct affiliates that are not listed on the Entity List." Based on the public announcements issued by and enquiries made with Dahua Technology, our U.S. Export Control Legal Advisor has confirmed that it would be reasonable to conclude that the restrictions imposed on Dahua Technology as a result of the Entity List designation only applies to Dahua Technology. Given the BIS FAQ above, our U.S. Export Control Legal Advisor is of the view that the Entity List designation does not extend to any other legally distinct subsidiaries or affiliates of Dahua Technology.

The Entity List imposes U.S. export license requirements for exports, re-exports, or transfers (in-country) of items subject to the EAR to a designated entity. It does not restrict ownership or other financial transactions. Moreover, as noted in the above paragraph, the Entity List designation does not apply to other legally distinct subsidiaries and affiliates of Dahua Technology. Therefore, our U.S. Export Control Legal Advisor concluded that it is not a violation of the EAR for the Company to continue to hold its 20% interest in Huaruijie Technology whilst Dahua Technology holds 51% interest therein. Given that: (a) the Company does not currently sell to and does not expect to sell to Dahua Technology in the future; (b) the Company is not designated as an Entity List company by reason of Dahua Technology's designation; and (c) the scope of the Entity List restrictions as set out above and below, our Directors are of the view that Dahua Technology's designation as an Entity List company, the Group's past transactions with Dahua Technology and the Company's 20% equity interest in Huaruijie Technology do not have any material adverse impact on the Group's business operations and financial performance. Furthermore, given that: (a) the scope of the Entity List restrictions as set out above and below; and (b) none of the Company's Directors are designated on the Entity List, our Directors are of the view that Dahua Technology's designation as an Entity list company does not have any material adverse impact on the suitability of the Company's Directors.

Based on the factors set out above and the due diligence work performed by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would cast doubt on the Directors' view as set out above.

Transactions with Dahua Technology

Property Leasing

In 2021 and 2022, we leased a property from Dahua Technology to be used as a laboratory. As these are real property leases that did not involve any supply of items subject to the EAR, our U.S. Export Control Legal Advisor is of the view that these transactions would not be subject to the EAR.

Procurement

During the Track Record Period and up to the Latest Practicable Date, we reimbursed Dahua Technology for the electricity costs in respect of third party manufactured charging piles located at Dahua Technology's principal place of business. The reimbursement of electricity costs were less than RMB7,000 for each of the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, representing 0.00% of our total procurement costs for the respective periods.

Our U.S. Export Control Legal Advisor is of the view that to the extent there was a "transfer" of the charging piles to Dahua Technology, the charging piles are made in China and do not incorporate controlled U.S.-origin content in excess of the relevant *de minimis* threshold (which, pursuant to Section 734.4 of the EAR would generally be 25% controlled U.S.-origin content by value, when such non-U.S. made item is being exported to China), and accordingly would not be subject to the EAR. Further, our Export Control Legal Advisor is of the view that the reimbursement of electricity costs in this case was not a financial transaction subject to the EAR.

Sale of our C11 Vehicles

During the Track Record Period and up to the Latest Practicable Date, we sold two of our C11 vehicles and associated car accessories and services to Dahua Technology, in an aggregate amount of approximately RMB338,000. Based on the information provided by the Company, our U.S. Export Control Legal Advisor is of the view that our C11 vehicle is a non-U.S. made item that is not subject to the EAR.

Transfer of Other Assets and Reimbursement of Car Repair Costs

In April 2020, we: (a) transferred a third-party made vehicle and received reimbursements for the repair costs; and (b) sold various electronic devices including laptops, displays and computers to Dahua Technology, details of which are as follows:

(a) in relation to the transfer of the third-party made vehicle and the reimbursement of the repair costs for the vehicle — the vehicle was manufactured in China and hence was not of U.S.-origin. We are also not aware of any facts to suggest the vehicle incorporates U.S. origin controlled content in excess of the relevant *de minimis* amount. The car repair services were undertaken in China and were provided to Dahua Technology employees for their own personal vehicles; and

(b) in relation to the sale of electronic devices (including laptops, displays and computers) — we have obtained certifications from the manufacturers representing that the electronic devices are of China origin and are not subject to the EAR.

The transactions set out in paragraphs (a) and (b) above were one-off transactions and were non-recurring. The transfers and reimbursement costs amounted to approximately nil, RMB0.42 million, RMB0.12 million and nil, representing nil, 0.07%, 0.00% and nil of our total sales for each of the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively.

Based on the facts and representations as set forth above and third-party representations, our U.S. Export Control Legal Advisor is of the view that none of these transactions would violate the EAR.

Transactions with Subsidiaries of Dahua Technology

Our Group has various leases, procurement, supply and sales contracts with subsidiaries of Dahua Technology, including:

(a) a Components and Systems Supply Framework Agreement with Huaruijie Technology for the purchase by us of certain types of sensors and systems used in electric vehicles from Huaruijie Technology; and

(b) a Services Procurement Framework Agreement with Zhejiang Dahua Vision Technology Co., Ltd. (浙江大華科技有限公司) and Zhejiang Dahua Zhilian Co., Ltd. (浙江大華智聯有限公司) for the outsourcing by us of the assembly process of various items used in the EVs manufactured by our Group.

For details, please refer to the "Connected Transactions" section.

The subsidiaries of Dahua Technology with which we have procurement and supply contracts are legally distinct subsidiaries of Dahua Technology and are not listed on the Entity List. Our U.S. Export Control Legal Advisor has confirmed that we can continue to engage in the above activities, including the purchase and procurement of items or services from subsidiaries of Dahua Technology, as the activities are with separate legal entities of Dahua Technology and assuming such items or services were procured or otherwise manufactured in compliance with the EAR.

Internal Control

To identify and monitor our exposure to risks associated with sanctions and U.S. export control relevant to our business, we have adopted certain internal control measures, including:

(1) **awareness raising**: we have and will continue to provide annual training to all relevant employees (including senior management) as well as targeted training to personnel in key positions (e.g., supply chain, accounting and sales positions) regarding compliance with U.S. export controls;

(2) **screening of potential customers and suppliers**: we have established a process where we screen and identify the names of potential customers and suppliers against the Consolidated Screening List (published by the U.S. Government), which is a compilation of different U.S. Government restricted party lists, including, among others, the Entity List and Military End User List. If the names of the potential customers and suppliers match any hits on the Consolidated Screening List, we will work with our legal department and/or external counsel to determine and analyze whether to transact with these parties;

(3) **certifications and contractual arrangements**: we require third-party partners and suppliers to provide certifications in respect of U.S. export control laws and set out export control compliance clauses in contracts relevant to the provision of hardware, software or technology;

(4) **adopting the export control compliance manual and recordkeeping procedures**: we have adopted an U.S. export control compliance manual which sets out the internal procedures for the Company to ensure its compliance with the EAR, including procedures for reporting and internal review, training and recordkeeping. The manual is based on BIS' Export Compliance Guidelines and incorporates BIS' recommended eight elements for an effective export compliance program. We will review and update the manual regularly to ensure our compliance with the EAR;

(5) **supply chain due diligence**: we have been undertaking analysis to determine the classification of certain physical items, technology, and software in our possession, including those obtained from suppliers and other third parties. We will continue to work with our legal department and/or external counsel to analyze whether certain of its non-U.S. made items are subject to the EAR; and

(6) **contingency plans**: to mitigate any possible disruption on our business operations in the event third parties are prohibited from dealing with Dahua Technology and/or its subsidiaries, we have formulated contingency plans including alternative supply chain arrangements at similar terms and prices.

LICENSES, APPROVALS AND PERMITS

As of the Latest Practicable Date, as advised by our PRC Legal Advisor, we had obtained all material licenses and permits required for our business operations in the PRC, and such business licenses had remained in full effect. In addition, we have obtained the entry approval from MIIT to become a qualified automobile manufacturer, according to the Announcement of Road Power-Driven Vehicle Manufacturing Enterprises and Products released on April 30, 2021. The following table sets forth details of our other material licenses and permits:

License/Permit	Holder	Issuing Authority	Grant Dates	Expiration Date
Registration of a Consignee or Consignor of Imported or Exported Goods (海關進出口貨物收發貨人備案回執)	Our Company	Qianjiang Custom	April 29, 2016	N/A
China Foreign Trade Operator Registration Form (對外貿易經營者備案登記表)	Leapmotor (Jinhua) New Energy Vehicle Parts Technology Co., Ltd.	Jinhua Custom	September 8, 2021	N/A
Registration of a Consignee or Consignor of Imported or Exported Goods	Leapmotor (Jinhua) New Energy Vehicle Parts Technology Co., Ltd.	Jinhua Custom	October 9, 2021	N/A
China Foreign Trade Operator Registration Form	Leapmotor Automobile Co., Ltd.	Jinhua Custom	April 8, 2021	N/A
Registration of a Consignee or Consignor of Imported or Exported Goods	Leapmotor Automobile Co., Ltd.	Jinhua Custom	September 5, 2017	N/A
Pollutant Discharge Permit (排污許可證)	Leapmotor Automobile Co., Ltd.	Jinhua Municipal Bureau of Ecology and Environment	November 9, 2021	November 8, 2026
Pollutant Discharge Permit (排污許可證)	Jinhua Leapmotor New Energy Vehicle Parts Technology Co., Ltd.	Jinhua Municipal Bureau of Ecology and Environment	August 3, 2022	August 2, 2027

On December 9, 2020, Leapmotor Automobile Co., Ltd. ("**Leapmotor Automobile**"), a wholly-owned subsidiary of the Company, entered into an agreement with an Independent Third Party to acquire 100% equity interest in Fujian Xinfuda Automobile Industry Co., Ltd. ("**Fujian Xinfuda**") to enhance our vehicle manufacturing capabilities and achieve in-house vehicle production. Leapmotor Automobile then relocated the manufacturing base to Jinhua, and obtained the required entry approval from MIIT, in accordance to the Announcement of Road Power-Driven Vehicle Manufacturing Enterprises and Products released on April 30, 2021. In May 2021, we sold 100% equity interest in Fujian Xinfuda to the same seller. The consideration for the acquisition and sale of equity interest of Fujian Xinfuda were based on asset valuation of Fujian Xinfuda conducted by a third-party valuer. As advised by our PRC Legal Advisor, we have legally obtained the vehicle manufacturing qualification in accordance with the relevant PRC laws and regulations with the following bases: (i) the application for the vehicle manufacturing qualification with the MIIT was in accordance with the relevant PRC laws and regulations; and (ii) the MIIT approved our application and granted us the vehicle manufacturing qualification.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may from time to time be subject to various legal or administrative claims proceedings arising from the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention. See "Risk Factors — Risks Relating to Our Business and Industry — We may from time to time be subject to claims, disputes, lawsuits and other legal and administrative proceedings."

During the Track Record Period and up to the Latest Practicable Date, there were no legal proceedings pending or threatened against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisor, we had complied with the applicable laws and regulations in relation to our business operations in all material respects, and we were not involved in any non-compliance incidents which the Directors believe would, individually, or in aggregate, have a material adverse effect on our business as a whole. Our PRC Legal Advisor is of the view that we have obtained all required licenses and approvals for our business operations in all material respects, including EV manufacturing, during the Track Record Period.

RISK MANAGEMENT AND INTERNAL CONTROL

We are dedicated to the establishment and maintenance of a robust risk management and internal control system. We have adopted and continually improve our internal control mechanisms to ensure the compliance of our business operations. Furthermore, we conduct periodic review of the implementation of our risk management policies and internal control measures to ensure their effectiveness and sufficiency. We have been committed to promoting a compliance culture and will adopt policies and procedures on various compliance matters, including the Stock Exchange's requirements on corporate governance and environmental, social and governance matters. Our Board will be collectively responsible for the establishment and operations of mechanisms in relation to corporate governance and environmental, social and governance. Our Directors are involved in the formulation of such mechanisms and the related policies. We have adopted and implemented risk management policies in various aspects of our business operations to address various potential risks in relation to operations, compliance, information security and data privacy, intellectual property, and investment.

Business Operational Risk Management

Business operational risk refers to the risk of direct or indirect financial loss resulting from incomplete or problematic internal processes, personnel mistakes, IT system failures or external events. We have established a series of internal procedures to manage such risk. We take a comprehensive approach with regard to operational risk management and implement a mechanism with detailed and decentralized responsibilities, clear rewards and punishment systems. Our business operations, finance, information technology, and human resources departments are collectively responsible in ensuring that the compliance of our business operations conform with internal procedures. On the occurrence of a major adverse event, the matter will be escalated to our senior management and the Board of Directors may need to take appropriate measures. Through effective business operational risk management, we expect to control operational risks within a reasonable range by identifying, measuring, monitoring and containing operational risks to reduce potential losses.

Information System Risk Management

See "— Cybersecurity, Data Privacy and Personal Information."

Intellectual Property Risk Management

See "— Intellectual Property."

Anti-corruption Risk Management

Anti-corruption risk refers to the risk of use of cheating, bribery or other illegal measures for (i) the pursuit of improper personal benefits at the expense of our Group's economic interests and (ii) the pursuit of improper interests of the Group. We have established our anti-corruption risk management policies prohibiting any corruption activities by the employees, either for the pursuit of improper personal benefits or

improper interests of the Company. Our internal control department is directly responsible for the anti-corruption risk management with an anti-corruption committee established under it, comprising of designated personnel from our human resources, internal control and legal departments. We have maintained a whistle-blower mechanism encouraging the internal report of suspicious activities. We have zero-tolerance of corruption and do not accept employment or promotion of persons responsible for corruption incidents. We conduct routine internal training and require all suppliers to execute anti-corruption commitments before engagement.

Audit Committee Experience and Qualification and Board Oversight

To monitor the ongoing implementation of our risk management policies, we have established an Audit Committee to review and supervise our financial reporting process and internal control system on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The Audit Committee comprises three members, namely Wenli Huang, Yuwu Fu and Yufeng Jin. Wenli Huang is the Chairperson of the Audit Committee and an independent non-executive Director. Please refer to the section headed "Directors and Senior Management — Directors" in this prospectus.

Our internal control department is responsible for reviewing the effectiveness of internal controls and reporting issues identified and improving our internal control system and procedures by identifying internal control failures and weaknesses on an ongoing basis. The internal audit department reports any major issues identified to the Audit Committee and Board of Directors on a timely basis.

AWARDS AND RECOGNITIONS

During the Track Record Period and up to the Latest Practicable Date, we received awards and recognition in respect of our products, technology and innovation, significant ones of which are set forth below:

Year	Award/Recognition	Awarding Institution/Authority
2021	China Top Ten Vehicle Body Best Structure Award	China Auto Safety & Bodywork Conference
2021	First Place at Real Time 2D Detection Challenge — 2021 Waymo Open Dataset Challenges	Waymo
2021	"Heart of China" Award — Top Ten New Energy Vehicle Electric Drive System	Auto Motor & Sport

Year	Award/Recognition	Awarding Institution/Authority
2021	Zhejiang Province Key Research and Development Program — High-Performance Integrated Oil-Cooling Electric Drive System Development and Application Project (高性能油冷電驅總成開發及應用項目)	Science Technology Department of Zhejiang Province
2020	Innovative Product of the Year	NetEase & ECI Awards
2019	Intelligent Automotive Sensor and Vision Recognition System Project (智能汽車傳感器與視覺識別系統項目)	National Development and Reform Commission & Ministry of Industry and Information Technology
2019	Zhejiang Province Key Research and Development Program — Automotive High Precision Sensors Development and Application Project (車載高精度傳感器件研發及應用項目)	Science Technology Department of Zhejiang Province & Zhejiang Provincial Department of Finance
2018	New Energy Vehicle Project of the National Key Research and Development Scheme — Integration and Demonstration Project for Autonomous Driving of Electric Vehicles (自動駕駛電動汽車集成與示範項目)	PRC Ministry of Science and Technology

Upon Listing, certain transactions between us and our connected persons, which are entered into in our ordinary course of business, will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

We have entered into certain transactions with the following connected persons, which will constitute our continuing connected transactions upon Listing:

Name of our connected persons	Connected relationship
Dahua Technology	Dahua Technology is held as to 34.19% by Mr. Fu, 5.36% by Mr. Zhu and 2.38% by Ms. Chen as of the Latest Practicable Date, therefore a connected person of our Company.
Zhejiang Dahua Vision Technology Co., Ltd. (浙江大華科技有限公司) ("**Dahua Vision**")	Dahua Vision is a wholly-owned subsidiary of Dahua Technology as of the Latest Practicable Date and therefore a connected person of our Company.
Zhejiang Dahua Zhilian Co., Ltd. (浙江大華智聯有限公司) ("**Dahua Zhilian**")	Dahua Zhilian is held as to 90.09% by Dahua Technology as of the Latest Practicable Date and therefore a connected person of our Company.
Huaruijie Technology	Huaruijie Technology is held as to 51% by Dahua Technology as of the Latest Practicable Date and therefore a connected person of our Company.
Hangzhou Xintu	Hangzhou Xintu is held as to 70% by Mr. Zhu and 30% by Ms. Liu as of the Latest Practicable Date and therefore a connected person of our Company.

OUR CONNECTED TRANSACTIONS

	Nature of transaction	Counterparty	Applicable Listing Rules	Waiver sought
One-off connected transaction				
1	Property leasing	(i) Dahua Zhilian; (ii) Hangzhou Xintu; and (iii) Dahua Technology	N/A	N/A
Non-exempt continuing connected transactions				
2	Provision of procurement assembly services	Dahua Vision	14A.35, 14A.76(2), 14A.105	Announcement requirement
3	Provision of components and systems	Huaruijie Technology	14A.35, 14A.36, 14A.46, 14A.105	Announcement, circular and independent Shareholders' approval requirements

ONE-OFF CONNECTED TRANSACTION

1. Property Leasing

During the Track Record Period, the Company entered into (i) a tenancy agreement with Dahua Zhilian on January 1, 2021, pursuant to which the Company leased certain property from Dahua Zhilian for a fixed period from January 1, 2021 to December 31, 2022 to be used as testing sites of the Group ("**Dahua Zhilian Tenancy Agreement**"); (ii) tenancy agreements with Hangzhou Xintu during the course of 2021, pursuant to which our Group leased certain properties from Hangzhou Xintu for a maximum fixed term of three years from the date of such tenancy agreement as office and storage spaces to cater our expanding demand, including our current head office (the "**Hangzhou Xintu Tenancy**"); and (iii) a tenancy agreement with Dahua Technology on February 10, 2022 pursuant to which the Company leased certain property from Dahua Technology for a fixed period from January 1, 2022 to December 31, 2022 as laboratory of the Group ("**Dahua Technology Tenancy Agreement**"). The Dahua Zhilian Tenancy Agreement, the Hangzhou Xintu Tenancy Agreement and the Dahua Technology Tenancy Agreement are collectively referred as the "**Property Lease Agreements**" and may be renewed on terms as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and other applicable laws and regulations.

The rent for each of the Property Lease Agreements was determined by the parties at arm's length negotiations with reference to prevailing market rate and the location, quality and size of the properties.

The Property Lease Agreements were entered into in our ordinary and usual course of business and after arm's length negotiation, and were on normal commercial terms or better.

The value of the right of use assets from leasing which includes the present value of the lease payments recognized by our Company with respect to the Dahua Zhilian Tenancy Agreement according to IFRS 16 as at December 31, 2021 and March 31, 2022 amounted to approximately RMB971,000 and RMB94,000, respectively.

The value of the right of use assets from leasing which includes the present value of the lease payments recognized by our Company with respect to the Hangzhou Xintu Tenancy Agreements according to IFRS 16 as at December 31, 2021 and March 31, 2022 amounted to approximately RMB9,684,000 and RMB4,220,000, respectively.

In accordance with IFRS 16 "Leases", our Group recognized a right-of-use asset on its balance sheet in connection with the lease of the properties from (i) Dahua Zhilian; (ii) Hangzhou Xintu; and (iii) Dahua Technology. Therefore, the lease of the premises from Dahua Zhilian, Hangzhou Xintu and Dahua Technology under the Property Lease Agreements were regarded as acquisitions of a capital asset and an one-off connected transaction of the Company for the purposes of the Listing Rules. The Property Lease Agreements have been duly executed and in force, and the Group has recognized a right-of-use asset under the Property Lease Agreements on its balance sheet. Accordingly, the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules will not be applicable.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION (SUBJECT TO REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS)

We have entered into the following transaction which, as our Directors currently expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2) of the Listing Rules, this transaction will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but will be exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

2. Provision of assembly services procurement

Parties: Dahua Vision, Dahua Zhilian and our Company

Principal terms

We have entered into the procurement of assembly services framework agreement with (i) Dahua Vision, a subsidiary of Dahua Technology and (ii) Dahua Zhilian, a subsidiary of the Dahua Technology, on September 14, 2022 (the "**Services Procurement Framework Agreement**"), pursuant to which our Group may, from time to time, outsource to Dahua Vision and Dahua Zhilian the assembly process of various items used in the EVs manufactured by the Group, including the printed circuit boards ("**PCB**"). As part of the assembly services, the Group will source the components and raw materials, and Dahua Vision and Dahua Zhilian will coordinate the components and assemble the components using automated and manual soldering processes.

The initial term of the Services Procurement Framework Agreement shall commence on the Listing Date until December 31, 2024, subject to renewal by mutual consent.

The terms are to be no less favorable to our Group than those for transactions between our Group and Independent Third Parties under the same conditions.

Reason for the transactions

The Company considers that the costs of maintaining an assembly line for certain raw materials (such as PCB) are significant and it would be more efficient to outsource such assembly line to a manufacturer who has the capability, economies of scale and experience to assemble such materials tailored to the needs of the Group. Dahua Vision and Dahua Zhilian have the relevant assembly line and relevant plants with the economies of scale to provide such assembly services at a lower cost. In addition, the plants of Dahua Vision and Dahua Zhilian are located near Hangzhou, Zhejiang province, the PRC, such proximity with the Company's own production line of EVs provide significant advantage in reducing shipping costs and avoiding any delay caused by logistics issues.

Pricing basis

The pricing of the procurement of the assembly services from Dahua Vision and Dahua Zhilian shall be (i) in form of a fixed unit price, (ii) determined on an arm's length basis by the parties, (iii) subject to the Group's standard vendor selection process by comparing the quotations from various suppliers, and (iv) with reference to the order size and specification of the assembly services required by the Group. The Group will set out its requirements for the assembly services together with its assessment basis in the vender selection invitation. The Group will then conduct an overall assessment of the technical capability and the terms (including the prices and the sizes of such orders) offered by the potential suppliers and the purchasing order will be given to the supplier with the highest overall ranking. Based on the quotations provided by various suppliers in the vendor selection process and taking into account other factors such as unit price, scope of services and delivery arrangement, we will be able to ensure that the price paid to Dahua Vision and Dahua Zhilian by our Group represents the prevailing market price and on normal commercial terms.

Historical amounts

	Historical amounts			
	For the Year Ended December 31,			For the Three Months Ended March 31,
	2019	2020	2021	2022
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Purchase amount by our Group	6,355	6,380	23,591	12,123

Annual caps and basis of caps

The maximum aggregate annual procurement amounts in respect of the Services Procurement Framework Agreement for the three years ending December 31, 2022, 2023 and 2024 shall not exceed the proposed annual caps set out below:

	Proposed annual caps for the year ending December 31,		
	2022	2023	2024
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Purchase amount by our Group	73,000	88,000	106,000

The above proposed annual caps are determined with reference to the following considerations:

(a) the historical transaction amounts during the Track Record Period, with reference to the number of EVs sold and the relevant cost per EV;

(b) the expected increase in our demand for the assembly services of based on (i) the historical growth trend of the Group's use of assembly services from Dahua Vision and Dahua Zhilian; (ii) the historical growth trend in the number of EVs sold during the Track Record Period as we expand our business; and (iii) the Group expects the sales of our C platform EVs will account for a significant portion in its annual sales for 2022 and in subsequent years as we continue to expand our product offering;

(c) the expected growth in the Group's sales and the expansion into different model types of vehicles such as sedans, SUVs and MPVs in the three years ending December 31, 2024 where different models may involve different levels of demand for such assembly services. For example, the costs of assembly services for our C platforms EVs are higher than the previous models as our C platforms EVs have more complicated design and more advanced technology, as such each C platform EV has more circuit boards and other components that require assembly services; and

(d) the Company's strategy to (i) streamline its supplier base and (ii) onboard and engage other third party suppliers to ensure smooth and stable supply of goods and services in order to respond to emergency measures for COVID-19 pandemic containment and the expected growth of the Group's sales.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION (SUBJECT TO REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS)

We have entered into the following transaction which, as our Directors currently expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 5% on an annual basis. Under Rule 14A.03 of the Listing Rules, this transaction will be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. Provision of components and systems

Parties: Huaruijie Technology and our Company

Principal terms

We have entered into the procurement of automotive components and systems supply framework agreement with Huaruijie Technology on September 14, 2022 (the "**Components and Systems Supply Framework Agreement**"), pursuant to which our Group may, from time to time, procure from Huaruijie Technology certain types of sensors and systems used in electric vehicles, including radar sensors with different ranges, for example autonomous parking radars, collison mitigation radars, reversing radars, blind spot detection radars and sensors; and cameras for various functions, including blind spot cameras, front view cameras, rearview cameras, and the related systems for their uses.

The initial term of the Components and Systems Supply Framework Agreement shall commence on the Listing Date until December 31, 2024, subject to renewal by mutual consent.

The terms are to be no less favorable to our Group than those for transactions between our Group and Independent Third Parties under the same conditions.

Reason for the transactions

Our EVs contain certain components and systems to enhance the safety features and marketability of our vehicles, including radars and cameras. Therefore, our Group regularly purchases such automotive components and systems in our ordinary course of business.

Our Group will continue to purchase such components and systems from suppliers that can offer the most favorable technical specification and prices based on our vendor selection process in order to control the quality and the costs of electric vehicles produced by the Group.

Huaruijie Technology is established in 2020 and specializes in the development and manufacturing of equipment and ancillary systems used in vehicles such as radars and cameras.

Given (i) Huaruijie Technology's ability to provide such sensors and systems per the specification required by the Group based on its R&D capability in such components and systems; (ii) Huaruijie Technology's dedicated R&D team which has better understanding of the Group's procurement demand; and (iii) the proximity of Huaruijie Technology's production line (leading to lower costs and risks as well as higher procurement certainty with respect to logistics), our Group has been purchasing such system components and its related parts from Huaruijie Technology.

Pricing basis

The consideration for the procurement of automotive components and systems from Huaruijie Technology under the Components and Systems Supply Framework Agreement shall be (i) in form of a fixed unit price, (ii) determined on an arm's length basis by the parties, (iii) subject to the Group's standard vendor selection process by comparing the quotations from various suppliers and (iv) with reference to the prevailing market price of similar supply of systems and components. The Group will set out its requirements for such systems and components including the specification requirements together with its assessment basis in the vender selection invitation. The Group will then conduct an overall assessment of the technical capability and the terms (including the prices) offered by the potential suppliers and the purchasing order will be given to the supplier with the highest overall ranking. Based on the quotations provided by various suppliers in the vendor selection process and taking into account other factors such as unit price, types of products and delivery arrangement, we will be able to ensure

that the price paid to Huaruijie Technology by our Group represents the prevailing market price and on normal commercial terms.

	Historical amounts			
	For the Year Ended December 31,			For the Three Months Ended March 31,
	2019	2020	2021	2022
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Purchase amount by our Group	N/A	5,746	64,895	52,251

Annual caps and basis of caps

The maximum aggregate annual purchase amounts in respect of the Components and Systems Supply Framework Agreement for the three years ending December 31, 2022, 2023 and 2024 shall not exceed the caps set out below:

	Proposed annual caps for the year ending December 31,		
	2022	2023	2024
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Purchase amount by our Group	450,000	540,000	648,000

The above proposed annual caps are determined with reference to the following considerations:

(a) the historical transaction amounts during the Track Record Period, with reference to the number of EVs sold and the relevant cost per EV;

(b) the expected growth of the Group's sales and increase in our demand for the relevant components as we expand our business based on the development and introduction of new models of smart EVs, such as the introduction of C11 in October 2021, the launch of C01 in May 2022 and the future expansion into different model types such as sedans, SUVs and MPVs, where different models may involve different levels of demand for such components and therefore such costs may also differ for different types of EVs. For example, the costs of components and systems for our C platforms EVs are higher than the previous models as our C platforms EVs have more complicated design and more advanced technology, as such each C platform EV requires more sensors and related systems;

(c) the expected increase in our demand for the components and systems based on (i) the historical growth trend of the Group's use of Huaruijie Technology's supply of such components; (ii) the growth in number of EVs sold during the Track Record Period, given all EVs produced by our Group contains related component and systems; and (iii) the Group expects the sales of our C platforms EVs will account for a significant portion in its annual sales for 2022 and in subsequent years as we continue to expand our product offering;

(d) the expected increment in the average market price of the components in the three years ending December 31, 2024; and

(e) the Company's strategy to (i) streamline its supplier base and (ii) onboard and engage other third party suppliers to ensure smooth and stable supply of goods and services in order to respond to emergency measures for COVID-19 pandemic containment and the expected growth of the Group's sales.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Under Rule 14A.76(2) of the Listing Rules, the transaction under the subsection headed "— Non-exempt continuing connected transactions (subject to reporting, annual review and announcement requirements)" and the transaction under the subsection headed "— Non-exempt continuing connected transactions (subject to reporting, annual review, announcement and independent Shareholders' approval requirements)" will constitute our continuing connected transactions subject to those requirements under Chapter 14A of the Listing Rules upon the Listing.

As those non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis and have been fully disclosed in this prospectus, our Directors consider that compliance with the announcement and the independent Shareholders' approval requirements (as the case may be) would be impractical, and such requirements would lead to unnecessary administrative costs and would be unduly burdensome to us.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, waivers exempting us from strict compliance with (i) the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transaction as disclosed in "— Non-exempt Continuing Connected Transactions (subject to reporting, annual review and announcement requirements)" in this section; and (ii) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transaction as disclosed in "— Non-exempt Continuing Connected Transactions (subject to reporting, annual review, announcement and independent Shareholders' approval requirements)" in this section, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above).

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this prospectus, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transactions as set out above are in our ordinary and usual course of business and on normal commercial terms, and are fair and reasonable and in the interest of our Company and Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that the non-exempt continuing connected transactions as set out above are in the ordinary and usual course of business of our Company and on normal commercial terms, and are fair and reasonable in the interests of our Company and Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and Shareholders as a whole.

INTERNAL CONTROL MEASURES TO SAFEGUARD SHAREHOLDERS' INTERESTS

In order to further safeguard the interests of the Shareholders as a whole (including the minority Shareholders), our Group has implemented the following internal control measures in relation to the continuing connected transactions:

- Our Group has approved internal guidelines which provide that if the value of any proposed connected transaction is expected to exceed certain thresholds, the relevant staff must report the proposed transactions to the head of the relevant business unit in order for our Company to commence the necessary additional assessment and approval procedures and ensure that we will comply with the applicable requirements under Chapter 14A of the Listing Rules; and

- Our Company will provide information and supporting documents to the independent non-executive Directors and the auditors in order for them to conduct an annual review of the continuing connected transactions entered into by our Company. In accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board, are not in accordance with the pricing policies of our Group in all material respects, are not entered into in accordance with the relevant agreements governing the transactions in all material respects or have exceeded the cap.

- When considering any renewal or revisions to the agreements after Listing, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at board meetings or shareholders' general meetings (as the case may be). If the independent Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the framework agreement(s) to the extent that they constitute non-exempt continuing connected transactions under rule 14A.35 of the Listing Rules.

BOARD OF DIRECTORS

Our Board of Directors comprises 7 Directors, including 3 executive Directors, 1 non-executive Director and 3 independent non-executive Directors. Our Directors serve a term of three years and may be re-elected for successive reappointments.

The following table sets out information in respect of the Directors.

Name	Age	Position/Title	Date of Appointment as Director	Date of Joining our Group	Role and Responsibility
Executive Directors					
Mr. Zhu Jiangming (朱江明先生)	55	Founder, chairperson of the Board, executive Director and chief executive officer	December 2015	December 2015	Responsible for overall business strategies and operations of our Group, and serving as the chairperson of the Nomination Committee and a member of the Remuneration Committee
Mr. Wu Baojun (吳保軍先生)	51	Executive Director and president	April 2021	May 2020	Responsible for business development, marketing, manufacturing and supply chain of our Group
Mr. Cao Li (曹力先生)	38	Executive Director and senior vice president	December 2021	February 2016	Responsible for automotive related R&D, and battery related R&D and manufacturing of our Group
Non-executive Director					
Mr. Jin Yufeng (金宇峰先生)	45	Non-executive Director	December 2021	December 2021	Performing duties as a Director in accordance with the Articles and relevant laws and regulations, as well as serving as a member of the Audit Committee

Name	Age	Position/Title	Date of Appointment as Director	Date of Joining our Group	Role and Responsibility
Independent Non-executive Directors					
Mr. Fu Yuwu (付于武先生)	77	Independent non-executive Director	December 2021	December 2021	Performing duties as an independent non-executive Director in accordance with the Articles, and serving as a member of the Nomination Committee and the Audit Committee
Dr. Huang Wenli (黃文禮博士)	40	Independent non-executive Director	December 2021	December 2021	Performing duties as an independent non-executive Director in accordance with the Articles, and serving as the chairperson of the Audit Committee, and a member of the Nomination Committee and the Remuneration Committee
Ms. Drina C Yue (萬家樂女士)	64	Independent non-executive Director	December 2021	December 2021	Performing duties as an independent non-executive Director in accordance with the Articles, and serving as the chairperson of the Remuneration Committee

Executive Directors

Mr. Zhu Jiangming (朱江明先生), aged 55, is our founder, chairperson of the Board, executive Director and chief executive officer. Mr. Zhu founded our Company in 2015. He is responsible for overall business strategies and operations of our Group. Mr. Zhu also currently serves as a director at other subsidiaries within our Group.

Mr. Zhu is a world-class engineer and visionary entrepreneur with nearly 30 years of experience in electronics and AI technologies. Prior to founding our Company, Mr. Zhu co-established Dahua Technology in 1993, where he was mainly responsible for product R&D, production and supply chain management. From 2008 to 2010, Mr. Zhu joined and worked at Motorola Hangzhou Co., Ltd. (摩托羅拉杭州公司). Mr. Zhu returned to Dahua Technology (a company listed on the Shenzhen Stock Exchange, stock code: 002236) in 2010 and served as its director until December 2021.

Mr. Zhu led his team to invent the patented technology of HDCVI video transmission, which became an international standard in 2014 with extensive application in international video transmission. Mr. Zhu was awarded the Second Prize of Zhejiang Science and Technology Award (浙江省科學技術獎二等獎) and the First Prize of Zhejiang Science and Technology Progress Award (浙江省科學技術進步獎一等獎) by the People's Government of Zhejiang Province in 2011 and 2015, respectively.

Mr. Zhu received a bachelor's degree in electronic engineering from Zhejiang University (浙江大學) in the PRC in July 1990.

Mr. Wu Baojun (吳保軍先生), aged 51, is our executive Director and president. He is responsible for business development, marketing, manufacturing and supply chain of our Group. Mr. Wu joined our Group in May 2020, and currently serves as a director at other subsidiaries within our Group.

Mr. Wu has nearly 30 years of automotive industry experience in management and marketing. Prior to joining our Group, Mr. Wu worked at Urtrust Insurance Co,. Ltd. (眾誠汽車保險股份有限公司) from 2013 to 2020 and his last position with Urtrust was the president and chairperson of the board, and the person in charge of marketing for Guangzhou Toyota Motor Co., Ltd. (廣汽豐田汽車有限公司) from 2005 to 2012. From 1993 to 2004, Mr. Wu worked at Guangzhou Honda Automobile Co., Ltd. (廣州本田汽車有限公司) and Guangzhou Peugeot Automobile Co., Ltd. (廣州標緻汽車公司). Since July 2022, Mr. Wu has served as an independent director of Zheshang Property Insurance Co., Ltd. (浙商財產保險股份有限公司).

Mr. Wu was awarded the Guangzhou Senior Financial Talent of the Year of 2016 (2016年度廣州市金融高級管理人才) and the Guangzhou Senior Financial Talent of the Year of 2017 (2017年度廣州市金融高級管理人才) by the Guangzhou Senior Financial Talent Evaluation Leading Team Office (廣州市高層次金融人才評定工作領導小組辦公室) in December 2016 and December 2017, respectively.

In July 1993, April 2005 and December 2014, Mr. Wu received a bachelor's degree in automobile tractoring from the School of Agricultural Mechanical Engineering of Jilin University of Technology (吉林工業大學農機工程學院) in the PRC, a master's degree in business administration from the University of Western Sydney in Australia, and a master's degree in economics from Jinan University (暨南大學) in the PRC, respectively.

Mr. Cao Li (曹力先生), aged 38, is our executive Director and senior vice president. He is responsible for automotive related R&D, and battery related R&D and manufacturing of our Group. Mr. Cao joined our Group in February 2016.

Mr. Cao has more than 10 years of experience in product design. Prior to joining our Group, Mr. Cao served as a senior industrial engineer of Dahua Technology from 2013 to 2016, and the director of design of Liubai Industry and Trade (Shanghai) Co., Ltd. (留白工貿(上海)有限公司) from 2011 to 2013. Before that, Mr. Cao was a design manager of Qianfang Industrial Product Design (Shanghai) Co., Ltd. (千方工業產品設計(上海)有限公司) from 2009 to 2011.

Mr. Cao received a number of design awards, including the Red Dot Award: Product Design awarded by Design Zentrum Nordrhein Westfalen in 2014 and the iF Product Design Award awarded by iF Industrie Forum Design in 2014.

Mr. Cao received a bachelor's degree in industrial design from Zhejiang Polytechnic University (浙江理工大學) in the PRC in June 2007.

Non-executive Director

Mr. Jin Yufeng (金宇峰先生), aged 45, is our non-executive Director. Mr. Jin joined our Group in December 2021.

Mr. Jin has more than 20 years of experience in private equity investment and financial services. Since 2015, Mr. Jin has served as the general manager, chairperson of the board of directors and general manager of Hangzhou Heda Financial Services Co., Ltd. (杭州和達金融服務有限公司). Prior to that, Mr. Jin served a number of positions in various companies, including as the general manager of Hangzhou Wanguo Investment Management Co., Ltd. (杭州萬國投資管理有限公司).

In July 1999, Mr. Jin received a bachelor's degree in economics majoring in land management from the Business School of Renmin University of China (中國人民大學工商管理學院). Since 2020, Mr. Jin has been a social instructor for graduate students at Zhejiang University of Finance and Economics (浙江財經大學) in the PRC.

Independent Non-executive Directors

Mr. Fu Yuwu (付于武先生), aged 77, is our independent non-executive Director. Mr. Fu joined our Group in December 2021.

Mr. Fu has nearly 40 years of automotive industry experience in engineering and management. Mr. Fu has served as the honorary chairperson of China Automotive Talents Society (中國汽車人才研究會) since 2018 and the president of Beijing China Automobile Culture Foundation (北京華汽汽車文化基金會) since 2014. In 1999, Mr. Fu joined the China Society of Automotive Engineers (中國汽車工程學會), where he successively served as the executive vice chairperson, secretary general and chairperson. Mr. Fu is currently the honorary chairperson of the China Society of Automotive Engineers (中國汽車工程學會). From 1970 to 1999, Mr. Fu successively served as the deputy factory director and chief engineer of Harbin Automobile Gearbox Factory of the First Automobile Manufacturing Factory of China (中國一汽哈爾濱變速箱廠) and the deputy general manager and general manager of Harbin Automotive Industry Corporation (哈爾濱汽車工業總公司).

At present, Mr. Fu serves as an independent director for the following companies listed on the Shanghai Stock Exchange, namely Chongqing Sokon Industry Group Stock Co., Ltd. (重慶小康工業集團股份有限公司) (stock code: 601127.SH) since September 2016, Hunan Corun New Energy Co., Ltd. (湖南科力遠新能源股份有限公司) (stock code: 600478.SH) since August 2017 and Hanma Technology Group Co., Ltd. (漢馬科技集團股份有限公司) (stock code: 600375.SH) since October 2020.

In the last three years immediately preceding the date of this prospectus, Mr. Fu served as a director of the following companies listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, including an independent non-executive director of Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司) (stock code: 601238.SH; 02238.HK) from December 2013 to May 2020 and an independent director of Changchun Yidong Clutch Co., Ltd. (長春一東離合器股份有限公司) (stock code: 600148.SH) from January 2018 to July 2020.

In December 2017, Mr. Fu was awarded the Lifetime Achievement Award (終身成就獎) by the China Society of Automotive Engineers (中國汽車工程學會).

Mr. Fu received a bachelor's degree in mechanics from Beijing Institute of Mechanical Engineering (北京機械學院) in the PRC in July 1970. Mr. Fu obtained the qualification of a senior engineer (高級工程師) from the Jilin Provincial Department of Personnel (吉林省人事廳) in December 1989.

Dr. Huang Wenli (黃文禮博士), aged 40, is our independent non-executive Director. Dr. Huang joined our Group in December 2021.

Dr. Huang has joined Zhejiang University of Finance and Economics (浙江財經大學) since 2016. He is currently serving as a vice president of the China Institute of Finance of Zhejiang University of Finance and Economics (浙江財經大學中國金融研究院) and has since then been engaging in the teaching and research of finance. In 2017, Dr. Huang was regarded as a senior professional by Zhejiang University of Finance and Economics (浙江財經大學). From 2013 to 2015, Dr. Huang was a visiting scholar in financial economics at Columbia University in the City of New York.

Since July 2016, Dr. Huang has been an independent director, a member of the audit committee and the chairperson of the remuneration committee of Zhejiang Jinghua Laser Technology Co., Ltd. (浙江京華激光科技股份有限公司) (stock code: 603607.SH, a company listed on the Shanghai Stock Exchange). Dr. Huang has also been an independent director of Zhejiang Lin'an Rural Commercial Bank Company Limited (浙江臨安農村商業銀行股份有限公司) since December 2017.

In the last three years immediately preceding the date of this prospectus, Dr. Huang served as a director of the following companies listed in the PRC and Hong Kong, namely an independent director of Zhejiang Tailin Bioengineering Co., Ltd. (浙江泰林生物技術股份有限公司) (stock code: 300813.SZ) from May 2018 to May 2021, an independent director of Beijing Newings Tech. Co., Ltd. (新翔維創科技股份有限公司) (stock code: 833554.OC) from June 2018 to June 2020, and an independent non-executive director, a member of the audit committee and the chairperson of the remuneration committee of Morris Home Holdings Limited (慕容家居控股有限公司) (stock code: 01575.HK) from December 2016 to May 2019.

Dr. Huang received a post-doctoral degree in management science and engineering from the University of Science and Technology of China (中國科學技術大學) in April 2016, a doctoral degree in mathematics from Zhejiang University (浙江大學) in the PRC in June 2011, a master's degree in basic mathematics from Ningbo University (寧波大學) in the PRC in June 2008, and a bachelor's degree in mathematics and applied mathematics from Ningbo University (寧波大學) in the PRC in June 2005.

Ms. Drina C Yue (萬家樂女士), aged 64, is our independent non-executive Director. Ms. Yue joined our Group in December 2021.

Ms. Yue has more than 30 years of experience in the telecommunications and payment industry and has served a number of senior executive positions for different global conglomerates. Prior to joining our Group, she served as a senior advisor of the Asia region for the Global System for Mobile Communications (GSMA) from 2015 to 2016. From 2011 to 2014 Ms. Yue served on the Brambles Asian Advisory Board for Brambles Limited (stock code: BXB.ASX, a company listed on the Australian Securities Exchange). Ms. Yue served as the senior vice president and managing director of Western Union, Asia Pacific from 2010 to 2014. Ms. Yue served as the head of Asia Pacific Broadband Communications and Home & Network Mobility of Motorola Asia Pacific Limited from 2004 to 2010, during which she oversaw and developed the broadband communications business for Motorola in Asia. From March 2000 to February 2004, Ms. Yue worked for iSteelAsia.com Limited (later known as North Asia Strategic Holdings Ltd.). From 1999 to 2000, Ms. Yue served as the chief of staff to the president of Motorola's wireless infrastructure business in the PRC.

Ms. Yue served on a number of government advisory committees in Hong Kong. She served on the Unsolicited Electronic Messages (Enforcement Notices) Appeal Board from 2010 to 2016, the Personalized Vehicle Registration Marks Vetting Committee from 2008 to 2014, the Solicitors Disciplinary Tribunal Panel from 2005 to 2011, the Appeal Board on Closure Orders (Immediate Health Hazard) from 2002 to 2008, and the Information Infrastructure Advisory Committee from 2000 to 2004.

Ms. Yue has been an independent non-executive director and a member of the audit committee and remuneration committee of Taiwan Mobile (stock code: 3045.TPE, a company listed on the Taiwan Stock Exchange) since June 2020 and a board member of Christian Action Asia (a non-profit organisation based in the United States) since October 2016. Ms. Yue served as an independent non-executive director and a member of the audit committee and compensation committee for Gemalto N.V. (an international digital security company based in the Netherlands and listed on Euronext Paris, the Paris Stock Exchange (stock code: NL0000400653)) from June 2012 to May 2016.

Ms. Yue received the Distinguished Alumni Award from Computer Science Department of University of Illinois in 2017, and the Distinguished Service Award from College of Engineering of University of Illinois in 2021.

Ms. Yue received a master's degree in computer science and a bachelor's degree in electronic engineering from University of Illinois at Urbana-Champaign of the United States in August 1984 and June 1980, respectively.

SUPERVISORY COMMITTEE

Our Supervisory Committee comprises three members. Our Supervisors serve a term of three years and may be re-elected for successive reappointments. The functions and duties of the Supervisory Committee include reviewing financial reports, business reports and profit distribution plans prepared by the Board and overseeing the financial and business performance of our Group. They are also entitled to appoint certified public accountants and practicing auditors to re-examine our Company's financial information where necessary.

The following table sets out information in respect of the Supervisors.

Name	Age	Position/Title	Date of Appointment as Supervisor	Date of Joining our Group	Role and Responsibility
Mr. Wu Yefeng (吳燁鋒先生)	38	Chairperson of the supervisory committee and shareholders' representative Supervisor	December 2017	December 2017	Performing duties as a Supervisor in accordance with the Articles as well as relevant laws and regulations
Mr. Mo Chengrui (莫承銳先生)	50	Supervisor	April 2021	February 2016	Performing duties as a Supervisor in accordance with the Articles as well as relevant laws and regulations
Ms. Yao Tianzhi (姚甜芝女士)	28	Employees' representative Supervisor	April 2021	June 2016	Performing duties as a Supervisor in accordance with the Articles as well as relevant laws and regulations

Supervisors

Mr. Wu Yefeng (吳燁鋒先生), aged 38, is the chairperson of our supervisory committee and a shareholders' representative Supervisor. Mr. Wu joined our Group in December 2017.

Mr. Wu founded Hangzhou Mili Venture Capital Co., Ltd. (杭州米立創業投資有限公司) in 2021 and has since then served as the chairperson of board of directors. From 2014 to 2020, Mr. Wu served as the general manager of Zheshang Wanjia (Beijing) Venture Investment Management Co., Ltd. (浙商萬嘉(北京)創業投資管理有限公司). Before that, Mr. Wu worked at a number of companies, including Zhejiang Wanyu Investment Management Co., Ltd. (浙江萬裕投資管理有限公司), Hangzhou Wanjia Cultural Development Co., Ltd. (杭州萬迦文化發展有限公司) and Zhejiang Mihuang Apparel Co., Ltd. (浙江米皇服飾股份有限公司).

Mr. Wu received a master's degree in professional accounting from the University of New South Wales in Australia and a bachelor's degree with honors in business and management from Oxford Brookes University in the United Kingdom in August 2009 and June 2006, respectively.

Mr. Mo Chengrui (莫承銳先生), aged 50, is our Supervisor. Mr. Mo joined our Group in February 2016.

Prior to joining our Group, Mr. Mo served a number of positions at Chang'an Automobile Shanghai Research Institute (長安汽車上海研究院), including the director of the general arrangement office, vehicle project design chief and vehicle project director, from 2005 to 2016. From 2001 to 2005, Mr. Mo served as the director and head of product development for Jiangyin Xietong Automobile Accessories Co., Ltd. (江陰協統汽車附件有限公司). Before that, Mr. Mo worked at Jiangsu Alfa Bus Co., Ltd. (江蘇常隆客車有限公司) and Yto (Jiangsu) Group Corporation (中國一拖(江蘇)集團公司).

Mr. Mo received a bachelor's degree in automotive engineering from Hubei Institute of Automotive Industry (湖北汽車工業學院) in the PRC in July 1997. Mr. Mo was qualified as an intermediate engineer by the Shanghai Light Industry Professional Engineering Series Intermediate Professional Technical Position Qualification Review Committee (上海輕工專業工程系列中級專業技術職務任職資格評審委員會) in December 2013.

Ms. Yao Tianzhi (姚甜芝女士), aged 28, is our employees' representative Supervisor. Ms. Yao joined our Group and served as the secretary to a number of Directors of the Company in June 2016. She is also a supervisor of other subsidiaries within our Group.

Ms. Yao received a bachelor's degree in logistics management from the Hangzhou Business School of Zhejiang Gongshang University (浙江工商大學杭州商學院) in the PRC in June 2016.

SENIOR MANAGEMENT

The following table sets out information regarding the members of senior management of our Company.

Name	Age	Position/Title	Date of appointment as current position	Date of Joining our Group	Role and Responsibility
Mr. Zhu Jiangming (朱江明先生)	55	Founder, chairperson of the Board, executive Director and chief executive officer	March 2021	December 2015	Responsible for overall business strategies and operations of our Group, and serving as the chairperson of the Nomination Committee and a member of the Remuneration Committee
Mr. Wu Baojun (吳保軍先生)	51	Executive Director and president	May 2020	May 2020	Responsible for business development, marketing, manufacturing and supply chain of our Group
Mr. Cao Li (曹力先生)	38	Executive Director and senior vice president	April 2021	February 2016	Responsible for automotive related R&D, and battery related R&D and manufacturing of our Group
Ms. Jing Hua (敬華女士)	53	Senior vice president and secretary to the Board	April 2021	February 2016	Responsible for the office of the Board, operation and process management, IT management, legal affairs and administration functions of our Group
Mr. Cho Kwong Lun Kelvin (曹廣麟先生)	44	Vice chairman and chief financial officer	October 2021	October 2021	Responsible for global business strategy and operations, corporate development and capital markets function of our Group
Mr. Zhou Hongtao (周洪濤先生)	43	Senior vice president	April 2021	February 2016	Responsible for R&D and manufacturing of autonomous driving and automotive electronics of our Group
Mr. Wu Cun (巫存先生)	42	Vice president	April 2021	February 2016	Responsible for R&D and manufacturing of electric drives of our Group
Mr. Shu Chuncheng (舒春成先生)	38	Vice president	April 2021	May 2016	Responsible for supply chain management of our Group
Mr. Zhang Guangyin (張光銀先生)	43	Vice president	December 2021	June 2018	Responsible for vehicle manufacturing of our Group

For details of the biographies of Mr. Zhu Jiangming (朱江明先生), Mr. Wu Baojun (吳保軍先生) and Mr. Cao Li (曹力先生), see "— *Board of Directors*."

Ms. Jing Hua (敬華女士), aged 53, is our senior vice president and secretary to the Board. Ms. Jing was also appointed as a joint company secretary of our Company, effective upon Listing. She is responsible for the office of the Board and our Group's operation and process management, IT management, legal affairs and administration functions. Ms. Jing joined our Group in February 2016 and served as the general manager of Leapmotor Automobile Co., Ltd. (零跑汽車有限公司), a wholly-owned subsidiary of the Company, from January 2017 to June 2021.

Ms. Jing has nearly 30 years of experience in the information technology industry, and worked at a number of information technology companies in the PRC. Prior to joining our Group, Ms. Jing worked at Huaxia Shilian Co., Ltd. (華夏視聯控股有限公司), WASU Media & Network Co. Ltd (華數傳媒網絡有限公司) and Zhejiang China Radio and Television Network Co., Ltd. (浙江華數廣電網絡股份有限公司) from 2006 to 2015. Ms. Jing served as the general manager of Hangzhou Tianxin Digital Technology Co., Ltd. (杭州天信數碼科技有限公司) from 2003 to 2005. Ms. Jing worked at Hangzhou Alcatel Communication System Co., Ltd (杭州阿爾卡特通訊系統有限公司) from 1997 to 2003, during which she served as the general manager of its subsidiary, Hangzhou Tianxin Information Technology Co., Ltd. (杭州天信信息技術有限公司).

Ms. Jing received a master's degree in business management from Zhejiang University (浙江大學) in the PRC in March 2005 and a bachelor's degree in electronics engineering from Zhejiang University (浙江大學) in the PRC in July 1990, respectively.

Mr. Cho Kwong Lun Kelvin (曹廣麟先生), aged 44, is our vice chairman and chief financial officer. He is responsible for global business strategy and operations, corporate development and capital markets function of our Group. Mr. Cho joined our Group in October 2021.

Prior to joining our Group, he worked at J.P. Morgan Securities (Asia Pacific) Limited from 2015 to 2021 with his last position as a managing director in investment banking and the head of the Greater China equity capital markets, responsible for the management and business operation of its equity capital markets practice in Greater China. Mr. Cho worked at Merrill Lynch (Asia Pacific) Limited in its equity capital markets group from 2010 to 2015.

Mr. Cho received a bachelor's degree in economics with honors from Concordia University in Canada in October 2001.

Mr. Zhou Hongtao (周洪濤先生), aged 43, is our senior vice president. He is responsible for R&D and manufacturing of autonomous driving and automotive electronics of our Group. Mr. Zhou joined our Group in February 2016.

Mr. Zhou has nearly 20 years of experience in the software and automotive electronics industries. Prior to joining our Group, Mr. Zhou worked at Dahua Technology from 2001 to 2016, where he was responsible for software-related work and oversaw the completion of a number of major projects.

Mr. Zhou received a bachelor's degree in industrial automation from the School of Electronic Engineering of Xidian University (西安電子科技大學) in the PRC in July 2001.

Mr. Wu Cun (巫存先生), aged 42, is our vice president. He is responsible for R&D and manufacturing of electric drives of our Group. Mr. Wu joined our Group in February 2016.

Mr. Wu has nearly 20 years of experience in the engineering and automotive electronics industries. Prior to joining our Group, Mr. Wu served as the chief engineer of Bosch Automotive Products (Suzhou) Co., Ltd. (博世汽車部件(蘇州)有限公司) from 2014 to 2015, a senior engineer of Emerson (Suzhou) Climate Technologies Company Limited (艾默生環境優化技術(蘇州)有限公司) from 2011 to 2014, and the head of the compressor motor development section of Suzhou Samsung Electronics Co., Ltd. (蘇州三星電子有限公司) from 2003 to 2010. Prior to that, Mr. Wu worked for Jiangyin Fasten Group (江陰市法爾勝集團).

Mr. Wu graduated from Suzhou University (蘇州大學) in mechanical engineering and automation in the PRC in June 2002.

Mr. Shu Chuncheng (舒春成先生), aged 38, is our vice president. He is responsible for supply chain management of our Group. Mr. Shu joined our Group in May 2016.

Mr. Shu has nearly 20 years of experience in automotive supply chain management. Prior to joining our Group, Mr. Shu served as a senior procurement manager of Chery Automobile Co., Ltd. (奇瑞汽車股份有限公司) from 2005 to 2016.

Mr. Shu received a bachelor's degree in materials science and engineering from Nanchang University (南昌大學) in the PRC in June 2005.

Mr. Zhang Guangyin (張光銀先生), aged 43, is our vice president. He is responsible for vehicle manufacturing of our Group. Mr. Zhang joined our Group in June 2018.

Mr. Zhang has nearly 20 years of experience in automotive manufacturing and quality control. Prior to joining our Group, Mr. Zhang worked for a number of automobile companies. He served as the chief of quality control functions of BAIC (Zhenjiang) Automobile Co., Ltd. (北汽(鎮江)汽車有限公司) from 2016 to 2018 and a manager of the manufacturing quality department of Chery Automobile Co., Ltd. (奇瑞汽車股份有限公司) from 2007 to 2016, and Toyota Motor (Overseas) (日本豐田汽車(海外)) from 2004 to 2007.

Mr. Zhang graduated from Shanghai Datong College (上海大同學院) in automobile engineering in the PRC in July 2012.

Save as disclosed above, (i) none of our Directors, Supervisors and members of senior management has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Prospectus; (ii) none of our Directors has any interests in any business, which competes or is likely to compete, either directly or indirectly, with our business which would require disclosure under Rule 8.10 of the Listing Rules; and (iii) none of our Directors, Supervisors and members of the senior management is related to other Directors, Supervisors and members of the senior management.

Save as disclosed herein, to the best knowledge, information and belief of our Directors and Supervisors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Ms. Jing Hua (敬華女士) was appointed as a joint company secretary of our Company in December 2021, effective upon Listing. For details of her biography, see "— *Senior Management*" in this section.

Ms. Lee Mei Yi (李美儀女士) was appointed as the other joint company secretary of our Company in September 2022, effective upon listing. She is an executive director of corporate services of Tricor Services Limited. Ms. Lee has more than 25 years of experience in the corporate secretarial field and has been handling the company secretarial compliance works of Hong Kong listed companies, multinational corporations, private and offshore companies. She currently holds company secretary or joint company secretary positions in various companies listed on the Hong Kong Stock Exchange. Ms. Lee is a Chartered Secretary and a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She obtained an honours bachelor's degree in accountancy from City University of Hong Kong (formerly "City Polytechnic of Hong Kong") in November 1992.

Our Company has been granted a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Jing Hua may be appointed as a joint company secretary of our Company. However, the waiver can be revoked if there are material breaches of the Listing Rules by our Company. For details, please see the section headed "Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance" in this prospectus.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, Appendix 14 to the Listing Rules, our Company has formed three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of part II of the Corporate Governance Code, Appendix 14 to the Listing Rules. The Audit Committee consists of three Directors, namely Mr. Fu Yuwu, Mr. Jin Yufeng and Dr. Huang Wenli. Dr. Huang holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules and serves as the chairperson of the Audit Committee. The primary duties of the Audit Committee include, but not limited to, the following:

- examining the authenticity of financial reports of our Company and monitoring financial reporting procedures of our Company;
- examining the effectiveness of risk management and internal control system of our Company;
- ensuring that our Company's resources in accounting, internal audit and financial reporting functions, qualifications and experience of our Company's accounting and reporting personnel, and the training and budget for relevant expenditures are adequate;
- reviewing results of internal investigations and responses from management in relation to any suspected dishonesty, non-compliances, or suspected violations of laws, rules and regulations;
- evaluating whether our Company has any major internal control defaults or deficiencies;
- evaluating the nature and severity of major risks faced by our Company in the preceding financial year;
- evaluating the performance of the audit function and personnel;
- proposing the appointment of external auditors to our Board, and reviewing the qualification, independence and performance of the external auditors; and
- regularly examining the financial reports and annual reports of our Company.

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with paragraph E.1 of part II of the Corporate Governance Code, Appendix 14 to the Listing Rules. The Remuneration Committee consists of three Directors, namely Mr. Zhu Jiangming, Dr. Huang Wenli and Ms. Drina C Yue. Ms. Yue serves as the chairperson of the Remuneration Committee. The primary duties of the Remuneration Committee include, but not limited to, the following:

- formulating the overall remuneration policy and structure of our Company's Directors, Supervisors and members of the senior management, formulating proper and transparent remuneration procedures, and making suggestions to our Board;

- reviewing and approving remuneration proposals of members of our senior management in accordance with our Company's policies and objectives as approved by our Board from time to time;

- making recommendations to our Board on remuneration of individual executive Directors and member of senior management, including non-monetary benefits, pension rights and amount of compensation (including compensation for loss or termination of office or appointment);

- making recommendations to our Board on remuneration of our non-executive Directors (including independent non-executive Directors), Supervisors, advisers to the Board (if any) and committees of our Board;

- reviewing and approving compensation payable to our executive Directors, Supervisors and members of senior management for loss or termination of office or appointment, so as to ensure that such compensation is consistent with the terms of relevant contracts, and if such compensation is not determined in accordance with the relevant contract terms, compensation should be fair, reasonable and not excessive;

- reviewing and approving compensation arrangements in relation to dismissal or removal of our Directors due to misconduct, so as to ensure that such compensation is consistent with terms of relevant contract, and if such compensation is not determined in accordance with the relevant contract terms, compensation should be fair, reasonable and not excessive; and

- dealing with other matters as required by laws, regulations, rules, articles of our Company, terms of reference and applicable securities regulatory authorities, and other matters that are authorized by the Board.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with paragraph B.3 of part II of the Corporate Governance Code, Appendix 14 to the Listing Rules. The Nomination Committee consists of three Directors, namely Mr. Zhu Jiangming, Mr. Fu Yuwu and Dr. Huang Wenli. Mr. Zhu serves as the chairperson of the Nomination Committee. The primary duties of the Nomination Committee include, but not limited to, the following:

- reviewing the structure, composition and diversity of our Board at least once a year with reference to our Company's business activities, scale of assets and shareholding structure, and making recommendations to our Board on any change in Board composition in accordance with our Company's strategies;

- making recommendations on the appointment and re-appointment of our Directors (in particular, the chairperson of our Board, and including our non-executive Directors and independent non-executive Directors) and our general manager;

- conducting search in potential suitable candidates for Directors and making recommendations to our Board on the suitable candidates;

- evaluating the independence of our independent non-executive Directors, the performance of our Directors (including both executive and non-executive Directors) and whether our Directors have devoted sufficient time in performing their duties;

- developing corporate governance standards and procedures and monitoring the implementation of such standards and procedures, and making recommendations to our Board;

- monitoring and overseeing the trainings and continuous professional development plan for our Directors and members of our senior management, and developing and overseeing the compliance of code of conducts and compliance handbook (if any) for our employees and Directors;

- formulating and evaluating our Board diversity policy, and making disclosures in the corporate governance report (which shall be included as part of our annual report) the relevant policies, including the nomination procedures adopted by the nomination committee and standards for the election of our Board members; and

- dealing with other matters that are authorized by our Board or our Articles from time to time, and other matters that are required by applicable laws from time to time.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

We offer our executive Directors, Supervisors and senior management members, who are also the Company's employees, compensation in the form of fees, salaries, retirement benefit scheme contributions, discretionary bonus, housing allowances and other benefits in kind. Our independent non-executive Directors receive compensation with reference to their respective positions and duties, including being a member or the chairperson of Board committees.

For the years ended December 31, 2019, 2020 and 2021, the aggregate amount of remuneration paid or payable to our Directors and supervisors amounted to approximately RMB2,010,000, RMB46,489,000 and RMB65,784,000, respectively. For the three months ended March 31, 2021 and 2022, the aggregate amount of remuneration paid or payable to our Directors and supervisors amounted to approximately RMB2,395,000 and RMB17,773,000, respectively.

Under the arrangement currently in force, we estimate the total compensation before taxation, including estimated-share based compensation, to be accrued to our Directors and our Supervisors for the year ending December 31, 2022 to be approximately RMB74,200,000. The actual remuneration of Directors and Supervisors in 2022 may be different from the expected remuneration.

For each of the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, there were 1, 1, 3, 1 and 3 Directors among the five highest paid individuals, respectively. The total emoluments for the remaining individuals among the five highest paid individuals amounted to approximately RMB19,202,000, RMB9,844,000, RMB13,162,000, RMB7,487,000 and RMB6,200,000, for the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, respectively.

We confirmed that during the Track Record Period, no consideration was paid by our Company to, or receivable by, our Directors for making available directors' services or as termination benefits.

Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiary to our Directors, Supervisors or the five highest paid individuals during the Track Record Period.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company complies or intends to comply with the corporate governance requirements under the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules after the Listing.

Pursuant to code provision A.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from

the requirement that the responsibilities between the chairperson and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairperson and chief executive officer and Mr. Zhu Jiangming currently performs these two roles. Our Board believes that, in view of his experience, personal profile and his roles in our Company as mentioned above Mr. Zhu Jiangming is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as our chief executive officer. The Board also believes that vesting the roles of both chairperson and chief executive officer in the same person has the benefit of (i) ensuring consistent leadership within the Group, (ii) enabling more effective and efficient overall strategic planning and execution of strategic initiatives of the Board, and (iii) facilitating the flow of information between the management and the Board for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairperson of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, quality assurance and control, finance and accounting and corporate governance in addition to industry experience relevant to our Group's operations and business. They obtained degrees in various majors including engineering, economics, and business administration. We have three independent non-executive Directors with different industry backgrounds, representing more than one third of the members of our Board. Furthermore, our Board has a diverse age and gender representation. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

Our Nomination Committee is responsible for reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors. After the Listing, our Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness, and when necessary, make any revisions that may be required and recommend any such revisions to our Board for consideration and approval. The Nomination Committee will also include in annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

EMPLOYEE INCENTIVE SCHEMES

For more information, please refer to "History, Development and Corporate Structure — Establishment and Development of Our Company — (6) Equity Transfer to Employee Shareholding Plan in February 2021" and "Appendix VI — Statutory and General Information — Further Information about Our Directors, Supervisors, Management and Substantial Shareholders — 5. Employee Incentive Schemes."

COMPLIANCE ADVISOR

We have appointed Somerley Capital Limited as our Compliance Advisor pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company in certain circumstances including:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this Prospectus; and

(d) where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Listing Rules, the Compliance Advisor will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Hong Kong Stock Exchange. The Compliance Advisor will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The term of the appointment will commence on the Listing Date and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing.

OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

As of the Latest Practicable Date, Mr. Zhu, Mr. Fu, Ms. Liu (spouse of Mr. Zhu) and Ms. Chen (spouse of Mr. Fu), by virtue of the acting-in-concert arrangement among them, were collectively interested in approximately 31.01% of our total issued share capital, including (i) 11.89% controlled by Mr. Zhu directly and indirectly through Hangzhou Xintu, Ningbo Jinghang and Wanzai Mingzhao, (ii) 13.53% controlled by Mr. Fu directly and indirectly through Ningbo Huayang and Ningbo Gulin and (iii) 5.59% controlled by Ms. Chen indirectly through Ningbo Hualing. See the section headed "History, Development and Corporate Structure — The Single Largest Group of Shareholders" in this prospectus for details.

Immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), Mr. Zhu, Mr. Fu, Ms. Liu and Ms. Chen will, directly and indirectly through Hangzhou Xintu, Ningbo Jinghang, Wanzai Mingzhao, Ningbo Huayang, Ningbo Gulin and Ningbo Hualing, continue to control in aggregate approximately 27.46% of our total issued share capital. Therefore, they will remain as our Single Largest Group of Shareholders, and our Company will not have any controlling shareholders as defined under the Listing Rules upon Listing.

INDEPENDENCE FROM OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently from the Single Largest Group of Shareholders and their close associates after the Listing, taking into consideration the factors below.

Management Independence

Our Board consists of seven Directors, namely three executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Zhu, who is a member of the Single Largest Group of Shareholders, as detailed above, is also a member of our Board, serving as our chairperson of the Board, executive Director and chief executive officer.

Our Directors consider that we are able to carry on our business independently from the Single Largest Group of Shareholders from a management perspective for the following reasons:

(a) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group. For details of the industry experience of our senior management team, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus;

(b) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as our Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting;

(c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review; and

(d) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Single Largest Group of Shareholders which would support our independent management. For details, see "— Corporate Governance" in this section.

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from the Single Largest Group of Shareholders and their close associates after the Listing.

Operational Independence

We do not rely on the Single Largest Group of Shareholders and their close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from the Single Largest Group of Shareholders and their close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors believe that we are able to operate independently of the Single Largest Group of Shareholders and their close associates.

Financial Independence

We have an independent financial system and make financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department in charge of our treasury function. We do not expect to rely on the Single Largest Group of Shareholders and their close associates for financing after the Listing as we expect that our working capital will be funded by the cash, cash equivalent on hand as well as the proceeds from the Global Offering.

In addition, we are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Single Largest Group of Shareholders or their respective associates. As of the Latest Practicable Date, there were no outstanding loans or guarantee provided by or granted to the Single Largest Group of Shareholders or their respective associates. During the Track Record Period and as of the Latest Practicable Date, we had received a series of Pre-IPO Investments from third party investors independently. For details of the Pre-IPO Investments, please refer to the section headed "History, Development and Corporate Structure" in this prospectus.

Based on the above, our Directors believe that we are capable of carrying on our business independently of, and do not place undue reliance on the Single Largest Group of Shareholders after the Listing.

INTERESTS OF THE SINGLE LARGEST GROUP OF SHAREHOLDERS IN OTHER BUSINESSES

Our Single Largest Group of Shareholders confirmed that as of the Latest Practicable Date, they did not have any interest in other business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and the Single Largest Group of Shareholders:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which the Single Largest Group of Shareholders or any of their respective associates has a material interest, the Single Largest Group of Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(b) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules which will become effective upon Listing. In particular, our Articles of Association provides that, a Director shall be abstained from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;

(c) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with the Single Largest Group of Shareholders or any of his/its associates, our Company will comply with the applicable Listing Rules;

(d) we are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors (i) possess sufficient experiences, (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole. For details of the independent non-executive Directors, see the section headed "Directors, Supervisors and Senior Management" in this prospectus;

(e) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and

(f) we have appointed Somerley Capital Limited as our Compliance Advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and the Single Largest Group of Shareholders, and to protect minority Shareholders' interests after the Listing.

This section presents certain information regarding our share capital before and upon completion of the Global Offering.

BEFORE THE GLOBAL OFFERING

As of the Latest Practicable Date, the registered capital of our Company was RMB1,011,886,959, comprising 1,011,886,959 Shares of nominal value RMB1.00 each, was categorized as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital (%)
Domestic Shares in issue	970,924,924	95.95
Unlisted Foreign Shares in issue	40,962,035	4.05
Total	1,011,886,959	100.00

UPON COMPLETION OF THE GLOBAL OFFERING

Immediately following completion of the Global Offering and conversion of Domestic Shares and Unlisted Foreign Shares into H Shares, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital (%)
Domestic Shares in issue	220,552,174	19.30
Unlisted Foreign Shares in issue	0	0
H Shares converted from Unlisted Foreign Shares[(1)]	40,962,035	3.58
H Shares converted from Domestic Shares[(1)]	750,372,750	65.67
H Shares to be issued under the Global Offering	130,819,100	11.45
Total	1,142,706,059	100.00

(1) For details of the identities of the Shareholders whose Shares will be converted into H Shares upon Listing, see "History, Development and Corporate Structure — Corporate Structure Immediately Following Completion of the Global Offering" and "History, Development and Corporate Structure — Capitalization of our Company."

Immediately following completion of the Global Offering and conversion of Domestic Shares and Unlisted Foreign Shares into H Shares, assuming the Offer Size Adjustment Option is fully exercised but the Over-allotment Option is not exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital (%)
Domestic Shares in issue	220,552,174	18.98
Unlisted Foreign Shares in issue	0	0
H Shares converted from Unlisted Foreign Shares[(1)]	40,962,035	3.52
H Shares converted from Domestic Shares[(1)]	750,372,750	64.56
H Shares to be issued under the Global Offering	150,441,900	12.94
Total	1,162,328,859	100

(1) For details of the identities of the Shareholders whose Shares will be converted into H Shares upon Listing, see "History, Development and Corporate Structure — Corporate Structure Immediately Following Completion of the Global Offering" and "History, Development and Corporate Structure — Capitalization of our Company."

Immediately following completion of the Global Offering and conversion of Domestic Shares and Unlisted Foreign Shares into H Shares, assuming the Over-allotment Option is fully exercised but and the Offer Size Adjustment Option is not exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital (%)
Domestic Shares in issue	220,552,174	18.98
Unlisted Foreign Shares in issue	0	0
H Shares converted from Unlisted Foreign Shares[(1)]	40,962,035	3.52
H Shares converted from Domestic Shares[(1)]	750,372,750	64.56
H Shares to be issued under the Global Offering	150,441,900	12.94
Total	1,162,328,859	100

(1) For details of the identities of the Shareholders whose Shares will be converted into H Shares upon Listing, see "History, Development and Corporate Structure — Corporate Structure Immediately Following Completion of the Global Offering" and "History, Development and Corporate Structure — Capitalization of our Company."

Immediately following completion of the Global Offering and conversion of Domestic Shares and Unlisted Foreign Shares into H Shares, assuming the Offer Size Adjustment Option and the Over-allotment Option are fully exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital (%)
Domestic Shares in issue	220,552,174	18.61
Unlisted Foreign Shares in issue	0	0
H Shares converted from Unlisted Foreign Shares[(1)]	40,962,035	3.46
H Shares converted from Domestic Shares[(1)]	750,372,750	63.33
H Shares to be issued under the Global Offering	173,008,100	14.60
Total	1,184,895,059	100.00

(1) For details of the identities of the Shareholders whose Shares will be converted into H Shares upon Listing, see "History, Development and Corporate Structure — Corporate Structure Immediately Following Completion of the Global Offering" and "History, Development and Corporate Structure — Capitalization of our Company."

SHARE CLASSES

Upon completion of the Global Offering and conversion of our Domestic Shares and Unlisted Foreign Shares into H Shares, we would have two classes of Shares: H Shares as one class of Shares, Domestic Shares as another class. Domestic Shares and H Shares are all ordinary Shares in the share capital of our Company. However, apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai — Hong Kong Stock Connect or the Shenzhen — Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities (such as our certain existing Shareholders the Domestic Shares held by whom will be converted in to H shares according to the approval of the CSRC), H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC.

The differences between the two classes of shares and provisions on class rights, the dispatch of notices and financial reports to Shareholders, registration of Shares on different registers of Shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Articles of Association and summarized in "Appendix V — Summary of Articles of Association." The rights conferred on any class of Shareholders may not be varied or abrogated unless approved by a special resolution of the general meeting of Shareholders and by the holders of Shares of that class at a separate meeting. The circumstances which shall be deemed to be a variation or abrogation of the rights of a class are listed in "Appendix V — Summary of Articles of Association."

Except for the differences above, Domestic Shares and H Shares will however rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this Prospectus. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Domestic Shares will be paid in Renminbi. Other than cash, dividends can also be paid in the form of shares.

CONVERSION OF DOMESTIC SHARES AND UNLISTED FOREIGN SHARES INTO H SHARES

As of the Latest Practicable Date, our Shares comprise of Domestic Shares and Unlisted Foreign Shares, both being ordinary shares. Our Domestic Shares and Unlisted Foreign Shares are unlisted Shares which are currently not listed or traded on any stock exchange.

If any of the Domestic Shares and the Unlisted Foreign Shares are to be converted, listed and traded as H Shares on the Hong Kong Stock Exchange, such conversion, listing and trading will need the approval of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Hong Kong Stock Exchange.

Listing Review and Approval by the CSRC

In accordance with the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請「全流通」業務指引》) (the "**Full Circulation Guidelines**") announced by the CSRC, H-share listed companies which apply for the conversion of domestic shares and unlisted foreign shares into H shares for listing and circulation on the Hong Kong Stock Exchange shall file the application with the CSRC according to the administrative licensing procedures necessary for the "examination and approval of public issuance and listing (including additional issuance) of overseas shares by a joint stock company". An H-share listed company may apply for a "Full Circulation" separately or when applying for refinancing overseas. An unlisted domestic joint stock company may apply for "full circulation" when applying for an overseas initial public offering.

The Company applied for a "Full Circulation" when applying for an overseas listing with the CSRC on January 26, 2022, and submitted the application reports, authorization documents of the shareholders of Domestic Shares and Unlisted Foreign Shares which an H-share "full circulation" were applied, explanation about the compliance of share acquisition and other documents in accordance with the requirements of the CSRC.

The Company has received the reply from the CSRC dated August 17, 2022 in relation to the approval of the overseas listing and "Full Circulation", pursuant to which, (1) the Company was approved to issue no more than 252,972,000 H Shares with a nominal value of RMB1.00 each, which are all ordinary shares, and upon this issuance the Company may be listed on the Main Board of the Hong Kong Stock Exchange; (2) a total of 750,372,750 Domestic Shares and a total of all 40,962,035 Unlisted Foreign Shares held by certain Shareholders of the Company (the "**Full Circulation Participating Shareholders**") were approved to be converted into H Shares, and the relevant Shares may be listed on the Hong Kong Stock Exchange upon completion of the conversion. This reply shall remain effective within 12 months from the date of approval.

Listing Approval by the Hong Kong Stock Exchange

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in, (i) our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option), (ii) the H Shares to be converted from 750,372,750 Domestic Shares and 40,962,035 Unlisted Foreign Shares and (iii) the H Shares to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme on the Hong Kong Stock Exchange, which is subject to the approval by the Hong Kong Stock Exchange.

We will perform the following procedures for the conversion of the relevant Domestic Shares and Unlisted Foreign Shares into H Shares after receiving the approval of the Hong Kong Stock Exchange: (1) giving instructions to our H Share Registrar regarding relevant share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS. The Full Circulation Participating Shareholders may only deal in the Shares upon completion of following domestic procedures.

Domestic Procedures

Pursuant to the relevant regulations, the Full Circulation Participating Shareholders may only deal in the Shares upon completion of the below arrangement procedures for the registration, deposit and transaction settlement in relation to the conversion and listing:

1. We will appoint CSDC as the nominal holder to deposit the relevant securities at CSDC (Hong Kong), which will then deposit the securities at HKSCC in its own name. CSDC, as the nominal holder of the Full Circulation Participating Shareholders, shall handle all custody, maintenance of detailed records, cross-border conversion registration, cross-border settlement and corporate actions, etc. relating to the converted H Shares for the Full Circulation Participating Shareholders;

2. We will engage a domestic securities company (the "**Domestic Securities Company**") to provide services such as the transmission of sale orders and trading messages in respect of the converted H Shares. The Domestic Securities Company will engage a Hong Kong securities company (the "**Hong Kong Securities Company**") for settlement of share transactions. We will make an application to CSDC, Shenzhen Branch for the maintenance of a detailed record of the initial holding of the converted H Shares held by our Shareholders. Meanwhile, we will submit applications for a domestic transaction commission code and abbreviation, which shall be confirmed by CSDC, Shenzhen Branch as authorized by Shenzhen Stock Exchange;

3. The Shenzhen Stock Exchange shall authorize Shenzhen Securities Communication Co., Ltd. to provide services relating to transmission of trading orders and trading messages in respect of the converted H Shares between the Domestic Securities Company and the Hong Kong Securities Company, and the real-time market forwarding services of the H Shares;

4. According to the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), the Full Circulation Shareholders that held Domestic Shares shall complete the overseas shareholding registration with the local foreign exchange administration bureau before the Shares are sold, and after the overseas shareholding registration, open a specified bank account for the holding of overseas shares by domestic investors at a domestic bank with relevant qualifications and open a fund account for the H Share "Full Circulation" at the Domestic Securities Company. The Domestic Securities Company shall open a securities trading account for the H Share "Full Circulation" at the Hong Kong Securities Company; and

5. The Full Circulation Participating Shareholders shall submit trading orders of the converted H Shares through the Domestic Securities Company. Trading orders of the Full Circulation Participating Shareholders for the relevant Shares will be submitted to the Hong Kong Stock Exchange through the securities trading account opened by the Domestic Securities Company at the Hong Kong Securities Company. Upon completion of the transaction, settlements between each of the Hong Kong Securities Company and CSDC (Hong Kong), CSDC (Hong Kong) and CSDC, CSDC and the Domestic Securities Company, and the Domestic Securities Company and the Full Circulation Participating Shareholders, will all be conducted separately.

As a result of the conversion, the shareholding of the relevant Full Circulation Participating Shareholders in our share capital registered shall be reduced by the number of Domestic Shares and Unlisted Foreign Shares converted and increased by the number of H Shares so converted.

A Shareholder holding Domestic Shares not converted into H Shares can work with the Company according to the Articles of Association and follow the procedures set out in this Prospectus to convert the Domestic Shares into H Shares after the Listing if they want, provided that such conversion of Domestic Shares into and listing and trading of H Shares will be subject to the approval of the relevant PRC regulatory authorities, including the CSRC, the approval of the Hong Kong Stock Exchange and the satisfaction of the public float requirement under the Listing Rules by the Company.

See "Risk Factors — Risks Relating to the Global Offering — Substantial future sales or the expectation of substantial sales of our H Shares in the public market could cause the price of our H Shares to decline."

TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

Pursuant to the PRC Company Law, our Shares issued prior to the Listing shall not be transferred within one year from the Listing Date.

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, our Company is required to register and deposit our Shares that are not listed on the overseas stock exchange with the China Securities Depository and Clearing Corporation Limited within 15 working days upon the Listing and provide a written report to the CSRC regarding the centralized registration and deposit of our Shares that are not listed on the overseas stock exchange as well as the offering and listing of our H Shares.

SHAREHOLDERS' GENERAL MEETINGS AND CLASS MEETINGS

For details of circumstances under which our Shareholders' general meetings and Shareholders' class meetings are required, see "Appendix V — Summary of the Articles of Association."

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe for such number of Offer Shares that may be purchased with an aggregate amount of US$308.5 million (approximately HK$2,421.84 million) at the Offer Price (the "**Cornerstone Placing**").

Based on the Offer Price of HK$62.00 per Offer Share, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of H Shares to be subscribed for by the Cornerstone Investors would be 39,061,500, representing (i) assuming that the Offer Size Adjustment Option is not exercised, approximately 29.9% of the Offer Shares (assuming the Over-allotment Option is not exercised), approximately 26.0% of the Offer Shares (assuming the Over-allotment Option is fully exercised), approximately 3.4% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and approximately 3.4% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is fully exercised), and (ii) assuming that the Offer Size Adjustment Option is exercised in full, approximately 26.0% of the Offer Shares (assuming the Over-allotment Option is not exercised), approximately 22.6% of the Offer Shares (assuming the Over-allotment Option is fully exercised), approximately 3.4% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and approximately 3.3% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is fully exercised).

Based on the Offer Price of HK$55.00 per Offer Share, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of H Shares to be subscribed for by the Cornerstone Investors would be 44,033,400, representing (i) assuming that the Offer Size Adjustment Option is not exercised, approximately 33.7% of the Offer Shares (assuming the Over-allotment Option is not exercised), approximately 29.3% of the Offer Shares (assuming the Over-allotment Option is fully exercised), approximately 3.9% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and approximately 3.8% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is fully exercised), and (ii) assuming that the Offer Size Adjustment Option is exercised in full, approximately 29.3% of the Offer Shares (assuming the Over-allotment Option is not exercised), approximately 25.5% of the Offer Shares (assuming the Over-allotment Option is fully exercised), approximately 3.8% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and approximately 3.7% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is fully exercised).

Based on the Offer Price of HK$48.00 per Offer Share, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of H Shares to be subscribed for by the Cornerstone Investors would be 50,454,800, representing (i) assuming that the Offer Size Adjustment Option is not exercised, approximately 38.6% of the Offer Shares (assuming the Over-allotment Option is not exercised), approximately 33.5% of the Offer Shares (assuming the Over-allotment Option is fully exercised), approximately 4.4% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and approximately 4.3% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is fully exercised), and (ii) assuming that the Offer Size Adjustment Option is exercised in full, approximately 33.5% of the Offer Shares (assuming the Over-allotment Option is not exercised), approximately 29.2% of the Offer Shares (assuming the Over-allotment Option is fully exercised), approximately 4.3% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and approximately 4.3% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is fully exercised).

Our Company is of the view that, leveraging on the Cornerstone Investors' investment experience, the Cornerstone Placing will help raise the profile of our Company and to signify that such investors have confidence in our Company's business and prospect.

Kwok Tai East (as defined hereunder) is a close associate of Zhoushan Haohai, an existing Shareholder of our Company. It has been permitted to participate in the Cornerstone Placing pursuant to paragraph 4.20 of the Stock Exchange Guidance Letter HKEX-GL85-16 under a waiver from strict compliance with the requirements under Rule 10.04 of, and a consent under paragraph 5(2) of Appendix 6 to the Listing Rules granted by the Stock Exchange. For further details, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules and Exemptions from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance" of this prospectus.

The Cornerstone Placing forms part of the International Offering, and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank pari passu in all respects with the other fully paid H Shares in issue following the completion of the Global Offering and to be listed on the Stock Exchange, and will be counted towards the public float of our Company. Other than Kwok Tai East which is a close associate of our existing Shareholder as described above, our Company became acquainted with (i) Zhejiang Industrial Fund, Jinhua Industrial Fund and Jinkai Leading Fund through the Company's ordinary business operation and (ii) GF Fund through introduction by Underwriters.

Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder of our Company nor will they have any Board representation in our Company. To the best knowledge of our Company, each of the Cornerstone Investors (i) (other than Kwok Tai East (as defined hereunder) which is a close associate of an existing Shareholder) is an Independent Third Party and is not our connected person, (ii) is independent of other Cornerstone Investors, (iii) (other than Kwok Tai East (as defined hereunder) which is a close associate of an existing Shareholder) is not financed by us, our Directors, chief executive, our Single Largest Group of Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates, and (iv) (other than Kwok Tai East (as defined hereunder) which is a close associate of an existing Shareholder) is not accustomed to take instructions from us, our Directors, chief executive, existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the H Shares registered in their name or otherwise held by them. There are no side agreements or arrangements between us and the Cornerstone Investors.

As confirmed by each Cornerstone Investor, its subscription under the Cornerstone Placing would be financed by its own internal financial resources. Each of the Cornerstone Investors has confirmed that all necessary approvals (including approvals from their shareholders, if relevant) have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) is required for the relevant cornerstone investment.

If there is over-allocation in the International Offering, there may be delayed delivery of the Offer Shares to be subscribed by the Cornerstone Investors under the Cornerstone Placing. The Cornerstone Investors have agreed that the Company and the Overall Coordinators may delay the delivery of all or part of the Offer Shares that such Cornerstone Investors have subscribed for to a date later than the Listing Date. All of the Cornerstone Investors, despite having agreed to a potential delayed delivery arrangement, have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's Offer Shares commence on the Stock Exchange. The Offer Shares to be subscribed by the Cornerstone Investors may be affected by the reallocation in the event of over-subscription under the Hong Kong Public Offering, as described in "— the Hong Kong Public Offering — Reallocation". Details of the allocations to the Cornerstone Investors will be disclosed in the allotment results announcement in the Hong Kong Public Offering to be published on or around September 28, 2022.

The table below sets forth details of the Cornerstone Placing:

		Based on an Offer Price of HK$48.00 (being the low-end of the Offer Price range) and assuming the Offer Size Adjustment Option is not exercised				
Cornerstone Investor (each as defined below)	Subscription amount	Number of Offer Shares *(Note 1)*	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
	(in USD million)		Approximate % of Offer Shares	Approximate % of issued share capital immediately following the completion of the Global Offering	Approximate % of Offer Shares	Approximate % of issued share capital immediately following the completion of the Global Offering
Zhejiang Industrial Fund	144.3	23,592,200	18.0%	2.1%	15.7%	2.0%
Jinhua Industrial Fund	72.1	11,796,100	9.0%	1.0%	7.8%	1.0%
Jinkai Leading Fund	72.1	11,796,100	9.0%	1.0%	7.8%	1.0%
GF Fund	10.0	1,635,200	1.2%	0.1%	1.1%	0.1%
Kwok Tai East	10.0	1,635,200	1.2%	0.1%	1.1%	0.1%
Total	308.5	50,454,800	38.6%	4.4%	33.5%	4.3%

		Based on an Offer Price of HK$48.00 (being the low-end of the Offer Price range) and assuming the Offer Size Adjustment Option is exercised in full				
Cornerstone Investor (each as defined below)	Subscription amount	Number of Offer Shares *(Note 1)*	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
	(in USD million)		Approximate % of Offer Shares	Approximate % of issued share capital immediately following the completion of the Global Offering	Approximate % of Offer Shares	Approximate % of issued share capital immediately following the completion of the Global Offering
Zhejiang Industrial Fund	144.3	23,592,200	15.7%	2.0%	13.6%	2.0%
Jinhua Industrial Fund	72.1	11,796,100	7.8%	1.0%	6.8%	1.0%
Jinkai Leading Fund	72.1	11,796,100	7.8%	1.0%	6.8%	1.0%
GF Fund	10.0	1,635,200	1.1%	0.1%	0.9%	0.1%
Kwok Tai East	10.0	1,635,200	1.1%	0.1%	0.9%	0.1%
Total	308.5	50,454,800	33.5%	4.3%	29.2%	4.3%

		Based on an Offer Price of HK$55.00 (being the mid-point of the Offer Price range) and assuming the Offer Size Adjustment Option is not exercised				
Cornerstone Investor	Subscription amount	Number of Offer Shares *(Note 1)*	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
	(in USD million)		Approximate % of Offer Shares	Approximate % of issued share capital immediately following the completion of the Global Offering	Approximate % of Offer Shares	Approximate % of issued share capital immediately following the completion of the Global Offering
Zhejiang Industrial Fund	144.3	20,589,600	15.7%	1.8%	13.7%	1.8%
Jinhua Industrial Fund	72.1	10,294,800	7.9%	0.9%	6.8%	0.9%
Jinkai Leading Fund	72.1	10,294,800	7.9%	0.9%	6.8%	0.9%
GF Fund	10.0	1,427,100	1.1%	0.1%	0.9%	0.1%
Kwok Tai East	10.0	1,427,100	1.1%	0.1%	0.9%	0.1%
Total	308.5	44,033,400	33.7%	3.9%	29.3%	3.8%

		Based on an Offer Price of HK$55.00 (being the mid-point of the Offer Price range) and assuming the Offer Size Adjustment Option is fully exercised				
Cornerstone Investor	Subscription amount	Number of Offer Shares *(Note 1)*	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
	(in USD million)		Approximate % of Offer Shares	Approximate % of issued share capital immediately following the completion of the Global Offering	Approximate % of Offer Shares	Approximate % of issued share capital immediately following the completion of the Global Offering
Zhejiang Industrial Fund	144.3	20,589,600	13.7%	1.8%	11.9%	1.7%
Jinhua Industrial Fund	72.1	10,294,800	6.8%	0.9%	6.0%	0.9%
Jinkai Leading Fund	72.1	10,294,800	6.8%	0.9%	6.0%	0.9%
GF Fund	10.0	1,427,100	0.9%	0.1%	0.8%	0.1%
Kwok Tai East	10.0	1,427,100	0.9%	0.1%	0.8%	0.1%
Total	308.5	44,033,400	29.3%	3.8%	25.5%	3.7%

Cornerstone Investor	Subscription amount	Based on an Offer Price of HK$62.00 (being the high-end of the Offer Price range) and assuming the Offer Size Adjustment Option is not exercised				
		Number of Offer Shares *(Note 1)*	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
	(in USD million)		Approximate % of Offer Shares	Approximate % of issued share capital immediately following the completion of the Global Offering	Approximate % of Offer Shares	Approximate % of issued share capital immediately following the completion of the Global Offering
Zhejiang Industrial Fund	144.3	18,264,900	14.0%	1.6%	12.1%	1.6%
Jinhua Industrial Fund	72.1	9,132,400	7.0%	0.8%	6.1%	0.8%
Jinkai Leading Fund	72.1	9,132,400	7.0%	0.8%	6.1%	0.8%
GF Fund	10.0	1,265,900	1.0%	0.1%	0.8%	0.1%
Kwok Tai East	10.0	1,265,900	1.0%	0.1%	0.8%	0.1%
Total	308.5	39,061,500	29.9%	3.4%	26.0%	3.4%

Cornerstone Investor	Subscription amount	Based on an Offer Price of HK$62.00 (being the high-end of the Offer Price range) and assuming the Offer Size Adjustment Option is fully exercised				
		Number of Offer Shares *(Note 1)*	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
	(in USD million)		Approximate % of Offer Shares	Approximate % of issued share capital immediately following the completion of the Global Offering	Approximate % of Offer Shares	Approximate % of issued share capital immediately following the completion of the Global Offering
Zhejiang Industrial Fund	144.3	18,264,900	12.1%	1.6%	10.6%	1.5%
Jinhua Industrial Fund	72.1	9,132,400	6.1%	0.8%	5.3%	0.8%
Jinkai Leading Fund	72.1	9,132,400	6.1%	0.8%	5.3%	0.8%
GF Fund	10.0	1,265,900	0.8%	0.1%	0.7%	0.1%
Kwok Tai East	10.0	1,265,900	0.8%	0.1%	0.7%	0.1%
Total	308.5	39,061,500	26.0%	3.4%	22.6%	3.3%

Note:

(1) Subject to rounding down to the nearest whole board lot of 100 H Shares. Calculated based on the exchange rate as set out in the section headed "Information about this prospectus and the Global Offering — Currency Translations" in this prospectus.

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Zhejiang Industrial Fund

Zhejiang Industrial Fund Co., Ltd. (浙江省產業基金有限公司) ("**Zhejiang Industrial Fund**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be subscribed with an aggregate amount of RMB1,000 million (equivalent to approximately USD144.3 million) at the Offer Price (excluding brokerage, SFC transaction levy, FRC Transaction Levy and Stock Exchange trading fee).

Zhejiang Industrial Fund was established on May 29, 2015. It is an investment fund led by the Zhejiang Provincial Government and operates in a market-oriented manner, with an aim to provide guiding direction based on fiscal policy, implement the major strategic decision of the Provincial Government, accelerate the development of technology and innovation as well as the upgrade of industrial transformation.

Zhejiang Industrial Fund is held as to 97.5% by Zhejiang Provincial Financial Holdings Co., Ltd. (浙江省金融控股有限公司) ("**Zhejiang Financial Holdings**") and 2.5% by Zhejiang Provincial Innovation Development Investment Co., Ltd. (浙江省創新發展投資有限公司), a wholly-owned subsidiary of Zhejiang Financial Holdings. Zhejiang Financial Holdings is wholly-owned by the Zhejiang Provincial Department of Finance (浙江省財政廳). Zhejiang Industrial Fund mainly focuses on industrial investment and investment management. For the purpose of this cornerstone investment, Zhejiang Industrial Fund plans to engage Caitong Fund Management Co., Ltd. (財通基金管理有限公司) and Hwabao WP Fund Management Co., Ltd. (華寶基金管理有限公司), both an asset manager which is a QDII, to subscribe for and hold such Offer Shares on its behalf.

Jinhua Industrial Fund

Jinhua Industrial Fund Co., Ltd. (金華市產業基金有限公司) ("**Jinhua Industrial Fund**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be subscribed with an aggregate amount of RMB500 million (equivalent to approximately USD72.1 million) at the Offer Price (excluding brokerage, SFC transaction levy, FRC Transaction Levy and Stock Exchange trading fee).

Jinhua Industrial Fund was established on May 30, 2022, and focuses on the investment in technology innovation and industrial transform projects. Jinhua Industrial Fund is held as to 60% by Jinhua Jintou Group Co., Ltd. (金華市金投集團有限公司) ("**Jinhua Jintou**"), 15% by Jinhua Financial Holding Investment Co., Ltd. (金華市金融控股投資有限公司), a wholly-owned subsidiary of Jinhua Jintou, and 25% by 11 other shareholders, each an Independent Third Party holding no more than 10% therein. Jinhua Jintou is in turn ultimately held by the State-owned Assets Supervision Administration Commission of Jinhua Municipal Government (金華市人民政府國有資產監督管理委員會) and Zhejiang Provincial Department of Finance (浙江省財政廳) as to approximately 93.61% and 6.39%, respectively. For the purpose of this cornerstone investment, Jinhua Industrial Fund has engaged Galaxy Jinhui Securities Asset Management Co., Ltd., an asset manager which is a QDII, to subscribe for and hold such Offer Shares on its behalf.

Jinkai Leading Fund

Jinhua Jinkai Industrial Leading Investment Partnership (Limited Partnership) (金華市金開產業引領投資合夥企業(有限合夥)) ("**Jinkai Leading Fund**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be subscribed with an aggregate amount of RMB500 million (equivalent to approximately USD72.1 million) at the Offer Price (excluding brokerage, SFC transaction levy, FRC Transaction Levy and Stock Exchange trading fee).

Jinkai Leading Fund was established on September 21, 2020, which focuses on equity investment. Its general partner is Caitong Capital Investment Co., Ltd. (浙江財通資本投資有限公司) ("**Caitong Capital**"). Jinkai Leading Fund is owned as to 99.9% by its limited partner, Jinhua Rongsheng Investment and Development Group Co., Ltd. (金華融盛投資發展集團有限公司) ("**Rongsheng Group**"), and Caitong Capital as to 0.1%, respectively. Caitong Capital is wholly owned by Caitong Securities Co., Ltd. (財通證券股份有限公司). Rongsheng Group is ultimately wholly owned by State-owned Assets Supervision and Administration Center of Jinhua Economic & Technological Development Zone (金華經濟技術開發區國資監督管理中心). For the purpose of this cornerstone investment, Jinkai Leading Fund has engaged Shanghai Haitong Securities Asset Management Co., Ltd., an asset manager which is a QDII, to subscribe for and hold such Offer Shares on its behalf.

GF Fund

GF Fund Management Co., Ltd. (廣發基金管理有限公司) ("**GF Fund**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be subscribed with an aggregate amount of US$10.0 million at the Offer Price (excluding brokerage, SFC transaction levy, FRC Transaction Levy and Stock Exchange trading fee).

Established on August 5, 2003, GF Fund is headquartered in Guangzhou, with branches in Beijing, Shanghai, Guangzhou, etc. and a subsidiary in Hong Kong. As a leading fund management company, GF Fund and its offshore subsidiary are qualified to conduct business in various fields, with qualifications including but not limited to Qualified Investment Manager of Public Fund, Entrusted Domestic Investment Manager of National Social Security Fund (NSSF), qualified investment management institution of Basic Pension Insurance Funds, qualified fund investment advisor, qualified fund management company to provide asset management services for specific clients, Qualified Domestic Institutional Investor (QDII), RMB Qualified Foreign Institutional Investor (RQFII), Qualified Foreign Institutional Investors (QFII), etc. As of June 30, 2022, the public funds managed by GF Fund in aggregate reached RMB1,310.0 billion. GF Securities Co., Ltd. (廣發證券股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1776) and Shenzhen Stock Exchange (stock code: 000776), is the holding company of GF Fund.

Kwok Tai East

Kwok Tai East International Group Limited (國泰東方國際集團有限公司) ("**Kwok Tai East**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be subscribed with an aggregate amount of US$10.0 million at the Offer Price (excluding brokerage, SFC transaction levy, FRC Transaction Levy and Stock Exchange trading fee).

Kwok Tai East was established on November 28, 2003, which focuses on equity investment, and is wholly owned by Mr. Wang Xiaoan, an individual investor.

CLOSING CONDITIONS

The subscription obligation of each Cornerstone Investor under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(a) the underwriting agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the aforesaid underwriting agreements having been terminated;

(b) the Offer Price having been agreed upon between our Company and the Overall Coordinators (on behalf of themselves and the Underwriters);

(c) the Stock Exchange having granted the listing of, and permission to deal in, the H Shares (including the H Shares subscribed for by the Cornerstone Investors) as well as other applicable waivers and approvals, and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(d) no applicable laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the representations, warranties, undertakings, confirmations and acknowledgements of such Cornerstone Investor under the respective Cornerstone Investment Agreements are accurate and true in all respects and not misleading and that there is no material breach of such Cornerstone Investment Agreement on the part of such Cornerstone Investor.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six (6) months from the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

So far as our Directors are aware, immediately upon Listing, the following persons will have interests and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company:

			Assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised at all		Assuming that both the Offer Size Adjustment Option and the Over-allotment Option are fully exercised	
Name of Shareholder	Nature of Interest	Number of Domestic Shares held[1]	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering[1] (%)	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering[1] (%)	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering[1] (%)	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering[1] (%)
Domestic Shares						
Mr. Zhu	Beneficial owner	55,557,839	25.19	4.86	25.19	4.69
	Interests held jointly with another person[3]	72,960,000	33.08	6.38	33.08	6.16
Ms. Liu	Deemed interests[4]	55,557,839	25.19	4.86	25.19	4.69
	Interests held jointly with another person[3]	72,960,000	33.08	6.38	33.08	6.16
Mr. Fu	Beneficial owner	72,960,000	33.08	6.38	33.08	6.16
	Interests held jointly with another person[3]	55,557,839	25.19	4.86	25.19	4.69
Ms. Chen	Deemed interests[6]	72,960,000	33.08	6.38	33.08	6.16
	Interests held jointly with another person[3]	55,557,839	25.19	4.86	25.19	4.69
Dahua Technology	Beneficial owner[8]	45,000,000	20.40	3.94	20.4	3.80
Hangzhou Guoshun Lingpao Equity Investment Partnership (Limited Partnership) (杭州國舜領跑股 權投資合夥企業(有限合夥)) ("**Guoshun Lingpao**")	Beneficial owner[9]	12,107,202	5.49	1.06	5.49	1.02
Ningbo Meishan Free Trade Zone Sequoia Zhisheng Capital Investment L.P. (寧波梅山保稅港區紅杉智盛股 權投資合夥企業(有限合夥)) ("Sequoia Zhisheng")	Beneficial owner[11]	11,229,358	5.09	0.98	5.09	0.95

Name of Shareholder	Nature of Interest	Number of H Shares held[1]	Assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised at all		Assuming that both the Offer Size Adjustment Option and the Over-allotment Option are fully exercised	
			Approximate percentage of shareholding in the relevant class of Shares after the Global Offering[1] (%)	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering[1] (%)	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering[1] (%)	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering[1] (%)
H Shares						
Mr. Zhu	Beneficial owner	37,038,559	4.02	3.24	3.84	3.13
	Interests in controlled corporations[2]	27,683,972	3.00	2.42	2.87	2.34
	Interests held jointly with another person[3]	120,549,007	13.07	10.55	12.50	10.17
Ms. Liu	Deemed interests[4]	64,722,531	7.02	5.66	6.71	5.46
	Interests held jointly with another person[3]	120,549,007	13.07	10.55	12.50	10.17
Mr. Fu	Beneficial owner	18,240,000	1.98	1.60	1.89	1.54
	Interests in controlled corporations[5]	45,761,266	4.96	4.00	4.75	3.86
	Deemed interests[6]	56,547,741	6.13	4.95	5.86	4.77
	Interests held jointly with another person[3]	64,722,531	7.02	5.66	6.71	5.46
	Interests in controlled corporations[12]	10,800,000	1.17	0.95	1.12	0.91
Ms. Chen	Interests in controlled corporations[7]	56,547,741	6.13	4.95	5.86	4.77
	Deemed interests[6]	64,001,266	6.94	5.60	6.64	5.40
	Interests held jointly with another person[3]	64,722,531	7.02	5.66	6.71	5.46
	Deemed interest[13]	10,800,000	1.17	0.95	1.12	0.91
Mr. Wu Baojun (吳保軍先生)	Interests in controlled corporations[14]	12,806,500	1.39	1.12	1.33	1.08
	Beneficial interest[15]	500,000	0.05	0.04	0.05	0.04
Mr. Cao Li (曹力先生)	Beneficial interest[16]	2,000,000	0.22	0.18	0.21	0.17
Dahua Technology	Beneficial owner[8]	45,000,000	4.88	3.94	4.67	3.80
Guoshun Lingpao	Beneficial owner[9]	48,428,810	5.25	4.24	5.02	4.09
Guosen Securities Co., Ltd. (國信證券股份有限公司) ("**Guosen Securities**")	Trustee[10]	57,723,164	6.26	5.05	5.99	4.87

(1) The calculation is based on (i) in the event that the Offer Size Adjustment Option and the Over-allotment Option are not exercised, the total number of 220,552,174 Domestic Shares in issue and 922,153,885 H Shares to be issued pursuant to the Global Offering (including 750,372,750 H Shares to be converted from Domestic Shares and 40,962,035 H Shares to be converted from Unlisted Foreign Shares in issue upon Listing) and (ii) in the event that the Offer Size Adjustment Option and the Over-allotment Option are fully exercised, the total number of 220,552,174 Domestic Shares in issue and 964,342,885 H Shares to be issued pursuant to the Global Offering (including 750,372,750 H Shares to be converted from Domestic Shares and 40,962,035 H Shares to be converted from Unlisted Foreign Shares in issue upon Listing).

(2) Hangzhou Xintu is held as to 70% and 30% by Mr. Zhu and Ms. Liu (the spouse of Mr. Zhu), respectively. Mr. Zhu is therefore deemed to be interested in the 4,077,472 H Shares converted from Domestic Shares held through Hangzhou Xintu. Mr. Zhu is the general partner of Ningbo Jinghang and Wanzai Mingzhao and therefore Mr. Zhu is deemed to be interested in 23,606,500 H Shares converted from Domestic Shares held through Ningbo Jinghang and Wanzai Mingzhao. Therefore, Mr. Zhu is deemed to be interested in a total of 27,683,972 H Shares converted from Domestic Shares of our Company through Hangzhou Xintu, Ningbo Jinghang and Wanzai Mingzhao.

(3) Pursuant to an acting-in-concert agreement dated February 1, 2016 entered into by and between Mr. Zhu and Mr. Fu, Mr. Zhu and Mr. Fu agreed to act in concert by aligning their votes at the Board and/or Shareholders' meetings of our Company in accordance with the consensus achieved among them. In the event that they are unable to reach consensus on any matter presented, the parties shall vote in accordance with the direction of Mr. Zhu, subject to applicable laws and regulations and without prejudice to interests of our Company, Shareholders and creditors. The term of the agreement commences from the date of its execution and ends 36 months after the Listing. Ms. Chen, as spouse of Mr. Fu, and her controlled entity, Ningbo Hualing, have been acting in concert with Mr. Fu and Mr. Zhu on voting and making decisions in respect of her interest in our Company. Ms. Liu, as spouse of Mr. Zhu, has also been acting in concert with Mr. Zhu and Mr. Fu. Accordingly, Mr. Zhu, Mr. Fu, Ms. Liu and Ms. Chen are members of the Single Largest Group of Shareholders with respect to their shareholding in the Company. Therefore, under the SFO, in addition to their respective direct shareholding or interest in controlled corporations, each of such individual is also deemed to be interested in the interest of the other individuals.

(4) Mr. Zhu and Ms. Liu are spouses. Therefore, under the SFO, Mr. Zhu and Ms. Liu are deemed to be interested in the Shares of our Company held by each other.

(5) Mr. Fu is the general partner of Ningbo Huayang and Ningbo Gulin. Mr. Fu is therefore deemed to be interested in the total of 45,761,266 H Shares converted from Domestic Shares held through Ningbo Huayang and Ningbo Gulin.

(6) Mr. Fu and Ms. Chen are spouses. Therefore, under the SFO, Mr. Fu and Ms. Chen are deemed to be interested in the Shares of our Company held by each other.

(7) Ms. Chen is the general partner of Ningbo Hualing. Therefore, Ms. Chen is deemed to be interested in 56,547,741 H Shares converted from Domestic Shares of our Company held through Ningbo Hualing.

(8) Dahua Technology is listed on the Shenzhen Stock Exchange (stock code: 002236.SZ). As of the Latest Practicable Date, Mr. Fu, Mr. Zhu and Ms. Chen held approximately 34.19%, 5.36% and 2.38% of the issued share capital of Dahua Technology, respectively.

(9) Guoshun Lingpao is one of our major Pre-IPO Investors and is a limited partnership established in the PRC. For details of Guoshun Lingpao, see "History, Development and Corporate Structure — Information about Our Major Pre-IPO Investors — Guoshun Lingpao" in this Prospectus.

(10) Guosen Securities is the manager of Guosen Securities Leapmotor Technology Employee Shareholding No. 1 Single Asset Management Plan (國信證券零跑科技員工持股1號單一資產管理計劃) ("**Employee Shareholding Plan**"), our Company's employee shareholding plan. For details of our Employee Shareholding Plan, see "History, Development and Corporate Structure — Establishment and Development of Our Company — (6) Equity Transfer to Employee Shareholding Plan in February 2021" and "Appendix VI — Statutory and General Information — Further Information about Our Directors, Supervisors, Management and Substantial Shareholders — 5. Employee Incentive Schemes" in this Prospectus.

(11) Sequoia Zhisheng is one of our major Pre-IPO Investors and is a limited partnership established in the PRC. For details of Sequoia Zhisheng, see "History, Development and Corporate Structure — Information about Our Major Pre-IPO Investors — Sequoia Zhisheng and Sequoia Jiesheng" in this Prospectus.

(12) The general partner of Hangzhou Jingbo Equity Investment L.P. (杭州景博股權投資合夥企業(有限合夥)) ("Hangzhou Jingbo") is Mr. Zhang Xingming (張興明), an Independent Third Party holding 33.33% therein. The limited partners of Hangzhou Jingbo are Mr. Fu and an Independent Third Party, each holding 33.33% therein respectively. Therefore, under the SFO, Mr. Fu is deemed to be interested in the 10,800,000 H Shares converted from Domestic Shares held through Hangzhou Jingbo.

(13) Mr. Fu and Ms. Chen are spouses. Therefore, under the SFO, Ms. Chen is deemed to be interested in the 10,800,000 H Shares converted from Domestic Shares held by Mr. Fu through Hangzhou Jingbo.

(14) Mr. Wu Baojun (吳保軍先生) is one of the limited partners of Ningbo Jinghang, holding 70.28% of its interests. Therefore, under the SFO, Mr. Wu is deemed to be interested in the 12,806,500 H Shares converted from Domestic Shares held through Ningbo Jinghang.

(15) Mr. Wu Baojun (吳保軍先生) is entitled to receive 500,000 Shares pursuant to the options granted to him under the Pre-IPO Share Option Scheme, subject to vesting conditions. See "Appendix VI — Statutory and General Information — Further Information about Our Directors, Supervisors, Management and Substantial Shareholders — 5. Employee Incentive Schemes" for details.

(16) Mr. Cao Li (曹力先生) is entitled to receive 2,000,000 Shares pursuant to the options granted to him under the Pre-IPO Share Option Scheme, subject to vesting conditions. See "Appendix VI — Statutory and General Information — Further Information about Our Directors, Supervisors, Management and Substantial Shareholders — 5. Employee Incentive Schemes" for details.

Saved as disclosed herein, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering (assuming that (i) the Offer Size Adjustment Option and the Over-allotment Option are not exercised and (ii) all 750,372,750 Domestic Shares and 40,962,035 Unlisted Foreign Shares are converted in H Shares as applied with CSRC under the "Full Circulation" Program), have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.

You should read the following discussion and analysis in conjunction with our consolidated financial statements, included in the Accountant's Report in Appendix I, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus. For further details, see "Forward-Looking Statements."

OVERVIEW

Founded in 2015, we are a smart EV company based in China primarily focusing on the mid- to high-end segment of China's NEV market with a price range of RMB150,000-300,000. Our flagship models, the C11 and C01, provide longer driving range, greater acceleration, more interior space and a wider variety of autonomous driving functions than most comparable models within the same price range available in China's EV market as of the Latest Practicable Date. We delivered a total of 43,748 vehicles in 2021, a 443.5% increase from 2020, making us the fastest-growing among the leading pure-play EV companies based in China in terms of delivery volume, according to Frost & Sullivan. We delivered 51,994 smart EVs in the first half of 2022, representing an increase of 265.3% from the same period in 2021.

We internally develop all our key hardware and software across the core systems and electronic components of our vehicles. We are the only pure-play EV company based in China, and one of the few NEV companies in the China market[(Note 1)], with such a full-suite of R&D capabilities, according to Frost & Sullivan. We develop cross-platform systems and electronic components from the ground up, which are highly configurable and easily adaptable across different EV models, making our R&D highly efficient and cost-effective. We are also the most vertically integrated pure-play EV company based in China, and one of the most vertically integrated NEV companies in the China market[(Note 1)], designing and producing in-house all of the core systems and electronic components for our vehicles, according to Frost & Sullivan. These include our intelligent power system (Leapmotor Power), autonomous driving system (Leapmotor Pilot), and smart cockpit system (Leapmotor OS). We believe such unique capabilities in smart EVs enable us to produce high caliber products, and develop new models rapidly and enjoy a cost advantage.

We experienced robust growth during the Track Record Period. Our revenue increased by 439.7% from RMB117.0 million in 2019 to RMB631.3 million in 2020, and further increased by 396.1% to RMB3,132.1 million in 2021. Our revenue increased by 616.4% from RMB278.0 million for the three months ended March 31, 2021 to RMB1,991.8 million for the same period in 2022. Our gross margin improved from -95.7% in 2019 to -50.6% in 2020, and further to -44.3% in 2021, and from -49.4% for the three months ended March 31, 2021 to -26.6% for the same period in 2022.

Note 1: The aforementioned NEV companies include domestic and international automakers that sell NEVs in China.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with IFRS, issued by the International Accounting Standards Board. The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying our accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 2.1 to the Accountant's Report included in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, including the following:

Our Ability to Generate Customer Demand

Our results of operations depend significantly on our ability to generate and satisfy customer demand. We endeavor to increase brand presence through innovation and deliver the finest smart mobility experience via our smart EVs and services. Our products offer great performance at compelling prices, making us well poised to capture market opportunities. We have successfully launched and delivered new models of smart EVs in a swift and efficient manner to address evolving and diversified customer demand.

Our ability to generate market demand also depends on the successful expansion of our sales and service network, which includes directly operated and channel partner stores. We also intend to expand into the international markets, with an initial focus on European market, the second largest EV market in the world. As we continue to develop and launch new smart EV models and expand our sales and service network, we anticipate to see rapid growth in our customer base and revenue.

Our Ability to Expand and Upgrade Our Smart EV Portfolio

Our ability to continuously introduce new smart EV models will be a key driving factor for our future growth. We have launched four smart EVs, the S01, the T03, the C11 and the C01. We further ramp up our momentum by introducing seven new BEV models by 2025 with one to three models each year, establishing a diverse and expanding portfolio of smart EVs to further penetrate the mid- to high-end segment in China's NEV market. In May 2022, we launched the C01, a mid- to large-sized smart electric sedan, as the first step to this acceleration.

We strive to offer feature-rich, high performance smart EVs in the mid- to high-end segment with prices predominantly between RMB150,000 to RMB300,000. The sales volume of NEVs in the mid- to high-end segment in China is expected to increase at a CAGR of 34.0% from 2021 to 2026, driving the market share of this segment in the total NEV sales to grow from 36.2% to 49.1% during the same period, according to Frost & Sullivan. We believe our proven ability in developing and delivering new vehicle models allows us to curate a diverse portfolio of smart EVs and to serve a rapidly growing user base with evolving and diverse preferences.

Our Ability to Control Costs and Improve Operational Efficiency

Our results of operations depend partly on our ability to manage costs and improve our operational efficiency. Benefiting from our full-suite of R&D capabilities and vertical integration business model, we aim to further improve operating efficiency in various aspects of our business, including (i) smart EV research and development, (ii) supply chain, and (iii) production. Our modularized hardware, software and cross-platform E/E architecture enable us to achieve high adaptability across different EV models, allowing us to develop new models in a fast and cost-efficient manner. In addition, the high degree of vertical integration significantly simplifies and streamlines our supply chain, lowering procurement cost while enhancing overall supply chain stability and quality. Our production capability also affects our cost of sales and margin profile.

We expect to continue to leverage our strong in-house production capabilities of core systems and electronic components to reduce our unit production cost, as we scale up and achieve economies of scale. We will continue to optimize the production process in our manufacturing facilities through advanced, intelligent and automated manufacturing. Our gross margin improved from -95.7% in 2019 to -50.6% in 2020, and further to -44.3% in 2021 and from -49.4% for the three months ended March 31, 2021 to -26.6% for the same period in 2022. We believe our efficient production process and supply chain management enable us to quickly launch models in response to customer demand.

Moreover, we will further prudently control our operating expenses. During the Track Record Period, our administrative expenses and selling expenses decreased as a percentage of our revenue from 249.6% in 2019 to 53.7% in 2020, and further to 26.4% in 2021. Our administrative expenses and selling expenses decreased as a percentage of our revenue from 62.6% for the three months ended March 31, 2021 to 15.9% for the same period in 2022. As we expand our smart EV portfolio and grow our revenue, we expect our costs and expenses as percentages of our revenue to continue to decline. This is paramount to our continued success and paves the way to profitability.

Our Ability to Enhance Technological Capabilities

We are the only pure-play EV company based in China that develops all key hardware and software across the core systems and electronic components, according to Frost & Sullivan. We are dedicated to research and development, and our R&D personnel accounted for 32.7% of the total employees as of June 30, 2022. Leveraging our highly efficient R&D, we developed and delivered three smart EV models during the Track Record Period. We will continue to recruit and retain talents across R&D areas, escalating our continued innovation in smart EV technologies.

Particularly, we will continue to upgrade our Leapmotor Pilot autonomous driving system and Leapmotor OS smart cockpit system. We plan to deliver a smarter and more immersive user experience. This will depend on our abilities to develop advanced software, new functions and attractive contents, and seamlessly integrate them into our smart EVs. We will continue to devote significant resources to R&D on our smart EV technologies and further differentiate our smart EVs from competition. We believe that such technologies are mission-critical to grow our customer base through offering them remarkable smart mobility experience.

Our Ability to Execute Effective Sales and Marketing Strategies

Effective sales and marketing are critical to our sales growth. We leverage our network of directly operated and channel partner stores to conduct our sales and marketing activities. We also seek to acquire new customers cost-efficiently through a variety of other channels, including online platforms and word-of-mouth referrals. We will continue to execute our direct-to-customer strategy and increase the number of stores to expand our nationwide sales and service network.

We have developed our own integrated platform to directly interact with users, offering full lifecycle service experience. Such user engagement and interaction would enhance the conversion rates of sales. In addition, we offer a wide range of services and functionalities through Leapmotor APP to enhance customer satisfaction and loyalty. See "Business — Sales and Marketing — Leapmotor APP."

Other Factors Affecting Our Results of Operations

Our business and operating results are affected by a series of general factors, which include:

- global and China's macroeconomic conditions and the growth of China's overall passenger vehicle market;
- market acceptance of EVs;
- evolution of smart EV technologies;
- supply of key components; and
- relevant laws and regulations, governmental policies and initiatives.

IMPACT OF THE COVID-19 PANDEMIC ON OUR OPERATIONS AND FINANCIAL PERFORMANCE

The COVID-19 pandemic has affected the global and Chinese economy, automotive industry in general and our Company. The outbreak has resulted in nationwide restrictions in travel and public transport, and implementation of social distancing measures. As a result, the pandemic had impacts on the macro-economic environment and the EV industry in the PRC, and various aspects of our operations, including supply chain, R&D activities, production and logistics. See "Industry Overview — Impact of the COVID-19 Pandemic on the Macro-economic Environment in the PRC" and "Industry Overview — Impact of the COVID-19 Pandemic on the EV industry in the PRC" for details on the impact on the macro-economic environment and the EV industry in the PRC.

Impact on Supply Chain

The COVID-19 pandemic affected delivery of certain components from our suppliers during the Track Record Period. For example, there was a shortage in supply and price increase of processor chips in 2021. Our vehicle production and deliveries were hence also affected, such that our production lead time was prolonged from approximately one to two months to approximately three to four months on average. However, we have adopted various measures in response to potential disruption of the supply chain. In particular, we entered into reserve agreements with some of our suppliers to maintain a safety stock of inventory of semiconductor chips. Accordingly, we have not experienced significant constraints on supply chain or significant increases in our procurement costs as a result of the COVID-19 pandemic, nor have we experienced any material shortage of semiconductor chips or suffered any production suspension due to a disruption in the supply chain during the Track Record Period and up to the Latest Practicable Date. See "Business — Our Suppliers — Raw Materials, Parts and Components" for details of our supply chain management. With the relief of the pandemic in the PRC, substantial parts of our business operations have been restored to their normal level. We also expect our production lead time to be shortened in the near future.

Impact on Production, R&D and Logistics

Due to the aforementioned impacts on our supply chain, we experienced some temporary disruptions in production and vehicle delivery during the Track Record Period. Our R&D activities were hence also affected in the first half of 2020. In light of the potential constraints on our supply chain, we have strategically stocked up on certain raw materials for the anticipated increase in our vehicle production in 2021, including electronic components and battery cells. With the relief of the pandemic in the PRC, substantial part of our business operations has been restored to the normal level. As of the Latest Practicable Date, we did not receive any material cancellation of orders by our customers due to the COVID-19 pandemic.

Impact on Expansion Plans

We completed the acquisition of the relevant plots of land for the construction of the Hangzhou Plant in December 2021. As of the Latest Practicable Date, we had not experienced any material adverse impact on our expansion plans due to the pandemic.

Despite the impact of the COVID-19 pandemic, we have achieved significant growth in revenue and smart EV deliveries. Our total revenue increased by 439.7% from RMB117.0 million in 2019 to RMB631.3 million in 2020 and further increased by 396.1% to RMB3,132.1 million in 2021. Our revenue increased by 616.4% from RMB278.0 million for the three months ended March 31, 2021 to RMB1,991.8 million for the same period in 2022. We delivered 8,050 smart EVs in 2020, representing an increase of 676.3% from 2019 and further delivered 43,748 smart EVs in 2021, representing an increase of 443.5% from 2020. For the three months ended March 31, 2022, we delivered 21,579 smart EVs, representing an increase of 409.5% from 4,235 units in the same period in 2021. As of March 31, 2022, we had a liquidity of RMB5,532.4 million, which includes cash and cash equivalents, restricted cash and wealth management products. We believe that this level of liquidity is sufficient to help us successfully navigate the uncertainties brought about by the pandemic.

However, the extent to which the COVID-19 pandemic affects our future results of operations will depend on the duration and severity of the pandemic, the extent of new waves of outbreak, the development and progress of distribution of COVID-19 vaccines and other medical treatment, and the actions taken by government authorities to contain the pandemic, all of which are beyond our control. In light of these uncertainties in the global market and economic conditions attributable to the COVID-19 pandemic, we cannot precisely predict its effects on our business, financial performance and liquidity. See "Risk Factors — Risks Relating to Our Business and Industry — The COVID-19 pandemic has adversely affected, and may continue to adversely affect, our results of operations." Nonetheless, we believe that the COVID-19 pandemic would not materially affect our expansion plan or use of proceeds in the current circumstance for the following reasons: (i) we have not experienced material disruption in the construction of our production facilities; (ii) the expansion of our sales network was not materially affected, as the number of our stores increased from 291 as of December 31, 2021 to 336 as of March 31, 2022 and 443 as of July 31, 2022; and (iii) there was no material impact on our ordinary course of business, including our R&D and marketing activities.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the historical financial information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying our accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on us and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Revenue Recognition

(a) Sales of Vehicles and Parts

We manufacture and sell electric vehicles and related parts in the market, and generate revenue from sales of electric vehicles, together with a number of embedded products through a contract. The revenue for sales of the vehicles and parts is recognized at a point in time when the control of the vehicles and parts are transferred to the customer. Initial refundable deposits for intention orders received from customers prior to the signing of vehicle purchase agreements are recognized as advances from customers.

Vehicle buyers in the PRC are entitled to government subsidies when they purchase electric vehicles. For efficiency purpose and better customer service, we apply for and collect such government subsidies on behalf of the customers. Accordingly, customers only pay the amount after deducting government subsidies. We determine that the government subsidies should be considered as part of the transaction price because the subsidy is granted to the buyer of the electric vehicle and the buyer remains liable for such amount in the event the subsidies were not received by us due to the buyer's fault such as refusal or delay of providing application information.

The standard warranty provided by us, including free roadside assistance service for vehicle quality problems and mobility scooter service, is accounted for as provisions, and the estimated costs are recorded as a liability when we transfer the control of vehicle to a customer.

(b) Sales of Automotive Regulatory Credits

We earn tradable automotive regulatory credits in the operation of vehicle business under the Measures for the Parallel Administration of the Corporate Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises (《乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法》) issued by MIIT. We sell these credits to other regulated entities who can use the credits to comply with the regulatory requirements.

Payments for automotive regulatory credits are typically received at the point control transfers to the purchasing party, or in accordance with payment terms customary to the business. We recognize the sale of automotive regulatory credits as revenue at the time when the control of the regulatory credits has been transferred to the purchasing party.

(c) Services

We provided multiple services including extended one-year or lifetime warranty, vehicle internet connection service, firmware over the air upgrades and free lifetime roadside assistance service stated in a series of contracts for sales of vehicles. The aforementioned services are accounted for as separate performance obligations. We recognize the revenue using a straight-line method over the service period. A contract liability is recognized for payments received in which revenue has not been recognized.

Share-based Payments

Certain share transfer and grant of shares under the share award scheme have resulted in share-based payment expenses.

We have engaged an independent valuer to determine the total fair value of the equity incentive tools granted to employees. The discounted cash flow method and back-solve method were used to determine the total equity value of our Company and then equity allocation model was adopted to determine the fair value of the equity incentive tools. Significant estimates on assumptions, such as risk-free interest rate, volatility and dividend yield are made based on management's best estimates.

As the awards granted in equity-settled share-based payment plan are conditional on a Qualified Initial Public Offerings ("**QIPO**"), we have estimated the QIPO's probability and QIPO date when they calculated share-based payment expenses at each reporting period end. Since QIPO condition is considered as vesting condition, the entity also needs to consider when QIPO is probable. If the service period under the service condition ends before QIPO, then the vesting period will end on QIPO date; if the service period under the service condition ends after QIPO, then the vesting period will end according to the service conditions. As of March 31, 2022, we assessed it is probable that the performance condition (i.e. QIPO) will be achieved in the future.

See Note 26 to the Accountant's Report in Appendix I to this prospectus.

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

— Buildings	20 years
— Machinery and molds	5-10 years
— Vehicles	2-4 years
— Electronic equipment and others	3 years
— Leasehold improvements	Shorter of the lease terms or 3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See Note 2.9 to the Accountant's Report in Appendix I to this prospectus.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains — net" in the consolidated statements of comprehensive loss.

Construction in progress represents unfinished construction and equipment under construction or pending installation and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

Fair Value Estimation

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. We use our judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments. See Note 3.3 to the Accountant's Report in Appendix I to this prospectus.

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated results of operations for the periods presented:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019	2020	2021	2021	2022
	(RMB in thousands)			(unaudited)	
Revenue:					
— Sales of vehicles and parts	116,963	615,823	3,058,818	278,047	1,990,354
— Sales of automotive regulatory credits	–	15,478	71,934	–	–
— Services	–	–	1,307	–	1,483
Total revenue	**116,963**	**631,301**	**3,132,059**	**278,047**	**1,991,837**
Cost of sales	**(228,929)**	**(950,902)**	**(4,519,690)**	**(415,455)**	**(2,521,312)**
Gross loss	(111,966)	(319,601)	(1,387,631)	(137,408)	(529,475)
R&D expenses	(358,318)	(289,248)	(740,015)	(92,996)	(242,545)
Selling expenses	(131,148)	(154,920)	(427,855)	(89,728)	(162,375)
Administrative expenses	(160,830)	(183,810)	(398,310)	(84,371)	(154,126)
Net impairment losses on financial assets	(101)	(212)	(298)	(95)	(166)
Other income	23,477	66,590	66,293	2,026	9,220
Other gains – net	7,930	11,671	19,498	4,453	7,492
Operating loss	**(730,956)**	**(869,530)**	**(2,868,318)**	**(398,119)**	**(1,071,975)**
Finance income	1,693	1,294	84,007	13,202	31,220
Finance costs	(171,868)	(230,331)	(61,658)	(11,464)	(3,389)
Finance (costs)/income – net	(170,175)	(229,037)	22,349	1,738	27,831
Share of net (loss)/profit of associate accounted for using the equity method	–	(1,526)	196	(854)	1,941
Loss before income tax	(901,131)	(1,100,093)	(2,845,773)	(397,235)	(1,042,203)
Income tax expense	–	–	–	–	–
Loss and total comprehensive loss for the year/period attributable to the equity holders of our Company	**(901,131)**	**(1,100,093)**	**(2,845,773)**	**(397,235)**	**(1,042,203)**

NON-IFRS MEASURE

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net loss as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe this non-IFRS measure facilitates comparisons of operating performance from year to year and company to company by eliminating potential impacts of items.

We believe this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net loss may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS. We define adjusted net loss as net loss for the period adjusted by adding back share-based payment expenses and interest expenses on financial instruments with preferred rights at amortized cost.

The following table reconciles our adjusted net loss for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is net loss for the period:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019	2020	2021	2021	2022
	(RMB in thousands)				
				(unaudited)	
Reconciliation of net loss to adjusted net loss:					
Loss for the year/period	(901,131)	(1,100,093)	(2,845,773)	(397,235)	(1,042,203)
Add:					
— Share-based payment expenses[(1)]	3,327	42,559	216,955	25,938	72,958
— Interest expenses on financial instruments with preferred rights at amortized cost[(2)]	88,143	122,368	–	–	–
Adjusted net loss[(3)]	**(809,661)**	**(935,166)**	**(2,628,818)**	**(371,297)**	**(969,245)**

Notes:

(1) Share-based payment expenses mainly represent the arrangement that we receive services from employees as consideration for our equity instruments. Share-based payments are not expected to result in future cash payments.

(2) Interest expenses on financial instruments with preferred rights at amortized cost represent the interest on our Pre-IPO Investments. On December 31, 2020, our Company entered into a termination agreement with the Pre-IPO Investors, pursuant to which the financial instruments with preferred rights at amortized cost were derecognized and no interest was accrued subsequently. In addition, the interest expenses on financial instruments with preferred rights are a non-cash item.

(3) A non-IFRS measure.

During the Track Record Period, our net losses and operating cash outflows were primarily due to the significant amounts of cost of sales and operating expenses incurred. Our net losses increased from RMB901.1 million in 2019 to RMB1,100.1 million in 2020, and further increased to RMB2,845.8 million in 2021. Our net losses increased from RMB397.2 million for the three months ended March 31, 2021 to RMB1,042.2 million for the same period in 2022. The increase in operating expenses was driven by our efforts to (i) acquire talents and staff and invest in R&D activities, and (ii) establish our brand awareness and invest in advertising and marketing activities.

DESCRIPTION OF KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we primarily derived revenue from sales of smart EVs and parts. We also generated revenue from (i) sales of automotive regulatory credits and (ii) services. We generated all of our revenue from the PRC during the Track Record Period. As our revenue is recognized when, or as, the control of goods or services is transferred to the customer and a customer is the party that enters into contracts with us to purchase goods or services that are the output of our ordinary business activities, our channel partners are accordingly treated as customers. See Note 2.26 to the Accountant's Report in Appendix I to this prospectus.

The following table sets forth our revenue breakdown, each expressed in absolute amount and as a percentage of our total revenue, for the periods indicated:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
							(unaudited)			
Sales of vehicles and parts	116,963	100	615,823	97.5	3,058,818	97.7	278,047	100	1,990,354	99.9
Sales of automotive regulatory credits	–	–	15,478	2.5	71,934	2.3	–	–	–	–
Services	–	–	–	–	1,307	0.0	–	–	1,483	0.1
Total	**116,963**	**100**	**631,301**	**100**	**3,132,059**	**100**	**278,047**	**100**	**1,991,837**	**100**

Sales of Vehicles and Parts

We began delivery of the S01 as our first smart EV model in July 2019. The sales of smart EV and parts is our main source of revenue. We provide optional auto parts for users to add to their purchase orders, as well as replacement parts during after-sales of vehicles. Revenue generated from this segment represents the invoiced value of goods sold, which is after rebate and discounts, as we offer rebates to channel partners and discounts to individual customers. Our business has benefited from PRC government policies that are favorable to the growth of NEVs, subsidies and economic incentives. For example, qualified purchasers of the S01, T03, C11 and C01 are eligible for subsidies from PRC central government and certain local governments. In addition, in certain cities, quotas restricting the purchase of ICE vehicles do not apply to EVs, thereby incentivizing customers to purchase EVs. Such favorable policies have contributed to the increase in the sales volume of NEVs in China from 1.1 million units in 2019 to 3.3 million units in 2021, which, according to Frost & Sullivan, is expected to further increase to 4.7 million units in 2022, which provides market opportunities that we are able to capture with the launch of our smart EV models.

For the years ended December 31, 2019, 2020, 2021 and the three months ended March 31, 2022, revenue from sales of vehicles and parts amounted to RMB117.0 million, RMB615.8 million, RMB3,058.8 million and RMB1,990.4 million, accounting for 100%, 97.5%, 97.7% and 99.9% of our revenue, respectively. The increase was primarily attributable to (i) the increase in the sales volume of smart EVs and (ii) the higher average selling price as our product mix continued to evolve, given that the C11 enjoyed a higher post-subsidy price from RMB159,800 to RMB199,800, compared to the T03 at RMB68,900 to RMB84,900 during the Track Record Period, and its delivery volume increased since its launch. We started delivery of the T03 and the C11 in May 2020 and October 2021, respectively. The delivery volume of our EV models in aggregate increased from 8,050 units in 2020 to 43,748 units in 2021, which was driven by the launch and additional sales of the C11 as well as the popularity and increasing sales of the T03. Accordingly, we recorded a significant increase in sales of vehicles and parts in 2021. In addition, in the first quarter of 2022, we delivered 21,579 vehicles, representing an increase of 409.5% from the same period in 2021.

Sales of Automotive Regulatory Credits

Enterprises in the PRC can obtain automotive regulatory credits by manufacturing or importing new energy vehicles, and any positive credit balance can be freely traded in the credit management system established by the MIIT. See "Regulatory Overview — (VI) Favorable Policies Relating to New Energy Vehicles in China — 6. Corporate Average Fuel Consumption and New Energy Vehicle Credits Scheme for Vehicle Manufacturers and Importers." Since 2020, sales of automotive regulatory credits constitute a part of our revenue. For the years ended December 31, 2020 and 2021, revenue from sales of automotive regulatory credits amounted to RMB15.5 million and RMB71.9 million, accounting for 2.5% and 2.3% of our revenue, respectively.

Services

We provide certain embedded services to vehicle buyers, including extended one-year or lifetime warranty, vehicle internet connection service, firmware OTA upgrades and free lifetime roadside assistance service. Alongside the launch of the C11 in 2021, the provision of embedded services began to constitute a notable part of our revenue. For the year ended December 31, 2021 and the three months ended March 31, 2022, revenue from embedded services amounted to RMB1.3 million and RMB1.5 million, respectively.

Cost of Sales

Our cost of sales relates to the production of smart EVs and mainly comprises (i) procurement cost of raw materials and consumables (including changes in inventories of finished goods), (ii) depreciation and amortization and (iii) employee compensation expenses. Our cost of sales has increased primarily due to the increase in sales volume of our smart EVs.

The following table sets forth a breakdown of our cost of sales by nature in absolute amounts and as a percentage of our total cost of sales for the periods indicated:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
							(unaudited)			
Raw materials and consumables used	154,744	67.6	742,278	78.1	4,122,764	91.3	344,657	82.9	2,271,371	90.1
Depreciation and amortization expenses	43,181	18.9	127,131	13.4	145,817	3.2	35,632	8.6	37,256	1.5
Employee compensation expenses	25,093	11.0	32,669	3.4	78,799	1.7	20,331	4.9	110,555	4.4
Warranty expenses	2,747	1.2	32,383	3.4	104,707	2.3	6,644	1.6	54,292	2.1
Freight expenses	1,009	0.4	13,409	1.4	61,989	1.4	7,067	1.7	40,737	1.6
Others	2,155	0.9	3,032	0.3	5,614	0.1	1,124	0.3	7,101	0.3
Total	**228,929**	**100**	**950,902**	**100**	**4,519,690**	**100**	**415,455**	**100**	**2,521,312**	**100**

Warranty expenses

We provide warranties on all new vehicles, based on the contracts with our customers at the time of sale of vehicles. During the Track Record Period, our warranty expenses amounted to RMB2.7 million, RMB32.4 million, RMB104.7 million and RMB54.3 million, respectively. We accrue a warranty reserve for the vehicles sold by multiplying the expected unit costs for warranty services by sales volume, which includes the best estimate of projected costs to repair or replace items under warranty. The expected unit costs for warranty services includes frequency of future claims and unit average costs per claim. Given our relatively short history of vehicle sales and changes to the historical or projected warranty experience, we leveraged our industry experience in the estimation of the frequency of future claims. Warranty expenses are recorded as a component of cost of sales in the consolidated statements of comprehensive loss. We re-evaluate the adequacy of warranty accrual on a regular basis.

The basis for estimating warranty expense was disclosed in Note 4(f) and Note 30 of the Accountant's Report in Appendix I to this prospectus which was issued by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

Having considered the audit opinion on the historical financial information set forth in the Accountant's Report and the work performed by the management of our Company, and conducted financial due diligence with the Company to understand the historical frequency of claims, the basis and the methodology of their estimation and other independent due diligence work, such as industry benchmarking analysis, nothing has come to the Joint Sponsors' attention that would cast doubt on the appropriateness of adopting industry experience as the basis for estimating warranty expenses.

Gross Loss and Gross Margin

Our gross loss represents our revenue less our cost of sales, and our gross margin represents gross loss divided by our revenue, expressed as a percentage.

The following table sets forth our gross loss in absolute amounts and as a percentage of our revenue for the periods indicated:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
							(unaudited)			
Gross Loss	(111,966)	(95.7)	(319,601)	(50.6)	(1,387,631)	(44.3)	(137,408)	(49.4)	(529,475)	(26.6)

Our sales of smart EV and parts were in the early stage. While we experienced significant growth during the Track Record Period, we incurred gross losses throughout the Track Record Period, primarily due to high cost of sales in the early production stage during which we were in the process of ramping up our production and deliveries to achieve economies of scale. Our gross loss increased from RMB112.0 million in 2019 to RMB319.6 million in 2020, and further to RMB1,387.6 million in 2021. Our gross loss increased from RMB137.4 million for the three months ended March 31, 2021 to RMB529.5 million for the same period in 2022. The increase of gross loss during the Track Record Period was mainly attributable to the increase in the number of vehicles sold throughout the Track Record Period, as the cost of sales was relatively high due to the significant cost of raw materials in relation to the procurement of batteries for our vehicles. Our gross margin improved from -95.7% in 2019 to -50.6% in 2020, further to -44.3% in 2021, and from -49.4% for the three months ended March 31, 2021 to -26.6% for the same period in 2022, primarily due to (i) the increase in the average selling price as our product mix continued to evolve, and (ii) the significant decrease in the average manufacturing cost per vehicle, driven by the increasing economies of scale from vehicle production and delivery volume increase. We expect the gross margin will further improve as we continue to manage costs and improve operational efficiency as we scale up.

R&D Expenses

Our R&D expenses primarily comprise (i) employee compensation expenses, (ii) design and development expenses, (iii) procurement costs of raw materials and consumables used, and (iv) depreciation and amortization.

The following table sets forth a breakdown of our R&D expenses by nature for the periods indicated:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)						(unaudited)			
Employee compensation expenses	177,363	49.5	149,454	51.7	374,646	50.6	53,306	57.3	146,040	60.2
Design and development expenses	102,599	28.6	99,624	34.4	258,669	35.0	19,475	21.0	32,205	13.3
Raw materials and consumables used	51,270	14.3	17,534	6.1	50,565	6.8	8,837	9.5	39,826	16.4
Depreciation and amortization expenses	8,161	2.3	17,719	6.1	23,673	3.2	5,310	5.7	10,910	4.5
Expenses relating to short-term leases	3,680	1.0	863	0.3	2,272	0.3	–	–	1,593	0.7
Others	15,245	4.3	4,054	1.4	30,190	4.1	6,068	6.5	11,971	4.9
Total	**358,318**	**100**	**289,248**	**100**	**740,015**	**100**	**92,996**	**100**	**242,545**	**100**

During the Track Record Period, our R&D expenses amounted to RMB358.3 million, RMB289.2 million, RMB740.0 million and RMB242.5 million, accounting for 306.4%, 45.8%, 23.6% and 12.2% of our revenue in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively. See "Business — Our Technologies" for details of our R&D activities during the Track Record Period. We expect the R&D expenses to increase alongside our smart EV technologies development and product portfolio expansion in the future.

Selling Expenses

Our selling expenses primarily comprise (i) advertising and marketing expenses, (ii) employee compensation expenses, and (iii) depreciation and amortization expenses in relation to our marketing and promotional activities.

The following table sets forth a breakdown of our selling expenses by nature for the periods indicated:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)						(unaudited)			
Advertising and marketing expenses	78,381	59.8	91,170	58.8	256,267	59.9	67,908	75.7	80,895	49.8
Employee compensation expenses	39,169	29.9	40,018	25.8	128,157	30.0	15,144	16.9	61,145	37.7
Depreciation and amortization expenses	1,480	1.1	8,641	5.6	17,265	4.0	4,138	4.6	7,833	4.8
Service fees of professional organizations	1,301	1.0	3,373	2.2	2,123	0.5	161	0.2	1,189	0.7
Rental expenses	–	–	–	–	416	0.1	560	0.6	1,080	0.7
Others	10,817	8.2	11,718	7.6	23,627	5.5	1,817	2.0	10,233	6.3
Total	**131,148**	**100**	**154,920**	**100**	**427,855**	**100**	**89,728**	**100**	**162,375**	**100**

During the Track Record Period, our selling expenses decreased as a percentage of our revenue, primarily due to the significant increase in our revenue and the benefit from economies of scale as a result of our business growth. Our selling expenses amounted to RMB131.1 million, RMB154.9 million, RMB427.9 million and RMB162.4 million, accounting for 112.1%, 24.5%, 13.7% and 8.2% of our revenue in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively. We expect our selling expenses to increase along our business growth in the future. In particular, we will increase our investment to establish a stronger brand presence. We will increase our brand awareness and strengthen its recognition by launching a variety of online and offline marketing campaigns, such as promotions through traditional media and social media platforms as well as participation in various auto shows.

Administrative Expenses

Our administrative expenses primarily comprise (i) employee compensation expenses, (ii) depreciation and amortization expenses and (iii) other expenses such as professional service fees.

The following table sets forth a breakdown of our administrative expenses by nature for the periods indicated:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)						(unaudited)			
Employee compensation expenses	103,428	64.3	133,414	72.6	240,397	60.4	36,084	42.8	90,908	59.0
Depreciation and amortization expenses	15,033	9.4	21,957	11.9	32,407	8.1	6,747	8.0	22,978	14.9
Listing expenses	–	–	–	–	12,024	3.0	–	–	16,574	10.8
Legal, consulting and other professional fees	14,572	9.1	6,825	3.7	74,049	18.6	27,943	33.1	10,620	6.9
Office expenses	9,000	5.6	1,012	0.6	1,787	0.4	126	0.1	559	0.4
Lease expenses	3,136	1.9	668	0.4	1,284	0.3	867	1.0	1,475	0.9
Other taxes and additional expenses	2,957	1.8	7,193	3.9	13,352	3.4	3,769	4.5	4,373	2.8
Others	12,704	7.9	12,741	6.9	23,010	5.8	8,835	10.5	6,639	4.3
Total	**160,830**	**100**	**183,810**	**100**	**398,310**	**100**	**84,371**	**100**	**154,126**	**100**

During the Track Record Period, our administrative expenses decreased as a percentage of our revenue, primarily due to the significant increase in our revenue and the benefit from economies of scale as a result of our business expansion. Our administrative expenses amounted to RMB160.8 million, RMB183.8 million, RMB398.3 million and RMB154.1 million, accounting for 137.5%, 29.1%, 12.7% and 7.7% of our revenue in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively. We expect our administrative expenses to increase alongside our business expansion in the future. We also plan to make continuous improvement to our administrative efficiency.

Net Impairment Losses on Financial Assets

Net impairment losses on financial assets primarily represent provisions of impairment of trade receivables and other receivables. We recorded net impairment losses on financial assets of RMB0.1 million, RMB0.2 million, RMB0.3 million and RMB0.2 million in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively. The increase in the net impairment losses on financial assets was primarily due to the increase in our impairment loss on trade receivables driven by the increased sales volume, which was generally in line with the growth of our business.

Other Income

Our other income primarily consists of government grants, which amounted to RMB23.5 million, RMB66.6 million, RMB66.3 million and RMB9.2 million in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively.

Other Gains – Net

Our other net gains primarily comprise (i) net fair value gains on financial assets at fair value through profit or loss (FVPL), (ii) net gains on disposal of property, plant and equipment and intangible assets, (iii) net fair value (losses)/gain on derivative financial instruments, and (iv) net foreign exchange gains/(losses).

The following table sets forth a breakdown of our other net gains for the periods indicated:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019	2020	2021	2021	2022
	(RMB in thousands)				
				(unaudited)	
Net fair value gains on financial assets at FVPL	8,263	1,959	22,238	4,315	6,602
Net gains on disposals of property, plant and equipment, intangible assets and right-of-use assets	–	10,141	(668)	(1)	133
Net fair value (losses)/gains on derivative financial instruments	(2,842)	2,073	–	–	–
Net foreign exchange gains/(losses)	2,742	(43)	(89)	132	87
Other items	(233)	(2,459)	(1,983)	7	670
Total	**7,930**	**11,671**	**19,498**	**4,453**	**7,492**

Finance (Costs)/Income – Net

Finance income comprises interest income on cash at bank and interest income from long-term bank time deposits. Finance costs primarily comprise interest expenses on bank and other borrowings, financial instruments with preferred rights at amortized cost and loans from related parties.

The following table sets forth a breakdown of our finance income and finance costs for the periods indicated:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019	2020	2021	2021	2022
	(RMB in thousands)			(unaudited)	
Finance income:					
Interest income on cash at banks	1,693	1,187	29,468	2,282	23,952
Interest income on long-term bank time deposits	–	107	54,539	10,920	7,268
Finance income	**1,693**	**1,294**	**84,007**	**13,202**	**31,220**
Finance costs:					
Interest expenses on bank and other borrowings	(129,636)	(111,236)	(76,215)	(21,012)	(10,532)
Interest expenses on financial instruments with preferred rights at amortized cost	(88,143)	(122,368)	–	–	–
Interest expense on loans from related parties	–	(8,986)	(2,342)	(2,342)	–
Interest and finance charges on lease liabilities	(184)	(1,127)	(1,666)	(347)	(2,988)
Subtotal	**(217,963)**	**(243,717)**	**(80,223)**	**(23,701)**	**(13,520)**
Less: borrowing costs capitalized in property, plant and equipment	46,095	13,386	18,565	12,237	10,131
Finance costs	**(171,868)**	**(230,331)**	**(61,658)**	**(11,464)**	**(3,389)**
Finance (costs)/income – net	**(170,175)**	**(229,037)**	**22,349**	**1,738**	**27,831**

Our finance income amounted to RMB1.7 million, RMB1.3 million, RMB84.0 million and RMB31.2 million in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively. During the Track Record Period, the increase in our finance income was primarily driven by (i) the increase in the balance of our cash and cash equivalents mainly from the proceeds of our financing activities, and (ii) an increase in interest rates for long-term bank deposits. Our finance costs increased from RMB171.9 million in 2019 to RMB230.3 million in 2020, primarily due to an increase in the cost of financial instruments and loans from equity holders, and subsequently decreased to RMB61.7 million in 2021, primarily due to the repayment of borrowings and a decrease in interest rates. Our finance costs decreased from RMB11.5 million for the three months ended March 31, 2021 to RMB3.4 million for the same period in 2022, primarily due to the repayment of borrowings and a decrease in interest rates.

Income Tax Expense

Our Company obtained its High and New Technology Enterprises ("**HNTE**") status in year 2018 and hence is entitled to a preferential tax rate of 15% for a three-year period commencing 2018, which has been renewed for another three years.

Our subsidiaries are subject to the PRC corporate income tax at the statutory rate of 25%.

According to the relevant laws and regulations promulgated by the SAT, enterprises engaging in research and development activities are entitled to claim 175% from 2018 onwards (subsequently raised to 200% from 2021 onwards) of their research and development expenses incurred as tax deductible expenses.

The table below sets forth a reconciliation of the expected income tax calculated at the applicable corporate income tax rate and loss before income tax, with the actual corporate income tax during the Track Record Period:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019	2020	2021	2021	2022
	(RMB in thousands)				
				(unaudited)	
Loss before income tax	(901,131)	(1,100,093)	(2,845,773)	(397,235)	(1,042,203)
Share of net loss/(profit) of an associate accounted for using the equity method	–	1,526	(196)	854	(1,941)
Income tax credit computed at the applicable income tax rate of 25%	(225,283)	(274,642)	(711,492)	(99,095)	(261,036)
Tax effects of:					
Effect of preferential tax rate	10,505	18,040	66,750	11,562	28,958
Expenses not deductible for taxation purposes	16,047	26,753	41,677	3,891	12,768
Super deduction in respect of research and development expenditures	(20,606)	(24,392)	(102,275)	(10,924)	(34,630)
Tax losses and deductible temporary differences for which no deferred income tax asset was recognized	219,337	254,241	705,340	94,566	253,940
Income tax expense	**–**	**–**	**–**	**–**	**–**

As of March 31, 2022, our Group had unused tax losses of approximately RMB5,630.6 million that can be carried forward against future taxable income.

Our Group is principally engaged the business in Mainland China, where the accumulated tax losses will normally expire within five years. Pursuant to the relevant regulations on extension for expiries of unused tax losses of HNTE issued in August 2018, the accumulated tax losses of our Company which did not expire from 2018 will have expiries extending between five to ten years therefrom.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2022

Revenue

Our total revenue increased by 616.4% from RMB278.0 million for the three months ended March 31, 2021 to RMB1,991.8 million for the three months ended March 31, 2022. The increase was primarily due to the increase in the sales volume of EVs and parts and the higher average selling price across our portfolio as our product mix continued to evolve.

Revenue from sales of EVs and parts increased by 615.8% from RMB278.0 million for the three months ended March 31, 2021 to RMB1,990.4 million for the three months ended March 31, 2022. The increase was primarily attributable to (i) a significant increase in the sales volume of the T03 and the C11 which we started delivering in May 2020 and October 2021, respectively, and (ii) an increase in the average selling price across our portfolio as our product mix continued to evolve. We delivered 4,150 units of the T03 to customers in the first three months of 2021, and 13,767 units of the T03 and 7,791 units of the C11 in the same period in 2022.

Revenue from services amounted to nil and RMB1.5 million for the three months ended March 31, 2021 and 2022, respectively. We offered additional embedded services to buyers, including extended warranty, vehicle internet connection service, firmware over the air upgrades and free lifetime roadside assistance service.

Cost of Sales, Gross Loss and Gross Margin

Our cost of sales increased by 506.9% from RMB415.5 million for the three months ended March 31, 2021 to RMB2,521.3 million for the three months ended March 31, 2022; the increase was mainly driven by the increase in the cost of raw materials and consumables from RMB344.7 million for the three months ended March 31, 2021 to RMB2,271.4 million for the three months ended March 31, 2022 for our increased sales volume. As a result, our gross loss increased by 285.3% from RMB137.4 million for the three months ended March 31, 2021 to RMB529.5 million for the three months ended March 31,2022. Our gross margin improved from -49.4% for the three months ended March 31, 2021 to -26.6% for the three months ended March 31, 2022, primarily due to (i) the increase in the average selling price across our portfolio as our product mix evolves, and (ii) the significant decrease in the average manufacturing cost per vehicle, driven by the increasing economies of scale from vehicle production and delivery volume increase. The manufacturing cost comprises depreciation and amortization expenses and employee compensation expenses.

R&D Expenses

Our R&D expenses increased by 160.8% from RMB93.0 million for the three months ended March 31, 2021 to RMB242.5 million for the three months ended March 31, 2022. The increase in R&D expenses was driven by (i) the launch of new R&D projects in 2022 for the development of new platforms, new models and smart EV technologies, resulting in higher design and development expenses, and (ii) an increase in the number of R&D employees, resulting in higher employee compensation expenses.

Selling Expenses

Our selling expenses increased by 81.0% from RMB89.7 million for the three months ended March 31, 2021 to RMB162.4 million for the three months ended March 31, 2022, primarily due to the increased sales and marketing efforts to promote sales of our smart EVs.

Administrative Expenses

Our administrative expenses increased by 82.7% from RMB84.4 million for the three months ended March 31, 2021 to RMB154.1 million for the three months ended March 31, 2022, primarily driven by (i) the increased number of administrative personnel, in line with our business expansion, and (ii) an increase in lease expenses and office expenses.

Net Impairment Losses on Financial Assets

Net impairment losses on financial assets remained relatively stable at RMB0.1 million and RMB0.2 million for the three months ended March 31, 2021 and 2022, respectively.

Other Income

Our other income increased by 355.1% from RMB2.0 million for the three months ended March 31, 2021 to RMB9.2 million for the three months ended March 31, 2022, primarily attributable to an increase in government grants, which mainly consist of government subsidies for our business operation and R&D activities.

Other Gains – net

Our other gains – net increased by 68.2% from RMB4.5 million for the three months ended March 31, 2021 to RMB7.5 million for the three months ended March 31, 2022, primarily attributable to the increase in the gains on financial assets at FVPL from RMB4.3 million in the first three months of 2021 to RMB6.6 million in the same period in 2022.

Finance (Costs)/Income – net

Our net finance income increased by 1,501.3% from RMB1.7 million for the three months ended March 31, 2021 to RMB27.8 million for the three months ended March 31, 2022, primarily attributable to an increase in cash balance, leading to an increase in interest income from bank deposits.

Share of (Loss)/Profit of an Associate

Our share of net loss of RMB0.9 million for the three months ended March 31, 2021 turned into a share of net profit of RMB1.9 million for the three months ended March 31, 2022, in light of the improved performance of an associate.

Loss for the Period

As a result of the foregoing, our net loss increased by 162.4% from RMB397.2 million for the three months ended March 31, 2021 to RMB1,042.2 million for the same period in 2022.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our total revenue increased by 396.1% from RMB631.3 million in 2020 to RMB3,132.1 million in 2021. The increase was primarily due to the increase in sales of EVs and parts and, to a lesser extent, sales of automotive regulatory credits.

Revenue from sales of EVs and parts increased by 396.7% from RMB615.8 million in 2020 to RMB3,058.8 million in 2021. The increase was primarily attributable to the significant increase in the sales of the T03 and the C11 which we started delivery in May 2020 and October 2021, respectively. We delivered 7,013 units of the T03 to customers in 2020, and 39,149 units of the T03 and 3,965 units of the C11 in 2021.

Revenue from sales of automotive regulatory credits was RMB15.5 million and RMB71.9 million in 2020 and 2021, respectively.

Revenue from services amounted to RMB1.3 million in 2021. We offered additional embedded services to the buyers, including extended warranty, vehicle internet connection service, firmware over the air upgrades and free lifetime roadside assistance service.

Cost of Sales, Gross Loss and Gross Margin

Our cost of sales increased by 375.3% from RMB950.9 million in 2020 to RMB4,519.7 million in 2021, which was generally in line with the increase in production and deliveries of our smart EVs. Particularly, the costs of raw materials and consumables increased from RMB742.3 million in 2020 to RMB4,122.8 million in 2021. As a result, our gross loss increased by 334.2% from RMB319.6 million in 2020 to RMB1,387.6 million in 2021. Our gross margin improved from -50.6% in 2020 to -44.3% in 2021, primarily due to the increased margins of our smart EVs as a result of the significant decrease in the average manufacturing cost per vehicle from RMB19,851 in 2020 to RMB5,134 in 2021, driven by the increasing economies of scale as a result of vehicle production and delivery volume increase. The manufacturing cost comprises depreciation and amortization expenses and employee compensation expenses.

R&D Expenses

Our R&D expenses increased by 155.8% from RMB289.2 million in 2020 to RMB740.0 million in 2021. The increase in R&D expenses was driven by (i) the launch of new R&D projects in 2021 for the development of new models and smart EV technologies, resulting in higher design and development expenses, (ii) an increase in the number of R&D employees and their compensation level, and (iii) expenditure recognized in relation to the development of the C11 upon its start of mass production in the last quarter of 2021.

Selling Expenses

Our selling expenses increased by 176.2% from RMB154.9 million in 2020 to RMB427.9 million in 2021, primarily driven by (i) the expansion of our sales and service network from 95 stores as of December 31, 2020 to 291 stores as of December 31, 2021, and (ii) increased marketing and promotional activities, in particular for the preparation of the the launch of C11 model.

Administrative Expenses

Our administrative expenses increased by 116.7% from RMB183.8 million in 2020 to RMB398.3 million in 2021, primarily attributable to increases in employee compensation expenses driven by (i) the increased headcount in the administrative personnel in line with our business expansion, as well as (ii) the increase in legal, consulting and other professional fees incurred due to the financing activities in 2021, which were one-off in nature.

Net Impairment Losses on Financial Assets

Net impairment losses on financial assets increased from RMB0.2 million in 2020 to RMB0.3 million in 2021. The increase was primarily due to the increase in our impairment loss on trade receivables driven by the increased EV sales.

Other Income

Our other income decreased by 0.4% from RMB66.6 million in 2020 to RMB66.3 million in 2021, primarily attributable to a decrease in government grants, which mainly consist of government subsidies for our business operation and research and development activities.

Other Gains – net

Our other gains – net increased by 67.1% from RMB11.7 million in 2020 to RMB19.5 million in 2021, primarily attributable to the increase in the gains on financial assets at FVPL from RMB2.0 million in 2020 to RMB22.2 million in 2021, partially offset by a decrease in the proceeds on disposal of property, plant and equipment and intangible assets from gains of RMB10.1 million in 2020 to losses of RMB0.7 million in 2021.

Finance (Costs)/Income – net

Our net finance costs turned around from RMB229.0 million in 2020 to net finance income of RMB22.3 million in 2021, primarily attributable to (i) a decrease in both interest expenses on financial instruments with preferred rights at amortized cost and the interest expense on borrowings, as well as (ii) an increase in interest income from bank deposits.

Share of (Loss)/Profit of an Associate

Our share of net loss of an associate accounted for using the equity method turned around from RMB1.5 million in 2020 to net profit of RMB0.2 million in 2021.

Loss for the Year

As a result of the foregoing, our net loss increased by 158.7% from RMB1,100.1 million in 2020 to RMB2,845.8 million in 2021.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Our total revenue increased by 439.7% from RMB117.0 million in 2019 to RMB631.3 million in 2020. The increase was primarily due to increased sales of EVs and parts and the sale of automotive regulatory credits.

Revenue from sales of EVs and parts increased by 426.5% from RMB117.0 million in 2019 to RMB615.8 million in 2020. The increase was primarily attributable to an increase in the sales and delivery of our smart EVs in 2020. The increase was primarily attributable to the increase in the sales of the T03 which we started delivery in May 2020. We delivered 1,037 units of smart EV to customers in 2019, and a total of 8,050 units in 2020.

Revenue from the sales of automotive regulatory credits were nil and RMB15.5 million in 2019 and 2020, respectively.

Cost of Sales, Gross Loss and Gross Margin

Our cost of sales increased by 315.4% from RMB228.9 million in 2019 to RMB950.9 million in 2020, which was driven by an increase in production volume and deliveries of our smart EVs. The costs of raw materials and consumables used in the production process increased from RMB154.7 million in 2019 to RMB742.3 million in 2020. As a result, our gross loss increased by 185.4% from RMB112.0 million in 2019, compared with RMB319.6 million gross loss in 2020.

Our gross margin improved significantly from -95.7% in 2019 to -50.6% in 2020, primarily due to the increased margins of our smart EVs as a result of the significant decrease in the average manufacturing cost per vehicle from RMB65,838 in 2019 to RMB19,851 in 2020, driven by increasing economies of scale as a result of vehicle production and delivery volume increase. The manufacturing cost comprises depreciation and amortization expenses and employee compensation expenses.

R&D Expenses

Our R&D expenses decreased by 19.3% from RMB358.3 million in 2019 to RMB289.2 million in 2020. The decrease in R&D expenses in 2020 was due to slow-down of R&D activities in the first half of 2020 and social insurance expenses for our R&D personnel exempted by the government due to the COVID-19 pandemic.

Selling Expenses

Our selling expenses increased by 18.1% from RMB131.1 million in 2019 to RMB154.9 million in 2020, primarily attributable to the increased marketing and promotional activities in line with the increased sales and deliveries of smart EVs.

Administrative Expenses

Our administrative expenses increased by 14.3% from RMB160.8 million in 2019 to RMB183.8 million in 2020, primarily attributable to an increase in employee compensation expenses.

Net Impairment Losses on Financial Assets

Net impairment losses on financial assets increased from RMB0.1 million in 2019 to RMB0.2 million in 2020. The increase was primarily due to the increase in our impairment loss on trade receivables driven by the increased sales volume.

Other Income

Our other income increased by 183.6% from RMB23.5 million in 2019 to RMB66.6 million in 2020, primarily attributable to an increase in government grants, which mainly consist of government subsidies for our business operation and research and development activities.

Other Gains – net

Our other gains – net increased by 47.2% from RMB7.9 million in 2019 to RMB11.7 million in 2020, primarily attributable to the gain on disposal of property, plant and equipment and intangible assets of nil and RMB10.1 million in 2019 and 2020, respectively.

Finance (Costs)/Income – net

Our net finance costs increased by 34.6% from RMB170.2 million in 2019 to RMB229.0 million in 2020, primarily attributable to an increase in interest expenses on financial instruments with preferred rights at amortized cost, partially offset by a decrease in interest expenses on borrowings.

Share of Loss of an Associate

We invested in an associate in 2020 and recorded a share of net loss of an associate accounted for using the equity method at RMB1.5 million in 2020, primarily attributable to the net loss incurred by this associate in light of the expenses incurred for its R&D activities.

Loss for the Year

As a result of the foregoing, our net loss increased by 22.1% from RMB901.1 million in 2019 to RMB1,100.1 million in 2020.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

The following table sets forth selected information from our consolidated balance sheets as of the dates indicated, which have been extracted from our consolidated financial statements included in Appendix I to this prospectus:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Total current assets	846,419	1,454,511	8,954,853	8,286,435
Non-current assets:				
Property, plant and equipment	1,472,073	1,521,665	1,929,028	2,109,523
Right-of-use assets	100,147	117,161	454,362	719,916
Intangible assets	17,897	19,853	419,867	427,150
Investment in an associate accounted for using the equity method	–	18,474	18,670	20,611
Long-term bank time deposits	–	140,107	717,103	822,646
Other non-current assets[(1)]	–	-	32,593	207,134
Total non-current assets	1,590,117	1,817,260	3,571,623	4,306,980
Total assets	**2,436,536**	**3,271,771**	**12,526,476**	**12,593,415**

Note:

(1) Our other non-current assets include prepayments for property, plant and equipment. The increase from RMB32.6 million as of December 31, 2021 to RMB207.1 million as of March 31, 2022 was primarily due to the prepayments for equipment in light of our expanding production capacity.

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Total current liabilities	843,071	2,416,152	4,329,522	5,050,461
Non-current liabilities:				
Borrowings	1,086,171	1,159,165	534,021	496,200
Contract liabilities	–	–	31,222	53,037
Lease liabilities	5,524	13,788	16,364	237,735
Provisions	1,655	6,081	55,425	99,841
Deferred income	128,145	239,781	329,706	395,170
Financial instruments with preferred rights at amortized cost	1,600,996	–	–	–
Total non-current liabilities	2,822,491	1,418,815	966,738	1,281,983
Total liabilities	**3,665,562**	**3,834,967**	**5,296,260**	**6,332,444**
Net (liabilities)/assets	**(1,229,026)**	**(563,196)**	**7,230,216**	**6,260,971**
Total (deficits)/equity and liabilities	**2,436,536**	**3,271,771**	**12,526,476**	**12,593,415**

We recorded net liabilities of RMB1,229.0 million and RMB563.2 million as of December 31, 2019 and 2020, respectively. The decrease was mainly attributable to the derecognition of financial instruments with preferred rights at amortized cost and share-based payment.

Our net liabilities as of December 31, 2020 turned to net assets of RMB7,230.2 million as of December 31, 2021. The improved net assets position was primarily due to the increase in share capital and reserves as a result of capital contributions from equity holders and issuance of shares. Our net assets positions remained relatively stable at RMB7,230.2 million and RMB6,261.0 million as of December 31, 2021 and March 31, 2022, respectively.

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2019	2020	2021	2022	2022
	(RMB in thousands)				(unaudited)
Current assets:					
Inventories	165,178	182,088	749,471	1,115,473	1,211,710
Trade and notes receivables	19,048	233,229	782,250	986,031	1,338,986
Contract assets	–	–	28,497	42,767	34,905
Other current assets	234,094	420,849	420,518	609,723	319,589
Financial assets at fair value through profit or loss	181,606	76,042	1,260,078	301,349	735,000
Restricted cash	40,803	441,497	1,376,072	953,952	1,131,176
Cash and cash equivalents	205,690	100,806	4,337,967	4,277,140	3,615,162
Total current assets	**846,419**	**1,454,511**	**8,954,853**	**8,286,435**	**8,386,528**
Current liabilities:					
Trade and notes payables	195,691	738,935	2,596,106	3,493,080	5,066,138
Other payables and accruals	427,699	376,086	825,326	767,780	1,078,552
Borrowings	207,630	1,242,909	340,166	275,652	831,895
Advances from customers	5,331	41,667	503,213	454,935	284,067
Lease liabilities, current	3,229	13,376	24,559	16,059	44,352
Derivative financial instruments	2,842	–	–	–	–
Provisions	649	3,179	36,424	37,635	80,779
Contract liabilities	–	–	3,728	5,320	28,318
Total current liabilities	**843,071**	**2,416,152**	**4,329,522**	**5,050,461**	**7,414,101**
Net current assets/(liabilities)	**3,348**	**(961,641)**	**4,625,331**	**3,235,974**	**972,427**

Our net current assets decreased from RMB3,236.0 million as of March 31, 2022 to RMB972.4 million as of July 31, 2022. This was primarily due to (i) an increase of RMB1,573.1 million in trade and notes payables, (ii) an increase of RMB556.2 million in borrowings, (iii) an increase of RMB310.8 million in other payables and accruals, and (iv) a decrease of RMB662.0 million in cash and cash equivalents, partially offset by (i) an increase of RMB433.7 million in financial assets at fair value through profit or loss, (ii) an increase of RMB353.0 million trade and notes receivables, (iii) an increase of RMB177.2 million in restricted cash, and (iv) a decrease of RMB170.9 million in advances from customers.

Our net current assets decreased from RMB4,625.3 million as of December 31, 2021 to RMB3,236.0 million as of March 31, 2022. This was primarily due to (i) a decrease of RMB958.7 million in financial assets at fair value through profit or loss, (ii) an increase of RMB897.0 million in trade and notes payables, (iii) a decrease of RMB422.1 million in restricted cash, and (iv) a decrease of RMB60.8 million in cash and cash equivalents, partially offset by (i) an increase of RMB366.0 million in inventories, (ii) an increase of RMB203.8 million in trade and notes receivables, and (iii) an increase of RMB189.2 million in other current assets.

We recorded net current assets of RMB4,625.3 million as of December 31, 2021, compared to our net current liabilities of RMB961.6 million as of December 31, 2020. Our net current assets position improved, primarily due to (i) an increase of RMB4,237.2 million in cash and cash equivalents, primarily attributable to the positive net cash flows provided by our financing activities, (ii) an increase of RMB1,184.0 million in financial assets at fair value through profit or loss, (iii) an increase of RMB934.6 million in restricted cash, and (iv) a decrease of RMB902.7 million in borrowings, partially offset by an increase of RMB1,857.2 million in trade payables.

Our net current assets decreased from RMB3.3 million as of December 31, 2019 to net current liabilities of RMB961.6 million as of December 31, 2020, primarily due to (i) an increase of RMB1,035.3 million in borrowings, and (ii) an increase of RMB543.2 million in trade payables, partially offset by an increase of RMB400.7 million in restricted cash.

Inventories

Our inventories primarily comprise (i) raw materials and spare parts, and (ii) finished goods. Raw materials and spare parts primarily consist of materials for mass production. Finished goods primarily consist of smart EVs ready for transit at production plants, smart EVs in transit, new smart EVs available for immediate sale at our delivery and service centers, vehicle parts and charging piles.

The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Raw materials and spare parts	132,667	196,506	774,947	1,235,849
Finished goods	91,166	68,245	301,822	271,998
Subtotal	**223,833**	**264,751**	**1,076,769**	**1,507,847**
Less: provision for impairment of raw material	(34,765)	(61,350)	(253,273)	(330,880)
Less: provision for impairment of finished goods	(23,890)	(21,313)	(74,025)	(61,494)
Subtotal	**(58,655)**	**(82,663)**	**(327,298)**	**(392,374)**
Total	**165,178**	**182,088**	**749,471**	**1,115,473**

Our inventories increased from RMB165.2 million as of December 31, 2019 to RMB182.1 million as of December 31, 2020, and further increased to RMB749.5 million and RMB1,115.5 million as of December 31, 2021 and March 31, 2022, respectively. Such increase was driven by the launch of new smart EV models, increase in production volume and vehicle delivery to meet robust customer demand throughout the Track Record Period. In light of the expected ramp up in production and sales of new smart EV models, we strategically stocked up on certain raw materials for our vehicle production in 2021, including electronic components and battery cells.

During the Track Record Period, we recognized provision for impairment of inventories of RMB58.7 million, RMB82.7 million, RMB327.3 million and RMB392.4 million, respectively, which represented 26.2%, 31.2%, 30.4% and 26.0% of the corresponding inventory balance at the end of each period. The provision for impairment of inventories in 2019, 2020, 2021 and the three months ended March 31, 2022 was made to net realizable value of our inventories, which include both raw materials and finished goods. Our management reviews the condition of inventories at each reporting date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. We carry out an inventory review on a product-by-product basis and make allowances with reference to the latest market prices and current market conditions. As the number of smart EVs delivered to customers increased from 1,037 in 2019 to 8,050 in 2020, and further to 43,748 in 2021, and from 4,235 for the three months ended March 31, 2021 to 21,579 for the three months ended March 31, 2022, the book value of inventories increased from RMB223.8 million as of December 31, 2019 to RMB264.8 million as of December 31, 2020, and further to RMB1,076.8 million as of December 31, 2021 and RMB1,507.8 million as of March 31, 2022. As we incurred gross loss in relation to the sales of vehicles, the shortfall between net realizable value of raw materials used to produce the vehicles and the vehicles sold (being the selling price of the vehicles sold less the estimated cost to complete production and the sale) and book value of such inventories is recognized as impairment of inventories. Accordingly, the provision for impairment of inventories increased from RMB58.7 million in 2019 to RMB82.7 million in 2020, and further to RMB327.3 million and RMB392.4 million in 2021 and the first quarter of 2022, as a result of our expanded business.

The following table sets forth our inventory turnover days for the periods indicated:

	For the Year Ended December 31,			For the Three Months Ended March 31,
	2019	2020	2021	2022
	(days)			
Inventory turnover days[(1)]	131.9	66.6	37.6	33.7

Note:

(1) Calculated using the average of opening balance and closing balance of the inventories for such years divided by cost of sales for the relevant years and multiplied by the number of days during such periods (i.e. 365 days for one fiscal year and 91 days for three months of a fiscal year).

During the Track Record Period, our inventory turnover days decreased from 131.9 days in 2019 to 66.6 days in 2020, and further decreased to 37.6 days in 2021 and 33.7 days for the three months ended March 31, 2022, primarily due to the significant increase in sales volume of our smart EVs as well as our make-to-order production approach to keep our inventories at low level.

As of July 31, 2022, RMB1,310.8 million, or approximately 86.9% of our inventory balance as of March 31, 2022 had been sold or utilized.

Trade and Notes Receivables

Our trade and notes receivables mainly comprise government subsidies for NEV vehicles, deposits to lessors and deposit for a single borrowing transaction. The following table sets forth a breakdown of our trade and notes receivables as of the dates indicated:

	As of December 31,			As of March 31,
	2019	**2020**	**2021**	**2022**
	(RMB in thousands)			
Notes receivables:	807	65,552	–	11
Provisions for impairment	–	(32)	–	–
Subtotal	**807**	**65,520**	**–**	**11**
Trade receivables:				
Due from related parties	1,800	5,815	6,534	13
Governmental subsidies for promotion of new energy vehicles	16,452	162,022	776,188	986,654
Gross trade receivables	18,252	167,837	782,722	986,667
Provisions for impairment	(11)	(128)	(472)	(647)
Subtotal	**18,241**	**167,709**	**782,250**	**(986,020)**
Total	**19,048**	**233,229**	**782,250**	**986,031**

Our trade and notes receivables increased from RMB19.0 million as of December 31, 2019 to RMB233.2 million as of December 31, 2020, and further increased to RMB782.3 million as of December 31, 2021 and RMB986.0 million as of March 31, 2022, primarily due to the increased government subsidies driven by our strong sales growth during the Track Record Period.

The following table sets forth an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Up to 6 months	18,252	127,923	405,400	435,849
6 months to 1 year	–	22,213	209,485	324,611
1 to 2 years	–	17,701	150,136	205,978
2 to 3 years	–	–	17,701	20,229
Trade receivables	**18,252**	**167,837**	**782,722**	**986,667**

Our trade receivables aged over one year increased significantly from nil as of December 31, 2019 to RMB17.7 million as of December 31, 2020, and further to RMB167.8 million as of December 31, 2021 and RMB226.2 million as of March 31, 2022, primarily due to the increase of government subsidies associated with the higher sales volume of our smart EVs. Vast majority of our trade receivables aged over one year as of December 31, 2021, because the application of the government subsidies is subject to certain conditions imposed by the PRC government including that (i) a single application for subsidy settlement is made for 10,000 vehicles and (ii) the relevant NEVs must be sold for not more than RMB300,000 before the subsidy. Given such conditions to the payment of the government subsidies, we are expected to submit our application for the payments of accumulated subsidies in 2022. As the government subsidies are with high certainty, we do not expect any material recoverability issues for trade receivables over one year and we consider our provision for trade receivables sufficient.

As of July 31, 2022, our Group received an aggregate payment of RMB13.0 thousand from related parties, or approximately 0.0% of the trade receivables of our Group as of March 31, 2022, and we received an aggregate of RMB107.4 million in government subsidies, or 10.9% of the trade receivables of our Group, as of March 31, 2022. We expect to receive the accumulated government subsidies for vehicles sold before March 31, 2022 at the end of 2022. As the government subsidies are provided according to government policies, which are public and of high certainty, we do not foresee any material recoverability issue for trade receivables, and sufficient provision has been made in this regard.

Contract Assets

Our contract assets represent our rights to consideration for obligations of completed contracts which are conditional on certain requirements for the payment of government subsidies. Since 2019, the purchases of new energy commercial vehicles are required to accumulate a mileage of 20,000 kilometers in order to qualify for subsidies. See "Regulatory Overview — (VI) Favorable Policies Relating to New Energy Vehicles in China — 1. Government Subsidies for New Energy Vehicle Purchasers." Our contract assets amounted to RMB42.8 million as of March 31, 2022.

As of July 31, 2022, RMB5.1 million, or approximately 12.0% of our Group's contract assets as of March 31, 2022 had been certified.

Other Current Assets

The following table sets forth our other current assets as of the dates indicated:

	As of December 31,			As of March 31,
	2019	**2020**	**2021**	**2022**
	(RMB in thousands)			
Other receivables:				
– Refundable deposits	3,013	3,983	8,304	10,652
– Due from related parties	601	5,485	5,767	174
– Payments on behalf of employees	182	128	–	126
– Others	116	29	830	880
Gross other receivables	3,912	9,625	14,901	11,832
Provisions for impairment	(90)	(153)	(118)	(117)
Subtotal	**3,822**	**9,472**	**14,783**	**11,715**
Prepayments for:				
– Raw materials to third parties	22,214	192,661	99,760	213,404
– Raw materials to related parties	–	982	–	488
– Short-term lease rental expenses	994	79	1,602	5,126
– Other taxes	151	151	13	–
– Other operating expenses	679	605	8,405	8,161
Gross prepayments	24,038	194,478	109,780	227,179
Prepaid listing expenses	–	–	4,585	8,735
Input VAT to be deducted	206,234	216,899	291,370	362,094
Total other current assets	**234,094**	**420,849**	**420,518**	**609,723**

Other current assets mainly consist of (i) input VAT to be deducted and (ii) prepayments for purchase of raw materials.

Our other current assets increased by 79.8% from RMB234.1 million as of December 31, 2019 to RMB420.8 million as of December 31, 2020, primarily due to an increase of RMB171.4 million in our prepayments for purchase of raw materials in light of the increased sales and delivery of the T03. Our other current assets remained stable at

RMB420.8 million, RMB420.5 million and RMB609.7 million as of December 31, 2020 and 2021 and March 31, 2022, respectively.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss consist of investment in current assets comprise structured deposits and low risk wealth management products that are issued by major reputable commercial banks in the PRC, namely Industrial and Commercial Bank of China, China Construction Bank, China Everbright Bank, Huaxia Bank, Bank of Hangzhou, Bank of Jiangsu and Shanghai Pudong Development Bank. Such products were not principal-protected. We managed and evaluated the performance of investments on a fair value basis in accordance with our business needs and investment strategy. See Note 21 to the Accountant's Report in the Appendix I to this prospectus.

We endeavor to increase the return of idle cash and bank balances by placing investments in structured deposits and wealth management products with high liquidity and low risk such that our risk exposure arising from such investments is controlled. Our investment policy in relation to the purchase of such financial assets is to monitor our level of idle cash and bank balances and, based on the working capital required at the relevant time, utilize such idle cash to increase the return. In addition, in order to monitor and control the investment risks associated with our portfolio of structured deposits and low risk wealth management products, we have adopted a comprehensive set of internal policies and guidelines to manage our investments. Our finance department is responsible for proposing, analyzing and evaluating potential investment in such products. Our management, including our finance department, has extensive experience in managing the financial aspects of an enterprise's operations. In particular, Mr. Cho Kwong Lun Kelvin, our vice chairman and chief financial officer, has approximately 20 years of experience in financial services. Prior to making any material investments in structured deposits and low risk wealth management products or modifying our existing investment portfolio, the proposal shall be reviewed and approved by Mr. Zhu Jiangming, our Chairman and Chief Executive Officer. According to our Articles of Association, such decision does not require a decision by the Board.

Our investment strategy related to such products focuses on minimizing the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, while generating desirable investment returns. To control our risk exposure, we make investment decisions related to structured deposits and low risk wealth management products, after thoroughly considering a number of factors, including, but not limited to, macro-economic environment, general market conditions, risk control and credit of issuing financial institutions, our own working capital conditions, and the expected profit or potential loss of the investment.

Upon Listing, we intend to continue our investments, such as structured deposits and low risk wealth management products, strictly in accordance with our internal policies (which include approval by Mr. Zhu Jiangming, our Chairman and Chief Executive Officer in respect of material investments in such products), Articles of Association and, to the extent that an investment in material structured deposits or low risk wealth management products is a notifiable transaction under Chapter 14 of the Listing Rules, the Company will comply with the relevant requirements under Chapter 14 of the Listing Rules, including the announcement, reporting and/or shareholders' approval requirements (if applicable).

In relation to the valuation of the financial assets at fair value through profit or loss, we have adopted the following procedures:

(i) reviewed the terms of the relevant wealth management products;

(ii) reviewed the fair value measurement assessment of the relevant wealth management products presented by our finance department and carefully considered all information available and various applicable valuation techniques and processes in determining the valuation of the relevant wealth management products; and

(iii) reviewed the fair value measurement of the financial investments, taking into account the valuation techniques and assumptions of unobservable inputs in order to determine if the fair value measurement of level 3 investments is in compliance with the applicable IFRS.

Based on the above procedures, our Directors are of the view that the valuation analysis is fair and reasonable, and our financial statements are properly prepared. In relation to the valuation of the financial assets categorized with level 3 fair value measurements, the Joint Sponsors have conducted relevant due diligence work, including, but not limited to: (i) review of relevant notes in the Accountant's Report as contained in Appendix I to this prospectus; and (ii) those matters discussed with the Company about the methodology and procedures adopted for the valuation of the financial assets. Having considered the work done by the Directors, the audit opinion on the historical financial information set forth in the Accountant's Report, and the relevant due diligence carried out by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would cause them to cast doubt on the reasonableness of the above-mentioned Directors' view.

Details of the fair value measurement of financial assets at fair value through profit or loss, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, and the relationship of unobservable inputs to fair value are disclosed in Note 3.3 to the Accountant's Report in Appendix I to this prospectus. The Reporting Accountant has carried out audit procedures in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on our Group's Historical Financial Information for the Track

Record Period as a whole in Appendix I to this prospectus. The Reporting Accountant's opinion on the Historical Financial Information, as a whole, of the Group for the Track Record Period is set out on page I-1 to I-3 of Appendix I to the Prospectus.

The following table sets forth our financial assets at fair value through profit or loss as of the dates indicated, respectively:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Investments in wealth management products issued by banks	181,606	76,042	1,260,078	301,349

Our financial assets at fair value through profit or loss decreased by 58.1% from RMB181.6 million as of December 31, 2019 to RMB76.0 million as of December 31, 2020, primarily due to the disposals of wealth management products. Our financial assets at fair value through profit or loss subsequently increased by 1,557.1% from RMB76.0 million as of December 31, 2020 to RMB1,260.1 million as of December 31, 2021, primarily due to an increase in the investment of wealth management products in light of our financing activities in 2021. Our financial assets at fair value through profit or loss subsequently decreased by 76.1% from RMB1,260.1 million as of December 31, 2021 to RMB301.3 million as of March 31, 2022, primarily due to the redemption of wealth management products upon maturity.

Trade and Notes Payables

Trade and notes payables mainly consist of payables for the purchase of raw materials. Trade and notes payables are presented as current liabilities if payment is due within one year or less (or within the normal operating cycle of the business if longer). The following table sets forth a breakdown of our trade and notes payables as of the dates indicated:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Trade payables				
– Payables for materials	155,514	280,038	1,245,389	2,051,272
Notes payables				
– Payables for materials	40,177	458,897	1,350,717	1,441,808
Total	**195,691**	**738,935**	**2,596,106**	**3,493,080**

Our trade and notes payables increased by 277.6% from RMB195.7 million as of December 31, 2019 to RMB738.9 million as of December 31, 2020, and further increased by 251.3% to RMB2,596.1 million as of December 31, 2021 and then by 34.6% to RMB3,493.1 million as of March 31, 2022. The increasing trend was primarily due to an increase in the purchase of raw materials, driven by the increase in production volume of smart EVs.

As of July 31, 2022, RMB2,899.1 million, or approximately 83.0% of our trade and notes payables as of March 31, 2022 had been settled.

Other Payables and Accruals

Other payables and accruals primarily consist of payables for purchase of property, plant and equipment, payroll and welfare payables, accrued expenses, deposit from suppliers, payables for design and development services, and other payables. Our other payables and accruals decreased from RMB427.7 million as of December 31, 2019 to RMB376.1 million as of December 31, 2020, primarily due to a decrease in payables for the purchases of property, plant and equipment, and subsequently increased significantly to RMB825.3 million as of December 31, 2021, primarily due to (i) an increase in accrued expenses, and (ii) an increase in payables for design and development services. Our other payables and accruals subsequently decreased from RMB825.3 million as of December 31, 2021 to RMB767.8 million as of March 31, 2022, primarily due to the settlement of certain payables in the first three months of 2022.

Advances from Customers

Advances from customers consist of the initial refundable deposits for orders received from customers prior to the signing of vehicle purchase agreements. Our advances from customers increased by 681.6% from RMB5.3 million as of December 31, 2019 to RMB41.7 million as of December 31, 2020, and further increased by 1,107.7% to RMB503.2 million as of December 31, 2021. This is in line with the increased sales of smart EVs. Our advances from customers subsequently decreased by 9.6% from RMB503.2 million as of December 31, 2021 to RMB454.9 million as of March 31, 2022, which was mainly attributable to the fulfillment of our orders and delivery of our smart EVs, such that the advances from customers were recognized as revenue.

As of July 31, 2022, RMB283.3 million, or approximately 62.3% of our Group's advances from customers as of March 31, 2022 had been recognized as revenue.

Contract Liabilities

Our contract liabilities represent the advance payments from our customers while the underlying embedded services are yet to be provided including extended one-year or lifetime warranty, vehicle internet connection service, firmware over the air upgrades and free lifetime roadside assistance service. Our contract liabilities amounted to RMB3.7 million and RMB5.3 million as of December 31, 2021 and March 31, 2022, respectively.

Derivative Financial Instruments

Derivative financial instruments consist of foreign exchange forward contracts. Our derivative financial instruments as of December 31, 2019 amounted to RMB2.8 million.

Provisions

Service warranties are made for estimated warranty claims in respect of smart EVs sold which are still under warranty at the end of each of the Track Record Period. These claims are expected to be settled in the coming years. We provide warranties for certain smart EVs and undertake the obligation to repair or replace items that fail to perform satisfactorily. The amount of provisions for smart EV warranties is estimated based on the sales volume and industry experience of the level of repairs and returns. The estimation is reviewed on an ongoing basis and is revised when appropriate. Such provisions increased from RMB2.3 million as of December 31, 2019 to RMB9.3 million as of December 31, 2020, and further increased to RMB91.8 million and RMB137.5 million as of December 31, 2021 and March 31, 2022, which is in line with the increased sales of smart EV.

Impairment testing for property, plant and equipment, right-of-use assets and intangible assets

The following table sets forth the property, plant and equipment, right-of-use assets and intangible assets as of the dates indicated:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	(RMB in thousand)			
Property, plant and equipment	1,472,073	1,521,665	1,929,028	2,109,523
Right-of-use assets	100,147	117,161	454,362	719,916
Intangible assets	17,897	19,853	419,867	427,150
	1,590,117	1,658,679	2,803,257	3,256,589

Our management has conducted an impairment review on the property, plant and equipment, right-of-use assets and intangible assets (collectively, the "**long-term key operating assets**") as of December 31, 2019, 2020 and 2021 and March 31, 2022 according to IAS 36 "Impairment of assets." We considered that the long-term key operating assets are all attributable to one cash generating unit ("**CGU**"), which is the CGU for the production, research and development and sales of EVs. For the purpose of impairment review, the recoverable amount of the CGU is determined based on the higher amount of the fair value less cost of disposal ("**FVLCD**") and value-in-use calculations.

Based on the result of impairment testing of the long-term key operating assets, the estimated recoverable amount of the CGU far exceeded its carrying amount, and the headroom was approximately RMB1,044.5 million, RMB4,770.6 million, RMB10,499.2 million and RMB11,167.9 million as of December 2019, 2020 and 2021 and March 31, 2022, respectively.

As of December 31, 2019, 2020 and 2021, the recoverable amount of aforementioned CGU was determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on business plan for the purpose of impairment reviews covering a ten-year period. We consider the length of the forecast period to be appropriate as it generally takes longer for a new electric vehicle company to reach a stable growth state, compared to companies in other industries, especially taking into account the fact that the new electric vehicle industry in China is an emerging industry with fast growth in the recent years and that our Group is still in the initial stage of rapid growth. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process we have established. We have engaged an independent external valuer to assess the recoverable amounts of our long-term key operating assets and have leveraged their extensive experience in the automotive industry to obtain a forecast based on past performance and their expectation of our future business plans and market developments. See Note 15(d) to the Accountant's Report in Appendix I to this prospectus.

Based on the results of the above-mentioned assessments as conducted by our management and the independent external valuer, our Directors concluded that no impairment loss on the aforementioned long-term key operating assets are required to be recognized as of December 31, 2019, 2020 and 2021 and March 31, 2022.

The following table sets out the key assumptions we adopted in the impairment assessment:

Three months ended March 31, 2022	
Gross margin (%)	-2.9% to 18.3%
Annual growth rate (%)	4.2% to 403.9%
Pre-tax discount rate (%)	24.65%
Year ended December 31, 2021	
Gross margin (%)	-8.1% to 18.3%
Annual growth rate (%)	4.6% to 467.2%
Pre-tax discount rate (%)	24.87%
Year ended December 31, 2020	
Gross margin (%)	-44.3% to 18.2%
Annual growth rate (%)	4.2% to 467.2%
Pre-tax discount rate (%)	26.32%
Year ended December 31, 2019	
Gross margin (%)	-50.6% to 18.2%
Annual growth rate (%)	4.1% to 467.2%
Pre-tax discount rate (%)	28.00%

The budgeted gross margins used in the impairment testing were determined by our management, based on past performance and its expectation for market development. The expected revenue growth rate and gross margins are based on the business projections approved by our Directors. Discount rates reflect market assessments of the time value and the specific risks relating to the EV industry.

If the gross margin for each year during the forecast period used in the value-in-use calculation had been 5% lower than our estimates on December 31, 2019, 2020 and 2021 and March 31, 2022 the estimated recoverable amount would still exceed its carrying amount by approximately RMB222,226,000, RMB3,487,268,000, RMB8,514,243,000 and RMB8,992,728,000, respectively. If the budgeted revenue growth rate for each year during the forecast period used in the value-in-use calculation had been 5% lower than our estimates on December 31, 2019, 2020 and 2021 and March 31, 2022 the estimated recoverable amount would still exceed its carrying amount by approximately RMB672,066,000, RMB4,027,082,000, RMB9,876,952,000 and RMB10,486,090,000, respectively. If the pre-tax discount rate applied to the cash flow projections had been 5% higher than management's estimates on December 31, 2019, 2020 and 2021 and March 31, 2022, the estimated recoverable amount would still exceed its carrying amount by approximately RMB736,459,000, RMB4,280,315,000, RMB9,852,768,000 and RMB10,414,403,000, respectively.

As such, our Directors concluded that any reasonably possible changes to the key assumptions as adopted in the impairment assessment would not result in any impairment charge to be recognized.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2022, we had RMB5,532.4 million in cash and cash equivalents, restricted cash and wealth management products. Our cash and cash equivalents primarily consist of cash at banks under RMB and USD denominations.

Our net operating cash outflow for the year ended December 31, 2019 was RMB674.7 million, compared with RMB731.9 million for the year ended December 31, 2020. Our operating cash outflow for the year ended December 31, 2021 was RMB1,018.6 million. Our net operating cash outflow for the three months ended March 31, 2021 was RMB138.6 million, compared with RMB385.2 million for the three months ended March 31, 2022.

Cash Flows

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

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2019	2020	2021	2021	2022
	(RMB in thousands)				
				(unaudited)	
Operating loss before changes in working capital	(612,252)	(613,889)	(2,113,537)	(276,694)	(812,664)
Working capital changes	(64,175)	(119,238)	1,065,432	135,766	403,498
Interest received from cash at banks	1,693	1,187	29,468	2,282	23,952
Net cash used in operating activities	(674,734)	(731,940)	(1,018,637)	(138,646)	(385,214)
Net cash (used in)/generated from investing activities	(419,876)	(296,732)	(3,003,239)	(2,368,908)	504,265
Net cash generated from/(used in) financing activities	690,088	923,831	8,259,126	3,143,723	(179,965)
Net (decrease)/increase in cash and cash equivalents	(404,522)	(104,841)	4,237,250	636,169	(60,914)
Cash and cash equivalents at the beginning of the year/period	607,470	205,690	100,806	100,806	4,337,967
Exchange gain/(losses) on cash and cash equivalents	2,742	(43)	(89)	132	87
Cash and cash equivalents at the end of the year/period	205,690	100,806	4,337,967	737,107	4,277,140

Net Cash Used in Operating Activities

Net cash used in operating activities primarily comprises our loss before income tax for the period adjusted by: (i) non-cash and non-operating items, and (ii) changes in working capital. We had negative cash flows from our operating activities during the Track Record Period, primarily due to (i) our continuous investment in our business development and customer acquisition, and (ii) expansion of our headcounts.

For the three months ended March 31, 2022, our net cash used in operating activities was RMB385.2 million. Our net cash used in operating activities is calculated by adjusting our loss before income tax of RMB1,042.2 million by non-cash and other items to arrive at an operating loss before changes in working capital of RMB812.7 million. Our movements in working capital primarily reflect (i) increase in trade and notes payables of RMB897.0 million, (ii) decrease in restricted cash of RMB422.1 million and (iii) increase in contract liabilities of RMB23.4 million, partially offset by (i) increase in inventories of RMB431.1 million, (ii) increase in trade and notes receivables of RMB204.0 million, (iii) increase in

other current assets of RMB188.8 million, (iv) decrease in advances from customers of RMB48.3 million, (v) decrease in other payables and accruals of RMB43.9 million, (vi) increase in contract assets of RMB14.3 million, and (vii) decrease in provisions of RMB8.7 million.

In 2021, our net cash used in operating activities was RMB1,018.6 million. Our net cash used in operating activities is calculated by adjusting our loss before income tax of RMB2,845.8 million by non-cash and other items to arrive at an operating loss before changes in working capital of RMB2,113.5 million. Our movements in working capital primarily reflect (i) increase in trade and notes payables of RMB1,857.4 million, (ii) increase in other payables and accruals of RMB511.9 million, (iii) increase in advances from customers of RMB461.5 million, (iv) decrease in restricted cash of RMB324.6 million and (v) increase in contract liabilities of RMB35.0 million, partially offset by (i) increase in inventories of RMB812.0 million, (ii) increase in trade and notes receivables of RMB614.3 million and (iii) decrease in provisions of RMB22.1 million.

In 2020, our net cash used in operating activities was RMB731.9 million. Our net cash used in operating activities is calculated by adjusting our loss before income tax of RMB1,100.1 million by non-cash and other items to arrive at an operating loss before changes in working capital of RMB613.9 million. Our movements in working capital primarily reflect (i) decrease in restricted cash of RMB400.7 million, (ii) increase in other current assets of RMB181.3 million, (iii) increase in trade and notes receivables of RMB149.3 million, and (iv) increase in inventories of RMB40.9 million, partially offset by (i) increase in trade and notes payables of RMB543.2 million, (ii) increase in deferred income of RMB53.8 million, (iii) increase in other payables and accruals of RMB45.0 million, and (iv) increase in advances from customers of RMB36.3 million.

In 2019, our net cash used in operating activities was RMB674.7 million. Our net cash used in operating activities is calculated by adjusting our loss before income tax of RMB901.1 million by non-cash and other items to arrive at an operating loss before changes in working capital of RMB612.3 million. Our movements in working capital primarily reflect (i) increase in inventories of RMB223.5 million, (ii) increase in other current assets of RMB53.0 million, (iii) decrease in restricted cash of RMB34.9 million, and (iv) increase in trade and notes receivables of RMB19.1 million, partially offset by (i) increase in trade and notes payables of RMB170.8 million, and (ii) increase in other payables and accruals of RMB84.5 million.

Net Cash (Used in)/Generated from Investing Activities

For the three months ended March 31, 2022, our net cash generated from investing activities was RMB504.3 million. This was attributable to (i) proceeds from the disposal of financial assets at fair value through profit or loss of RMB1,805.3 million, (ii) government grants received in relation to acquisition of non-current assets of RMB70.8 million, (iii) proceeds from disposal of property, plant and equipment of RMB4.6 million, and (iv) interest received from long-term bank time deposits of RMB1.7 million, partially offset by (i) payments for financial assets at fair value through profit or loss of RMB840.0 million, (ii) payments for property, plant and equipment of RMB427.3 million, (iii) payments for long-term bank time deposits of RMB100.0 million, and (iv) payments for intangible assets of RMB10.9 million.

In 2021, our net cash used in investing activities was RMB3,003.2 million. This was attributable to (i) payments for financial assets at fair value through profit or loss of RMB4,788.0 million, (ii) an increased payments for long-term bank time deposits of RMB2,270.0 million, (iii) payments for property, plant and equipment of RMB691.1 million, (iv) payments for intangible assets of RMB511.5 million, and (v) payments for land use rights of RMB322.9 million, partially offset by (i) proceeds from the disposal of financial assets at fair value through profit or loss of RMB3,626.2 million, (ii) proceeds from long-term bank term deposits of RMB1,710.0 million, (iii) government grants received in relation to acquisition of non-current assets of RMB98.9 million, and (iv) interest received from long-term bank time deposits of RMB37.5 million.

In 2020, our net cash used in investing activities was RMB296.7 million. This was primarily attributable to (i) payments for financial assets at fair value through profit or loss of RMB1,142.4 million, (ii) payments for property, plant and equipment of RMB306.2 million, (iii) payments for long-term bank time deposits of RMB140.0 million, (iv) payment for investment in an associate of RMB20.0 million and (v) payments for intangible assets of RMB16.2 million, partially offset by (i) proceeds from disposals of financial assets at fair value through profit or loss of RMB1,249.9 million and (ii) government grants received in relation to acquisition of non-current assets of RMB62.6 million.

In 2019, our net cash used in investing activities was RMB419.9 million. This was primarily attributable to (i) payments for financial assets at fair value through profit or loss of RMB1,589.6 million, (ii) payments for property, plant and equipment of RMB407.8 million, and (iii) payments for intangible assets of RMB11.1 million, partially offset by (i) proceeds from disposals of financial assets at fair value through profit or loss of RMB1,557.3 million, and (ii) government grants received in relation to acquisition of non-current assets of RMB30.1 million.

Net Cash Generated from/(Used in) Financing Activities

For the three months ended March 31, 2022, our net cash used in financing activities was RMB180.0 million, primarily attributable to (i) repayments of borrowings of RMB101.7 million, and (ii) payments of lease liabilities of RMB72.9 million.

In 2021, our net cash generated from financing activities was RMB8,259.1 million, primarily attributable to (i) proceeds from issuance of shares of RMB6,080.5 million, (ii) proceeds from contributions from equity holders of RMB4,341.7 million, (iii) proceeds from loans from equity holders of RMB340.0 million, and (iv) proceeds from borrowings of RMB138.3 million, partially offset by (i) repayments of loans and interests to equity holders of RMB1,151.3 million, (ii) repayments of borrowing of RMB791.0 million, (iii) placement of restricted cash for bank borrowings of RMB610.0 million, (iv) interest paid for borrowings of RMB58.8 million and (v) principal payments of lease liabilities of RMB28.0 million.

In 2020, our net cash generated from financing activities was RMB923.8 million, primarily attributable to (i) proceeds from loans from equity holders of RMB800.0 million and (ii) proceeds from borrowings of RMB470.0 million, partially offset by (i) repayments of borrowings of RMB235.9 million, (ii) interest paid for borrowings of RMB97.7 million, and (iii) principal payments of lease liabilities of RMB11.5 million. Such loans from equity holders reflects our shareholders' commitment to support our business expansion.

In 2019, our net cash generated from financing activities was RMB690.1 million, primarily attributable to (i) proceeds from borrowings of RMB444.1 million, and (ii) proceeds from issuance of financial instruments to investors of RMB361.0 million, partially offset by (i) interest paid for borrowings of RMB80.8 million, and (ii) repayments of borrowings of RMB28.9 million.

INDEBTEDNESS

Borrowings

As of December 31, 2019, 2020 and 2021, and March 31 and July 31, 2022, we had total borrowings of RMB1,293.8 million, RMB2,402.1 million, RMB874.2 million, RMB771.9 million and RMB1,039.2 million, respectively.

The following table sets forth a breakdown of our borrowings as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2019	2020	2021	2022	2022
	(RMB in thousands)				(unaudited)
Borrowings included in non-current liabilities:					
Bank borrowings, secured	856,171	799,165	534,021	496,200	207,317
Other borrowings, unsecured	230,000	200,000	–	–	–
Other borrowings, secured	–	160,000	–	–	–
Subtotal	**1,086,171**	**1,159,165**	**534,021**	**496,200**	**207,317**
Borrowings included in current liabilities:					
Bank borrowings, unsecured and unguaranteed	–	55,000	–	–	–
Bank borrowings, secured	–	300,000	–	–	–
Loans from related parties	–	799,994	–	–	–
Current portion of long-term borrowings	204,875	76,007	338,406	274,544	829,387
Interest payables	2,755	11,908	1,760	1,108	2,508
Total borrowings	**1,293,801**	**2,402,074**	**874,187**	**771,852**	**1,039,212**

Bank Borrowings, Secured (Non-Current)

As of December 31, 2019, 2020, 2021 and March 31, 2022, we obtained the long-term bank borrowings of RMB1,061.0 million, RMB855.2 million, RMB872.4 million and RMB770.7 million, respectively. As of December 31, 2019 and 2020, the floating interest rates of the long-term bank borrowings ranged from 5.22% to 7.01% per annum and these borrowings were secured by the pledge of the shares of Dahua Technology held by the Mr. Fu and Mr. Zhu. As of December 31, 2019 and 2020, RMB597.3 million and RMB578.4 million of these borrowings respectively had also been pledged by our property, plant and equipment with carrying amount of approximately RMB467.2 million and RMB436.7 million, respectively.

In March 2021, we entered into a supplemental agreement with the banks that (i) the long-term bank time deposits of RMB300.0 million and restricted cash of RMB610.0 million were used to secure these borrowings; (ii) the floating interest rates decreased to a range from 4.65% to 4.85% per annum; and (iii) the pledge of secured shares of Dahua Technology held by Mr. Fu and Mr. Zhu and the Group's property, plant and equipment were released.

Other Borrowings, Unsecured

As of December 31, 2019 and 2020, we had a long-term borrowing from the Jinhua government of RMB230.0 million and RMB200.0 million, respectively, with the effective interest rate of 8.5% per annum. The borrowing was fully repaid prior to December 31, 2021.

Other Borrowings, Secured

As of December 31, 2020, we had a three-year borrowing with a total amount of RMB180.0 million. In December 2020, we borrowed from certain finance leasing companies, in a form of sales and leaseback arrangements. This borrowing was fully repaid prior to December 31, 2021.

Bank Borrowings, Unsecured and Unguaranteed

As of December 31, 2020, we obtained short-term unsecured and unguaranteed borrowing from a PRC bank with the amount of RMB55.0 million. The effective interest rates were 2.67% per annum. Such borrowings were secured by the pledge of the shares of Dahua Technology held by Mr. Fu and Mr. Zhu. In June 2021, the borrowings and the interest expenses were fully repaid and, accordingly, the pledge was released.

Bank Borrowings, Secured (Current)

As of December 31, 2020, we had two secured short-term borrowings from a PRC bank with an amount of RMB300.0 million with the effective interest of 2.64% per annum. These borrowings were secured by pledge of the shares of Dahua Technology held by Mr. Fu and Mr. Zhu.

As of July 31, 2022, being the latest practicable date for determining our indebtedness, the total amount of our short-term borrowings were RMB829.4 million, and the total amount of our long-term borrowings were RMB207.3 million. These borrowings were secured by pledge of long-term bank time deposits and restricted cash. As of July 31, 2022, we had unutilized and unrestricted bank loan facilities of RMB422.5 million.

During the Track Record Period and up to the Latest Practicable Date, we had not been in violation of any of the covenants pursuant to the applicable agreement we entered with our lenders. We are not subject to other material financial covenants under any agreements with respect to any bank loans or other borrowings. There was no delay or default in the repayment of borrowings during the Track Record Period. Taking our financial position into consideration, we are able to abide by these covenants amid current market conditions and that our capital raising abilities were not materially affected as of January 31, 2022.

Loans from Related Parties

In 2020, we obtained borrowings of RMB800.0 million from related parties with the interest rate of 5.5% per annum for the period from December 9, 2020 to December 9, 2021. Such related parties have rights to demand repayment with notice of 30 days in advance. The borrowings and interest expenses had been fully repaid before December 31, 2021.

Lease Liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the term of the lease. As of December 31, 2019, 2020 and 2021 and March 31, 2022, we recognized lease liabilities of RMB8.8 million, RMB27.2 million, RMB40.9 million and RMB253.8 million, respectively. The lease liabilities increased from RMB8.8 million as of December 31, 2019 to RMB27.2 million as of December 31, 2020, and further to RMB40.9 million as of December 31, 2021, primarily attributable to our lease of office premises and directly operated stores. The lease liabilities further increased significantly from RMB40.9 million as of December 31, 2021 to RMB253.8 million as of March 31, 2022, primarily due to the long-term lease of a building we signed in the first quarter of 2022 for warehousing and employee accommodation purposes. The overall increase in lease liabilities was to support our overall business growth.

Financial Instruments with Preferred Rights at Amortized Cost

We recognized financial instruments with preferred rights of RMB1,601.0 million, nil, nil and nil as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively, primarily because we have completed several rounds of financing by issuing shares with certain preferred rights upon capital contribution. Accordingly, we recognized the financial instruments with preferred rights as financial liabilities considering that all triggering events for the key redemption rights that could be exercised by the investors, are out of our control and these financial instruments do not meet the definition of equity for our Company. The financial liabilities are initially measured at present value and subsequently measured at amortized cost. The present value is the amount expected to be paid to the investors upon redemption which is assumed at the dates of issuance of the financial instruments. Interests from the financial instruments are charged to finance cost.

On December 31, 2020, we entered into a termination agreement to terminate these preferred rights with the investors. As a result, the financial instruments with preferred rights at amortized cost of approximately RMB1,723.4 million were derecognized accordingly. See Note 28 to the Accountant's Report in Appendix I to this prospectus.

Contingent Liabilities

As of December 31, 2019, 2020, and 2021 and March 31, 2022, we did not have any contingent liabilities.

Indebtedness Statement

Except as disclosed above, as of March 31, 2022, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there had been no material change in our indebtedness since March 31, 2022 and up to the Latest Practicable Date.

CAPITAL COMMITMENTS

Our capital commitments in 2019, 2020 and 2021 and the three months ended March 31, 2022 were mainly property, plant and equipment in nature. See Note 38 of the Appendix I to this prospectus. The following table sets out our capital commitments for the periods indicated:

	For the Year Ended December 31,			For the Three Months Ended March 31,
	2019	2020	2021	2022
	(RMB in thousands)			
Property, plant and equipment	439,241	668,382	1,063,609	1,913,709

CAPITAL EXPENDITURES

Our capital expenditures were RMB600.9 million, RMB209.6 million, RMB595.8 million and RMB240.1 million in 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively. In these years, our capital expenditures were primarily used for the construction of the Jinhua Plant as well as the purchase of production machinery for new smart EV models. We expect to incur additional capital expenditures in 2022 primarily for purchase of plant and equipment for the Hangzhou Plant. See "Business — Our Strategies — Enhance vertical integration" for details of our expansion plan. We expect to finance such capital expenditures through existing cash on hand, bank loans and the net proceeds from the Global Offering. We may adjust our capital expenditures for any given year according to our development plans or in light of market conditions and other factors we believe to be appropriate.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including foreign exchange risk, credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

Foreign Exchange Risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of our Group. Our Company and our major subsidiaries were incorporated in Mainland China. We consider RMB as the functional currency.

Our Group is primarily exposed to changes in exchange rates between RMB and USD. As of December 31, 2019, 2020 and 2021 and March 31, 2022, if the USD strengthened or weakened by 10% against the RMB, with all other variables held constant, loss before income tax for the period then ended would have been approximately RMB88,000, RMB81,000, RMB326,000 and RMB315,000 lower/higher respectively as a result of foreign exchange gains/losses on translation of USD denominated cash and cash equivalents.

Credit Risk

Credit risk arises from cash and cash equivalents, restricted cash, long-term bank time deposits, financial assets at FVPL as well as trade and notes receivables and other receivables. The carrying amount of each class of the above financial assets represents our maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage this risk, cash and cash equivalents, restricted cash, long-term bank time deposits and financial assets at FVPL are mainly placed with state-owned or reputable banks and financial institutions in Mainland China which are all high-credit-quality financial institutions.

To manage risk arising from trade and notes receivables, we have policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and our management performs ongoing credit evaluations of the counterparties. Trade and notes receivables have been grouped based on shared credit risk characteristics and ageing to measure the expected credit losses. Trade and notes receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade and notes receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

For other financial assets carried at amortized cost (excluding input VAT to be deducted and prepayments), management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences.

Our trade receivables mainly consist of receivables for sales of automotive regulatory credits and government subsidies receivables for promotion of new energy vehicles which has insignificant credit risk.

See Note 3.1 to the Accountant's Report in Appendix I to this prospectus.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, our policy is to regularly monitor our liquidity risks and to maintain adequate cash and cash equivalents to meet our liquidity requirements.

See Note 3.1 to the Accountant's Report in Appendix I to this prospectus for details of our financial liabilities based on the contractual maturities for all non-derivative financial liabilities.

Interest Risk

Our interest-rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose our Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose our Group to fair value interest-rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 29 to the Accountant's Report in Appendix 1 to this prospectus. We did not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk for the Track Record Period.

As of December 31, 2019, 2020 and 2021 and March 31, 2022, if our interest rates on borrowings obtained at variable rates had been higher/lower by 0.5%, loss before income tax for the period would have been approximately RMB3,966,000 higher/lower, RMB4,459,000 higher/lower, RMB4,379,000 higher/lower and RMB1,083,000 higher/lower respectively.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, substantially all of our balances with related parties were trade in nature, and the balances with related parties that were non-trade in nature had been settled in 2021. Related party transactions are set out in Note 39 to Accountant's Report in Appendix I to this prospectus. Our Directors believe that these transactions were conducted in the ordinary and usual course of business, and did not distort our results of operations or make our historical results unreflective of our future performance.

DIVIDEND POLICY

No dividend was paid or declared by our Company or other entities comprising our Group during the Track Record Period. Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the relevant PRC laws. We currently do not have any fixed dividend pay-out ratio. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. As confirmed by our PRC Legal Advisor, according to relevant PRC laws, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will, therefore, only be able to declare dividends after: (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above.

DISTRIBUTABLE RESERVES

As of March 31, 2022, we did not have any distributable reserves.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the view, and the Joint Sponsors concur, that we possess sufficient working capital, including sufficient cash and liquidity assets for the next 12 months from the date of the prospectus, taking into account the cash and cash equivalent on hand, and the estimated net proceeds received from the Global Offering.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See Unaudited Pro Forma Financial Information in Appendix II to this prospectus for details.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission, and other fees incurred in connection with the Global Offering. We estimate that our listing expenses will be approximately HK$244.9 million (assuming an Offer Price of HK$55.00 per Share (being the mid-point of the indicative Offer Price range) and no exercise of the Offer Size Adjustment Option and the Over-allotment Option), which accounts for approximately 3.4% of the gross proceeds from the Global Offering. We estimate the listing expenses to consist of approximately of HK$164.2 million in underwriting fees and HK$80.7 million in non-underwriting fees (which consist of fees and expenses of legal advisors and our Reporting Accountant of approximately HK$41.0 million and other fees and expenses of approximately HK$39.7 million). Among the total listing expenses, approximately HK$174.2 million will be directly attributable to the issue of our Shares, which will be deducted from equity upon the completion of the Global Offering, and the remaining approximately HK$70.7 million will be expensed in our consolidated statements of comprehensive loss.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work that our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since March 31, 2022, being the end date of the periods reported on in the Accountant's Report in Appendix I to this prospectus, and there is no event since March 31, 2022 that would materially affect the information as set out in the Accountant's Report in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See "Business – Our Strategies" for a detailed discussion of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK$55.00 per Offer Share (being the mid-point of the stated range of the Offer Price between HK$48.00 and HK$62.00 per Offer Share), we estimate that we will receive net proceeds of approximately HK$6,950.2 million from the Global Offering after deducting the underwriting commissions, fees and other estimated expenses in connection with the Global Offering and assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised or HK$9,212.4 million if the Offer Size Adjustment Option and the Over-allotment Option are exercised in full. In line with our strategies, we intend to use our proceeds from the Global Offering for the following purposes:

- Approximately 40.0% of the net proceeds or approximately HK$2,780.1 million, for our research and development, including:

  i. Approximately 15.0% of the net proceeds or approximately HK$1,042.5 million will be used for expanding and upgrading our smart EV portfolio. We target to launch seven new BEV models by 2025 at a pace of one to three models every year, covering sedans, SUVs, and MPVs from compact to mid-to-large in size, enabling us to further penetrate into our addressable market and address the demand for a broader range of customers. For example, we launched the C01, a mid- to large-sized smart electric sedan developed on the same platform as the C11, in May 2022 with expected delivery in the third quarter of 2022. As an addition to our product offering, we also plan to launch the EREV version of these new models based on our proprietary EREV technology, concurrently or subsequently, to broaden our target audience to include customers with different needs and preferences. We plan to recruit more research and development staff to further drive our product portfolio expansion, and continue to partner with suppliers for component customization and vehicle design. We expect to develop and enhance our major vehicle platforms, which are foundation for our future models with advanced systems and software;

  ii. Approximately 15.0% of the net proceeds or approximately HK$1,042.5 million will be used to fund our team expansion and the development of our advanced vehicle intelligence technologies, including autonomous driving system (Leapmotor Pilot) and smart cockpit system (Leapmotor OS). Specifically, we plan to continuously upgrade our software and the autonomous driving system on our current models. We expect to offer Leapmotor Pilot with the Navigation Assistance Pilot (NAP) function on city streets by 2024, which enables assisted driving in urban environments. In addition, we plan to upgrade Leapmotor OS to provide customers with a smarter and more personalized user experience. Smart vehicles and autonomous driving technologies represent the future trends of the electric vehicle industry that we believe are mission-critical to grow our customer base while offering them high-quality mobility experiences; and

iii. Approximately 10.0% of the net proceeds or approximately HK$695.0 million will be used for advancement of our electrification technologies. We plan to invest in upgrading our vehicle-centralized E/E architecture, high-voltage electric drive system, ECUs, battery packs, battery management system and integrated thermal management system.

- Approximately 25.0% of the net proceeds or approximately HK$1,737.5 million, for enhancing our production capacity and capabilities, as part of our efforts to improve vertical integration and operational efficiency, including:

  i. Approximately 15.0% of the net proceeds or approximately HK$1,042.5 million will be used to further build up our production capacity. We plan to invest in production premise to improve our mass production capabilities of vehicles and core components, such as battery system, electric drive system and electric control system. In addition, we plan to start the construction of the Hangzhou Plant in 2022 to meet the growing demand of our smart EVs.

  ii. Approximately 10.0% of the net proceeds or approximately HK$695.0 million will be used to strengthen our automation and manufacturing capabilities. Leveraging our high degree of vertical integration, we will further optimize the full process of R&D, supply chain management and EV and component manufacturing, achieving the highest quality control standard, production efficiency and cost efficiency. We plan to enhance our automation systems and digitalized operation capabilities, to achieve synergies across business units. For example, we expect to use automated systems and production facilities to improve accuracy and quality control at the manufacturing end and to maximize the design effectiveness of R&D. We aim to further improve our production and supply chain efficiency.

  We plan to apply all 25% of the net proceeds for the new Hangzhou Plant. We plan to finance the remaining balance through internal resources or bank borrowing.

- Approximately 25.0% of the net proceeds or approximately HK$1,737.5 million, for expanding our sales and service network and establishing a stronger brand presence, including:

  i. Approximately 10.0% of the net proceeds or approximately HK$695.0 million will be used to expand our sales and service network and improve our service quality. Specifically, we plan to:

     (a) Continue to execute our direct-to-customer strategy and expand the coverage of our sales network by opening more directly operated stores, as well as collaborating with more channel partners. We will further increase the density of stores in the cities we primarily operate in, while penetrating markets where we have yet to fully establish our presence. We plan to recruit more sales and marketing staff and gear them up with our systematic training to improve their sales and service skills, for better serving our customers.

     In addition, we plan to scale up our service network, further develop more and targeted online and offline services channels, expand our service team and improve our service quality. For online channels, we plan to (i) continuously upgrade our customer experience management system, and (ii) enhance features of our online portals, including the Leapmotor APP and mini programs, to enrich customer experiences. For offline channels, we plan to broaden the scope of our services to satisfy customers' needs. We will establish additional delivery and service centers in strategic locations and target cities across China; and

     (b) Offer more software with high-quality content and launch and monetize digital value-added services to curate a more engaging user base. We will introduce more content offerings including digital services in lifestyle, productivity and entertainment. For example, we plan to introduce advanced NAP features through subscription plans and offer entertainment features such as online karaoke and screencasts based on a license fee or subscription model. We will further improve our customer experience and commercial value of our software and services. We plan to establish a more engaging and thriving user-oriented online community through the Leapmotor APP. We aspire to continuously improve our service quality and provide more auxiliary vehicle services.

ii. Approximately 10.0% of the net proceeds or approximately HK$695.0 million will be used for marketing and enhancing our brand awareness. We plan to:

(a) Increase our investment in online marketing activities, such as (i) promotion and advertisement on automobile vertical media and social platforms, (ii) cultivating and nurturing our user community, and (iii) upgrade of our online platform. We plan to increase our market exposure to acquire new customers, and to improve our brand image; and

(b) Increase our investment in offline marketing activities. For example, we will place more advertisement in trafficked area, continue to participate in auto shows, and organize more offline events, such as test drives and community activities for our vehicle owners.

iii. Approximately 5.0% of the net proceeds or approximately HK$347.5 million will be used to establish our footprint in the international market. We plan to improve our global brand awareness by entering the European market. We will conduct marketing activities and build our network to develop our customer base in Europe. We expect to open our first overseas flagship store in the European market by 2023.

- Approximately 10.0% of the net proceeds or approximately HK$695.0 million, for working capital and general corporate purposes.

To the extent that our actual net proceeds from the Global Offering is higher or lower than our estimate above, we will increase or decrease our allocation of the net proceeds for the purposes set out above on a pro rata basis.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not viable, or the occurrence of force majeure events, we will carefully evaluate the situation and may reallocate the net proceeds from the Global Offering.

To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, we only intend to place such proceeds in short-term interest-bearing deposits with licensed banks or authorized financial institutions in Hong Kong or China.

HONG KONG UNDERWRITERS

J.P. Morgan Securities (Asia Pacific) Limited
China International Capital Corporation Hong Kong Securities Limited
Citigroup Global Markets Asia Limited
CCB International Capital Limited
CLSA Limited
China Securities (International) Corporate Finance Company Limited
Huatai Financial Holdings (Hong Kong) Limited
ABCI Securities Company Limited
Futu Securities International (Hong Kong) Limited
Tiger Brokers (HK) Global Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters.

The Global Offering comprises the Hong Kong Public Offering of initially 13,082,000 Hong Kong Offer Shares and the International Offering of initially 117,737,100 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this prospectus as well as to the Offer Size Adjustment Option and the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement and subject to the Offer Size Adjustment Option, our Company is offering initially 13,082,000 Hong Kong Offer Shares (subject to reallocation) for subscription by way of the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (i) the Listing Committee granting approval for the listing of, and permission to deal, in the H Shares pursuant to the Global Offering (including the H Shares to be issued by our Company pursuant to the Offer Size Adjustment Option and the Over-allotment Option and any H Shares to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme) on the Main Board of the Stock Exchange and such approval not having been withdrawn; (ii) the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms; and (iii) certain other conditions set forth in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally and not jointly

agreed to apply or procure applications, on the terms and conditions of this prospectus and the **GREEN** Application Form, for their respective proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering.

Grounds for Termination

The Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters and the Capital Market Intermediaries) and the Joint Sponsors shall be entitled by notice (in writing) to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

(i) there develops, occurs, exists or comes into effect:

(a) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof) or any other jurisdiction relevant to any member of the Group or the Global Offering (collectively, the "**Relevant Jurisdictions**"); or

(b) any change or development involving a prospective change or development in any local, national, regional or international financial, political, military, industrial, legal, fiscal, economic, regulatory, credit, market or currency matters or conditions, equity securities or taxation or exchange control (or implantation of any exchange control) or currency exchange rates or foreign investment regulations or any monetary or trading settlement system or other financial markets (including but not limited to a change in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong dollar is linked to the U.S. dollar or revaluation of Hong Kong dollar or Renminbi against any foreign currencies or a change in any other currency exchange rates or a devaluation of the U.S. dollar, Euro, Hong Kong dollar or the Renminbi against any foreign currencies) in or directly or indirectly affecting any of the Relevant Jurisdictions; or

(c) the imposition after the date of the Hong Kong Underwriting Agreement of any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange or in the NASDAQ Global Market; or

(d) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent government authority), New York (imposed at Federal or New York State level or other competent government authority), the PRC, European Union or any other Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions or elsewhere; or

(e) any imposition of sanctions in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(f) any event or circumstance or series of events or circumstances, in the nature of force majeure in or affecting directly or indirectly any of the Relevant Jurisdictions including, without limiting the generality thereof, any act of God, act of government, declaration of a regional, national or international emergency or war, calamity, crisis, riot, public disorder, civil commotion, paralysis in government operations, the outbreak or escalation of hostilities (whether or not war is or has been declared), aircraft collision, other industrial actions, fire, flood, explosion, epidemic (including SARS, swine or avian flu, H5N1, H1N1, H7N9, MERS, COVID-19 or such related/mutated forms), pandemic, outbreak, escalation, mutation or aggravation of infectious disease, economic sanctions, earthquake, tsunami, terrorism (whether or not responsibility has been claimed), volcanic eruption, strike or lock-out; or

(g) any adverse change or development or event involving a prospective adverse change or development in the business, general affairs, management, prospects, results of operations, position or condition (financial or otherwise) or performance of any member of the Group; or

(h) any litigation dispute, legal action or claim, regulatory or administrative investigation or proceedings being threatened or instigated by an governmental authority or a regulatory body or organization in any Relevant Jurisdiction against any member of the Group or any Director or its subsidiaries; or

(i) any contravention by any member of the Group or any Director of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or other applicable laws or any Director being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any government, political, regulatory body of any action against any Director; or

(j) non-compliance of this prospectus (and/or any other documents issued or used in connection with the Global Offering by and on behalf of the Company) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(k) except with the prior written consent of the Overall Coordinators and the Joint Global Coordinators, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus or the **GREEN** Application Form (and/or any other documents issued or used in connection with the Global Offering) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC in circumstances; or

(l) a valid demand by any creditor for repayment or payment of any of the Group's indebtedness or in respect of which the Group is liable prior to its stated maturity; or

(m) an order or a petition is presented for the winding up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(n) the chairman of the Company or any of the executive Directors vacating his office; or

(o) any change, development or event involving a prospective change in, or a materialization of, any of the risks set out in the section headed "Risk Factors" in this prospectus,

and which, individually or in the aggregate, in the sole and absolute opinion of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(A) has or will have or is likely to have a material adverse effect to the business, general affairs, management, prospects, results of operations, position or condition (financial or otherwise), or performance of the Company or the Group as a whole or to any present or prospective shareholder of the Company in its capacity as such; or

(B) has or will have or is likely to have a material adverse effect on the success or marketability of the Hong Kong Public Offering or the International Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares; or

(C) makes or will make or is likely to make it inadvisable or incapable or impracticable for any part of the Hong Kong Underwriting Agreement, or for any part of the Hong Kong Public Offering or the Global Offering or the delivery of the Offer Shares to be performed or implemented or proceed as envisaged or to market the Global Offering; or

(ii) there has come to the notice of the Overall Coordinators and the Joint Sponsors after the date of the Hong Kong Underwriting Agreement:

(a) that any statement contained in any of the offering documents, the **GREEN** Application Form and/or in any notices or announcements published on the website of the Stock Exchange, any filings made to the CSRC, or communications with the Stock Exchange and the SFC issued by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto but excluding information furnished by the Underwriters, being the names and addresses of such underwriters appearing in the offering documents) was, when it was issued, or has become, untrue, incorrect, inaccurate or incomplete in any material respect or misleading, or that any forecast, estimate, expressions of opinion, intention or expectation contained in any of the offering documents (including any supplement or amendment thereto) was, when it was issued, or has become not fair or misleading or based on untrue, dishonest, unreasonable assumptions or given in bad faith; or

(b) any material breach of any of the obligations imposed upon the Company to the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(c) any event, act or omission which gives or is likely to give rise to any material liability of any of the Indemnifying Parties (as defined in the Hong Kong Underwriting Agreement); or

(d) any breach, or any event or circumstance rendering any of the Warranties (as defined in the Hong Kong Underwriting Agreement) untrue or incorrect or misleading; or

(e) any experts, whose consent is required for the issue of this prospectus with the inclusion of its reports, letters or opinions and references to its name included in the form and context in which respectively appears (other than the Joint Sponsors), has withdrawn or sought to withdraw its respective consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to such reports, letters and/or legal opinion included in the form and context in which it respectively appears; or

(f) a prohibition on the Company for whatever reason from offering, allotting or issuing the Offer Shares (including any additional Offer Shares allotted under the Offer Size Adjustment Option and the Over-allotment Option) pursuant to the terms of the Global Offering; or

(g) our Company withdraws this prospectus and the **GREEN** Application Form (and/or any other documents issued or used in connection with the Global Offering by or on behalf of the Company) or the Global Offering.

(h) there is a prohibition on the Company for whatever reason by an Authority from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering.

Offer Size Adjustment Option

As part of the Global Offering, the Company has the Offer Size Adjustment Option under the Hong Kong Underwriting Agreement, pursuant to which, the Company may issue and allot any number of up to an aggregate of 19,622,800 H Shares, representing 15.0% of the Offer Shares initially offered under the Global Offering, at the Offer Price, to cover additional market demand, if any. The Offer Size Adjustment Option may be exercised by the Company after consultation with the Overall Coordinators and the Joint Sponsors on or before the Price Determination Date and will expire upon execution of the International Underwriting Agreement and the Price Determination Agreement. These additional Offer Shares (the "**Offer Size Adjustment Option Shares**"), if any, will be allocated in such manner as closely as practicable to maintain the proportionality between the Hong Kong Public Offering and the International Offering following the application of the clawback arrangement described in "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" below and the Overall Coordinators shall allocate additional new H Shares to be offered by the Company pursuant to the International Offering to the Hong Kong Public Offering in order to maintain such proportionality and the relevant number of Offer Size Adjustment Option Shares shall be allocated to the International Offering to maintain such proportionality.

UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertakings by our Company

In accordance with Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be allotted or issued by us or form the subject of any agreement to such an allotment or issue within six months from the Listing Date (whether or not such issue of Shares or securities of the Company will be completed within six months from the Listing Date), except pursuant to the Global Offering, the exercise of the Offer Size Adjustment Option and the Over-allotment Option and/or under the circumstances prescribed by Rule 10.08 of the Listing Rules.

UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

Undertakings by our Company

Except for the issue, offer or sale of the Offer Shares by the Company pursuant to the Global Offering (including the issue of H Shares pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option, and any H Shares to be converted from the Domestic Shares and to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme, during the period commencing on the date of this Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), the Company hereby undertakes to each of the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters, the Capital Markets Intermediaries and the Joint Sponsors not to, without the prior written consent of the Overall Coordinators, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors and unless in compliance with the requirements of the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, grant or sell any option, warrant, right or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interest in any H Shares or other equity securities of our Company, or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other equity securities of our Company); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription ownership (legal of beneficial) of any H Shares or other equity securities of our Company, or any interest therein (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any H Shares or other securities of our Company); or

(iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (i) or (ii) above; or

(iv) offer to or contract to or agree to or announce, or publicly disclose that the Company will or may enter into any transaction described in sub-paragraph (i), (ii) or (iii) above

in each case, whether any of the transactions specified in sub-paragraph (i), (ii) or (iii) above is to be settled by delivery of H Shares or other equity securities of our Company, in cash or otherwise (whether or not the issue of such H Shares or other equity securities will be completed within the First Six-Month Period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in sub-paragraph (i) or (ii) or (iii) above or offers to or agrees to or contracts to or announces, or publicly discloses, any intention to, enter into any such transactions, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with the Joint Sponsors, the Joint Global Coordinators, the Overall Coordinators, the Capital Market Intermediaries and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for, or to purchase, their respective proportions of the International Offer Shares being offered under the International Offering.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Overall Coordinators on behalf of the International Underwriters at any time within 30 days from the last date for lodging applications under the Hong Kong Public Offering, pursuant to which our Company may be required to issue up to an additional 19,622,800 H Shares (representing not more than 15% of the number of Offer Shares initially being offered under the Global Offering assuming the Offer Size Adjustment Option is not exercised at all), or up to an additional 22,566,200 H Shares (representing not more than 15% of the number of Offer Shares being offered under the Global Offering assuming the Offer Size Adjustment Option is exercised in full) at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as those in the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Our Company has agreed to indemnify the International Underwriters against certain liabilities, including liabilities under the U.S. Securities Act.

UNDERWRITING COMMISSIONS AND LISTING EXPENSES

The Underwriters and the Capital Market Intermediaries will receive an underwriting commission of 1.60% of the aggregate Offer Price of all the Offer Shares (based on an Offer Price of HK$55.00, being the mid-point of the Offer Price range stated in this prospectus and assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised) (the "**Fixed Fees**"). Our Company may, at our sole and absolute discretion, pay one or more Underwriters or Capital Market Intermediaries a discretionary fee of up to 0.9% of the aggregate Offer Price of all the Offer Shares (based on an Offer Price of HK$55.00, being the mid-point of the Offer Price range stated in this prospectus and assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised) (the "**Discretionary Fees**"). Assuming the Discretionary Fees are paid in full and based on an Offer Price of HK$55.00, being the mid-point of the Offer Price range stated in this prospectus, the ratio of the Fixed Fees and Discretionary Fees payable to all Underwriters is therefore approximately 64:36. For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay the underwriting commission for such H Shares to the International Underwriters (but not the Hong Kong Underwriters).

The aggregate amount of sponsor fee payable by our Company to the Joint Sponsors is approximately US$2,000,000.

The aggregate underwriting commissions and fees (including the incentive fees and assuming full payment), together with the Stock Exchange listing fees, the SFC transaction levy, the FRC transaction levy, the Stock Exchange trading fee, sponsor fee, legal and other professional fees, printing and other expenses relating to the Global Offering, are estimated to be approximately HK$244.9 million in aggregate (based on an Offer Price of HK$55.00 per H Share, being the mid-point of the Offer Price range stated in this prospectus and assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised and any H shares to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme) and are to be borne by us.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that each of the Underwriters of the Hong Kong Public Offering and the International Offering, together referred to as "Syndicate Members", may individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

(a) under the agreement among the Syndicate Members, all of them (except for the Stabilizing Manager or its designated affiliate as the stabilizing manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including but not limited to issuing any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) all of them must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the accounts of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

All of these activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering — Stabilization" in this prospectus. These activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares, and the volatility of the H Shares' share price, and the extent to which this occurs from day to day cannot be estimated.

UNDERWRITERS' INTEREST IN OUR GROUP

Except as disclosed in this prospectus and the obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the Underwriters has any shareholding interest in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

JOINT SPONSORS' INDEPENDENCE

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 13,082,000 Offer Shares (subject to reallocation and the Offer Size Adjustment Option as mentioned below) in Hong Kong as described in "— The Hong Kong Public Offering" below; and

(ii) the International Offering of 117,737,100 Offer Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option as mentioned below) (a) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, and (b) outside the United States in offshore transactions in reliance on Regulation S, as described in "— the International Offering" below.

Up to 19,622,800 additional Offer Shares may be offered pursuant to the exercise of the Offer Size Adjustment Option referred to in "— Offer Size Adjustment Option" below. Furthermore, in connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriters, exercisable by the Overall Coordinators on behalf of the International Underwriters, at any time within 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which our Company may be required to issue up to an additional 19,622,800 H Shares (representing not more than 15% of the number of Offer Shares initially being offered under the Global Offering assuming the Offer Size Adjustment Option is not exercised at all) or up to an additional 22,566,200 H Shares (representing not more than 15% of the number of Offer Shares being offered under the Global Offering assuming the Offer Size Adjustment Option is exercised in full) at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any.

Investors may either:

(1) apply for the Hong Kong Offer Shares under the Hong Kong Public Offering; or

(2) apply for or indicate an interest for the International Offer Shares under the International Offering, but may not do both.

The 130,819,100 Offer Shares in the Global Offering will represent approximately 11.4% of our enlarged share capital immediately after the completion of the Global Offering, without taking into account the exercise of the Offer Size Adjustment Option and the Over-allotment Option and any H Shares to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme. If the Over-allotment Option is exercised in full assuming the Offer Size Adjustment Option is not exercised, the Offer Shares will represent 12.9% of our issued share capital immediately following the completion of the Global Offering. If both the Offer Size Adjustment Option and the Over-allotment Option are exercised in full, the Offer Shares will represent approximately 14.6% of our issued share capital immediately following the completion of the Global Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in "— The Hong Kong Public Offering — Reallocation" below.

References to applications, **GREEN** Application Form, application or subscription monies or procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 13,082,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent approximately 1.14% of our Company's enlarged share capital immediately after completion of the Global Offering, without taking into account the exercise of the Offer Size Adjustment Option and the Over-allotment Option and any H shares to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in "— Conditions of the Global Offering" below.

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools (after taking into account any reallocation referred to below): Pool A and Pool B, both of which are available on an equitable basis to successful applicants (with any odd board lots allocated to Pool A):

Pool A: the Offer Shares will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of HK$5 million or less (excluding the brokerage fee, the SFC transaction levy, the FRC transaction levy and the Stock Exchange trading fee); and

Pool B: the Offer Shares will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage fee, the SFC transaction levy, the FRC transaction levy and the Stock Exchange trading fee).

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this sub-section only, the "subscription price" for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 6,541,000 Hong Kong Offer Shares will be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. In accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules and the Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if the Offer Shares under the International Offering are fully subscribed or over-subscribed and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Hong Kong Offer Shares will be increased to 39,245,800 Offer Shares (in the case of (i)), 52,327,800 Offer Shares (in the case of (ii)) and 65,409,600 Offer Shares (in the case of (iii)), representing approximately 30%, approximately 40% and approximately 50% of the Offer Shares initially available under the Global Offering (before any exercise of the Offer Size Adjustment Option and the Over-allotment Option), respectively. In each case, the additional Offer Shares reallocated

to the Hong Kong Public Offering will be allocated between Pool A and Pool B in equal proportion and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators deem appropriate.

If (i) the Offer Shares under the International Offering are fully subscribed or over-subscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents more than 100%, but less than 15 times, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering; or (ii) the Offer Shares under the International Offering are not fully subscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents more than 100% of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering irrespective of the number of times of over-subscription, the Overall Coordinators (for themselves and on behalf of the Underwriters) may, at its discretion, reallocate the Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, provided that the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering shall not be increased to more than 26,164,000 Offer Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and approximately 20% of the total number of Offer Shares initially available under the Global Offering, and the final Offer Price shall be fixed at the low end of the Offer Price range (that is, HK$48.00 per Offer Share) stated in this prospectus in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

Subject to the above, the Overall Coordinators (for themselves and on behalf of the Underwriters) shall have the discretion to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, regardless of whether any reallocation pursuant to paragraph 4.2 of Practice Note 18 of the Listing Rules is triggered.

Any such clawback and reallocation between the International Offering and the Hong Kong Public Offering will be completed prior to any adjustment of the number of Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

If the Hong Kong Public Offering is not fully subscribed for, the Overall Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such proportions as the Overall Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$62.00 per Offer Share including any brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$6,262.49 for one board lot of 100 Hong Kong Offer Shares. If the Offer Price, as finally determined in the manner described in "— Pricing and Allocation" below, is less than the maximum price of HK$62.00 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

The International Offering will consist of an offering of initially 117,737,100 Offer Shares being offered by Our Company, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option). The number of Offer Shares initially offered under the International Offering subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 10.30% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Offering Size Adjustment Option and Over-allotment Option are not exercised).

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States and institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at particular price. This process, known as "book-building", is expected to continue up to the Price Determination Date.

Allocation of Offer Shares pursuant to the International Offering will be determined by the Overall Coordinators (for themselves and on behalf of the Underwriters) and will be based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators so as to allow it to identify the relevant application under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in "— The Hong Kong Public Offering — Reallocation" above, the exercise of the Offer Size Adjustment Option and/or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OFFER SIZE ADJUSTMENT OPTION

In connection with the Global Offering, the Company has the Offer Size Adjustment Option under the Hong Kong Underwriting Agreement. The Offer Size Adjustment Option provides flexibility to increase the number of Offer Shares available for purchase under the Global Offering to cover additional market demand, if any. The Offer Size Adjustment Option may be exercised by the Company after consultation with the Overall Coordinators and the Joint Sponsors on or before the Price Determination Date and will expire upon execution of the International Underwriting Agreement and the Price Determination Agreement.

Under the Offer Size Adjustment Option, the Company may issue any number of H Shares up to an aggregate of 19,622,800 additional Offer Shares at the Offer Price. These Offer Size Adjustment Option Shares, if any, will be allocated in such manner as closely as practicable to maintain the proportionality between the Hong Kong Public Offering and the International Offering following the application of the clawback arrangement described in "— Reallocation" in this section and the Overall Coordinators shall allocate additional new H Shares to be offered by the Company pursuant to the International Offering to the Hong Kong Public Offering in order to maintain such proportionality and the relevant number of Offer Size Adjustment Option Shares shall be allocated to the International Offering to maintain such proportionality.

If the Offer Size Adjustment Option is exercised in full, the Offer Size Adjustment Option Shares to be issued pursuant thereto will represent approximately 1.7% of our issued share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the exercise of the Offer Size Adjustment Option.

The dilution effect of the Offer Size Adjustment Option (assuming the Over-allotment Option is not exercised) is set out below:

Number of H Shares issued under the Global Offering before the exercise of the Offer Size Adjustment Option ("Original Subscribers")	Approximate percentage of total issued share capital held by the Original Subscribers before the exercise of the Offer Size Adjustment Option	Number of H Shares issued under the Global Offering after the exercise of the Offer Size Adjustment Option	Approximate percentage of total issued share capital held by the Original Subscribers after the exercise of the Offer Size Adjustment Option
130,819,100	11.4	150,441,900	11.3

The Offer Size Adjustment Option will not be used for price stabilization purposes and will not be subject to the provisions of the Securities and Futures (Price Stabilization) Rules (Chapter 571W of the Laws of Hong Kong). The Offer Size Adjustment Option will be in addition to the Over-Allotment Option.

The Company will disclose in its allotment results announcement if and to what extent the Offer Size Adjustment Option has been exercised, or will confirm that if the Offer Size Adjustment Option has not been exercised by the Price Determination Date, it will lapse and cannot be exercised at any future date.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Overall Coordinators on behalf of the International Underwriters at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to 19,622,800 additional H Shares (assuming the Offer Size Adjustment Option is not exercised), or 22,566,200 additional H Shares (assuming the Offer Size Adjustment Option is fully exercised), representing not more than 15% of the total number of Offer Shares under the Global Offering, at the Offer Price under the International Offering to cover over-allocation in the International Offering, if any.

If the Offer Size Adjustment Option is not exercised and the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 1.7% of our issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. If the Offer Size Adjustment Option and the Over-allotment Option are exercised in full, the additional Offer Shares to be issued pursuant to the Over-allotment Option will represent approximately 1.9% of our issued share capital immediately following the completion of the Global Offering and the Over-allotment Option. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if taken, will be conducted at the absolute discretion of the Stabilizing Manager or any person acting for it, may be discontinued at any time and is required to be brought to an end within 30 days of the last day for the lodging applications under the Hong Kong Public Offering. Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (ii) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (iii) purchasing or agreeing to purchase our H Shares pursuant to the Over- allotment Option in order to close out any position established under paragraph (i) or (ii) above, (iv) purchasing or agreeing to purchase any of our H Shares for the sole purpose of preventing or minimizing any reduction in the market price of our H Shares, (v) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager or any person acting for it may, in connection with the stabilizing action, maintain a long position in the H Shares;
- there is no certainty as to the extent to which and the time period for which the Stabilizing Manager or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of the H Shares;
- no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period which will begin on the Listing Date and is expected to expire on Sunday, October 23, 2022, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the H Shares, demand for the H Shares, and therefore the price of the H Shares, could fall;
- the price of any H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilizing Manager or any person acting for it may cover such over-allocation by (among other methods) exercising the Over-allotment Option in full or in part, by using H Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price as detailed below or a combination of these means.

OFFER SIZE

The allocation and the total number of Offer Shares under the Global Offering will be determined in the following manner:

- The allocation of Offer Shares between the International Offering and the Hong Kong Public Offering will be subject to a reallocation adjustment depending on the number of Offer Shares validly applied for under the Hong Kong Public Offering. See "— The Hong Kong Public Offering — Reallocation" above for details.

- If the Offer Size Adjustment Option is exercised in full, the additional Offer Shares made available as a result, representing approximately 15% of the number of Offer Shares initially being offered under the Global Offering, will be allocated so as to maintain the proportionality between the Hong Kong Public Offering and the International Offering on a post-clawback basis. The Offer Size Adjustment Option will lapse if it is not exercised by the Price Determination Date. See "— Offer Size Adjustment Option" above for details.

- The number of Offer Shares to be made available under the International Offering may be further increased if the Over-allotment Option is exercised. The maximum number of additional International Offer Shares to be offered pursuant to the exercise of the Over-allotment Option will represent approximately 15% of the number of Offer Shares being offered under the Global Offering (including the shares offered pursuant to the exercise of the Offer Size Adjustment Option, if any). See "— Over-allotment Option" above for details.

The table below sets out a summary of the total number of Hong Kong Offer Shares and International Offer Shares being offered in the Global Offering under different scenarios, depending on (a) whether a reallocation pursuant to the clawback arrangement described in "— The Hong Kong Public Offering — Reallocation" above occurs and (b) whether either of the Offer Size Adjustment Option and the Over-allotment Option is exercised at all or exercised in full, or both are exercised in full.

	No clawback reallocation	**30% clawback reallocation**	**40% clawback reallocation**	**50% clawback reallocation**
Total number of Offer Shares before the exercise of the Offer Size Adjustment Option and the Over-allotment Option	13,082,000 Hong Kong Offer Shares 117,737,100 International Offer Shares	39,245,800 Hong Kong Offer Shares 91,573,300 International Offer Shares	52,327,800 Hong Kong Offer Shares 78,491,300 International Offer Shares	65,409,600 Hong Kong Offer Shares 65,409,500 International Offer Shares
Total number of Offer Shares following the exercise in full of the Offer Size Adjustment Option only (the Over-allotment Option is not exercised)	15,044,200 Hong Kong Offer Shares 135,397,700 International Offer Shares	45,132,600 Hong Kong Offer Shares 105,309,300 International Offer Shares	60,176,800 Hong Kong Offer Shares 90,265,100 International Offer Shares	75,221,000 Hong Kong Offer Shares 75,220,900 International Offer Shares
Total number of Offer Shares following the exercise in full of the Over-allotment Option only (the Offer Size Adjustment Option is not exercised)	13,082,000 Hong Kong Offer Shares 137,359,900 International Offer Shares	39,245,800 Hong Kong Offer Shares 111,196,100 International Offer Shares	52,327,800 Hong Kong Offer Shares 98,114,100 International Offer Shares	65,409,600 Hong Kong Offer Shares 85,032,300 International Offer Shares
Total number of Offer Shares following the full exercise of the Offer Size Adjustment Option and the Over-allotment Option	15,044,200 Hong Kong Offer Shares 157,963,900 International Offer Shares	45,132,600 Hong Kong Offer Shares 127,875,500 International Offer Shares	60,176,800 Hong Kong Offer Shares 112,831,300 International Offer Shares	75,221,000 Hong Kong Offer Shares 97,787,100 International Offer Shares

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between us and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Friday, September 23, 2022, and in any event, no later than Saturday, September 24, 2022. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this prospectus.

The Offer Price will not be more than HK$62.00 per Offer Share and is expected to be not less than HK$48.00 per Offer Share, unless otherwise announced as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum offer price of HK$62.00 per Offer Share, plus 1.0% brokerage fee, 0.0027% SFC transaction levy, 0.00015% FRC transaction levy and 0.005% Stock Exchange trading fee, amounting to a total of HK$6,262.49 for one board lot of 100 Hong Kong Offer Shares.

If the Offer Price, as finally determined in the manner described below, is lower than HK$62.00, we will refund the respective difference, including the brokerage fee, the Stock Exchange trading fee, the SFC transaction levy and FRC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. Please see the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the prior consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such situation, our Company will, as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, post a notice on the website of the Stock Exchange (**www.hkexnews.hk**) and the website of our Company (**www.leapmotor.com**) (the contents of the website do not form a part of this prospectus).

Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by us and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), will be fixed within such revised Offer Price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) will under no circumstances be set outside the Offer Price range stated in this prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

The Offer Price, an indication of the level of interest in the International Offering, the basis of allotment of Offer Shares available under the Hong Kong Public Offering and the results of allocations in the Hong Kong Public Offering and if and to what extent the Offer Size Adjustment Option has been exercised, are expected to be made available in a variety of channels in the manner described in the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus.

UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on, among others:

(i) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including any H Shares which may be issued by us pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option and any H shares to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme) on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;

(ii) the Offer Price being duly determined;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) on or before Saturday, September 24, 2022, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.leapmotor.com**) on the next day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set forth in the section headed "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of H Share Certificates and Refund Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued by us pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option and any H Shares to be issued upon exercise of the options granted under the Pre-IPO Share Option Scheme).

Except that we have applied for the Listing to the Stock Exchange, no part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the H Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, our H Shares and our Company complies with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

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

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, September 29, 2022, it is expected that dealings in our H Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, September 29, 2022.

Our H Shares will be traded in board lots of 100 H Shares each and the stock code of the H Shares is 9863.

IMPORTANT NOTICE TO INVESTORS
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** under the "HKEXnews > New Listings > New Listing Information" section, and our website at **www.leapmotor.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

1. HOW TO APPLY

We will not provide any printed application forms for use by the public.

To apply for Hong Kong Offer Shares, you may:

(1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

  (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS **Custodian** Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

  (ii) if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (https://ip.ccass.com) or through the CCASS Phone System by calling

+852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channel (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

We, the Overall Coordinators, the **HK eIPO White Form** Service Provider and our and their respective agents may reject or accept any application, in full or in part, for any reason at our or their discretion.

2. WHO CAN APPLY

Eligibility for the Application

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investor).

The number of joint applicants may not exceed four.

If you are a firm, the application must be in the individual members' names.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares and/or a substantial shareholder of any of its subsidiaries;
- are a director, supervisor or chief executive officer of our Company and/or any of its subsidiaries;

- are a close associate (as defined in the Listing Rules) of any of the above persons;

- have been allocated or have applied for any International Offer Shares or otherwise indicated an interest in the International Offering. Our Company, the Overall Coordinators and the **HK eIPO White Form** Service Provider (where applicable) or their respective agents have full discretion to reject or accept any application, in full or in part, without giving any reason.

Our Company, the Overall Coordinators and the **HK eIPO White Form** Service Provider (where applicable) or their respective agents have full discretion to reject or accept any application, in full or in part, without giving any reason.

Items Required for the Application

If you apply for the Hong Kong Offer Shares online through the **HK eIPO White Form** service, you must:

- have a valid Hong Kong identity card number/passport number (for individual applicant) or Hong Kong business registration number/certificate of incorporation number (for body corporate applicant);

- have a Hong Kong address; and

- provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS **Custodian** Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Overall Coordinators (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, supervisors, officers, employees, partners, agents or representatives and any other parties involved in the Global Offering (the "**Relevant Persons**") and the **HK eIPO White Form** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, our H Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither our Company nor the Relevant Persons will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong;

(xii) warrant that the information you have provided is true and accurate;

(xiii) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(xiv) authorize (1) our Company to place your name(s) or the name of the HKSCC Nominees on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under our Articles of Association, and (2) our Company and/or our agents to deposit H Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "— 14. Dispatch/Collection of H Share Certificates and Refund Monies — Personal Collection" below to collect the H Share certificate(s) and/or refund cheque(s) in person;

(xv) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvi) understand that our Company and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xvii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xviii) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
100	6,262.49	3,000	187,874.60	50,000	3,131,243.35	900,000	56,362,380.30
200	12,524.97	3,500	219,187.04	60,000	3,757,492.02	1,000,000	62,624,867.00
300	18,787.46	4,000	250,499.47	70,000	4,383,740.69	2,000,000	125,249,734.00
400	25,049.95	4,500	281,811.90	80,000	5,009,989.36	3,000,000	187,874,601.00
500	31,312.44	5,000	313,124.34	90,000	5,636,238.03	4,000,000	250,499,468.00
600	37,574.92	6,000	375,749.20	100,000	6,262,486.70	5,000,000	313,124,335.00
700	43,837.41	7,000	438,374.07	200,000	12,524,973.40	6,541,000[(1)]	409,629,255.04
800	50,099.89	8,000	500,998.93	300,000	18,787,460.10		
900	56,362.38	9,000	563,623.81	400,000	25,049,946.80		
1,000	62,624.86	10,000	626,248.67	500,000	31,312,433.50		
1,500	93,937.30	20,000	1,252,497.34	600,000	37,574,920.20		
2,000	125,249.74	30,000	1,878,746.01	700,000	43,837,406.90		
2,500	156,562.17	40,000	2,504,994.68	800,000	50,099,893.60		

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

Applicants who meet the criteria in "— 2. Who Can Apply" above may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the **IPO App** or the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are set out in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the **IPO App** or the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form service

You may submit your application to the **HK eIPO White Form** Service Provider in the **IPO App** or at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, September 20, 2022 until 11:30 a.m. on Friday, September 23, 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, September 23, 2022 or such later time under the "— 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Applications Lists" below.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this document acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

6. APPLYING THROUGH THE CCASS EIPO SERVICE

General

You may instruct your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS **Custodian** Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf. CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Overall Coordinators and our H Share Registrar.

Applying through the CCASS EIPO Service

Where you have applied through the **CCASS EIPO** service (either indirectly through a **broker** or **custodian** or directly) an application is made by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus; and

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that our Company, the Directors and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to this prospectus);

- agree to disclose to our Company, our H Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the Application Lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the Application Lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by our Company;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong;

- agree with the Company, for itself and for the benefit of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):

  (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H shares in the Company are freely transferable by their holders; and

- authorize the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company.

Effect of Applying through the CCASS EIPO Service

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic application instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Tuesday, September 20, 2022 — 9:00 a.m. to 8:30 p.m.

- Wednesday, September 21, 2022 — 8:00 a.m. to 8:30 p.m.

- Thursday, September 22, 2022 — 8:00 a.m. to 8:30 p.m.

- Friday, September 23, 2022 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, September 20, 2022 until 12:00 noon on Friday, September 23, 2022 (24 hours daily, except on Friday, September 23, 2022, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, September 23, 2022, the last application day or such later time as described in "— 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" below.

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Personal Data

The following Personal Information Collection Statement applies to any personal data held by our Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through the **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of our Company and its H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to our Company or its agents and the H Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of our Company or its H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of H Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform our Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of our Company's H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our Company's register of members;
- verifying identities of the holders of our Company's H Shares;
- establishing benefit entitlements of holders of our Company's H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and profiles of the holder of our Company's H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the H Share Registrar to discharge their obligations to holders of our Company's H Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by our Company and its H Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but our Company and its H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisers, receiving bank and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the H Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

Our Company and its H Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether our Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company, at our Company's registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or our Company's H Share Registrar for the attention of the privacy compliance officer.

7. WARNING FOR ELECTRONIC APPLICATIONS

The application of the Hong Kong Offer Shares by the **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Relevant Persons and the **HK eIPO White Form** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant applying through the **CCASS EIPO** service or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems.

In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, September 23, 2022, the last application day or such later time as described in "—10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" below.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee and apply through the **HK eIPO White Form** service, in the box marked "For Nominees", you must include an account number or some other identification code for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner when you fill in the application details. If you do not include this information, the application will be treated as being made for your own benefit.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an electronic application instruction under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

The H Share Registrar would record all applications into its system and identify suspected multiple applications with identical names, identification document numbers and reference numbers according to the Best Practice Note on Treatment of Multiple / Suspected Multiple Applications ("**Best Practice Note**") issued by the Federation of Share Registrars Limited.

With regard to the announcement of results of allocations under the section headed "Results of Applications Made by Giving Electronic Application Instructions to HKSCC via CCASS", the list of identification document number(s) may not be a complete list of successful applicants, only successful applicants whose identification document numbers are provided to HKSCC by CCASS Participants are disclosed. Applicants who applied for the Offer Shares through their brokers can consult their brokers to enquire about their application results.

Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$62.00 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 100 Hong Kong Offer Shares, you will pay HK$6,262.49.

You must pay the maximum Offer Price, brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee in full upon application for H Shares.

You may submit an application through the **HK eIPO White Form** service or the **CCASS EIPO** service in respect of a minimum number of 100 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in "— 4. Minimum Application Amount and Permitted Numbers" above or as otherwise specified in the **IPO App** or on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy and the FRC transaction levy collected by the Stock Exchange on behalf of the SFC and FRC). For further details on the Offer Price, see "Structure of the Global Offering — Pricing and Allocation" in this prospectus.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The Application Lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning, and/or
- Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, September 23, 2022. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the Application Lists do not open and close on Friday, September 23, 2022 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made on the website of our Company at **www.leapmotor.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, September 28, 2022 on the website of our Company at **www.leapmotor.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration/certificate of incorporation numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the website of our Company at **www.leapmotor.com** and the website of the Stock Exchange at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, September 28, 2022;

- from the "IPO Results" function in the **IPO App** and the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, September 28, 2022 to 12:00 midnight on Tuesday, October 4, 2022; and

- from the results allocation telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, September 28, 2022, to Monday, October 3, 2022 (excluding Saturday, Sunday and public holiday in Hong Kong).

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By applying through the **CCASS EIPO** service or the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Overall Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your payment is not made correctly;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website at **www.hkeipo.hk**;
- your application is for more than 50% of the Hong Kong Offer Shares under the Hong Kong Public Offering;
- our Company or the Overall Coordinators believe that by accepting your application, it/they would violate applicable securities or other laws, rules or regulations; or
- the Underwriting Agreements do not become unconditional or are terminated.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$62.00 per Offer Share (excluding brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee, will be refunded, without interest.

Any refund of your application monies will be made on or before Wednesday, September 28, 2022.

14. DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Wednesday, September 28, 2022. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Thursday, September 29, 2022 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised.

Investors who trade H Shares on the basis of publicly available allocation details or prior to the receipt of the H Share certificates or prior to the H Share certificates becoming valid do so entirely at their own risk.

Personal Collection

(i) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your H Share certificate(s) from the H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, September 28, 2022, or such other place or date as notified by our Company. If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk. If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, September 28, 2022, by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares through the **HK eIPO White Form** service, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, September 28, 2022, by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) in favor of the applicant (or, in the case of joint applications, the first-named applicant) on or before Wednesday, September 28, 2022, by ordinary post at your own risk.

(ii) If you apply through the CCASS EIPO service

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, September 28, 2022, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a **broker** or **custodian**, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "— 11. Publication of Results" above on Wednesday, September 28, 2022. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, September 28, 2022 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, September 28, 2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, FRC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your **broker** or **custodian** on Wednesday, September 28, 2022.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to J.P. Morgan Securities (Far East) Limited, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited and CCB International Capital Limited pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZHEJIANG LEAPMOTOR TECHNOLOGY CO., LTD. AND J.P. MORGAN SECURITIES (FAR EAST) LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, CITIGROUP GLOBAL MARKETS ASIA LIMITED AND CCB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Zhejiang Leapmotor Technology Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-113, which comprises the consolidated balance sheets as at 31 December 2019, 2020 and 2021 and 31 March 2022, the Company's balance sheets as at 31 December 2019, 2020 and 2021 and 31 March 2022, and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-113 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 20 September 2022 (the "**Prospectus**") in connection with the initial listing of H Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2019, 2020 and 2021 and 31 March 2022 and the consolidated financial position of the Group as at 31 December 2019, 2020 and 2021 and 31 March 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended 31 March 2021 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board ("**IAASB**"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 42 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 20 September 2022

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("**IAASB**") (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand of RMB (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Note	Year ended 31 December			Three months ended 31 March	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	*5*	116,963	631,301	3,132,059	278,047	1,991,837
Cost of sales	*8*	(228,929)	(950,902)	(4,519,690)	(415,455)	(2,521,312)
Gross loss		(111,966)	(319,601)	(1,387,631)	(137,408)	(529,475)
Selling expenses	*8*	(131,148)	(154,920)	(427,855)	(89,728)	(162,375)
Administrative expenses	*8*	(160,830)	(183,810)	(398,310)	(84,371)	(154,126)
Research and development expenses	*8*	(358,318)	(289,248)	(740,015)	(92,996)	(242,545)
Net impairment losses on financial assets	*3.1(b)*	(101)	(212)	(298)	(95)	(166)
Other income	*6*	23,477	66,590	66,293	2,026	9,220
Other gains — net	*7*	7,930	11,671	19,498	4,453	7,492
Operating loss		(730,956)	(869,530)	(2,868,318)	(398,119)	(1,071,975)
Finance income	*10*	1,693	1,294	84,007	13,202	31,220
Finance costs	*10*	(171,868)	(230,331)	(61,658)	(11,464)	(3,389)
Finance (costs)/income — net	*10*	(170,175)	(229,037)	22,349	1,738	27,831
Share of net (loss)/profit of an associate accounted for using the equity method	*36*	–	(1,526)	196	(854)	1,941
Loss before income tax		(901,131)	(1,100,093)	(2,845,773)	(397,235)	(1,042,203)
Income tax expense	*11*	–	–	–	–	–
Loss and total comprehensive loss for the year/period attributable to the equity holders of the Company		(901,131)	(1,100,093)	(2,845,773)	(397,235)	(1,042,203)
Loss per share attributable to the equity holders of the Company (in RMB)						
Basic and diluted loss per share	*12*	(2.45)	(2.99)	(3.03)	(0.57)	(1.03)

CONSOLIDATED BALANCE SHEETS

	Note	As at 31 December			As at 31 March
		2019	2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*15*	1,472,073	1,521,665	1,929,028	2,109,523
Right-of-use assets	*14*	100,147	117,161	454,362	719,916
Intangible assets	*16*	17,897	19,853	419,867	427,150
Investment in an associate accounted for using the equity method	*36*	–	18,474	18,670	20,611
Long-term bank time deposits	*22*	–	140,107	717,103	822,646
Other non-current assets	*17*	–	–	32,593	207,134
		1,590,117	1,817,260	3,571,623	4,306,980
Current assets					
Inventories	*18*	165,178	182,088	749,471	1,115,473
Trade and notes receivables	*19*	19,048	233,229	782,250	986,031
Contract assets	*5*	–	–	28,497	42,767
Other current assets	*20*	234,094	420,849	420,518	609,723
Financial assets at fair value through profit or loss	*21*	181,606	76,042	1,260,078	301,349
Restricted cash	*22*	40,803	441,497	1,376,072	953,952
Cash and cash equivalents	*22*	205,690	100,806	4,337,967	4,277,140
		846,419	1,454,511	8,954,853	8,286,435
Total assets		2,436,536	3,271,771	12,526,476	12,593,415
EQUITY					
Paid-in capital	*23*	538,984	538,984	–	–
Share capital	*24*	–	–	1,011,887	1,011,887
Treasury stock	*25*	(1,486,084)	–	–	–
Reserves	*25*	1,324,592	1,604,431	10,789,743	10,862,701
Accumulated losses		(1,606,518)	(2,706,611)	(4,571,414)	(5,613,617)
Total (deficits)/equity		(1,229,026)	(563,196)	7,230,216	6,260,971

	Note	As at 31 December			As at 31 March
		2019	2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Non-current liabilities					
Borrowings	*29*	1,086,171	1,159,165	534,021	496,200
Contract liabilities	*5*	–	–	31,222	53,037
Lease liabilities	*14*	5,524	13,788	16,364	237,735
Provisions	*30*	1,655	6,081	55,425	99,841
Deferred income	*31*	128,145	239,781	329,706	395,170
Financial instruments with preferred rights at amortized cost	*28*	1,600,996	–	–	–
		2,822,491	1,418,815	966,738	1,281,983
Current liabilities					
Trade and notes payables	*33*	195,691	738,935	2,596,106	3,493,080
Other payables and accruals	*34*	427,699	376,086	825,326	767,780
Advances from customers	*35*	5,331	41,667	503,213	454,935
Contract liabilities	*5*	–	–	3,728	5,320
Borrowings	*29*	207,630	1,242,909	340,166	275,652
Lease liabilities	*14*	3,229	13,376	24,559	16,059
Derivative financial instruments	*32*	2,842	–	–	–
Provisions	*30*	649	3,179	36,424	37,635
		843,071	2,416,152	4,329,522	5,050,461
Total liabilities		3,665,562	3,834,967	5,296,260	6,332,444
Total (deficits)/equity and liabilities		2,436,536	3,271,771	12,526,476	12,593,415
Net current assets/(liabilities)		3,348	(961,641)	4,625,331	3,235,974
Total assets less current liabilities		1,593,465	855,619	8,196,954	7,542,954

BALANCE SHEETS OF THE COMPANY

	Note	As at 31 December			As at 31 March
		2019	2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*15*	91,439	129,741	308,265	366,504
Right-of-use assets	*14*	823	14,712	14,907	18,593
Intangible assets	*16*	15,261	10,740	14,392	22,650
Investments in subsidiaries	*13*	636,727	877,727	3,919,454	4,016,719
Investment in an associate accounted for using the equity method	*36*	–	18,474	18,670	20,611
Long-term bank time deposits	*22*	–	140,107	408,312	410,212
Other non-current assets	*17*	–	–	6,294	16,222
		744,250	1,191,501	4,690,294	4,871,511
Current assets					
Trade and notes receivables	*19*	707	413	732	–
Other current assets	*20*	630,970	1,550,517	3,383,595	3,723,102
Financial assets at fair value through profit or loss	*21*	127,226	50,042	1,157,560	200,163
Restricted cash	*22*	1,669	15,282	50,495	102,271
Cash and cash equivalents	*22*	185,571	85,005	3,474,263	3,627,664
		946,143	1,701,259	8,066,645	7,653,200
Total assets		1,690,393	2,892,760	12,756,939	12,524,711
EQUITY					
Paid-in capital	*23*	538,984	538,984	–	–
Share capital	*24*	–	–	1,011,887	1,011,887
Treasury stock	*25*	(1,486,084)	–	–	–
Reserves	*25*	1,324,592	1,604,431	10,789,743	10,862,701
Accumulated losses		(435,689)	(624,863)	(566,295)	(859,574)
Total (deficits)/equity		(58,197)	1,518,552	11,235,335	11,015,014

	Note	As at 31 December 2019	2020	2021	As at 31 March 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Non-current liabilities					
Lease liabilities	*14*	–	7,386	2,007	4,569
Deferred income	*31*	3,065	4,778	3,380	3,104
Financial instruments with preferred rights at amortized cost	*28*	1,600,996	–	–	–
		1,604,061	12,164	5,387	7,673
Current liabilities					
Trade and notes payables	*33*	30,452	41,818	175,572	377,668
Other payables and accruals	*34*	110,882	149,195	1,327,021	1,116,609
Borrowings	*29*	–	1,163,980	–	–
Lease liabilities	*14*	353	7,051	13,624	7,747
Derivative financial instruments	*32*	2,842	–	–	–
		144,529	1,362,044	1,516,217	1,502,024
Total liabilities		1,748,590	1,374,208	1,521,604	1,509,697
Total (deficits)/equity and liabilities		1,690,393	2,892,760	12,756,939	12,524,711
Net current assets		801,614	339,215	6,550,428	6,151,176
Total assets less current liabilities		1,545,864	1,530,716	11,240,722	11,022,687

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Equity attributable to equity holders of the Company					
	Note	**Paid-in capital**	**Share capital**	**Treasury stock**	**Reserves**	**Accumulated losses**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019		509,545	–	(1,125,084)	989,704	(705,387)	(331,222)
Loss and total comprehensive loss for the year		-	–	–	–	(901,131)	(901,131)
		509,545	–	(1,125,084)	989,704	(1,606,518)	(1,232,353)
Transactions with equity holders							
Capital contributions from equity holders	*23,24*	29,439	–	–	331,561	–	361,000
Recognition of financial instruments with preferred rights at amortized cost	*25*	–	–	(361,000)	–	–	(361,000)
Share-based payment	*26*	–	–	–	3,327	–	3,327
		29,439	–	(361,000)	334,888	–	3,327
As at 31 December 2019		538,984	–	(1,486,084)	1,324,592	(1,606,518)	(1,229,026)
As at 1 January 2020		538,984	–	(1,486,084)	1,324,592	(1,606,518)	(1,229,026)
Loss and total comprehensive loss for the year		–	–	–	–	(1,100,093)	(1,100,093)
		538,984	–	(1,486,084)	1,324,592	(2,706,611)	(2,329,119)
Transactions with equity holders							
Derecognition of financial instruments with preferred rights at amortized cost	*25*	–	–	1,486,084	237,280	–	1,723,364
Share-based payment	*26*	–	–	–	42,559	–	42,559
		–	–	1,486,084	279,839	–	1,765,923
As at 31 December 2020		538,984	–	–	1,604,431	(2,706,611)	(563,196)

	Note	Attributable to equity holders of the Company					
		Paid-in capital	Share capital	Treasury stock	Reserves	Accumulated losses	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2021		538,984	–	–	1,604,431	(2,706,611)	(563,196)
Loss and total comprehensive loss for the year		–	–	–	–	(2,845,773)	(2,845,773)
		538,984	-	-	1,604,431	(5,552,384)	(3,408,969)
Transactions with equity holders							
Capital contributions from equity holders	*23,24*	249,819	–	–	4,091,911	–	4,341,730
Conversion into a joint stock company	*24,25*	(788,803)	788,803	–	(980,970)	980,970	–
Issuance of shares	*24,25*	–	223,084	–	5,857,416	–	6,080,500
Share-based payment	*26*	-	–	–	216,955	–	216,955
		(538,984)	1,011,887	–	9,185,312	980,970	10,639,185
As at 31 December 2021		–	1,011,887	–	10,789,743	(4,571,414)	7,230,216
As at 1 January 2022		–	1,011,887	–	10,789,743	(4,571,414)	7,230,216
Loss and total comprehensive loss for the period		–	–	–	–	(1,042,203)	(1,042,203)
		–	1,011,887	–	10,789,743	(5,613,617)	6,188,013
Transactions with equity holders							
Share-based payment	*26*	–	–	–	72,958	–	72,958
As at 31 March 2022		–	1,011,887	–	10,862,701	(5,613,617)	6,260,971
(Unaudited)							
As at 1 January 2021		538,984	–	–	1,604,431	(2,706,611)	(563,196)
Loss and total comprehensive loss for the period		–	–	–	–	(397,235)	(397,235)
		538,984	–	–	1,604,431	(3,103,846)	(960,431)
Transactions with equity holders							
Capital contributions from equity holders	*23,24*	249,819	–	–	4,091,911	–	4,341,730
Share-based payment	*26*	–	–	–	25,938	–	25,938
		249,819	–	–	4,117,849	–	4,367,668
As at 31 March 2021		788,803	–	–	5,722,280	(3,103,846)	3,407,237

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December			Three months ended 31 March	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cash flows from operating activities						
Net cash used in operations	*37*	(676,427)	(733,127)	(1,048,105)	(140,928)	(409,166)
Interest received from cash at banks	*10*	1,693	1,187	29,468	2,282	23,952
Net cash used in operating activities		(674,734)	(731,940)	(1,018,637)	(138,646)	(385,214)
Cash flows from investing activities						
Payment for investment in an associate	*36*	–	(20,000)	–	–	–
Proceeds from sale of property, plant and equipment		1,182	8,310	7,587	1,042	4,635
Payments for land use rights	*14*	–	–	(322,947)	–	–
Payments for property, plant and equipment		(407,832)	(306,209)	(691,069)	(109,948)	(427,291)
Proceeds from sale of intangible assets		98	7,962	–	–	–
Payments for intangible assets		(11,061)	(16,176)	(511,480)	(108,308)	(10,935)
Proceeds from sale of equity interest of a company	*16(a)*	–	–	100,000	–	–
Government grants received in relation to acquisition of non-current assets		30,080	62,627	98,925	–	70,800
Proceeds from disposals of financial assets at fair value through profit or loss	*3.3(c)*	1,557,267	1,249,923	3,626,202	1,761,726	1,805,331
Payments for financial assets at fair value through profit or loss	*3.3(c)*	(1,589,610)	(1,142,400)	(4,788,000)	(2,225,136)	(840,000)
Payments for long-term bank time deposits		–	(140,000)	(2,270,000)	(1,890,000)	(100,000)
Proceeds from long-term bank time deposits		–	–	1,710,000	200,000	–
Payment for settlement of derivative financial instruments		–	(769)	–	–	–
Interest received from long-term bank time deposits		–	–	37,543	1,716	1,725
Net cash (used in)/generated from investing activities		(419,876)	(296,732)	(3,003,239)	(2,368,908)	504,265

	Note	Year ended 31 December			Three months ended 31 March	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cash flows from financing activities						
Proceeds from issuance of shares	*24*	–	–	6,080,500	–	–
Proceeds from contributions from equity holders	*23*	–	–	4,341,730	4,341,730	–
Proceeds from issuance of financial instruments to investors	*28*	361,000	–	–	–	–
Principal payments of lease liabilities		(5,129)	(11,479)	(28,021)	(8,100)	(72,898)
Proceeds from loans from equity holders	*39(b)*	–	799,994	340,000	340,000	–
Repayments of loans and interests to equity holders	*39(b)*	–	–	(1,151,322)	(1,148,851)	–
Placement of restricted cash for bank borrowings	*22(b)*	–	–	(610,000)	(350,000)	–
Repayments of borrowings		(28,914)	(235,874)	(791,007)	(25,799)	(101,683)
Proceeds from borrowings		444,101	470,000	138,262	–	–
Interest paid for borrowings		(80,786)	(97,683)	(58,812)	(4,910)	(1,053)
Interest paid for lease liabilities	*14*	(184)	(1,127)	(1,666)	(347)	(2,988)
Payments for listing expenses		–	–	(538)	–	(1,343)
Net cash generated from/(used in) financing activities		690,088	923,831	8,259,126	3,143,723	(179,965)
Net (decrease)/increase in cash and cash equivalents		(404,522)	(104,841)	4,237,250	636,169	(60,914)
Cash and cash equivalents at beginning of the year/period		607,470	205,690	100,806	100,806	4,337,967
Exchange gains/(losses) on cash and cash equivalents	*7*	2,742	(43)	(89)	132	87
Cash and cash equivalents at end of the year/period	*22*	205,690	100,806	4,337,967	737,107	4,277,140

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Zhejiang Leapmotor Technology Co., Ltd. ("**Zhejiang Leapmotor**", or the "**Company**") was incorporated in the People's Republic of China (the "**PRC**") on 14 December 2015 as a limited liability company under the Company Law of the PRC. The address of the Company's registered office is 1st and 6th floor, No. 451, Wulianwang Street, Binjiang District, Hangzhou, Zhejiang Province, PRC.

The Company and its subsidiaries (together, "**the Group**") are principally engaged in the production, research and development and sales of new energy vehicles in the PRC. The Group commenced the delivery of its first volume manufactured electric vehicles for sale in July 2019. The Company converted into a joint stock company in April 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with IFRS

The Historical Financial Information of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") as issued by the International Accounting Standards Board ("**IASB**").

(ii) Historical cost convention

The Historical Financial Information have been prepared on a historical cost basis, except for the certain financial assets and liabilities (including derivative instruments) that are measured at fair value.

(iii) New or amended standards not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for Track Record Period and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

The followings are new standards, amendments to existing standards and new interpretations that have been issued but are not effective for the Track Record Period and have not been early adopted by the Group. The Group plans to adopt these new standards, amendments to standards and annual improvements when they become effective:

Standards and amendments	Effective for accounting periods beginning on or after
IAS 1 (Amendment) 'Classification of Liabilities as Current or Non-current'	1 January 2023
IFRS 17 'Insurance Contracts'	1 January 2023
IAS 1 (Amendment) and IFRS Practice Statement 2 (Amendment) 'Disclosure of Accounting Policies'	1 January 2023

Standards and amendments	Effective for accounting periods beginning on or after
IAS 8 (Amendment) 'Definition of Accounting Estimates'	1 January 2023
IAS 12(Amendment) 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'	1 January 2023
IFRS 10 (Amendment) and IAS 28 (Amendment) 'Sale or contribution of Assets between an Investor and its Associate or Joint Venture'	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards. According to the preliminary assessment made by the Group, no significant impact on the financial performance and positions of the Group is expected when they become effective.

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (Note 2.2.3), after initially being recognized at cost.

2.2.3 Equity method of accounting

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income ("**OCI**") of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive loss of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker ("**CODM**"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Historical Financial Information is presented in RMB, which is the functional currency of the Company and its subsidiaries and also the presentation currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year/period end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive loss on a net basis within "other gains/(losses) — net".

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Buildings	20 years
Machinery and molds	5-10 years
Vehicles	2-4 years
Electronic equipment and others	3 years
Leasehold improvements	Shorter of the lease terms or 3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains/(losses) — net" in the consolidated statements of comprehensive loss.

Construction in progress represents unfinished construction and equipment under construction or pending for installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

2.8 Intangible assets

(a) Automotive manufacturing license

Automotive manufacturing license ("**License**") has indefinite useful life. No useful life was determined in the contract terms when the Group acquired the License. The Group expects that the License is unlikely to be terminated based on industry experience and will continue to contribute revenue in the future. Therefore, the Group considers the useful life of such intangible assets to be indefinite. The License is not amortized, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

(b) Software

Acquired software is recognized at historical cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses. The Group's software is amortized on a straight-line basis over their estimated useful lives of 3 years.

(c) Patents

Patents are shown at fair value when acquired. Patents have a finite useful life and are carried at cost less accumulated amortization and impairment, if any. The legal validity period of the patents is 20 years, while considering the technical innovation, the estimated commercially beneficial period of the Group's patents was 5 years. As a result, amortization is calculated using the straight-line method to allocate the cost of patents over 5 years.

(d) Research and development ("R&D")

Research expenditure is recognized as an expense as incurred. Costs incurred on research and development projects are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the research and development project so that it will be available for the Group;
- management intends to complete the research and development project and use or sell it;
- there is an ability to use or sell the research and development project;
- it can be demonstrated how the research and development project will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the research and development project are available; and
- the expenditure attributable to the research and development project during its development can be reliably measured.

Directly attributable costs which are eligible to be capitalized as part of the research and development project may include employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred.

Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "other gains/(losses) — net". Impairment losses are presented as separate line item in the consolidated statements of comprehensive loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "other gains/(losses) — net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other gains/(losses) — net" and impairment expenses are presented as separate line item in the consolidated statements of comprehensive loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within in "other gains/(losses) — net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in profit or loss and presented in "other gains/(losses) — net" in the consolidated statements of comprehensive loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For cash and cash equivalents, restricted cash and long-term bank time deposits, the expected credit loss risk is considered immaterial.

For trade and notes receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheets where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.12 Trade receivables

Trade receivables are amounts due from customers for vehicles or products sold in the ordinary course of business and amounts due from government for promotion of new energy vehicles. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), it is classified as current asset. If not, it is presented as non-current asset.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 19 for further information about the Group's accounting for trade receivables and Note 3.1(b) for a description of the Group's impairment policies.

2.13 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivative financial instruments are recognized in profit or loss.

2.14 Inventories

Raw materials, spare parts and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash restricted for guaranteed deposits for bank borrowings or issuance of notes payables or other purpose are included in the restricted cash on the consolidated balance sheets.

Time deposits with initial terms of over one year were included in the long-term bank time deposits on the consolidated balance sheets.

2.16 Paid-in capital/ share capital

Ordinary shares are classified as equity. Financial instruments with preferred rights at amortized cost described in Note 28 are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Treasury stock

Treasury stock is recorded to reflect the carrying amount of the financial instruments with preferred rights when it is initially reclassified from equity, and will be reversed when the financial instruments with preferred rights are derecognized upon when the Group's obligations in connection with those financial instruments are discharged, canceled or have expired which will then be reclassified back to equity (Note 2.19).

2.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.19 Financial instruments with preferred rights at amortized cost

A contract that contains an obligation to purchase the Company's equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount. Even if the Company's obligations to purchase are conditional on the counterparty exercising a right to redeem, the financial instruments with preferred rights are recognized as financial liability initially at the present value of the redemption amount and subsequently measured at amortized cost with interest charged in finance costs.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The carrying amount of the financial instruments derecognized was credited into the equity.

2.20 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheets when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.21 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries and associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred income tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

2.23 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheets.

(b) Pension obligations

In accordance with the rules and regulations in the PRC, the employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

(c) Housing funds, medical insurances and other social insurances

The employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(d) Bonus plan

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

(e) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.24 Share-based payment

The Group operates an equity-settled share-based payment plan, under which the Group receives services from eligible employees as consideration for equity instruments of the Company. The fair value of the employee services received in exchange for the grant of equity instruments is recognized as an expense on the Historical Financial Information. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;

- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period. Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognized in relation to such shares are reversed effective at the date of the forfeiture.

2.25 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.26 Revenue recognition

Revenue is recognized when or as the control of the goods or services is transferred to a customer. A customer is the party that contracts with the Group to purchase goods or services which are the output of the Group's ordinary activities in exchange for consideration. 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 on the consolidated balance sheets as a contract asset or a contract liability, depending on the relationship between the Group'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 revenue is measured at the transaction price agreed under the contract. Amounts disclosed as revenue are net of return, trade allowances and amounts collected on behalf of third parties. In those agreements where the transaction with period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year, revenue is measured at transaction prices adjusted for the time value of money. The variable consideration is estimated by applying the most likely amount method.

The accounting policy for the Group's principal revenue sources

(a) Sales of vehicles and parts

The Group manufactures and sales electric vehicles and related parts in the market, and generates revenue from sales of electric vehicles, together with a number of embedded products through a contract. The revenue for sales of the vehicles and parts is recognized at a point in time when the control of the vehicles and parts are transferred to the customer. Initial refundable deposits for intention orders received from customers prior to the signing of vehicle purchase agreements are recognized as advances from customers.

Vehicles buyers in the PRC are entitled to government subsidies when they purchase electric vehicles. For efficiency purpose and better customer service, the Group applies for and collects such government subsidies on behalf of the customers. Accordingly, customers only pay the amount after deducting government subsidies. The Group determines that the government subsidies should be considered as part of the transaction price because the subsidy is granted to the buyer of the electric vehicle and the buyer remains liable for such amount in the event the subsidies were not received by the Group due to the buyer's fault such as refusal or delay in providing application information.

The standard warranty provided by the Group, including free roadside assistance service for vehicle quality problems, mobility scooter service and etc., is accounted for as provisions, and the estimated costs are recorded as a liability when the Group transfers the control of vehicle to a customer.

(b) Sales of automotive regulatory credits

The Group earns tradable automotive regulatory credits in the operation of vehicle business under the Measures for the Parallel Administration of the Corporate Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises issued by Ministry of Industry and Information Technology of the People's Republic of China. The Group sells these credits to other regulated entities who can use the credits to comply with the regulatory requirements.

Payments for automotive regulatory credits are typically received at the point the control transfers to the purchasing party, or in accordance with payment terms customary to the business. The Group recognizes the sale of automotive regulatory credits as revenue at the time when the control of the regulatory credits has been transferred to the purchasing party.

(c) Services

The Group also provided multiple embedded services including extended one-year or lifetime warranty, vehicle internet connection service, firmware over the air ("FOTA") upgrades and free lifetime roadside assistance service stated in a series of contracts for sales of vehicles. The aforementioned services are accounted for as separate performance obligations. The Group recognizes the revenue using a straight-line method over the service period. A contract liability is recognized for payments received in which revenue has not been recognized.

2.27 Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The increase in the provisions due to the passage of time is recognized as interest expense.

2.28 Leases

The Group leases buildings and land use right as lessee. Rental contracts are typically made for fixed periods of 1 to 50 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments (if applicable):

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each reporting period.

Right-of-use assets are measured at cost comprising the following (if applicable):

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date less any lease incentives received;

- any initial direct costs; and

- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise small items of office furniture and machinery.

2.29 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 7 below.

Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10 below. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.30 Loss per share

(a) Basic loss per share

Basic loss per share is calculated by dividing:

- the loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year/period, adjusted for bonus elements in ordinary shares issued during the year/period and excluding treasury stock.

(b) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's risk management is predominantly controlled by the treasury department under policies approved by the Board of Directors of the Company (the "**Board**"). The Group's treasury department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Company and its primary subsidiaries were incorporated in Mainland China. The Company and these subsidiaries considered RMB as their functional currency.

The Group is primarily exposed to changes in RMB/USD exchange rates. As at 31 December 2019, 2020 and 2021 and 31 March 2022, if the USD strengthened/weakened by 10% against the RMB, with all other variables held constant, loss before income tax for the year/period then ended would have been approximately RMB88,000, RMB81,000, RMB326,000 and RMB315,000 lower/higher respectively as a result of foreign exchange gains/losses on translation of USD denominated cash and cash equivalents.

(ii) Cash flow and fair value interest rate risk

Except for cash and cash equivalents, restricted cash and long-term bank time deposits (Note 22), the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 29. The Group did not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk for the reporting period.

As at 31 December 2019, 2020 and 2021 and 31 March 2022, if the Group's interest rates on borrowings obtained at variable rates had been higher/lower by 0.5%, loss before income tax for the year/period then ended would have been approximately RMB3,966,000, RMB4,459,000, RMB4,379,000 and RMB1,083,000 higher/lower respectively.

(iii) Price risk

The Group has no exposure to equity securities price risk.

(b) Credit risk

Credit risk arises from cash and cash equivalents, restricted cash, long-term bank time deposits, financial assets at FVPL as well as trade and notes receivables and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

Risk management

To manage this risk, cash and cash equivalents, restricted cash, long-term bank time deposits and financial assets at FVPL are mainly placed with state-owned or reputable financial institutions in Mainland China which are all high-credit-quality financial institutions.

To manage risk arising from trade and notes receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. Trade and notes receivables have been grouped based on shared credit risk characteristics and aging to measure the expected credit losses. Trade and notes receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade and notes receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

For other financial assets carried at amortized cost (excluding prepaid listing expenses, input Value Added Tax ("VAT") to be deducted and prepayments), management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences.

Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- cash and cash equivalents, restricted cash, long-term bank time deposits and financial assets at FVPL;
- trade and notes receivables and contract assets;
- other receivables.

(i) Cash and cash equivalents, restricted cash, long-term bank time deposits and financial assets at FVPL

To manage risk arising from cash and cash equivalents, restricted cash, long-term bank time deposits and financial assets at FVPL, the Group only transacts with state-owned or reputable financial institutions in Mainland China. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Cash and cash equivalents, restricted cash and long-term bank time deposits are also subject to the impairment requirements of IFRS 9, while the identified impairment loss was immaterial.

(ii) Trade and notes receivables and contract assets

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and notes receivables and contract assets. To measure the expected credit losses, trade and notes receivables and contract assets have been grouped based on shared credit risk characteristics and aging.

The expected loss rates are based on the credit rating of counter parties and the payment profiles of sales over a period of each reporting period and probability of default of counter parties on an ongoing basis throughout each reporting period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product ("**GDP**") in Mainland China to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Group's trade receivables and contract assets mainly consist of receivables for government subsidies receivables for promotion of new energy vehicles which has insignificant credit risk (Note 19).

(iii) Other receivables

Other receivables mainly include amounts due from relate parties, refundable deposits, payments on behalf of employees and others. All of the Group's financial assets at amortized cost are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition as described in Note 20.

Trade and other receivables are written off when there is no reasonable expectation of recovery.

Impairment losses on trade and other receivables are presented as net impairment losses within operating loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

The movement of loss allowance for trade and notes receivables, contract assets and other receivables during the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022 is as follows:

	Trade and notes receivables and contract assets	Other receivables	Total
	RMB'000	*RMB'000*	*RMB'000*
Opening loss allowance as at 1 January 2019	–	–	–
Increase in loss allowance recognized in profit or loss during the year	(11)	(90)	(101)
As at 31 December 2019	(11)	(90)	(101)
As at 1 January 2020	(11)	(90)	(101)
Increase in loss allowance recognized in profit or loss during the year	(149)	(63)	(212)
As at 31 December 2020	(160)	(153)	(313)
As at 1 January 2021	(160)	(153)	(313)
(Increase)/decrease in loss allowance recognized in profit or loss during the year	(333)	35	(298)
As at 31 December 2021	(493)	(118)	(611)
As at 1 January 2022	(493)	(118)	(611)
(Increase)/decrease in loss allowance recognized in profit or loss during the period	(167)	1	(166)
As at 31 March 2022	(660)	(117)	(777)
(Unaudited)			
As at 1 January 2021	(160)	(153)	(313)
Increase in loss allowance recognized in profit or loss during the period	(7)	(88)	(95)
As at 31 March 2021	(167)	(241)	(408)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

Maturities of financial liabilities

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019				
Borrowings (including interest payables)	268,888	78,427	1,175,127	1,522,442
Trade and notes payables *(Note 33)*	195,691	–	–	195,691
Other payables and accruals (excluding payroll and welfare payables and other tax payables) *(Note 34)*	346,505	–	–	346,505
Lease liabilities	3,542	3,412	2,324	9,278
	814,626	81,839	1,177,451	2,073,916
As at 31 December 2020				
Borrowings (including interest payables)	1,297,354	407,858	864,263	2,569,475
Trade and notes payables *(Note 33)*	738,935	–	–	738,935
Other payables and accruals (excluding payroll and welfare payables and other tax payables) *(Note 34)*	252,211	–	–	252,211
Lease liabilities	14,226	12,995	1,062	28,283
	2,302,726	420,853	865,325	3,588,904

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021				
Borrowings (including interest payables)	374,146	475,323	77,665	927,134
Trade and notes payables *(Note 33)*	2,596,106	–	–	2,596,106
Other payables and accruals (excluding payroll and welfare payables and other tax payables) *(Note 34)*	635,159	–	–	635,159
Lease liabilities	25,859	11,589	5,571	43,019
	3,631,270	486,912	83,236	4,201,418
As at 31 March 2022				
Borrowings (including interest payables)	305,352	432,011	76,771	814,134
Trade and notes payables *(Note 33)*	3,493,080	–	–	3,493,080
Other payables and accruals (excluding payroll and welfare payables and other tax payables) *(Note 34)*	584,328	–	–	584,328
Lease liabilities	17,357	75,029	194,017	286,403
	4,400,117	507,040	270,788	5,177,945

As at 31 December 2019, the financial instruments with preferred rights at amortized cost as described in Note 28 of approximately RMB1,600,996,000 were not managed by maturing date and were all reclassified to equity in 2020.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, management of the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amounts of dividends paid to equity holders, return capital to equity holders, issue new shares or repurchase the Company's shares. In the opinion of the management of the Company, the Group's capital risk is low. As a result, capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Group.

3.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2019, 2020 and 2021 and 31 March 2022:

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019				
Assets				
Financial assets at FVPL *(Note 21)*	–	–	181,606	181,606
Liabilities				
Derivative financial instruments *(Note 32)*	–	2,842	–	2,842

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2020				
Assets				
Financial assets at FVPL *(Note 21)*	–	–	76,042	76,042

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021				
Assets				
Financial assets at FVPL *(Note 21)*	–	–	1,260,078	1,260,078

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 March 2022				
Assets				
Financial assets at FVPL *(Note 21)*	–	–	301,349	301,349

The Group's policy is to recognize transfers into and out of fair value hierarchy levels as at the end of each reporting period.

(b) Valuation techniques used to determine level 2 and level 3 fair values

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no changes in valuation techniques during the Track Record Period.

The fair value of trade and notes receivables, other receivables, long-term bank time deposits, restricted cash, and cash and cash equivalents approximated their carrying amounts.

The fair value of trade and notes payables, other payables and accruals (excluding payroll and welfare payables and other tax payables) and current borrowings approximated their carrying amounts. The fair value of non-current borrowings was disclosed in Note 29.

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022:

	Financial assets at FVPL
	RMB'000
As at 1 January 2019	141,000
Acquisitions	1,589,610
Disposals	(1,557,267)
Fair value changes	8,263
As at 31 December 2019	181,606
As at 1 January 2020	181,606
Acquisitions	1,142,400
Disposals	(1,249,923)
Fair value changes	1,959
As at 31 December 2020	76,042
As at 1 January 2021	76,042
Acquisitions	4,788,000
Disposals	(3,626,202)
Fair value changes	22,238
As at 31 December 2021	1,260,078

	Financial assets at FVPL
	RMB'000
As at 1 January 2022	1,260,078
Acquisitions	840,000
Disposals	(1,805,331)
Fair value changes	6,602
As at 31 March 2022	301,349

More details about the financial assets at FVPL as at 31 December 2019, 2020 and 2021 and 31 March 2022 have been presented in Note 21.

(d) There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the Track Record Period.

(e) ***Valuation inputs and relationships to fair value***

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

As at 31 December 2019

Description	Fair value	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
	RMB'000			
Wealth management products	181,606	Expected rate of return	3.27%-4.50%	The higher the expected rate of return, the higher the fair value

As at 31 December 2020

Description	Fair value	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
	RMB'000			
Wealth management products	76,042	Expected rate of return	3.13%-3.60%	The higher the expected rate of return, the higher the fair value

As at 31 December 2021

Description	Fair value	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
	RMB'000			
Wealth management products	1,260,078	Expected rate of return	2.30%-3.76%	The higher the expected rate of return, the higher the fair value

As at 31 March 2022

Description	Fair value	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
	RMB'000			
Wealth management products	301,349	Expected rate of return	3.10%-3.15%	The higher the expected rate of return, the higher the fair value

As at 31 December 2019, 2020 and 2021 and 31 March 2022, if expected rate of return higher/lower by 0.5%, fair value of financial assets at FVPL would have been approximately RMB60,000, RMB9,000, RMB1,967,000 and RMB329,000 higher/lower respectively.

(f) Valuation processes

External valuation experts will be involved when necessary. The Group engaged an independent valuer to assist them on valuation of financial assets at FVPL.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year/period are addressed below.

(a) Recoverability of non-financial assets

The Group tests annually whether non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to disposal. These calculations require the use of judgments and estimates.

Judgment is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to recognize impairment charge in profit or loss (Note 15).

(b) Fair value of financial assets at FVPL

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments. Details of the assumptions and estimates in determination of the fair value are disclosed in Note 3.3.

(c) Recognition of share-based payment expenses

As detailed in Note 26, certain shares transfer and grant of shares under the share award schemes have resulted in share-based payments expenses.

The Group has engaged an independent valuer to determine the total fair value of the equity incentive tools granted to employees. The discounted cash flow method and back-solve method were used to determine the total equity value of the Company and then equity allocation model was adopted to determine the fair value of the equity incentive tools. Significant estimates on assumptions, such as risk-free interest rate, volatility and dividend yield are made based on management's best estimates. Further details are included in Note 26.

As the awards granted in equity-settled share-based payment plan are conditional on a Qualified Initial Public Offerings ("**QIPO**"). The Group has estimated the QIPO's probability and QIPO date when they calculated share-based payment expenses at each reporting period end. Since QIPO condition is considered as vesting condition, the entity also needs to consider when the QIPO is probable. If the service period under the service condition ends before QIPO, then the vesting period will end on QIPO date; if the service period under the service condition ends after QIPO, then the vesting period will end according to the service conditions. As at 31 March 2022, the Group assessed it is probable that the performance condition (i.e., QIPO) will be achieved in the future.

The Group also has to estimate the expected forfeiture rate at the end of vesting periods ("**Forfeiture Rate**") of the restricted shares granted in order to determine the amount of share-based payment expenses charged to profit or loss. The Forfeiture Rate of the restricted shares awarded of the Group was assessed to be 5% as at 31 December 2021 and 31 March 2022, respectively.

(d) Write-down of inventories

The Group's management reviews the condition of inventories, as stated in Note 18 to the Historical Financial Information, at each reporting date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

(e) Intangible asset with indefinite life

The Group evaluates intangible asset with indefinite life at each reporting period end to determine whether events and circumstances continue to support indefinite useful life. The value of intangible asset with indefinite life is not amortized but tested for impairment annually or whenever events or changes in circumstances indicate that it is more likely than not that the asset is impaired in accordance with IAS 36. The Group performs an assessment to assess all relevant events and circumstances that could affect the significant inputs used to determine the recoverable amounts of the intangible asset with indefinite life (Note 15).

(f) Warranty provisions

The Group provides product warranties on all new vehicles based on the contracts with its customers at the time of sale of vehicles. The Group accrues a warranty reserve for the vehicles sold by multiplying the expected unit costs for warranty services by the sales volume, which includes the best estimate of projected costs to repair or replace items under warranties. These estimates are primarily based on the estimates of the nature, frequency and average 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 provisions in the future. The portion of the warranty reserve expected to be incurred within the next 12 months is included within the accrued a warranty provision and other current liabilities while the remaining balance is included within other non-current liabilities on the consolidated balance sheets. Warranty cost is recorded as a component of cost of sales in the consolidated statements of comprehensive loss. The Group re-evaluates the adequacy of the warranty accrual on a regular basis.

(g) Income taxes and deferred income tax

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provisions for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognizes deferred income tax assets based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilized. The recognition of deferred income tax assets mainly involves management's judgments and estimations about the timing and the amount of taxable profits of the companies who has tax losses. No deferred income tax asset has been recognized in respect of such tax losses due to the unpredictability of future taxable income and details of unrecognized tax losses have been set out in Note 11.

(h) Recognition of revenue and allocation of transaction price

Critical judgements in allocating the transaction price

The contracts for sales of vehicles and parts include extended one-year or lifetime warranty, vehicle internet connection service, FOTA upgrades and free lifetime roadside assistance service recognized as separate performance obligations. Because the contracts include multiple performance obligations, the transaction price must be allocated to the performance obligations on a relative stand-alone selling price basis.

Management estimates the stand-alone selling price at contract inception based on the cost of the services likely to be provided and the services rendered in similar circumstances to similar customers. If a discount is granted, it is allocated to all performance obligations based on their relative stand-alone selling prices.

5 REVENUE AND SEGMENT INFORMATION

(a) Description of segments and principal activities

During the Track Record Period, the Group is engaged in the production, research and development and sales of new energy vehicles in the PRC. The executive directors of the Company (i.e. the CODM) review the operating results of the business as one operating segment to make strategic decisions and resources allocation. Therefore, the Group regards that there is only one segment which is used to make strategic decisions.

Geographical information

All of the Group's business and operations are conducted in Mainland China and currently, the Group's principal market, majority of revenue, operating loss and non-current assets are derived from/located in the PRC. Accordingly, no geographical segment information is presented.

(b) Revenue during the Track Record Period

Revenue represents the invoiced value of goods sold and rendering of embedded services, which is net of rebate and discounts.

Revenue mainly comprises sales of vehicles and parts, rendering of embedded services and sales of automotive regulatory credits. The Group commenced delivery of the first batch of volume manufactured electric vehicles in July 2019. In addition, sales of automotive regulatory credits has also constituted a part of the Group's revenue since 2020. An analysis of the Group's revenue by category for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022 is as follows:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue from customers and recognized at point in time					
Sales of vehicles and parts *(i)*	116,963	615,823	3,058,818	278,047	1,990,354
Sales of automotive regulatory credits	–	15,478	71,934	–	–
	116,963	631,301	3,130,752	278,047	1,990,354
Revenue from customer and recognized over time					
Rendering of services	–	–	1,307	–	1,483
	116,963	631,301	3,132,059	278,047	1,991,837

(i) No revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

(c) Contract liabilities

The Group recognized the following contract liabilities related to the contracts with customers:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Rendering of services	–	–	31,222	53,037
Current				
Rendering of services	–	–	3,728	5,320
	–	–	34,950	58,357

The contract of sales of vehicles includes multiple embedded services (extended one-year or lifetime warranty, vehicle internet connection service, firmware over the air ("FOTA") upgrades and free lifetime roadside assistance service), which are separated from sales of vehicles and amortized during the service periods.

(d) Unsatisfied performance obligations

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aggregate amount of the transaction price allocated to performance obligations that are partially or fully unsatisfied as at 31 December	–	–	34,950	58,357

Management expected that approximately RMB5,320,000 of the transaction price allocated to unsatisfied performance obligations as of 31 March 2022 will be recognized as revenue within one year. The remaining amount of approximately RMB53,037,000 will be recognized during the upcoming seven years from 1 April 2023 (recognizing over eight-years since the deliveries of vehicles to respective customers).

(e) Contract assets

The Group recognized the following contract assets related to the contracts with customers:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets	–	–	28,518	42,780
Loss allowance	–	–	(21)	(13)
	–	–	28,497	42,767

6 OTHER INCOME

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Government grants	23,477	66,590	66,293	2,026	9,220

During the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022, the government grants mainly include government subsidies for the Group's research and development expenditure and interest expenses as incurred on borrowings, as well as the amortization of deferred government grants. There are no unfulfilled conditions or other contingencies attaching to the grants recognized.

7 OTHER GAINS — NET

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Net fair value gains on financial assets at FVPL *(Note 21)*	8,263	1,959	22,238	4,315	6,602
Net gains/(losses) on disposals of property, plant and equipment, intangible assets and right-of-use assets	–	10,141	(668)	(1)	133
Net foreign exchange gains/(losses)	2,742	(43)	(89)	132	87
Net fair value (losses)/gains on derivative financial instruments *(Note 32)*	(2,842)	2,073	–	–	–
Other items	(233)	(2,459)	(1,983)	7	670
	7,930	11,671	19,498	4,453	7,492

8 EXPENSES BY NATURE

The detailed analysis of cost of sales, selling expenses, administrative expenses and research and development expenses is as follow:

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Changes in inventories of finished goods	(91,166)	22,921	(233,577)	(68,892)	29,824
Raw materials and consumables used	247,525	713,895	4,164,058	380,262	2,216,856
Employee benefit expenses *(Note 9)*	345,053	355,555	821,999	124,865	408,648
Advertising and publicity expenses	78,381	91,170	256,267	67,908	80,895
Depreciation and amortization expenses *(Notes 14, 15 and 16)*	67,855	175,448	219,162	51,827	78,977
Provision for impairment of inventories	58,655	24,008	244,635	42,250	65,076
Warranty expenses *(Note 30)*	2,747	32,383	104,707	6,644	54,292
Freight expenses	1,009	13,409	61,989	7,067	40,737
Design and development expenses	102,599	99,624	258,669	19,475	32,205
Legal, consulting and other professional fees	17,910	12,571	82,405	29,558	19,759
Listing expenses	–	–	12,024	–	16,574
Expenses relating to short-term leases *(Note 14)*	6,816	1,531	3,972	1,427	4,148
Auditors' remuneration — Audit services	291	436	3,839	736	728
Others	41,550	35,929	85,721	19,423	31,639
Total	879,225	1,578,880	6,085,870	682,550	3,080,358

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Wages, salaries and bonuses	267,686	260,405	495,926	79,694	263,048
Pension obligations, housing funds, medical insurances and other social insurances *(a)*	59,641	41,694	80,940	15,184	60,919
Other employee benefits *(b)*	14,399	10,897	28,178	4,049	11,723
Share-based payment expenses *(Note 26)*	3,327	42,559	216,955	25,938	72,958
	345,053	355,555	821,999	124,865	408,648

(a) Pension obligations, housing funds, medical insurances and other social insurances

Full time employees of the Group in the PRC are members of a state-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs, subject to certain ceiling, as determined by local government authority to the pension obligations, housing funds, medical insurances and other social insurances to fund the benefits. The Group's liabilities in respect of benefits schemes are limited to the contribution payable in each year/period.

According to policies issued by the Ministry of Human Resources and Social Security and local municipal departments in response the impact from Coronavirus Disease 2019 (COVID-19), certain social security relief policies have been successively implemented by local authorities. As such, the social insurance expenses for the period from February to December 2020 have been reduced accordingly.

No forfeited contributions were utilized during the years end 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022 to offset the Group's contribution to the abovementioned retirement benefit schemes.

(b) Other employee benefits

Other employee benefits mainly include meal, traveling, transportation allowances and other allowances.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022 include 1, 1, 3, 1 and 3 directors respectively, whose emoluments are disclosed in the Note 40. The emoluments payable to the remaining 4, 4, 2, 4 and 2 highest paid individuals during the Track Record Period are as follows:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Wages, salaries and bonuses	15,494	9,592	5,993	2,104	1,517
Pension obligations, housing funds, medical insurances and other social insurances	352	223	174	91	24
Other employee benefits	29	29	13	7	4
Share-based payment expenses	3,327	–	6,982	5,285	4,655
	19,202	9,844	13,162	7,487	6,200

The remaining highest paid individuals fell within the following bands:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
				(Unaudited)	
Emolument bands					
HKD1,000,001-HKD1,500,000	2	–	–	3	–
HKD1,500,001-HKD2,000,000	1	2	–	–	–
HKD2,000,001-HKD2,500,000	–	–	–	–	1
HKD3,500,001-HKD4,000,000	–	1	–	–	–
HKD4,500,001-HKD5,000,000	–	1	–	–	–
HKD5,500,001-HKD6,000,000	–	–	–	1	1
HKD7,500,001-HKD8,000,000	–	–	1	–	–
HKD8,000,001-HKD8,500,000	–	–	1	–	–
HKD17,000,001-HKD17,500,000	1	–	–	–	–

10 FINANCE (COSTS)/ INCOME — NET

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Finance income:					
Interest income on cash at banks	1,693	1,187	29,468	2,282	23,952
Interest income on long-term bank time deposits	–	107	54,539	10,920	7,268
Finance income	1,693	1,294	84,007	13,202	31,220
Finance costs:					
Interest expenses on bank and other borrowings	(129,636)	(111,236)	(76,215)	(21,012)	(10,532)
Interest expenses on loans from related parties *(Note 39)*	–	(8,986)	(2,342)	(2,342)	–
Interest expenses on financial instruments with preferred rights at amortized cost *(Note 28)*	(88,143)	(122,368)	–	–	–
Interest and finance charges on lease liabilities *(Note 14)*	(184)	(1,127)	(1,666)	(347)	(2,988)
	(217,963)	(243,717)	(80,223)	(23,701)	(13,520)
Less: borrowing costs capitalized in property, plant and equipment	46,095	13,386	18,565	12,237	10,131
Finance costs	(171,868)	(230,331)	(61,658)	(11,464)	(3,389)
Finance (costs)/income — net	(170,175)	(229,037)	22,349	1,738	27,831

During the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022, the interest rate applicable to the Group's capitalization of borrowings costs in construction in progress was 6.31%, 6.22%, 4.77%, 5.58% and 4.74%, respectively.

11 INCOME TAX EXPENSE

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current income tax expense	–	–	–	–	–
Deferred income tax expense	–	–	–	–	–
Income tax expense	–	–	–	–	–

The Group's principal applicable taxes and tax rates are as follows:

The Company was entitled to a preferential income tax rate of 15% during the Track Record Period. The Company obtained its High and New Technology Enterprises ("**HNTE**") status in year 2018, hence is entitled to a preferential tax rate of 15% for a three-year period commencing 2018. This status is subject to a requirement that the Company re-applied for HNTE status every three years. The Company re-applies for HNTE status and the application was approved for another three-year period commencing 2021.

The Company's subsidiaries established and operated in Mainland China are subject to the PRC corporate income tax at the statutory rate of 25%.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, enterprises engaging in research and development activities are entitled to claim 175% from 2018 onwards (subsequently raised to 200% from 2021 onwards) of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (the "**Super Deduction**").

A reconciliation of the expected income tax calculated at the applicable corporate income tax rate and loss before income tax, with the actual corporate income tax during the Track Record Period is as follow:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Loss before income tax	(901,131)	(1,100,093)	(2,845,773)	(397,235)	(1,042,203)
Share of net loss/(profit) of an associate accounted for using the equity method	–	1,526	(196)	854	(1,941)
	(901,131)	(1,098,567)	(2,845,969)	(396,381)	(1,044,144)
Income tax credit computed at the applicable income tax rate of 25%	(225,283)	(274,642)	(711,492)	(99,095)	(261,036)
Tax effects of:					
Preferential tax rate	10,505	18,040	66,750	11,562	28,958
Expenses not deductible for taxation purposes	16,047	26,753	41,677	3,891	12,768
Super Deduction in respect of R&D expenditures	(20,606)	(24,392)	(102,275)	(10,924)	(34,630)
Tax losses and deductible temporary differences for which no deferred income tax asset was recognized	219,337	254,241	705,340	94,566	253,940
Income tax expense	–	–	–	–	–

As at 31 December 2019, 2020 and 2021 and 31 March 2021 and 2022, the Group had unused tax losses of approximately RMB1,285,554,000, RMB2,211,866,000, RMB4,567,379,000, RMB2,623,063,000 and RMB5,630,620,000 that can be carried forward against future taxable income, respectively. No deferred income tax asset has been recognized in respect of such tax losses due to the unpredictability of future taxable income.

The Group principally conducted its business in Mainland China, where the accumulated tax losses will normally expire within 5 years. Pursuant to the relevant regulations on extension for expiries of unused tax losses of HNTE issued in August 2018, the expiry period of the accumulated unexpired tax losses of the Company, which is qualified as HNTE, from 2018 had been extended from 5 years to 10 years. The Company re-applied for HNTE status in 2021 and the approval was obtained in November 2021.

Deductible losses that are not recognized for deferred income tax assets will expire as follows:

	As at 31 December			As at 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Expiry year					
2022	11,470	11,470	11,470	11,470	11,470
2023	45,256	45,256	45,256	45,256	45,256
2024	609,499	609,499	609,499	609,499	609,499
2025	–	829,080	829,080	829,080	829,080
2026	71,975	71,975	1,715,323	326,113	1,715,323
2027	155,596	155,596	155,596	155,596	763,520
2028	227,303	227,303	227,303	227,303	227,303
2029	164,455	164,455	164,455	164,455	164,455
2030	–	97,232	97,232	97,232	97,232
2031	–	–	712,165	157,059	712,165
2032	–	–	–	–	455,317
	1,285,554	2,211,866	4,567,379	2,623,063	5,630,620

12 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022 are calculated by dividing the loss attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the year/period.

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
				(Unaudited)	
Loss attributable to the equity holders of the Company (RMB'000)	(901,131)	(1,100,093)	(2,845,773)	(397,235)	(1,042,203)
Weighted average number of ordinary shares outstanding (thousand shares) *(Note)*	367,200	367,669	940,091	701,550	1,011,887
Basic loss per share (expressed in RMB per share)	(2.45)	(2.99)	(3.03)	(0.57)	(1.03)

Note:

The financial instruments with preferred rights at amortized cost were treated as treasury stock before the termination of preferred rights as described in Note 28. Accordingly, the related capital was deducted from the paid-in capital before the termination of preferred rights for the purpose of calculating the number of ordinary shares deemed in issue.

The weighted average number of ordinary shares in issue before the Company's conversion into a joint stock company was determined assuming the paid-in capital had been fully converted into the Company's share capital at the same conversion ratio of 1:1 as upon conversion into joint stock company in April 2021. During the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022, treasury stock was excluded from the calculation of weighted average number of ordinary shares outstanding.

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the Track Record Period, the Group had potential ordinary shares, including financial instruments with preferred rights at amortized cost (Note 28) and restricted shares issued under the Company's share incentive plan (Note 26). As the Group incurred losses for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022 are the same as basic loss per share for the respective years/periods.

13 SUBSIDIARIES

(a) Subsidiaries of the Company

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

				Effective interest held by the Group					
				As at 31 December			As at	As of	
Name of entity	Date of incorporation	Place of incorporation and kind of legal entity	Registered share capital	2019	2020	2021	31 March 2022	report date	Principal activities
			In thousand						
Directly held:									
Leapmotor Automobile Co., Ltd. 零跑汽車有限公司 *(iii)*	12 January 2017	Jinhua, China, limited liability company	RMB2,908,000	100%	100%	100%	100%	100%	Electric vehicles and components manufacturing
Zhejiang Leapmotor Automobile Sales Service Co., Ltd. 浙江零跑汽車銷售服務有限公司 *(iii)*	13 August 2018	Hangzhou, China, limited liability company	RMB200,000	100%	100%	100%	100%	100%	Electric vehicles and components sales and after-sales services
Leapmotor (Jinhua) New Energy Vehicle Parts Technology Co., Ltd. 金華零跑新能源汽車零部件技術有限公司 *(v)*	5 August 2021	Jinhua, China, limited liability company	RMB200,000	N/A	N/A	100%	100%	100%	Electric vehicles electronic components manufacturing

Name of entity	Date of incorporation	Place of incorporation and kind of legal entity	Registered share capital	Effective interest held by the Group					Principal activities
				As at 31 December			As at 31 March	As of report	
				2019	2020	2021	2022	date	
			In thousand						
Lingpao Automobile Trading Co., Ltd. 凌跑汽車商貿有限公司 *(ii)*	23 July 2020	Jinhua, China, limited liability company	RMB50,000	N/A	100%	100%	100%	100%	Electric vehicles sales and after-sales services through investing in directly operated stores
Zhejiang Youchong New Energy Technology Co., Ltd. 浙江優充新能源科技有限公司 *(iv)*	2 July 2018	Hangzhou, China, limited liability company	RMB8,000	100%	100%	100%	100%	100%	Electric vehicle charging operation service
Zhejiang Zhijiang Pilot Travel Technology Co., Ltd. 浙江之江領航出行科技有限公司 *(i)*	31 March 2021	Hangzhou, China, limited liability company	RMB800,000	N/A	N/A	100%	100%	100%	Car rental
Zhejiang Leapmotor New Energy Vehicle Parts Technology Co., Ltd. 浙江零跑新能源汽車零部件技術有限公司 *(v)*	31 March 2021	Hangzhou, China, limited liability company	RMB800,000	N/A	N/A	100%	100%	100%	Electric vehicles components manufacturing, research and development
Leapmotor International Trading (Shanghai) Co., Ltd 零跑國際商貿(上海)有限公司 *(v)*	30 September 2021	Shanghai, China, limited liability company	RMB50,000	N/A	N/A	N/A	100%	100%	New energy vehicle retail
Zhejiang Lingsheng Powertech Co., ltd. 浙江凌昇動力科技有限公司 *(i)*	20 December 2021	Hangzhou, China, limited liability company	RMB200,000	N/A	N/A	100%	100%	100%	Technical service and development
Zhejiang Lingxiao Energy Technology Co., ltd. 浙江凌驍能源科技有限公司 *(i)*	20 December 2021	Hangzhou, China, limited liability company	RMB150,000	N/A	N/A	100%	100%	100%	Technical service and development
Indirectly held:									
Leapmotor International (Hong Kong) Limited 零跑國際(香港)有限公司 *(i)*	17 March 2022	Hong Kong, China, limited liability company	HKD10	N/A	N/A	N/A	100%	100%	Technical service and development
Jinhua Leapmotor Automobile Sales Service Co., Ltd. 金華市凌跑汽車銷售服務有限公司 *(i)*	16 December 2020	Jinhua, China, limited liability company	RMB2,000	N/A	100%	100%	100%	100%	New energy vehicle retail
Wuhan Lingchao Automobile Sales Service Co., Ltd. 武漢凌超汽車銷售服務有限公司 *(i)*	31 August 2020	Wuhan, China, limited liability company	RMB2,000	N/A	100%	100%	100%	100%	New energy vehicle retail
Wuhan Lingrui Automobile Sales Service Co., Ltd. 武漢凌銳汽車銷售服務有限公司 *(i)*	6 July 2021	Wuhan, China, limited liability company	RMB2,000	N/A	N/A	100%	100%	100%	New energy vehicle retail

Name of entity	Date of incorporation	Place of incorporation and kind of legal entity	Registered share capital	Effective interest held by the Group					Principal activities
				As at 31 December			As at 31 March	As of report date	
				2019	2020	2021	2022		
			In thousand						
Hangzhou Leapmotor Automobile Sales Service Co., Ltd. 杭州零跑汽車銷售服務有限公司 *(i)*	26 April 2019	Hangzhou, China, limited liability company	RMB30,000	100%	100%	100%	100%	100%	New energy vehicle retail
Hangzhou Lingyue Automobile Sales Service Co., Ltd. 杭州凌躍汽車銷售服務有限公司 *(i)*	23 February 2021	Hangzhou, China, limited liability company	RMB2,000	N/A	N/A	100%	100%	100%	New energy vehicle retail
Beijing Leapmotor Automobile Sales Service Co., Ltd. 北京凌跑汽車銷售服務有限公司 *(i)*	24 November 2020	Beijing, China, limited liability company	RMB50,000	N/A	100%	100%	100%	100%	New energy vehicle retail
Shanghai Leapmotor Automobile Sales Service Co., Ltd. 上海凌跑汽車銷售服務有限公司 *(i)*	21 December 2020	Shanghai, China, limited liability company	RMB50,000	N/A	100%	100%	100%	100%	New energy vehicle retail
Shanghai Lingchuang Automobile Sales Service Co., Ltd. 上海凌創汽車銷售服務有限公司 *(i)*	25 January 2021	Shanghai, China, limited liability company	RMB3,000	N/A	N/A	100%	100%	100%	New energy vehicle retail
Shanghai Lingli Automobile Sales Service Co., Ltd. 上海凌利汽車銷售服務有限公司 *(i)*	28 April 2021	Shanghai, China, limited liability company	RMB2,000	N/A	N/A	100%	100%	100%	New energy vehicle retail
Guangzhou Lingyue Automobile Sales Service Co., Ltd. 廣州凌悅汽車銷售服務有限公司 *(i)*	7 April 2021	Guangzhou, China, limited liability company	RMB2,000	N/A	N/A	100%	100%	100%	New energy vehicle retail
Guangzhou Lingxin Automobile Sales Service Co., Ltd. 廣州凌心汽車銷售服務有限公司 *(i)*	28 May 2021	Guangzhou, China, limited liability company	RMB2,000	N/A	N/A	100%	100%	100%	New energy vehicle retail
Foshan Lingqi Automobile Sales Service Co., Ltd. 佛山市凌祺汽車銷售服務有限公司 *(i)*	16 June 2021	Foshan, China, limited liability company	RMB2,000	N/A	N/A	100%	100%	100%	New energy vehicle retail
Shenzhen Leapmotor Automobile Sales Service Co., Ltd. 深圳市凌跑汽車銷售服務有限公司 *(i)*	24 May 2021	Shenzhen, China, limited liability company	RMB2,000	N/A	N/A	100%	100%	100%	New energy vehicle retail
Shenzhen Lingyue Automobile Sales Service Co., Ltd. 深圳市凌躍汽車銷售服務有限公司 *(i)*	6 July 2021	Shenzhen, China, limited liability company	RMB2,000	N/A	N/A	100%	100%	100%	New energy vehicle retail
Chengdu Lingfu Automobile Sales Service Co., Ltd. 成都凌孚汽車銷售服務有限公司 *(i)*	27 July 2021	Chengdu, China, limited liability company	RMB2,000	N/A	N/A	100%	100%	100%	New energy vehicle retail

Name of entity	Date of incorporation	Place of incorporation and kind of legal entity	Registered share capital	Effective interest held by the Group					Principal activities
				As at 31 December			As at 31 March	As of report date	
				2019	2020	2021	2022		
			In thousand						
Tianjin Lingzhi Automobile Sales Service Co., Ltd. 天津凌志汽車銷售服務有限公司 *(i)*	15 December 2021	Tianjin, China, limited liability company	RMB2,000	N/A	N/A	100%	100%	100%	New energy vehicle retail
Chongqing Lingdi Automobile Sales Service Co., Ltd. 重慶凌迪汽車銷售服務有限公司 *(i)*	21 December 2021	Chongqing, China, limited liability company	RMB2,000	N/A	N/A	100%	100%	100%	New energy vehicle retail
Zhengzhou Lingpeng Automobile Sales Service Co., Ltd.鄭州凌鵬汽車銷售服務有限公司 *(i)*	18 May 2022	Zhengzhou, China, limited liability company	RMB6,500	N/A	N/A	N/A	N/A	100%	New energy vehicle retail

* The English name of the subsidiaries represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

(i) No audited financial statements were issued for these companies as they are either newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

(ii) No audited financial statements have been prepared for this subsidiary for the year ended 31 December 2020, as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The financial statements of this subsidiary were audited by PricewaterhouseCoopers Zhong Tian LLP for the year ended 31 December 2021.

(iii) The financial statements of the subsidiaries for the years ended 31 December 2019 and 2020 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP 立信會計師事務所(特殊普通合夥), certified public accountants registered in the PRC. The financial statements of the subsidiaries were audited by PricewaterhouseCoopers Zhong Tian LLP for the year ended 31 December 2021.

(iv) The financial statements for the year ended 31 December 2019 was audited by BDO China Shu Lun Pan Certified Public Accountants LLP 立信會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC. No audited financial statements have been prepared for these subsidiaries for the years ended 31 December 2020 and 2021, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

(v) These companies were newly incorporated in 2021 and the financial statements of the subsidiaries were audited by PricewaterhouseCoopers Zhong Tian LLP for the year ended 31 December 2021.

(b) Investments in subsidiaries — the Company

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments in subsidiaries, at costs	636,727	877,727	3,868,728	3,947,748
Deemed investment arising from share-based payment	–	–	50,726	68,971
	636,727	877,727	3,919,454	4,016,719

14 LEASES

The Group

(a) Amounts recognized in the consolidated balance sheets of the Group

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Right-of-use assets				
Land use rights *(i)*	90,458	88,547	407,411	405,319
Leased buildings *(ii)*	9,689	28,614	46,951	314,597
	100,147	117,161	454,362	719,916
Lease liabilities				
Current	3,229	13,376	24,559	16,059
Non-current	5,524	13,788	16,364	237,735
	8,753	27,164	40,923	253,794

(i) In March 2017, July 2017 and August 2021, the Group acquired land use rights to build factories for manufacturing of vehicles in Jinhua and Hangzhou, Zhejiang Province, the PRC. Additions to land use rights during the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 were nil, nil, approximately RMB322,947,000 and nil respectively.

(ii) Additions to leased buildings during the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 were approximately RMB9,640,000, RMB29,890,000, RMB41,780,000 and RMB288,169,000, respectively. Decreases in leased buildings during the three months ended 31 March 2022 of approximately RMB2,311,000 was due to the early termination of lease contracts of certain leased buildings.

(b) Amounts recognized in profit or loss

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Depreciation charge of right-of-use assets					
Land use rights	1,911	1,911	4,083	478	2,092
Leased buildings	4,853	10,965	23,443	4,753	18,212
	6,764	12,876	27,526	5,231	20,304
Interest expenses (included in finance cost) *(Note 10)*	184	1,127	1,666	347	2,988
Expenses relating to short-term leases (included in cost of sales, selling expenses administrative expenses and research and development expenses) *(Note 8)*	6,816	1,531	3,972	1,427	4,148
	13,764	15,534	33,164	7,005	27,440

The total cash outflows for leases of buildings during the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022 were approximately RMB5,313,000, RMB12,606,000, RMB29,687,000, RMB8,447,000 and RMB75,886,000, respectively.

(c) The Group's leasing activities and how these are accounted for

In addition to land use rights, the Group leases certain buildings. Rental contracts are typically made for fixed periods of one year to five years but may have extension options as described in (d) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(d) Extension and termination options

Extension and termination options are included in a number of leases of buildings across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Company

This note provides information for leases where the Company is a lessee.

(a) Amounts recognized in the balance sheets of the Company

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Right-of-use assets				
Leased buildings	823	14,712	14,907	18,593
Lease liabilities				
Current	353	7,051	13,624	7,747
Non-current	–	7,386	2,007	4,569
	353	14,437	15,631	12,316

Additions to leased buildings during the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 were approximately nil, RMB21,168,000, RMB11,104,000 and RMB7,985,000, respectively. Decreases in leased buildings during the three months ended 31 March 2022 of approximately RMB1,485,000 was due to the early termination of certain leased buildings.

15 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery and molds	Vehicles	Electronic equipment and others	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019							
Cost	–	31,669	2,439	14,886	9,402	877,873	936,269
Accumulated depreciation	–	(2,898)	(336)	(4,566)	(455)	–	(8,255)
Net book amount	–	28,771	2,103	10,320	8,947	877,873	928,014
Year ended 31 December 2019							
Opening net book amount	–	28,771	2,103	10,320	8,947	877,873	928,014
Additions	–	23,171	5,099	1,215	3,402	568,019	600,906
Transfers	521,542	664,166	1,694	9,234	–	(1,196,636)	–
Disposals	–	(1,091)	(73)	(18)	–	–	(1,182)
Depreciation charge (Note 8)	(10,558)	(35,878)	(1,017)	(5,704)	(2,508)	–	(55,665)
Closing net book amount	510,984	679,139	7,806	15,047	9,841	249,256	1,472,073

	Buildings	Machinery and molds	Vehicles	Electronic equipment and others	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019							
Cost	521,542	717,900	9,121	25,297	12,804	249,256	1,535,920
Accumulated depreciation	(10,558)	(38,761)	(1,315)	(10,250)	(2,963)	-	(63,847)
Net book amount	510,984	679,139	7,806	15,047	9,841	249,256	1,472,073
Year ended 31 December 2020							
Opening net book amount	510,984	679,139	7,806	15,047	9,841	249,256	1,472,073
Additions	–	32,674	10,133	1,244	1,982	163,519	209,552
Transfers	1,880	221,840	6,827	1,216	–	(231,763)	–
Disposals	–	(6,858)	(940)	(315)	–	–	(8,113)
Depreciation charge *(Note 8)*	(24,840)	(113,014)	(3,277)	(6,878)	(3,838)	–	(151,847)
Closing net book amount	488,024	813,781	20,549	10,314	7,985	181,012	1,521,665
As at 31 December 2020							
Cost	523,422	965,070	24,975	26,835	14,786	181,012	1,736,100
Accumulated depreciation	(35,398)	(151,289)	(4,426)	(16,521)	(6,801)	–	(214,435)
Net book amount	488,024	813,781	20,549	10,314	7,985	181,012	1,521,665
Year ended 31 December 2021							
Opening net book amount	488,024	813,781	20,549	10,314	7,985	181,012	1,521,665
Additions	–	28,019	12,710	6,451	5,504	543,104	595,788
Transfers	3,813	139,884	1,000	30,572	–	(175,269)	–
Disposals	–	(7,861)	(101)	(293)	–	–	(8,255)
Depreciation charge *(Note 8)*	(24,725)	(136,022)	(6,672)	(9,299)	(3,452)	–	(180,170)
Closing net book amount	467,112	837,801	27,486	37,745	10,037	548,847	1,929,028
As at 31 December 2021							
Cost	527,235	1,124,923	38,551	63,112	20,290	548,847	2,322,958
Accumulated depreciation	(60,123)	(287,122)	(11,065)	(25,367)	(10,253)	–	(393,930)
Net book amount	467,112	837,801	27,486	37,745	10,037	548,847	1,929,028
Three months ended 31 March 2022							
Opening net book amount	467,112	837,801	27,486	37,745	10,037	548,847	1,929,028
Additions	–	10,053	3,902	6,692	5,175	214,285	240,107
Transfers	1,868	151,516	2,279	4,625	–	(160,288)	–
Disposals	–	(2,606)	(1,239)	(583)	(163)	–	(4,591)
Depreciation charge *(Note 8)*	(6,270)	(41,156)	(2,732)	(3,570)	(1,293)	–	(55,021)
Closing net book amount	462,710	955,608	29,696	44,909	13,756	602,844	2,109,523

	Buildings	Machinery and molds	Vehicles	Electronic equipment and others	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 March 2022							
Cost	529,103	1,282,860	41,906	73,613	24,694	602,844	2,555,020
Accumulated depreciation	(66,393)	(327,252)	(12,210)	(28,704)	(10,938)	–	(445,497)
Net book amount	462,710	955,608	29,696	44,909	13,756	602,844	2,109,523

(a) As at 31 December 2019 and 2020, the Group's buildings with carrying value of approximately RMB467,181,000, RMB436,735,000, respectively, had been pledged for the Group's borrowings of approximately RMB597,308,000 and RMB578,434,000 respectively (Note 29(a)).

(b) In December 2020, the Group had borrowings from certain finance leasing companies, in the form of sales and leaseback arrangements (Note 29(c)), whereby certain machinery and molds of the Group were sold and leased back over a 36-month lease term. The Group has the option to re-acquire the property, plant and equipment on completion of the leases at an insignificant nominal value.

During such lease term and before the exercise of the completion of the repurchase options, such property, plant and equipment are effectively pledged as security for the borrowings and are restricted under the agreements where lessors' consent must be obtained for the pledge or disposal of these assets. As at 31 December 2020, the carrying value of assets under this restriction amounted to approximately RMB243,836,000. The aforementioned borrowing was all early repaid during the year ended 31 December 2021.

(c) Depreciation of property, plant and equipment charged to profit or loss is analyzed as follows:

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cost of sales	41,270	125,220	145,817	35,575	37,090
Selling expenses	705	4,956	6,171	1,524	3,356
Administrative expenses	8,054	8,611	12,123	3,008	5,537
Research and development expenses	5,636	13,060	16,059	3,916	9,038
	55,665	151,847	180,170	44,023	55,021

(d) Impairment tests for property, plant and equipment, right-of-use assets and intangible assets

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	1,472,073	1,521,665	1,929,028	2,109,523
Right-of-use assets	100,147	117,161	454,362	719,916
Intangible assets	17,897	19,853	419,867	427,150
	1,590,117	1,658,679	2,803,257	3,256,589

Impairment review on the property, plant and equipment, right-of-use assets and intangible assets (collectively the "**long-term key operating assets**") has been conducted by management of the Company as at 31 December 2019, 2020 and 2021 and 31 March 2022 according to IAS 36 "Impairment of assets". Management considered that the long-term key operating assets are all attributable to one cash generating unit ("**CGU**") which is the CGU for the production, research and development and sales of new energy vehicles. For the purpose of impairment review, the recoverable amount of the CGU is determined based on the higher amount of the fair value less cost of disposal ("**FVLCD**") and value-in-use calculations.

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the recoverable amount of aforementioned CGU was determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on business plan for the purpose of impairment reviews covering a ten-year period. The management considers the length of the forecast period is appropriate because it generally takes longer for a new electric vehicle company to reach a stable growth state, compared to companies in other industries, especially considering the fact that the new electric vehicle industry in China is an emerging industry with fast growth in the coming years and the Group is still in the initial stage of rapid growth. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. Management engaged an independent external valuer to assess the recoverable amounts of the long-term key operating assets and leveraged their extensive experiences in the automotive industry and provided forecast based on past performance and their expectation of future business plans and market developments.

Based on the results of the abovementioned assessments as conducted by management and the independent external valuer, the directors of the Company concluded that no impairment loss on the aforementioned long-term key operating assets are required to be recognized as at 31 December 2019, 2020 and 2021 and 31 March 2022.

The following table sets out the key assumptions adopted by management in the impairment assessment:

Three months ended 31 March 2022	
Gross profit margin (%)	-2.9% to 18.3%
Annual revenue growth rate (%)	4.2% to 403.9%
Pre-tax discount rate (%)	24.65%
Year ended 31 December 2021	
Gross profit margin (%)	-8.1% to 18.3%
Annual revenue growth rate (%)	4.6% to 467.2%
Pre-tax discount rate (%)	24.87%

Year ended 31 December 2020	
Gross profit margin (%)	-44.3% to 18.2%
Annual revenue growth rate (%)	4.2% to 467.2%
Pre-tax discount rate (%)	26.32%
Year ended 31 December 2019	
Gross profit margin (%)	-50.6% to 18.2%
Annual revenue growth rate (%)	4.1% to 467.2%
Pre-tax discount rate (%)	28.00%

The budgeted gross margins used in the impairment testing were determined by the management based on past performance and its expectation for market development. The expected revenue growth rate and gross profit margins are following the business projections approved by the Company's directors. Discount rates reflect market assessments of the time value and the specific risks relating to the industry.

Based on the result of the long-term key operating assets impairment testing, the estimated recoverable amount of the CGU far exceeded its carrying amount and the headroom was approximately RMB1,044,532,000, RMB4,770,608,000, RMB10,499,206,000 and RMB11,167,877,000 as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively.

If the gross profit margin for each year/period during the forecast period used in the value-in-use calculation had been 5% lower than management's estimates on 31 December 2019, 2020 and 2021 and 31 March 2022 respectively, the estimated recoverable amount shall still exceed its carrying amount by approximately RMB222,226,000, RMB3,487,268,000, RMB8,514,243,000 and RMB8,992,728,000, respectively. If the budgeted revenue growth rate for each year/period during the forecast period used in the value-in-use calculation had been 5% lower than management's estimates on 31 December 2019, 2020 and 2021 and 31 March 2022 respectively, the estimated recoverable amount shall still exceed its carrying amount by approximately RMB672,066,000, RMB4,027,082,000, RMB9,876,952,000 and RMB10,486,090,000, respectively. If the pre-tax discount rate applied to the cash flow projections had been 5% higher than management's estimates on 31 December 2019, 2020 and 2021 and 31 March 2022 respectively, the estimated recoverable amount shall still exceed its carrying amount by approximately RMB736,459,000, RMB4,280,315,000, RMB9,852,768,000 and RMB10,414,403,000, respectively.

The director of the Company therefore concluded that any reasonably possible changes to the key assumptions as adopted in the impairment assessments will not result in any impairment charge to be recognized.

The Company

	Machinery and molds	Vehicles	Electronic equipment and others	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019						
Cost	30,364	1,683	13,243	9,024	26,660	80,974
Accumulated depreciation	(2,860)	(274)	(4,421)	(447)	–	(8,002)
Net book amount	27,504	1,409	8,822	8,577	26,660	72,972

	Machinery and molds	Vehicles	Electronic equipment and others	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019						
Opening net book amount	27,504	1,409	8,822	8,577	26,660	72,972
Additions	3,375	293	387	1,220	23,473	28,748
Transfers	5,980	903	7,368	–	(14,251)	–
Disposals	(14)	(39)	(18)	–	–	(71)
Depreciation charge	(2,752)	(508)	(4,709)	(2,241)	–	(10,210)
Closing net book amount	34,093	2,058	11,850	7,556	35,882	91,439
As at 31 December 2019						
Cost	39,694	2,833	20,962	10,244	35,882	109,615
Accumulated depreciation	(5,601)	(775)	(9,112)	(2,688)	–	(18,176)
Net book amount	34,093	2,058	11,850	7,556	35,882	91,439
Year ended 31 December 2020						
Opening net book amount	34,093	2,058	11,850	7,556	35,882	91,439
Additions	3,250	2,100	–	130	71,457	76,937
Transfers	4,051	251	1,168	–	(5,470)	–
Disposals	(22,289)	(53)	(2,761)	–	–	(25,103)
Depreciation charge	(4,504)	(830)	(5,837)	(2,361)	–	(13,532)
Closing net book amount	14,601	3,526	4,420	5,325	101,869	129,741
As at 31 December 2020						
Cost	18,318	5,132	17,190	10,374	101,869	152,883
Accumulated depreciation	(3,717)	(1,606)	(12,770)	(5,049)	–	(23,142)
Net book amount	14,601	3,526	4,420	5,325	101,869	129,741
Year ended 31 December 2021						
Opening net book amount	14,601	3,526	4,420	5,325	101,869	129,741
Additions	424	1,456	16,582	2,015	179,604	200,081
Transfers	77,584	–	10,945	–	(88,529)	–
Disposals	(9,539)	(32)	(598)	–	–	(10,169)
Depreciation charge	(1,589)	(1,317)	(6,056)	(2,426)	–	(11,388)
Closing net book amount	81,481	3,633	25,293	4,914	192,944	308,265
As at 31 December 2021						
Cost	83,791	6,458	43,339	12,389	192,944	338,921
Accumulated depreciation	(2,310)	(2,825)	(18,046)	(7,475)	–	(30,656)
Net book amount	81,481	3,633	25,293	4,914	192,944	308,265

	Machinery and molds	Vehicles	Electronic equipment and others	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Three months ended 31 March 2022						
Opening net book amount	81,481	3,633	25,293	4,914	192,944	308,265
Additions	–	758	1,373	413	67,680	70,224
Transfers	105,444	–	4,553	–	(109,997)	–
Disposals	(2,578)	–	(583)	–	–	(3,161)
Depreciation charge	(5,345)	(407)	(2,382)	(690)	–	(8,824)
Closing net book amount	179,002	3,984	28,254	4,637	150,627	366,504
As at 31 March 2022						
Cost	186,156	7,216	48,632	12,802	150,627	405,433
Accumulated depreciation	(7,154)	(3,232)	(20,378)	(8,165)	–	(38,929)
Net book amount	179,002	3,984	28,254	4,637	150,627	366,504

16 INTANGIBLE ASSETS

The Group

	Software	Patents	Automotive manufacturing license (a)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019				
Cost	15,250	25	–	15,275
Accumulated amortization	(2,908)	(7)	–	(2,915)
Net book amount	12,342	18	–	12,360
Year ended 31 December 2019				
Opening net book amount	12,342	18	–	12,360
Additions	11,061	–	–	11,061
Disposals	(98)	–	–	(98)
Amortization charge *(Note 8)*	(5,421)	(5)	–	(5,426)
Closing net book amount	17,884	13	–	17,897
As at 31 December 2019				
Cost	26,162	25	–	26,187
Accumulated amortization	(8,278)	(12)	–	(8,290)
Net book amount	17,884	13	–	17,897

	Software	Patents	Automotive manufacturing license (a)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2020				
Opening net book amount	17,884	13	–	17,897
Additions	16,176	–	–	16,176
Disposals	(3,495)	–	–	(3,495)
Amortization charge *(Note 8)*	(10,720)	(5)	–	(10,725)
Closing net book amount	19,845	8	–	19,853
As at 31 December 2020				
Cost	38,743	25	–	38,768
Accumulated amortization	(18,898)	(17)	–	(18,915)
Net book amount	19,845	8	–	19,853
Year ended 31 December 2021				
Opening net book amount	19,845	8	–	19,853
Additions	12,650	–	398,830	411,480
Amortization charge *(Note 8)*	(11,461)	(5)	–	(11,466)
Closing net book amount	21,034	3	398,830	419,867
As at 31 December 2021				
Cost	51,393	25	398,830	450,248
Accumulated amortization	(30,359)	(22)	–	(30,381)
Net book amount	21,034	3	398,830	419,867
Three months ended 31 March 2022				
Opening net book amount	21,034	3	398,830	419,867
Additions	10,935	–	–	10,935
Amortization charge *(Note 8)*	(3,651)	(1)	–	(3,652)
Closing net book amount	28,318	2	398,830	427,150
As at 31 March 2022				
Cost	62,328	25	398,830	461,183
Accumulated amortization	(34,010)	(23)	–	(34,033)
Net book amount	28,318	2	398,830	427,150

(a) Acquisition of the automotive manufacturing license (the "License")

On 9 December 2020, the Group entered into a share transfer agreement (the "**STA**") with Sanlong Group Co., Ltd 三龍集團有限公司 (the "**Seller**") to acquire the 100% equity interest in Fujian Xinfuda Automobile Industry Co., Ltd. 福建新福達汽車工業有限公司 (the "**Acquiree**") at a total cash consideration of RMB510,000,000 (the "**Acquisition**"). Subsequent to the Acquisition and the approval from the relevant PRC regulatory authority was granted, the Group obtained the License in April 2021. The Group then sold back its 100% equity interest in the Acquiree to the Seller at a consideration of RMB100,000,000 in May 2021, resulting in a sale of all of the Acquiree's net assets, except for the License and some necessary equipment with carrying amount of approximately RMB11 million. The net effect of this series of linked transactions outlined above is that only the License and some necessary equipment were acquired and retained by the Group.

The Group determined that it was the nominee shareholder of the Acquiree during the period from the Acquisition to the subsequent sell-back of the Acquiree after regulatory approval was obtained and the License was acquired by the Group (a period of approximately five months). During this period, the Group was not entitled to any of the economic results of the Acquiree in accordance with the STA. The directors of the Company considered that the acquisition was, in substance, an acquisition of assets (i.e., the License and the equipment acquired) that does not constitute a business.

Accordingly, the Group accounted for the acquisition of the License as an addition to intangible asset with a total cost of approximately RMB398,830,000 and the acquisition of the equipment as additions to property, plant and equipment with a total cost of approximately RMB11,170,000. The useful life of the License is assessed as indefinite as there is no limit to the valid period of the License under the relevant PRC laws and regulations. Out of the initial cash consideration of RMB510,000,000, RMB108,000,000 was paid in January 2021 and the remaining amount of RMB402,000,000 was paid in May 2021. For the repurchase consideration of RMB100,000,000 due from the Seller, the amount has been fully received by the Group prior to 31 December 2021.

(b) Amortization of intangible assets has been charged to profit or loss for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022 as follows:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Administrative expenses	5,426	10,725	11,466	2,573	3,652

(c) Impairment tests for intangible assets

Impairment review on the License with indefinite useful life has been conducted by the management as at 31 December 2021 and 31 March 2022, respectively, in accordance with IAS 36 "Impairment of assets". Further details have been set out in Note 15(d).

The Company

	Software	Patents	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2019			
Cost	14,411	25	14,436
Accumulated amortization	(2,861)	(7)	(2,868)
Net book amount	11,550	18	11,568
Year ended 31 December 2019			
Opening net book amount	11,550	18	11,568
Additions	8,851	–	8,851
Disposals	(98)	–	(98)
Amortization charge	(5,055)	(5)	(5,060)
Closing net book amount	15,248	13	15,261
As at 31 December 2019			
Cost	23,113	25	23,138
Accumulated amortization	(7,865)	(12)	(7,877)
Net book amount	15,248	13	15,261
Year ended 31 December 2020			
Opening net book amount	15,248	13	15,261
Additions	5,844	–	5,844
Disposals	(3,495)	–	(3,495)
Amortization charge	(6,865)	(5)	(6,870)
Closing net book amount	10,732	8	10,740
As at 31 December 2020			
Cost	25,362	25	25,387
Accumulated amortization	(14,630)	(17)	(14,647)
Net book amount	10,732	8	10,740
Year ended 31 December 2021			
Opening net book amount	10,732	8	10,740
Additions	11,200	–	11,200
Amortization charge	(7,543)	(5)	(7,548)
Closing net book amount	14,389	3	14,392

	Software	Patents	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2021			
Cost	36,562	25	36,587
Accumulated amortization	(22,173)	(22)	(22,195)
Net book amount	14,389	3	14,392
Three months ended 31 March 2022			
Opening net book amount	14,389	3	14,392
Additions	10,864	–	10,864
Amortization charge	(2,605)	(1)	(2,606)
Closing net book amount	22,648	2	22,650
As at 31 March 2022			
Cost	47,426	25	47,451
Accumulated amortization	(24,778)	(23)	(24,801)
Net book amount	22,648	2	22,650

17 OTHER NON-CURRENT ASSETS

The Group

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayment for property, plant and equipment	–	–	32,593	207,134

The Company

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayment for property, plant and equipment	–	–	6,294	16,222

18 INVENTORIES

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials and spare parts	132,667	196,506	774,947	1,235,849
Finished goods	91,166	68,245	301,822	271,998
	223,833	264,751	1,076,769	1,507,847
Less: provisions for impairment of raw materials	(34,765)	(61,350)	(253,273)	(330,880)
Less: provisions for impairment of finished goods	(23,890)	(21,313)	(74,025)	(61,494)
	(58,655)	(82,663)	(327,298)	(392,374)
	165,178	182,088	749,471	1,115,473

Raw materials primarily consist of materials for volume production which will be transferred into production cost when incurred as well as spare parts used for after sales services.

Finished goods include vehicles ready for transit at production plants, vehicles in transit to fulfil customers' orders, new vehicles available for immediate sales at the Group's sales and servicing center locations.

During the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022, inventories recognized as cost of sales amounted to approximately RMB96,089,000, RMB664,393,000, RMB3,799,599,000, RMB273,604,000 and RMB1,929,651,000, respectively, and the provision for impairment of inventories as recognized for the respective years/periods amounted to approximately RMB58,655,000, RMB77,885,000, RMB323,165,000, RMB71,053,000 and RMB341,720,000, respectively. All these expenses and impairment charge have been included in "cost of sales" in the consolidated statements of comprehensive loss.

During the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022, the provision for impairment of inventories as utilized upon the Group's ultimate sales of the related vehicles/parts amounted to approximately nil, RMB53,877,000, RMB78,530,000, RMB28,803,000 and RMB276,644,000, respectively and there was not any reversal of over-provision recognized in profit or loss for the respective years/periods.

19 TRADE AND NOTES RECEIVABLES

The Group

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Notes receivables *(a)*	807	65,552	–	11
Provisions for impairment	–	(32)	–	-
	807	65,520	–	11
Trade receivables				
Due from related parties *(Note 39)*	1,800	5,815	6,534	13
Government subsidies receivables for promotion of new energy vehicles	16,452	162,022	776,188	986,654
Gross trade receivables	18,252	167,837	782,722	986,667
Provisions for impairment	(11)	(128)	(472)	(647)
	18,241	167,709	782,250	986,020
Total	19,048	233,229	782,250	986,031

(a) Notes receivables

The balance as at 31 December 2020 primarily comprises of the notes receivable as collected by the Group under a sales and lease-back transaction as detailed in Note 29(c). The balance as at 31 March 2022 comprises of the notes receivable from a related party (Note 39(c)).

(b) Trade receivables

(i) As at 31 December 2019, 2020 and 2021 and 31 March 2022, government subsidies receivables for promotion of new energy vehicles of nil, nil, RMB200,000,000 and RMB400,000,000, respectively has been pledged for issuance of bank acceptance notes of the Group (Note 33).

(ii) Aging analysis of the trade receivables

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the aging analysis of the trade receivables based on date of recognition is as follows:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 6 months	18,252	127,923	405,400	435,849
6 months to 1 year	–	22,213	209,485	324,611
1 to 2 years	–	17,701	150,136	205,978
2 to 3 years	–	–	17,701	20,229
	18,252	167,837	782,722	986,667

As at 31 December 2020 and 2021 and 31 March 2022, trade receivables with aging of more than one year are government subsidies receivables for promotion of new energy vehicles.

(iii) Fair values of the trade receivables

Due to the short-term nature of the current receivables, their carrying amounts are considered to be approximately the same as their fair values.

(iv) Impairment and risk exposure

Trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3.1(b) provides details about the calculation of the allowance. The loss allowance for trade receivables as at 31 December 2019, 2020 and 2021 and 31 March 2022 is determined as follows:

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the Group has no individually impaired trade receivables.

As at 31 December 2019	Up to 6 months
Expected credit loss rate	0.06%
Gross carrying amount – trade receivables *(RMB'000)*	18,252
Loss allowances *(RMB'000)*	(11)

As at 31 December 2020	Up to 6 months	6 months to 1 year	1 to 2 years	Total
Expected credit loss rate	0.07%	0.07%	0.14%	N/A
Gross carrying amount – trade receivables *(RMB'000)*	127,923	22,213	17,701	167,837
Loss allowances *(RMB'000)*	(88)	(15)	(25)	(128)

As at 31 December 2021	Up to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	Total
Expected credit loss rate	0.04%	0.04%	0.11%	0.22%	N/A
Gross carrying amount – trade receivables *(RMB'000)*	405,400	209,485	150,136	17,701	782,722
Loss allowances *(RMB'000)*	(172)	(93)	(168)	(39)	(472)

As at 31 March 2022	Up to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	Total
Expected credit loss rate	0.05%	0.05%	0.12%	0.23%	N/A
Gross carrying amount – trade receivables *(RMB'000)*	435,849	324,611	205,978	20,229	986,667
Loss allowances *(RMB'000)*	(208)	(151)	(241)	(47)	(647)

The carrying amounts of the Group's trade and notes receivables are all denominated in RMB.

The Company

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
Due from related parties	708	413	732	–
Provisions for impairment (b)	(1)	–*	–*	–
	707	413	732	–

* The balance represents an amount less than RMB1,000.

The carrying amounts of the Company's trade receivable are denominated in RMB.

(a) Aging analysis of the trade receivables

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the aging analysis of the trade receivables based on date of revenue recognition is as follows:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 6 months	708	413	–	–
6 months to 1 year	–	–	319	–
1 to 2 years	–	–	413	–
	708	413	732	–

(b) Impairment and risk exposure

Trade receivables

As at 31 December 2019, 2020 and 2021, the Company has no individually impaired trade receivables.

The loss allowance for the Company's trade receivables are summarized as below:

As at 31 December 2019	Up to 6 months
Expected credit loss rate	0.14%
Gross carrying amount – trade receivables *(RMB'000)*	708
Loss allowances *(RMB'000)*	(1)

As at 31 December 2020	Up to 6 months
Expected credit loss rate	0.08%
Gross carrying amount – trade receivables *(RMB'000)*	413
Loss allowances *(RMB'000)*	–*

As at 31 December 2021	Up to 6 months	6 months to 1 year	1 to 2 years	Total
Expected credit loss rate	–	0.04%	0.08%	N/A
Gross carrying amount – trade receivables *(RMB'000)*	–	319	413	732
Loss allowances *(RMB'000)*	–	–*	–*	–*

* The balance represents an amount less than RMB1,000.

20 OTHER CURRENT ASSETS

The Group

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables *(a)*				
– Refundable deposits *(i)*	3,013	3,983	8,304	10,652
– Due from related parties *(Note 39)*	601	5,485	5,767	174
– Payments on behalf of employees	182	128	–	126
– Others	116	29	830	880
	3,912	9,625	14,901	11,832
Provisions for impairment *(ii)*	(90)	(153)	(118)	(117)
	3,822	9,472	14,783	11,715
Prepayments for *(b)*				
– raw materials to third parties	22,214	192,661	99,760	213,404
– raw materials to related parties	–	982	–	488
– short-term lease rental expenses	994	79	1,602	5,126
– other taxes	151	151	13	–
– other operating expenses	679	605	8,405	8,161
	24,038	194,478	109,780	227,179
Prepaid listing expenses	–	–	4,585	8,735
	24,038	194,478	114,365	235,914
Input VAT to be deducted *(c)*	206,234	216,899	291,370	362,094
Total other current assets	234,094	420,849	420,518	609,723

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the fair values of other current assets of the Group, except for the prepayments and input VAT to be deducted which are not financial assets, approximated their carrying amounts.

The carrying amounts of the Group's other current assets are all denominated in RMB.

(a) Other receivables

(i) Refundable deposits

Refundable deposits consist primarily of security deposits for rental of buildings.

(ii) Impairment and risk exposure

For other receivables, management performs periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences incorporating forward-looking information. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Expected credit loss ("**ECL**") model for other receivables, as summarized below:

- The other receivables that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis;
- If a significant increase in credit risk (as defined below) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis;
- If the financial instrument is credit-impaired (as defined below), the financial instrument is then moved to 'Stage 3'. The expected credit loss is measured on lifetime basis; and
- Under Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting period to the amortized cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

The loss allowance recognized in the year/period is impacted by a variety of factors, as described below:

- Transfer between stage 1, stage 2 or stage 3 due to other receivables experiencing significant increases (or decreases) of credit risk in the period, and the subsequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognized, as well as releases for other receivables derecognized in the period; and
- Other receivables derecognized and write-offs of allowance related to assets that were written off during the year/period.

The Group considers counter-parties as follows:

- 'Stage 1' — Counter-parties who have a low risk of default and a strong capacity to meet contractual cash flows;
- 'Stage 2' — Counter-parties whose repayments are past due but with reasonable expectation of recovery; and

- 'Stage 3' — Counter-parties whose repayments are past due and with low reasonable expectation of recovery.

The following tables summarized the loss allowance for other receivables as analyzed by different stages:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at 31 December 2019 *(RMB'000)*	3,912	–	–	3,912
Loss allowance as at 31 December 2019 *(RMB'000)*	(90)	–	–	(90)
Expected credit loss rate	2.30%	–	–	N/A
Gross carrying amount as at 31 December 2020 *(RMB'000)*	9,625	–	–	9,625
Loss allowance as at 31 December 2020 *(RMB'000)*	(153)	–	–	(153)
Expected credit loss rate	1.59%	–	–	N/A
Gross carrying amount as at 31 December 2021 *(RMB'000)*	14,901	–	–	14,901
Loss allowance as at 31 December 2021 *(RMB'000)*	(118)	–	–	(118)
Expected credit loss rate	0.79%	–	–	N/A
Gross carrying amount as at 31 March 2022 *(RMB'000)*	11,832	–	–	11,832
Loss allowance as at 31 March 2022 *(RMB'000)*	(117)	–	–	(117)
Expected credit loss rate	0.99%	–	–	N/A

(b) The prepayments represented prepayments to third parties or related parties during the Track Record Period.

(c) Input VAT to be deducted are mainly input VAT arisen from the acquisition of property, plant and equipment, intangible assets and materials. According to Announcement of the General Administration of Taxation and Customs of the Ministry of Finance on Policies for Deepening the Reform of Value-Added Tax (Announcement of the General Administration of Taxation and Customs of the Ministry of Finance, (2019) No. 39), enterprises with value-added tax recoverable balance can, starting from 1 April 2019, apply for the refund with a percentage of 10% of the current deductible input tax.

The Company

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables				
– Due from subsidiaries	622,906	1,553,086	3,326,760	3,549,957
– Due from related parties	174	5,327	5,767	174
– Refundable deposits	202	208	900	1,399
– Payments on behalf of employees	182	–	–	4
– Others	–	–	225	92
	623,464	1,558,621	3,333,652	3,551,626
Provisions for impairment *(i)*	(3,242)	(10,494)	(2,914)	(5,338)
	620,222	1,548,127	3,330,738	3,546,288
Prepayments for				
– raw materials to subsidiaries	3,813	-	-	101,490
– raw materials to third parties	6,827	1,758	1,441	1,708
	10,640	1,758	1,441	103,198
Prepaid listing expenses	–	–	4,585	8,735
	10,640	1,758	6,026	111,933
Input VAT to be deducted	108	632	46,831	64,881
Total other current assets	630,970	1,550,517	3,383,595	3,723,102

(i) Impairment and risk exposure

The following tables explain the changes in the loss allowance for the Company's other receivables as analyzed by different stages:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at 31 December 2019 *(RMB'000)*	623,464	–	–	623,464
Loss allowance as at 31 December 2019 *(RMB'000)*	(3,242)	–	–	(3,242)
Expected credit loss rate	0.52%	–	–	N/A
Gross carrying amount as at 31 December 2020 *(RMB'000)*	1,558,621	–	–	1,558,621
Loss allowance as at 31 December 2020 *(RMB'000)*	(10,494)	–	–	(10,494)
Expected credit loss rate	0.67%	–	–	N/A
Gross carrying amount as at 31 December 2021 *(RMB'000)*	3,333,652	–	–	3,333,652
Loss allowance as at 31 December 2021 *(RMB'000)*	(2,914)	–	–	(2,914)
Expected credit loss rate	0.09%	–	–	N/A
Gross carrying amount as at 31 March 2022 *(RMB'000)*	3,551,626	–	–	3,551,626
Loss allowance as at 31 March 2022 *(RMB'000)*	(5,338)	–	–	(5,338)
Expected credit loss rate	0.15%	–	–	N/A

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

(a) Classification of financial assets at FVPL

The Group classifies the followings as financial assets at FVPL:

- debt investments that do not qualify for measurement at either amortized cost or FVOCI
- equity investments that are held for trading, and
- equity investments for which the Group has not elected to recognize fair value gains and losses through OCI.

The Group's financial assets measured at FVPL include the following:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments in wealth management products issued by banks	181,606	76,042	1,260,078	301,349

The principals and returns of the wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, the wealth management products issued by banks are measured at fair value through profit or loss.

Information about the Group's exposure to financial risk and information about the methods and assumptions used in determining fair value of these financial assets at FVPL are set out in Note 3.3(c).

(b) Amounts recognized in profit or loss is set out below:

During the year/period, the following net fair value gains were recognized in the consolidated statements of comprehensive loss:

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Net fair value gains on financial assets at FVPL recognized in other gains – net *(Note 7)*					
– realized	7,937	1,917	14,160	2,297	5,252
– unrealized	326	42	8,078	2,018	1,350
	8,263	1,959	22,238	4,315	6,602

The Company

The Company's financial assets measured at FVPL include the following:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments in wealth management products issued by banks	127,226	50,042	1,157,560	200,163

22 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND LONG-TERM BANK TIME DEPOSITS

The Group

(a) Cash and cash equivalents

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks	246,493	682,410	6,431,142	6,053,738
Less: restricted cash *(b)*	(40,803)	(441,497)	(1,376,072)	(953,952)
Less: restricted long-term bank time deposits *(c)*	–	–	(700,000)	(700,000)
Less: unrestricted long-term bank time deposits *(c)*	–	(140,107)	(17,103)	(122,646)
Cash and cash equivalents	205,690	100,806	4,337,967	4,277,140

The maximum exposure to credit risk at the reporting date is the carrying values of the long-term bank time deposits, cash and cash equivalents and restricted cash as mentioned above.

(b) Restricted cash

As at 31 December 2019, cash at banks with amounts of RMB35,803,000 and RMB5,000,000 were restricted as guarantee deposits for issuance of bank acceptance notes and as guarantee deposits held in separate reserve account that was pledged to the bank as security deposits for project bidding, respectively.

As at 31 December 2020, cash at banks with amounts of RMB436,497,000 and RMB5,000,000 were restricted as guarantee deposits for issuance of bank acceptance notes and as guarantee deposits held in separate reserve account that was pledged to the bank as security deposits for project bidding, respectively.

As at 31 December 2021, cash at banks with amounts of RMB715,720,000 and RMB610,000,000 were restricted as guarantee deposits for issuance of bank acceptance notes and security deposits for a bank borrowing (Note 29(a)), respectively. The remaining amount of approximately RMB50,352,000 was restricted as a guarantee deposit for the contract with the Group's suppliers.

As at 31 March 2022, cash at banks with amounts of RMB279,345,000 and RMB610,000,000 were restricted as guarantee deposits for issuance of bank acceptance notes and security deposits for a bank borrowing (Note 29(a)), respectively. The remaining amounts of approximately RMB9,257,000 and RMB55,350,000 were mainly restricted as a litigation deposit and guarantee deposits for the contracts with the Group's suppliers, respectively.

(c) Long-term bank time deposits were neither past due nor impaired. Management considered that the carrying amounts of the long-term bank time deposits approximated their fair values as at 31 December 2020 and 2021 and 31 March 2022.

As at 31 December 2020, the long-term bank time deposits with the principal of RMB140,000,000 and the finance income of approximately RMB107,000 are all unrestricted.

As at 31 December 2021 and 31 March 2022, the long-term bank time deposits with an amount of RMB300,000,000 was pledged to the bank as security deposits under various bank borrowing agreements (Note 29(a)), and the remaining amount of RMB200,000,000 and RMB200,000,000 were pledged to the bank for issuance of bank acceptance notes and for the contract with the Group's suppliers, respectively. As at 31 December 2021, the remaining unrestricted deposit amount of approximately RMB17,103,000 is arisen from the finance income on long-term bank time deposits. As at 31 March 2022, the remaining unrestricted deposits of approximately RMB100,000,000 and RMB22,646,000 represent the balances of the principal and the finance income of unrestricted long-term bank time deposits, respectively.

Cash and cash equivalents are denominated in:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	204,813	99,993	4,334,703	4,273,949
USD	877	813	3,264	3,151
HKD	–	–	–	40
	205,690	100,806	4,337,967	4,277,140

Restricted cash and long-term bank time deposits are all denominated in RMB.

The Company

(a) Cash and cash equivalents

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks	187,240	240,394	3,933,070	4,140,147
Less: restricted cash *(b)*	(1,669)	(15,282)	(50,495)	(102,271)
Less: restricted long-term bank time deposits *(c)*	–	–	(400,000)	(400,000)
Less: unrestricted long-term bank time deposits *(c)*	–	(140,107)	(8,312)	(10,212)
	185,571	85,005	3,474,263	3,627,664

The maximum exposure to credit risk at the reporting date is the carrying values of the long-term bank time deposits, cash and cash equivalents and restricted cash as mentioned above.

(b) Restricted cash

As at 31 December 2019, 2020 and 2021 and 31 March 2022, bank balances of approximately RMB1,669,000, RMB15,282,000, RMB50,495,000 and RMB93,014,000, respectively was restricted as guarantee deposits for the Group's issuance of bank acceptance notes. As at 31 March 2022, the remaining amount of approximately RMB9,257,000 was restricted as a litigation deposit.

(c) Long-term bank time deposits were neither past due nor impaired. Management considered that the carrying amounts of the long-term bank time deposits approximated their fair values as at 31 December 2020 and 2021 and 31 March 2022.

As at 31 December 2020, the long-term bank time deposits with the principal of RMB140,000,000 and the finance income of approximately RMB107,000 are all unrestricted.

As at 31 December 2021, the long-term bank time deposits of RMB200,000,000 and RMB200,000,000 were pledged to the bank for issuance of bank acceptance notes and for the contract with the Group's suppliers, respectively. The remaining unrestricted deposit amount of approximately RMB8,312,000 is arisen from the finance income on long-term bank time deposits.

As at 31 March 2022, the long-term bank time deposits of RMB200,000,000 and RMB200,000,000 were pledged to the bank for issuance of bank acceptance notes and for the contract with the Group's suppliers, respectively. The remaining unrestricted deposit amount of approximately RMB10,212,000 is arisen from the finance income on long-term bank time deposits.

Cash and cash equivalents are denominated in:

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	184,694	84,192	3,470,999	3,624,473
USD	877	813	3,264	3,151
HKD	–	–	–	40
	185,571	85,005	3,474,263	3,627,664

Restricted cash and long-term bank time deposits are all denominated in RMB.

23 PAID-IN CAPITAL

The Group and the Company

	Paid-in capital
	RMB'000
As at 1 January 2019	509,545
Capital contributions from series A-1 investors *(a)*	81
Capital contributions from series A-2 investor *(b)*	29,358
As at 31 December 2019 and 2020	538,984
As at 1 January 2021	538,984
Capital contributions from series B-1 equity holders *(c)*	143,136
Capital contributions from series B-2 equity holders *(d)*	64,953
Capital contributions from Guosen Securities Co., Ltd. (國信證券股份有限公司) *(e)*	41,730
Conversion into a joint stock company *(Note 24(a))*	(788,803)
As at 31 December 2021 and 31 March 2022	–

(a) On 16 November 2018, the Company entered into an investment agreement with series A-1 investors, pursuant to which total capital of RMB761,000,000 was contributed into the Company. The proceeds of RMB760,000,000 were received by the Company in December 2018. The remaining proceeds of RMB1,000,000 were received by the Company in July 2019, with RMB81,000 (approximately 0.01% of total paid-in capital before the Company's conversion into a joint stock company (Note 24(a))) and RMB919,000 credited to the Company's paid-in capital and capital reserves, respectively. Certain preferred rights upon capital contribution were granted to series A-1 investors (Note 28).

(b) On 1 August 2019, the Company entered into an investment agreement with series A-2 investor, pursuant to which total capital of RMB360,000,000 was contributed into the Company with RMB29,358,000 (approximately 3.7% of total paid-in capital before the Company's conversion into a joint stock company (Note 24(a))) and RMB330,642,000 credited to the Company's paid-in capital and capital reserves, respectively. Certain preferred rights upon capital contribution were granted to series A-2 investor (Note 28).

(c) On 5 January 2021, the Company entered into capital contribution agreement with series B-1 investors, pursuant to which total capital of RMB2,957,800,000 was contributed into the Company with approximately RMB143,136,000 (approximately 18.1% of total paid-in capital before the Company's conversion into a joint stock company (Note 24(a))) and RMB2,814,664,000 credited to the Company's paid-in capital and capital reserves, respectively (Note 25). No preferred rights upon capital contribution were granted to series B-1 investors.

(d) On 25 January 2021, the Company entered into capital contribution agreement with series B-2 investors, pursuant to which total capital of RMB1,342,200,000 was contributed to the Company with approximately RMB64,953,000 (approximately 8.2% of total paid-in capital before the Company's conversion into a joint stock company (Note 24(a))) and RMB1,277,247,000 credited to the Company's paid-in capital and capital reserves, respectively (Note 25). No preferred rights upon capital contribution were granted to series B-2 investors.

(e) In accordance with the resolution of the Board of Directors of the Company dated 30 January 2021, Guosen Securities Co., Ltd. ("**Guosen Securities**", the platform set up for the Company's Share Incentive Plans (the "**Share Incentive Plans**")) (Note 26) contributed the capital contribution into the Company with approximately RMB41,730,000 credited to the Company's paid-in-capital.

24 SHARE CAPITAL

The Group and the Company

A summary of movements in the Company's authorized, issued and fully paid share capital is as follows:

	Number of shares	Share capital
		RMB'000
As at 1 January 2021	–	–
Conversion into a joint stock limited company *(a)*	788,802,584	788,803
Issuance of shares *(b) (c)*	223,084,375	223,084
As at 31 December 2021 and 31 March 2022	1,011,886,959	1,011,887

(a) In April 2021, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as at the conversion date were converted into approximately 788,803,000 ordinary shares at RMB1 each. The excess of net assets converted over nominal value of the ordinary shares was credited to the Company's share premium (Note 25).

(b) In August 2021, the Company entered into an investment agreement with series C-1 investors, pursuant to which the series C-1 investors subscribed 165,850,328 shares of the Company with total consideration of RMB4,520,500,000, was contributed to the Company with approximately RMB165,850,000 and RMB4,354,650,000 credited to the Company's share capital and share premium, respectively (Note 25).

(c) In November 2021, the Company entered into an investment agreement with series C-2 investors, pursuant to which the series C-2 investors subscribed 57,234,047 shares of the Company with total consideration of RMB1,560,000,000, was contributed to the Company with approximately RMB57,234,000 and RMB1,502,766,000 credited to the Company's share capital and share premium respectively (Note 25).

25 TREASURY STOCK AND RESERVES

The following table shows a breakdown of the balance sheet line items "treasury stock" and "reserves" and their movements during the respective years/period. A description of the nature and purpose of each reserve is provided below the table.

The Group and the Company

		Reserves			
	Treasury stock	**Share premium**	**Capital reserves**	**Share-based payment reserves**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	(1,125,084)	–	982,740	6,964	989,704
Capital contributions from series A-1 investors	–	–	919	–	919
Capital contributions from series A-2 investor	–	–	330,642	–	330,642
Recognition of financial instruments with preferred rights at amortized cost *(a)*	(361,000)	–	–	–	–
Share-based payment *(Note 26)*	–	–	–	3,327	3,327
As at 31 December 2019	(1,486,084)	–	1,314,301	10,291	1,324,592
As at 1 January 2020	(1,486,084)	–	1,314,301	10,291	1,324,592
Derecognition of financial instruments with preferred rights at amortized cost *(b)*	1,486,084	–	237,280	–	237,280
Share-based payment *(Note 26)*	–	–	–	42,559	42,559
As at 31 December 2020	–	–	1,551,581	52,850	1,604,431

		Reserves			
	Treasury stock	Share premium	Capital reserves	Share-based payment reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2021	–	–	1,551,581	52,850	1,604,431
Capital contributions from equity holders *(Note 23(c) and 23(d))*	–	–	4,091,911	–	4,091,911
Conversion into a joint stock company *(Note 24(a))*	–	4,662,552	(5,643,492)	–	(980,970)
Issuance of shares *(Notes 24(b) and 24(c))*	–	5,857,416	–	–	5,857,416
Share-based payment *(Note 26)*	–	–	–	216,955	216,955
As at 31 December 2021	–	10,519,938	–	269,805	10,789,743
As at 1 January 2022	–	10,519,938	-	269,805	10,789,743
Share-based payment *(Note 26)*	–	–	–	72,958	72,958
As at 31 March 2022	**–**	**10,519,938**	**–**	**342,763**	**10,862,701**

(a) The Group recorded treasury stock to reflect the carrying amount of the financial instruments with preferred rights at the date of issuance of series A-1 financing and series A-2 financing. Further details are described in Note 28(a).

(b) On 31 December 2020, upon termination of the preferred rights of the Series Pre A Investors and Series A Investors, all the treasury stock was derecognized and the difference between the derecognition of the financial instruments with preferred rights and the treasury stock was credited to the capital reserves. Further details are described in Note 28(b).

26 SHARE-BASED PAYMENT

(a) Share transfer among shareholders

(i) The Company relies on an independent valuer to assess and determine the fair value of the share transfer among shareholders. The difference between the fair value per share/unit capital of the Company and the cash considerations is recognized in profit or loss with a corresponding increase in equity.

On 5 December 2017, in accordance with the resolution of the Board of Directors of the Company, Mr. Zhu Jiangming (朱江明) and Mr. Li Ke (李柯) entered into the share transfer agreement with Mr. Geng Yongping (耿永平) and Wanzai Mingzhao Consulting Service Center L.P. (萬載明昭諮詢服務中心(有限合夥)) ("**Wanzai Mingzhao**") respectively. Pursuant to the share transfer agreement, Mr. Zhu Jiangming transferred 3,600,000 shares of the Company with fair value of approximately RMB1.70 per unit capital to Mr. Geng Yongping at cash considerations of RMB1.00 per unit capital. Mr. Li Ke transferred 3,600,000 shares of the Company to Wanzai Mingzhao at cash considerations of RMB1.00 per unit capital. Approximately RMB5,040,000 of share-based payment expenses were recognized in administrative expenses for the year ended 31 December 2017 and credited to the equity.

On 30 June 2018, in accordance with the resolution of the Board of Directors of the Company, one of the Company's equity holder Wanzai Mingzhao granted 7,200,000 shares to the Company's employee Mr. Zhao Gang (趙剛) with service condition of certain years and at a unit capital of RMB1.00. The fair value of the share at the grant date was approximately RMB2.32 per unit capital. The share-based payment expenses with an amount of approximately RMB1,924,000 and RMB3,327,000 respectively were recognized in selling expenses and other reserves for the year ended 31 December 2018 and 2019 respectively. In April 2020, Mr. Zhao Gang resigned. Approximately RMB3,930,000 was credited to selling expenses and debited to other reserves for the unvested shares for the year ended 31 December 2020.

When Mr. Zhao Gang resigned in April 2020, he entered into an agreement with Mr. Zhu Jiangming, the 6,200,000 unvested shares were transferred to Mr. Zhu Jiangming, with no vesting condition and at a unit capital of RMB1.00. The fair value of the shares at transaction date was approximately RMB8.50 per unit capital. Approximately RMB46,489,000 of share-based payment expenses were recognized in equity and administrative expenses for the year ended 31 December 2020.

The discount cash flow method and back-solve method were used to determine the underlying equity fair value of the Company and the fair value of the shares granted or shares transfer among shareholders. The key assumptions into the model other than the underlying equity fair value of the Company at the date of grant were as follows:

	Key assumptions
Risk-free interest rate	2.54% - 3.90%
Volatility	45.01% - 45.68%
Dividend yield	0%

(b) Share award schemes

On 31 January 2021, the establishment of the Company's Share Incentive Plans was approved by shareholders of the Company. Certain eligible employees of the Group (the "**Incentive targets**") were granted with the shares of No.1 Guosen Securities Leapmotor Technology Employee Stock Ownership — Asset Management Plan ("**Guosen Securities**") and Ningbo Jinghang Enterprise Management L.P. (寧波景航企業管理合夥企業(有限合夥)) ("**Ningbo Jinghang**"), as rewards for their services and in exchange for their full-time devotion and professional expertise. The two companies were set up for the purpose of holding shares of the Company on behalf of the Incentive targets.

57,723,164 shares with a grant price of RMB1.40 per unit capital and 12,806,500 shares with a grant price of RMB1.27 per unit capital of the Company were granted to the Incentive targets in 2021 through Guosen Securities and Ningbo Jinghang, respectively. All the shares granted are vested on the third anniversary from the date of fulfilling the service and performance conditions ("QIPO condition") as prescribed in the Share Incentive Plans. If an employee ceased to be employed by the Group within this period, the awarded shares would be forfeited, and forfeited shares would be purchased back by Mr. Zhu Jiangming at the price that the employees initially purchased the shares, and would be reallocated in the subsequent grants, if any, at the discretion of the Group. 2,078,950 shares were forfeited and 302,800 shares were granted and reallocated during the year ended 31 December 2021 while 3,040,450 shares were forfeited during the three months ended 31 March 2022.

Set out below are the movement in the number of awarded restricted shares under the Share Incentive Plans:

As at 1 January 2021	–
Granted	70,832,464
Forfeited	(2,078,950)
As at 31 December 2021	68,753,514
As at 1 January 2022	68,753,514
Forfeited	(3,040,450)
As at 31 March 2022	**65,713,064**

The fair value of each awarded restricted shares was calculated based on the most recent transaction price of the Company's shares at the grant date.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognized during the year/period as part of employee benefit expense were as follows:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Share-based payment expenses	3,327	42,559	216,955	25,938	72,958

27 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at amortized cost:				
– Trade and notes receivables *(Note 19)*	19,048	233,229	782,250	986,031
– Other receivables *(Note 20)*	3,822	9,472	14,783	11,715
– Cash and cash equivalents *(Note 22)*	205,690	100,806	4,337,967	4,277,140
– Restricted cash *(Note 22)*	40,803	441,497	1,376,072	953,952
– Long-term bank time deposits *(Note 22)*	–	140,107	717,103	822,646
Financial assets at FVPL *(Note 21)*	181,606	76,042	1,260,078	301,349
	450,969	1,001,153	8,488,253	7,352,833

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Liabilities at amortized cost:				
– Borrowings *(Note 29)*	1,293,801	2,402,074	874,187	771,852
– Trade and notes payables *(Note 33)*	195,691	738,935	2,596,106	3,493,080
– Other payables and accruals (excluding payroll and welfare payables and other tax payables) *(Note 34)*	346,505	252,211	635,159	584,328
– Lease liabilities *(Note 14)*	8,753	27,164	40,923	253,794
– Financial instruments with preferred rights at amortized cost *(Note 28)*	1,600,996	–	–	–
Derivative financial instruments *(Note 32)*	2,842	–	–	–
	3,448,588	3,420,384	4,146,375	5,103,054

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at end of the reporting period is the carrying amount of each class of financial assets mentioned above.

28 FINANCIAL INSTRUMENTS WITH PREFERRED RIGHTS AT AMORTIZED COST

The Group and the Company

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial instruments with preferred rights at amortized cost	1,600,996	–	–	–

The financial instruments with preferred rights represent the paid-in capital of the Company with redemption rights held by certain investors. The Group recognized the financial instruments with preferred rights as financial liabilities considering that all triggering events for the key redemption rights that could be exercised by the Series Pre A Investors and Series A Investors (more details about the preferred rights are set out below or in the later part of this note), are out of the control of the Company and these financial instruments do not meet the definition of equity for the Company. The financial liabilities were initially measured at fair value and subsequently measured at amortized cost. The fair value for initial recognition represented the present value of the amount expected to be paid to the investors upon redemption which was assumed at the dates of issuance of the financial instruments. Interests from the financial instruments were charged to finance cost.

The movements of financial instruments with preferred rights at amortized cost for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 were as follows:

	Financial instruments with preferred rights at amortized cost
	RMB'000
As at 1 January 2019 *(a)*	1,151,853
Recognition of financial instruments with preferred rights at amortized cost *(a)*	361,000
Charged to finance costs	88,143
As at 31 December 2019	1,600,996
As at 1 January 2020	1,600,996
Charged to finance costs	122,368
Derecognition of financial instruments with preferred rights at amortized cost *(b)*	(1,723,364)
As at 31 December 2020 and 2021 and 31 March 2022	–

(a) Series Pre A financing and Series A financing

Series Pre A financing

On 29 December 2017, the Company entered into an investment agreement with a series Pre A-1 investor, pursuant to which the Company issued and allotted approximately 37,431,000 shares, representing approximately 8.56% of the equity interests of the Company, to the series Pre A-1 investor, at a consideration of RMB170,000,000. Series Pre A-1 investor was granted certain preferred rights upon capital contribution. The proceeds of RMB170,000,000 were received by the Company in January 2018. Upon the Company's shares with preferred rights were issued to the series Pre A-1 investor, the Company had initially recognized the related financial instruments with preferred rights at their fair values of RMB170,000,000 (representing the present value of the estimated amount to be paid out by the Company if the series Pre A-1 investor exercises its preferred rights) in 2018. The Company applied an effective interest rate of 7.64% to derive the present value of the issued financial instruments. The financial instruments with preferred rights were subsequently measured at amortized costs.

On 8 February 2018, the Company entered into an investment agreement with certain series Pre A-2 investors, pursuant to which the Company issued and allotted approximately 42,936,000 shares, representing approximately 8.78% of the equity interests of the Company, to series Pre A-2 investors, at a consideration of RMB195,000,000. Series Pre A-2 investors were granted certain preferred rights upon capital contribution. The proceeds of RMB195,000,000 were received by the Company in March 2018. Upon the Company's shares with preferred rights were issued to the series Pre A-2 investors, the Company had initially recognized the related financial instruments with preferred rights at their fair value of RMB195,000,000 (representing the present value of the estimated amount to be paid out by the Company if the series Pre A-2 investors exercises their preferred rights) in 2018. The Company applied an effective interest rate of 7.64% to derive the present value of the issued financial instruments. The financial instruments with preferred rights were subsequently measured at amortized costs.

Series A financing

On 16 November 2018, the Company entered into an investment agreement with certain series A-1 investors, pursuant to which the Company issued and allotted approximately 62,059,000 shares, representing approximately 11.30% of the equity interests of the Company, to series A-1 investors, at a consideration of RMB761,000,000. Series A-1 investors were granted certain preferred rights upon capital contribution. The proceeds of RMB760,000,000 were received by the Company in December 2018 and the remaining RMB1,000,000 were received by the Company in July 2019. Upon the Company's shares with preferred rights were issued to the series A-1 investors, the Company had initially recognized the related financial instruments with preferred rights at their fair values of RMB760,000,000 and RMB1,000,000 (representing the present value of the estimated amount to be paid out by the Company if the series A-1 investors exercises their preferred rights) in 2018 and 2019, respectively. The Company applied an effective interest rate of 7.64% to derive the present value of the issued financial instruments. The financial instruments with preferred rights were subsequently measured at amortized costs.

On 1 August 2019, the Company entered into an investment agreement with a series A-2 investor, pursuant to which the Company issued and allotted approximately 29,358,000 shares, representing approximately 5.10% of the equity interests of the Company, to series A-2 investor at a consideration of RMB360,000,000. Series A-2 investor was granted certain preferred rights upon capital contribution. The proceeds were received by the Company in December 2019. Upon the Company's shares with preferred rights were issued to the series A-2 investor, the Company had initially recognized the related financial instruments with preferred rights at their fair value of approximately RMB360,000,000 (representing the present value of the estimated amount to be paid out by the Company if the series A-2 investor exercises its preferred rights) in 2019. The Company applied an effective interest rate of 7.64% to derive the present value of the issued financial instruments. The financial instruments with preferred rights were subsequently measured at amortized costs.

Series Pre A-1 investor and series Pre A-2 investors are collectively referred as "Series Pre A Investors". Series A-1 investors and series A-2 investor are collectively referred as "Series A Investors".

In accordance with Series Pre A investment agreements and Series A investment agreements, Series Pre A Investors and Series A Investors had been granted with certain preferred rights (the "**Preferred Rights**") upon capital contribution. These Preferred Rights mainly included the followings:

Redemption right

Series Pre A Investors and Series A Investors have a right to require the Company to redeem their investment if (i) the Company failed to QIPO before a certain date; (ii) during the period from the issuance date to before the Company's QIPO, the Company and its existing shareholders have committed a major breach to the agreements.

The redemption amount of Series Pre A Investors and Series A Investors is calculated as the higher of (i) the original investment principal from Series Pre A Investors and Series A Investors, plus an annual simple rate of 10% of the original investment principal for a period of time commencing from the delivery date to the actual payments date of the settlement (calculated as 365 days in a calendar year); and (ii) the net assets shown in the Company's audited consolidated financial statements for the latest period multiplied by the corresponding investor's share percentage to the total issued share capital.

The redemption rights held by Series Pre A Investors and Series A Investors upon no successful IPO within a specified period and other contingent events would constitute as a Company's obligation to repurchase its own equity instruments under the situations which are beyond the Company's and the investors' control. The financial liability in connection with the obligation is therefore recognized initially at fair value (representing the present value of the aforementioned redemption amount based on the most likely scenario among all the possible situations), and subsequently measured at amortized cost using the effective interest method.

Anti-dilution right

If the Company increases its paid-in capital at a price lower than the price paid by Series Pre A Investors and Series A Investors on a per paid-in capital basis, Series Pre A Investors and Series A Investors have a right to require (i) the Company to issue new paid-in capital for nil consideration (or lowest price allowed by law) to Series Pre A Investors and Series A Investors; or (ii) existing shareholders to transfer the equity interests of the Company directly or indirectly held to Series Pre A Investors and Series A Investors for nil consideration (or lowest price allowed by law), so that the total amount paid by Series Pre A Investors and Series A Investors divided by the total amount of paid-in capital obtained is equal to the price per paid-in capital in the new issuance.

The directors of the Company considered that the fair value of the anti-dilution right was immaterial and therefore no derivative liability was recognized by the Company.

Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, Series Pre A Investors and Series A Investors shall be entitled to receive the liquidation preference amount, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of ordinary shares of the Company.

The liquidation preference amount of Series Pre A Investors and Series A Investors is calculated as the 120% of the original investment principal from Series Pre A Investors and Series A Investors respectively ("**Liquidation Preference Cap**"). If the amount of distributable assets of the Company is less than the total Liquidation Preference Cap, Series Pre A Investors and Series A Investors shall be entitled the amount based on the percentage of each investor's share.

(b) Termination of Preferred Rights

The Company charged approximately RMB26,769,000, RMB88,143,000 and RMB122,368,000 to finance cost in profit or loss during the years ended 31 December 2018, 2019 and 2020, respectively. On 31 December 2020, the Company entered into a termination agreement to terminate the abovementioned Preferred Rights with Series Pre A Investors and Series A Investors. Pursuant to the termination agreement, the financial instruments with preferred rights at amortized cost of approximately RMB1,723,364,000 and the treasury stock of approximately RMB1,486,084,000 were derecognized accordingly. The difference of approximately RMB237,280,000, was credited to capital reserves (Note 25).

29 BORROWINGS

The Group

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings included in non-current liabilities:				
Bank borrowings, secured *(a)*	856,171	799,165	534,021	496,200
Other borrowings, unsecured *(b)*	230,000	200,000	–	–
Other borrowings, secured *(c)*	–	160,000	–	–
	1,086,171	1,159,165	534,021	496,200
Borrowings included in current liabilities:				
Bank borrowings, unsecured and unguaranteed *(d)*	–	55,000	–	–
Bank borrowings, secured (e)	–	300,000	–	–
Loans from related parties *(f)*	–	799,994	–	–
Current portion of long-term borrowings *(a)(c)*	204,875	76,007	338,406	274,544
Interest payables	2,755	11,908	1,760	1,108
	207,630	1,242,909	340,166	275,652
Total borrowings	1,293,801	2,402,074	874,187	771,852

The Company

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings included in current liabilities:				
Loans from related parties *(f)*	–	799,994	–	–
Bank borrowings, unsecured and unguaranteed *(d)*	–	55,000	–	–
Bank borrowings, secured *(e)*	–	300,000	–	–
Interest payables	–	8,986	–	–
Total borrowings	–	1,163,980	–	–

(a) As at 31 December 2019, 2020 and 2021 and 31 March 2022, the Group has the long-term bank borrowings with the total amount of approximately RMB1,061,046,000, RMB855,172,000, RMB872,427,000 and RMB770,744,000, respectively. Borrowings of approximately RMB204,875,000, RMB56,007,000, RMB338,406,000 and RMB274,544,000, respectively will be due within one year from the respective balance sheet date.

As at 31 December 2019 and 2020, the Group's long-term bank borrowings bear interests at floating interest rates ranging from 5.22% to 7.01% per annum and were secured by the pledge of the shares of Zhejiang Dahua Technology Co., Ltd. (浙江大華技術股份有限公司) ("**Dahua Technology**") held by the Mr. Fu Liquan (傅利泉) and Mr. Zhu Jiangming. In addition, as at 31 December 2019 and 2020, borrowings of approximately RMB597,308,000 and RMB578,434,000, were secured by the pledge of the Group's property, plant and equipment with carrying value of approximately RMB467,181,000, RMB436,735,000, respectively.

In March 2021, the Group entered into a supplemental agreement with the lending bank such that: i) the Group's long-term bank time deposits with an amount of RMB300,000,000 (Note 22(c)) and restricted cash with an amount of RMB610,000,000 (Note 22(b)) were used to secure the aforementioned borrowings; ii) the pledge of shares of Dahua Technology held by the Mr. Fu Liquan and Mr. Zhu Jiangming and the Group's pledged property, plant and equipment were released accordingly; and iii) the floating interest rates of the aforementioned borrowings decreased to the level ranging from 4.60% to 4.85% per annum. The supplemental agreement remained in force as at 31 December 2021 and 31 March 2022.

(b) As at 31 December 2019 and 2020, the Group had a long-term borrowing from the Jinhua government with the amount of RMB230,000,000 and RMB200,000,000 respectively. The borrowings bore an effective interest rate of 8.5% per annum. The borrowing was all early repaid prior to 31 December 2021.

(c) As at 31 December 2020, the Group had a three-years borrowing with a total amount of RMB180,000,000 with a certain finance leasing company, obtained through sales and leaseback arrangements, whereby certain property, plant and equipment of the Group were sold and leased back over a 36-month lease term. The Group has the option to re-acquire the property, plant and equipment upon the completion of the leases at an insignificant nominal value. During such lease term and before the exercise of the completion repurchase options, such property, plant and equipment were effectively pledged as security for the borrowings and were restricted under the agreements where lessors' consent must be obtained for the pledge or disposal of these assets. The long-term borrowing has an effective interest rate of 5.4% per annum and was pledged by the property, plant and equipment with the carrying amount of approximately RMB243,836,000 (Note 15(b)). The net cash proceeds the Group received from the borrowing was RMB115,000,000 (after deduction of a notes receivable issued by a bank with the amount of RMB65,000,000 (Note 19(a))). The borrowing was all early repaid prior to 31 December 2021.

(d) As at 31 December 2020, the effective interest rate of the short-term unsecured and unguaranteed borrowing from a PRC bank with the amount of RMB55,000,000 was 2.67% per annum.

(e) As at 31 December 2020, the Company had secured short-term borrowings from a PRC bank with amounts totaling RMB300,000,000 and an effective interest of 2.64% per annum. The aforementioned borrowings were secured by pledge of the shares of Dahua Technology held by the Mr. Fu Liquan and Mr. Zhu Jiangming. The borrowings and related interest were all repaid in June 2021 and the pledge of secured shares of Dahua Technology held by the Mr. Fu Liquan and Mr. Zhu Jiangming were released accordingly.

(f) The borrowings from related parties were unsecured and unguaranteed with an interest rate of 5.5% per annum and for a term of one year ending 9 December 2021. The related parties had rights to demand repayment with a notice of 30 days in advance. The borrowings and interest expenses were all early repaid prior to 31 December 2021.

(g) Other disclosures

The Group's borrowings are all denominated in RMB.

During the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022, the Group had not been in violation of any of the covenants nor subject to material financial covenants pursuant to the applicable borrowing agreements that the Group entered with the lenders.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity date, whichever is earlier, were as follows:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 6 months	193,036	1,200,133	240,723	172,090
Between 6 and 12 months	11,839	30,868	97,683	102,454
Between 1 and 2 years	56,007	355,143	459,087	421,266
Between 2 and 5 years	1,030,164	804,022	74,934	74,934
	1,291,046	2,390,166	872,427	770,744

The fair values of current borrowings approximate their carrying amount as the discounting impact is not significant.

The fair values of non-current borrowings as at 31 December 2019, 2020 and 2021 and 31 March 2022 were disclosed as follows:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current borrowings	1,237,406	1,234,000	537,015	501,875

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the Group has the following undrawn bank facilities:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB facilities	–	4,719	234,726	364,674

30 PROVISIONS

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Service warranties	1,655	6,081	55,425	99,841
Current				
Service warranties	649	3,179	36,424	37,635
	2,304	9,260	91,849	137,476

Service warranties are made for estimated warranty claims for certain years or mileage, whichever reached first, in respect of products that were sold and still under warranty period at the end of each reporting period. These claims are expected to be settled in future years. The Group provides warranties for certain vehicle products and undertakes the obligation to repair or replace items that fail to perform satisfactorily. The amount of provisions for product warranties is estimated based on the sales volume and industry experience of the level of repairs and returns. The estimation is reviewed on an ongoing basis and is revised when appropriate.

The movements of the Group's provisions are analyzed as follows:

	Service warranties
	RMB'000
As at 1 January 2019	–
Provisions for the year	2,747
Amounts utilized during the year	(443)
As at 31 December 2019	2,304
As at 1 January 2020	2,304
Provisions for the year	32,383
Amounts utilized during the year	(25,427)
As at 31 December 2020	9,260
As at 1 January 2021	9,260
Provisions for the year	104,707
Amounts utilized during the year	(22,118)
As at 31 December 2021	91,849
As at 1 January 2022	91,849
Provisions for the year	54,292
Amounts utilized during the period	(8,665)
As at 31 March 2022	**137,476**

31 DEFERRED INCOME

The Group

	As at 31 December			**As at 31 March**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants	128,145	239,781	329,706	395,170

During the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022, the Group received government grants with total amount of approximately RMB36,155,000, RMB116,475,000, RMB99,420,000 and RMB70,800,000 respectively, mainly for subsidizing the Group's purchases of property, plant and equipment, and addition of right-of-use assets. These government grants were recorded as deferred income and credited to profit or loss on a straight-line basis over the useful lives of the related property, plant and equipment and right-of-use assets.

The Company

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants	3,065	4,778	3,380	3,104

32 DERIVATIVE FINANCIAL INSTRUMENTS

The Group and the Company

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Foreign exchange forward contracts	2,842	–	–	–

As at 31 December 2019, the Company entered into five foreign exchange forward contracts with total principal amounts of USD22,000,000. The forward contracts were all settled during the period from 20 January 2020 to 26 March 2020.

Amount recognized in profit or loss is set out below:

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Fair value (losses)/gains-net *(Note 7)*					
– realized	–	2,073	–	–	–
– unrealized	(2,842)	–	–	–	–
	(2,842)	2,073	–	–	–

33 TRADE AND NOTES PAYABLES

The Group

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
– Payables for materials	155,514	280,038	1,245,389	2,051,272
Notes payables *(a)*				
– Payables for materials	40,177	458,897	1,350,717	1,441,808
	195,691	738,935	2,596,106	3,493,080

(a) The notes payables have maturity terms ranging from 6 to 9 months and the issuance of these notes payables are guaranteed by certain restricted cash (Note 22(b)), certain long-term bank time deposits (Note 22(c)) and government subsidies receivables for promotion of new energy vehicles (Note 19).

(b) The carrying amounts of trade payables approximate their fair values due to their short-term maturity in nature.

(c) The aging analysis of the trade payables based on purchase date at the end of each Track Record Period is as follows:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 6 months	146,772	233,723	1,194,983	2,019,375
6 months to 1 year	7,011	3,236	31,502	20,524
1 to 2 years	1,731	41,946	8,918	6,118
2 to 3 years	–	1,133	9,986	5,255
	155,514	280,038	1,245,389	2,051,272

The Company

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
– Payables for materials	30,452	11,255	30,358	43,389
Notes payables				
– Payables for materials	–	30,563	145,214	334,279
	30,452	41,818	175,572	377,668

The aging analysis of the Company's trade payables based on purchase date at the end of each Track Record Period is as follows:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 6 months	29,202	9,839	29,961	42,613
6 months to 1 year	530	876	114	550
1 to 2 years	720	251	106	3
2 to 3 years	–	289	–	94
Over 3 years	–	–	177	129
	30,452	11,255	30,358	43,389

34 OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued expenses				
– Advertising and publicity expenses	13,209	15,875	114,335	153,277
– Rebate payables	21,013	18,115	132,642	64,815
– Freight expenses	812	2,156	26,602	28,736
Payroll and welfare payables	79,726	114,911	178,259	169,715
Payables for design and development services	25,787	24,730	145,244	103,604
Payables for purchases of property, plant and equipment	263,540	166,883	104,195	91,552
Deposit from suppliers and distributors	16,237	23,256	63,286	84,673
Payables for listing expenses	–	–	12,591	25,001
Other taxes payables	1,468	8,964	11,908	13,737
Others	5,907	1,196	36,264	32,670
	427,699	376,086	825,326	767,780

The Company

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to subsidiaries	8,607	33,568	1,155,190	974,980
Payroll and welfare payables	69,942	94,052	123,292	88,361
Payables for listing expenses	–	–	12,591	25,001
Payables for design and development services	22,574	13,382	20,028	19,602
Deposit from suppliers	275	1,090	5,740	4,580
Other taxes payables	987	875	1,684	1,360
Payables for purchases of property, plant and equipment	8,196	4,973	6,797	1,025
Others	301	1,255	1,699	1,700
	110,882	149,195	1,327,021	1,116,609

35 ADVANCES FROM CUSTOMERS

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	5,331	41,667	503,213	454,935

Advances from customers represent the initial refundable deposits for intention orders received from customers prior to the signing of vehicle purchase agreements.

36 INVESTMENT IN AN ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD

The Group and the Company

	Year ended 31 December			Three months ended 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment in an associate				
At beginning of the year/period	–	–	18,474	18,670
Additions	–	20,000	–	–
Share of net (loss)/profit of associate accounted for using the equity method	–	(1,526)	196	1,941
At end of the year/period	–	18,474	18,670	20,611

Set out below are the details of the associate of the Group as at 31 December 2020 and 2021 and 31 March 2022. The entity set out below has share capital consisting solely of ordinary shares, which are held directly by the Company. The country of incorporation is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

		% of ownership interest			
		As at 31 December		As at 31 March	
Name of entity	Place of incorporation and kind of legal entity	2020	2021	2022	Principal activities
Zhejiang Huaruijie Technology Co., Ltd 浙江華銳捷技術有限公司	PRC, limited liability company	20%	20%	20%	Technology development services

On 4 March 2020, the Company and one of the Company's equity holders co-founded Zhejiang Huaruijie Technology Co., Ltd. 浙江華銳捷技術有限公司 (the "**Associate**"). The paid-in capital of the Associate is RMB100,000,000. The Company owns 20% equity interest of the Associate and has significant influence on the Associate through its representative in the board of directors of the Associate.

(a) Summarized financial information for the Associate

The tables below provide summarized financial information for the Associate. The information disclosed reflects the amounts presented in the financial statements of the Associate and not the Company's share of those amounts.

Summarized balance sheets

	As at 31 December		As at 31 March
	2020	2021	2022
	RMB'000 (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)
Current assets			
– Cash and cash equivalents	48,953	72,826	64,942
– Other current assets	108,685	237,045	258,879
Total current assets	157,638	309,871	323,821
Total non-current assets	110,488	99,686	97,260
Total current liabilities	(175,758)	(316,207)	(318,028)
Net assets	92,368	93,350	103,053

(b) Reconciliation to carrying amounts:

	As at 31 December		As at 31 March
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Opening net assets as at 1 January	–	92,368	93,350
Capital contribution from equity holders	100,000	–	–
(Loss)/profit and total comprehensive loss/(income) for the year/period	(7,632)	982	9,703
Closing net assets	92,368	93,350	103,053
Group's share in %	20%	20%	20%
Group's share in RMB	18,474	18,670	20,611
Carrying amount	18,474	18,670	20,611

	Year ended 31 December		Three months ended 31 March	
	2020	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	118,852	265,604	25,784	95,590
(Loss)/profit and total comprehensive (loss)/income	(7,632)	982	(4,271)	9,703
Group's share in %	20%	20%	20%	20%
Group's share of net (loss)/profit of an associate accounted for using the equity method	(1,526)	196	(854)	1,941

37 CASH FLOW INFORMATION

(a) Reconciliation of loss before income tax to net cash used in operations

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Loss before income tax	(901,131)	(1,100,093)	(2,845,773)	(397,235)	(1,042,203)
Adjustments for:					
Net impairment losses on financial assets *(Note 3.1)*	101	212	298	95	166
Provisions for warranty *(Note 8)*	2,747	32,383	104,707	6,644	54,292
Depreciation of property, plant and equipment *(Note 15)*	55,665	151,847	180,170	44,023	55,021
Depreciation of right-of-use assets *(Note 14)*	6,764	12,876	27,526	5,231	20,304
Amortization of intangible assets *(Note 16)*	5,426	10,725	11,466	2,573	3,652
Net (gains)/losses on disposals of property, plant and equipment, intangible assets and right-of-use assets *(Note 7)*	–	(10,141)	668	1	(133)
Provisions for impairment of inventories *(Note 8)*	58,655	24,008	244,635	42,250	65,076
Share-based payment expenses *(Note 26)*	3,327	42,559	216,955	25,938	72,958
Net fair value losses/(gains) on derivative financial instruments *(Note 7)*	2,842	(2,073)	–	–	–
Net fair value gains on financial assets at FVPL *(Note 7)*	(8,263)	(1,959)	(22,238)	(4,315)	(6,602)
Finance cost/(income) — net *(Note 10)*	170,175	229,037	(22,349)	(1,738)	(27,831)
Share of net loss/(profit) from an associate *(Note 36(b))*	–	1,526	(196)	854	(1,941)
Amortization of government grants	(5,818)	(4,839)	(9,495)	(883)	(5,336)
Net foreign exchange differences *(Note 7)*	(2,742)	43	89	(132)	(87)
Operating loss before changes in working capital:	(612,252)	(613,889)	(2,113,537)	(276,694)	(812,664)
Increase in inventories	(223,532)	(40,918)	(812,018)	(135,857)	(431,078)
Increase in trade and notes receivables	(19,059)	(149,330)	(614,333)	(58,425)	(203,956)
(Increase)/decrease in other current assets	(52,950)	(181,341)	710	(421,990)	(188,833)
(Increase)/decrease in restricted cash	(34,923)	(400,694)	(324,575)	68,510	422,120
Increase in contract assets	–	–	(28,518)	–	(14,262)
Increase/(decrease) in advances from customers	5,327	36,336	461,546	141,261	(48,278)
Increase in trade and notes payables	170,782	543,244	1,857,365	419,934	896,974
Increase/(decrease) in other payables and accruals	84,548	45,044	511,928	127,001	(43,931)
Increase in contract liabilities	–	–	34,950	–	23,407
Increase in deferred income	6,075	53,848	495	–	–
Decrease in provisions	(443)	(25,427)	(22,118)	(4,668)	(8,665)
Net cash used in operations	(676,427)	(733,127)	(1,048,105)	(140,928)	(409,166)

(b) Major non-cash investing and financing activities

Major non-cash investing and financing activities disclosed in other notes are:

- additions to right-of-use assets in respect of leased buildings – Note 14
- recognition and derecognition of financial instruments with preferred rights at amortized cost – Note 28
- notes receivable collected by the Group under a sales lease-back transaction recognized as a long-term borrowing – Note 29(c)

(c) Net (debt)/cash

	As at 31 December			As at 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cash and cash equivalents *(Note 22)*	205,690	100,806	4,337,967	737,107	4,277,140
Financial assets at fair value through profit or loss *(Note 21)*	181,606	76,042	1,260,078	543,767	301,349
Financial instruments with preferred rights at amortized cost *(Note 28)*	(1,600,996)	–	–	–	–
Derivative financial instruments *(Note 32)*	(2,842)	–	–	–	–
Lease liabilities *(Note 14)*	(8,753)	(27,164)	(40,923)	(32,801)	(253,794)
Borrowings *(Note 29)*	(1,293,801)	(2,402,074)	(874,187)	(1,573,631)	(771,852)
Net (debt)/cash	**(2,519,096)**	**(2,252,390)**	**4,682,935**	**(325,558)**	**3,552,843**

(d) Reconciliation of liabilities from financing activities

	Financial instruments with preferred rights at amortized cost	Lease liabilities	Borrowings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	1,151,853	4,242	875,859	2,031,954
Cash flows	361,000	(5,313)	334,401	690,088
New leases	–	9,640	–	9,640
Interest expenses	88,143	184	83,541	171,868
As at 31 December 2019	1,600,996	8,753	1,293,801	2,903,550

	Financial instruments with preferred rights at amortized cost	Lease liabilities	Borrowings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2020	1,600,996	8,753	1,293,801	2,903,550
Cash flows	–	(12,606)	936,437	923,831
New leases	–	29,890	–	29,890
Interest expenses	122,368	1,127	106,836	230,331
Non-cash increase in borrowing resulted from by way of the receipt of a note receivable (the "**Note**") *(Note 29(c))*	–	–	65,000	65,000
Derecognition of financial instruments with preferred rights at amortized cost *(Note 28)*	(1,723,364)	–	–	(1,723,364)
As at 31 December 2020	–	27,164	2,402,074	2,429,238
As at 1 January 2021	–	27,164	2,402,074	2,429,238
Cash flows	–	(29,687)	(1,522,879)	(1,552,566)
New leases	–	41,780	–	41,780
Interest expenses	–	1,666	59,992	61,658
Other movement *(Note)*	–	–	(65,000)	(65,000)
As at 31 December 2021	–	40,923	874,187	915,110
As at 1 January 2022	–	40,923	874,187	915,110
Cash flows	–	(75,886)	(102,736)	(178,622)
New leases	–	288,169	–	288,169
Termination of leases	–	(2,400)	–	(2,400)
Interest expenses	–	2,988	401	3,389
As at 31 March 2022	**–**	**253,794**	**771,852**	**1,025,646**
(Unaudited)				
As at 1 January 2021	–	27,164	2,402,074	2,429,238
Cash flows	–	(8,447)	(839,560)	(848,007)
New leases	–	13,737	-	13,737
Interest expenses	–	347	11,117	11,464
As at 31 March 2021	**–**	**32,801**	**1,573,631**	**1,606,432**

Note: The Group has received cash of RMB65 million upon the maturity of the Note in June 2021 and the cash proceed was then used by the Group to repay part of its borrowings (Note 29(c)). The related cash receipt and cash payment were presented on a net basis in the table above when illustrating the net cash flow movement of the Group's borrowings. Other movement as presented in the table above is to reflect the cash receipt upon the maturity of the note will not increase the Group's borrowings as the related borrowing had already been recognized in the prior year as a non-cash transaction.

38 CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the Track Record Period but not recognized as liabilities is as follows:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	439,241	668,382	1,063,609	1,913,709

39 RELATED PARTY TRANSACTIONS

There was no controlling shareholder or ultimate controlling shareholder of the Company. As at the date of this report, Mr. Zhu Jiangming, Mr. Fu Liquan, Ms. Liu Yunzhen (劉雲珍) (spouse of Mr. Zhu Jiangming), Ms. Chen Ailing (陳愛玲) (spouse of Mr. Fu Liquan), by virtue of the acting-in-concert arrangement among them, were collectively and ultimately interested in approximately 31.01% of the total share capital of the Company. These four individuals and the companies established or controlled by them, including Hangzhou Xintu Technology Co., Ltd. (杭州芯圖科技有限公司), Ningbo Hualing Venture Capital L.P. (寧波華綾創業投資合夥企業(有限合夥)), Ningbo Huayang Venture Capital L.P. (寧波華暘創業投資合夥企業(有限合夥)), Ningbo Jinghang, Ningbo Gulin Equity Investment L.P. (寧波顧麟股權投資合夥企業(有限合夥)) and Wanzai Mingzhao, were collectively referred to as the Single Largest Group of Shareholders of the Company.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) Save as disclosed in Note 29(a), the directors of the Company are of the view that the following parties/companies were related parties that had transaction or balances with the Group:

Name of related parties	Relationship with the Group
Mr. Zhu Jiangming	A member of the Single Largest Group of Shareholders
Mr. Fu Liquan	A member of the Single Largest Group of Shareholders
Ms. Liu Yunzhen	A member of the Single Largest Group of Shareholders
Ms. Chen Ailing	A member of the Single Largest Group of Shareholders
Ningbo Huayang Venture Capital L.P.	A member of the Single Largest Group of Shareholders
Ningbo Jinghang	A member of the Single Largest Group of Shareholders
Ningbo Gulin Equity Investment L.P.	A member of the Single Largest Group of Shareholders
Wanzai Mingzhao	A member of the Single Largest Group of Shareholders

Name of related parties	Relationship with the Group
Ningbo Hualing Venture Capital L.P.	A member of the Single Largest Group of Shareholders
Hangzhou Xintu Technology Co., Ltd.	A member of the Single Largest Group of Shareholders
Dahua Technology	A substantial shareholder of the Company
Zhejiang Huaruijie Technology Co., Ltd.	Associate, Dahua Technology's subsidiary
Zhejiang Dahua Vision Technology Co., Ltd. 浙江大華科技有限公司	Dahua Technology's subsidiary
Zhejiang Huatu Microchip Technology Co., Ltd. 浙江華圖微芯技術有限公司	Dahua Technology's subsidiary
Zhejiang Dahua Zhilian Co., Ltd. 浙江大華智聯有限公司	Dahua Technology's subsidiary
Zhejiang Dahua Security Service Co., Ltd. 浙江大華保安服務有限公司	Dahua Technology's subsidiary
Zhejiang Huaray Technology Co., Ltd. 浙江華睿科技股份有限公司	Dahua Technology's subsidiary
Hangzhou XiaoHua Technology Co., Ltd. 杭州小華科技有限公司	Dahua Technology's subsidiary
Shanghai Huashang Chengyue Information Technology Service Co., Ltd. 上海華尚成悅資訊技術服務有限公司	Dahua Technology's subsidiary
Zhejiang Huaxiao Technology Co., Ltd 浙江華消科技有限公司	Dahua Technology's subsidiary
Guizhou Dahua Information Technology Co., Ltd 貴州大華資訊技術有限責任公司	Dahua Technology's subsidiary
Henan Dahua Zhilian Information Technology Co., Ltd 河南大華智聯資訊技術有限公司	Dahua Technology's subsidiary

(b) Transactions with related parties

The Group

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of vehicles and parts					
Dahua Technology and its subsidiaries	2,789	24,873	893	255	169
Rendering of services					
Dahua Technology and its subsidiaries	–	–	–	–	292

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of property, plant and equipment/intangible assets					
Dahua Technology and its subsidiaries	–	10,340	790	674	169
Purchases of raw materials					
Dahua Technology and its subsidiaries	7	5,772	67,461	5,185	52,267
Purchases of the assembly services					
Dahua Technology and its subsidiaries	6,355	6,380	23,591	1,849	12,123
Purchases of services					
Dahua Technology and its subsidiaries	1,258	12,298	5,444	–	–
Purchases of property, plant and equipment/ intangible assets					
Dahua Technology and its subsidiaries	–	1,770	5,472	3,274	–
Addition to right-of-use assets resulted from lease of buildings					
Members of the Single Largest Group of Shareholders	–	21,168	4,470	3,582	–
Dahua Technology and its subsidiaries	–	–	2,073	2,073	–
	–	21,168	6,543	5,655	–
Interest expenses of lease liabilities paid to					
Members of the Single Largest Group of Shareholders	41	740	527	144	53
Dahua Technology and its subsidiaries	–	–	69	21	3
	41	740	596	165	56
Proceeds from borrowings from					
Members of the Single Largest Group of Shareholders	–	799,994	340,000	340,000	–

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest expenses of borrowings					
Members of the Single Largest Group of Shareholders	–	8,986	2,342	2,342	–
Repayments of loans and interests to					
Members of the Single Largest Group of Shareholders	–	–	1,151,322	1,148,851	–

In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of the business and at terms negotiated and agreed between the Group and the respective parties.

Key management compensation

Key management includes directors, supervisors and senior managements. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Wages, salaries and bonuses	6,946	12,573	20,571	3,161	5,811
Pension obligations, housing funds, medical insurances and other social insurances	611	397	889	167	172
Other employee benefits	50	50	71	14	20
Share-based payment expenses	–	46,489	75,293	8,460	22,825
	7,607	59,509	96,824	11,802	28,828

(c) Balances with related parties

Trade balances

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables				
Dahua Technology and its subsidiaries	601	5,485	5,767	174

As at 31 December 2019, 2020 and 2021, other receivables from related parties of the Group were mainly arising from sales of property, plant and equipment and intangible assets to the related parties. The receivables were interest-free and had been settled in January 2022. As at 31 March 2022, the amount of other receivables was a security deposit for rental.

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables (including notes receivables)				
Dahua Technology and its subsidiaries	1,800	5,815	6,534	24
Prepayments				
Dahua Technology and its subsidiaries	–	982	~	488
Trade payables				
Dahua Technology and its subsidiaries	10,016	20,227	89,392	120,755
Advances from customers				
Dahua Technology and its subsidiaries	–	811	949	570

The carrying value of the above trade balances approximate their fair value as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively.

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities				
Members of the Single Largest Group of Shareholders	–	14,353	9,684	4,220
Dahua Technology and its subsidiaries	–	–	1,062	94
	–	14,353	10,746	4,314

Non-trade balances

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables				
Dahua Technology and its subsidiaries	–	6	–	–
Borrowings (including interest payables)				
Members of the Single Largest Group of Shareholders	–	808,980	–	–

Borrowings from related parties of the Group bore interest at rate of 5.5% per annum and for one year term ended 9 December 2021 (Note 29(f)). The amounts had been all settled in 2021.

The carrying value of the non-trade balances above approximated their fair value as at 31 December 2020.

40 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors and supervisors

Details of the emoluments paid or payable to the directors and supervisors for the Track Record Period are set out as follows:

	Fees	Wages and salaries	Discretionary bonuses	Share-based payment	Social security costs, housing benefits and employee welfare	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019						
Name of directors:						
Mr. Zhu Jiangming *(i)*	–	–	–	–	–	–
Mr. Fu Liquan *(ii)*	–	–	–	–	–	–
Mr. Wu Liqiang (吳利強) *(iii)*	–	–	–	–	–	–
Mr. Xu Wei (許煒) *(iv)*	–	1,452	462	–	96	2,010
Mr. Li Ke *(v)*	–	–	–	–	–	–
Mr. Zhang Jie (張傑) *(vi)*	–	–	–	–	–	–
Mr. Xiang Xiaoxiao (項曉驍) *(vii)*	–	–	–	–	–	–
	–	1,452	462	–	96	2,010
Name of supervisor:						
Mr. Wu Yefeng (吳燁鋒) *(ix)*	–	–	–	–	–	–

	Fees	Wages and salaries	Discretionary bonuses	Share-based payment	Social security costs, housing benefits and employee welfare	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2020						
Name of directors:						
Mr. Zhu Jiangming *(i)*	–	–	–	46,489	–	46,489
Mr. Fu Liquan *(ii)*	–	–	–	–	–	–
Mr. Wu Liqiang *(iii)*	–	–	–	–	–	–
Mr. Xu Wei *(iv)*	–	–	–	–	–	–
Mr. Li Ke *(v)*	–	–	–	–	–	–
Mr. Zhang Jie *(vi)*	–	–	–	–	–	–
Mr. Xiang Xiaoxiao *(vii)*	–	–	–	–	–	–
	–	–	–	46,489	–	46,489
Name of supervisor:						
Mr. Wu Yefeng *(ix)*	–	–	–	–	–	–

	Fees	Wages and salaries	Discretionary bonuses	Share-based payment	Social security costs, housing benefits and employee welfare	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2021						
Name of directors:						
Mr. Zhu Jiangming *(i)*	–	1,667	–	7,795	84	9,546
Mr. Fu Liquan *(ii)*	–	–	–	–	–	–
Mr. Wu Liqiang *(iii)*	–	–	–	–	–	–
Mr. Xu Wei *(iv)*	–	–	–	11,377	–	11,377
Mr. Li Ke *(v)*	–	–	–	–	–	–
Mr. Zhang Jie *(vi)*	–	–	–	–	–	–
Mr. Xiang Xiaoxiao *(vii)*	–	–	–	–	–	–
Mr. Wu Baojun (吳保軍) *(viii)*	–	3,435	960	34,625	103	39,123
Mr. Cao Li (曹力) *(x)*	–	–	–	–	–	–
Mr. Jin Yufeng (金宇峰) *(xi)*	–	–	–	–	–	–
Mr. Fu Yuwu (付于武) *(xii)*	–	–	–	–	–	–
Mr. Wan Jiale (萬家樂) *(xiii)*	–	–	–	–	–	–
Mr. Huang Wenli (黃文禮) *(xiv)*	–	–	–	–	–	–
	–	5,102	960	53,797	187	60,046

	Fees	Wages and salaries	Discretionary bonuses	Share-based payment	Social security costs, housing benefits and employee welfare	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Name of supervisor:						
Mr. Wu Yefeng *(ix)*	–	–	–	–	–	–
Mr. Mo Chengrui (莫承銳) *(xv)*	–	694	2,084	1,971	123	4,872
Ms. Yao Tianzhi (姚甜芝) *(xvi)*	–	170	420	240	36	866
	–	864	2,504	2,211	159	5,738

	Fees	Wages and salaries	Discretionary bonuses	Share-based payment	Social security costs, housing benefits and employee welfare	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Three months ended 31 March 2022						
Name of directors:						
Mr. Zhu Jiangming *(i)*	–	501	–	2,256	19	2,776
Mr. Wu Baojun *(viii)*	–	901	420	10,020	20	11,361
Mr. Cao Li *(x)*	–	238	238	2,007	20	2,503
Mr. Jin Yufeng *(xi)*	30	–	–	–	–	30
Mr. Fu Yuwu *(xii)*	30	–	–	–	–	30
Mr. Wan Jiale *(xiii)*	30	–	–	–	–	30
Mr. Huang Wenli *(xiv)*	30	–	–	–	–	30
	120	1,640	658	14,283	59	16,760
Name of supervisor:						
Mr. Wu Yefeng *(ix)*	–	–	–	–	–	–
Mr. Mo Chengrui *(xv)*	–	196	84	570	20	870
Ms. Yao Tianzhi *(xvi)*	–	56	9	69	9	143
	–	252	93	639	29	1,013

	Fees	Wages and salaries	Discretionary bonuses	Share-based payment	Social security costs, housing benefits and employee welfare	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)						
Three months ended 31 March 2021						
Name of directors:						
Mr. Zhu Jiangming *(i)*	–	167	–	902	9	1,078
Mr. Fu Liquan *(ii)*	–	–	–	–	–	–
Mr. Xu Wei *(iv)*	–	–	–	1,317	–	1,317
Mr. Li Ke *(v)*	–	–	–	–	–	–
Mr. Zhang Jie *(vi)*	–	–	–	–	–	–
Mr. Xiang Xiaoxiao *(vii)*	–	–	–	–	–	–
	–	167	–	2,219	9	2,395
Name of supervisor:						
Mr. Wu Yefeng *(ix)*	–	–	–	–	–	–
	–	–	–	–	–	–

(i) Mr. Zhu Jiangming was appointed as the director of the Company on 20 December 2015.

(ii) Mr. Fu Liquan was appointed as the director of the Company on 20 December 2015 and resigned from the Company's director on 20 December 2021.

(iii) Mr. Wu Liqiang was appointed as the director of the Company on 20 December 2015 and resigned from the Company's director on 26 May 2020.

(iv) Mr. Xu Wei was appointed as the director of the Company on 18 November 2018 and resigned from the Company's director on 6 April 2021.

(v) Mr. Li Ke was appointed as the director of the Company on 5 December 2017 and resigned from the Company's director on 26 May 2020.

(vi) Mr. Zhang Jie was appointed as the director of the Company on 18 November 2018 and resigned from the Company's director on 20 December 2021.

(vii) Mr. Xiang Xiaoxiao was appointed as the director of the Company on 29 December 2017 and resigned from the Company's director on 20 December 2021.

(viii) Mr. Wu Baojun was appointed as the director of the Company on 6 April 2021.

(ix) Mr. Wu Yefeng was designated as a supervisor on 29 December 2017.

(x) Mr. Cao Li was designated as the director of the Company on 20 December 2021.

(xi) Mr. Jin Yufeng was designated as the director of the Company on 20 December 2021.

(xii) Mr. Fu Yuwu was designated as an independent non-executive director of the Company on 20 December 2021.

(xiii) Mr. Wan Jiale was designated as an independent non-executive director of the Company on 20 December 2021.

(xiv) Mr. Huang Wenli was designated as an independent non-executive director of the Company on 20 December 2021.

(xv) Mr. Mo Chengrui was designated as a supervisor on 6 April 2021.

(xvi) Ms. Yao Tianzhi was designated as a supervisor on 6 April 2021.

(b) Directors and supervisors' retirement benefits

None of the directors or supervisors received any retirement benefits during the Track Record Period.

(c) Directors and supervisors' termination benefits

None of the directors or supervisors received any termination benefits during the Track Record Period.

(d) Consideration provided to third parties for making available directors and supervisors' services

During the Track Record Period, the Company did not pay consideration to any third parties for making available directors or supervisors' services.

(e) Information about loans, quasi-loans and other dealings in favor of directors, supervisors and bodies corporate controlled by or entities connected with directors

There were no loans, quasi-loans and other dealings in favor of directors, supervisors or controlled bodies corporate by and connected entities with such directors or supervisors during the Track Record Period.

(f) Directors and supervisors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years/periods or at any time during the Track Record Period.

41 CONTINGENCIES

As at 31 December 2019, 2020 and 2021 and 31 March 2022, there were no significant contingency items for the Group and the Company.

42 DIVIDEND

No dividend has been paid or declared by the Company or the subsidiaries of the Company during each of the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022.

43 SUBSEQUENT EVENTS

(a) As a result of the latest outbreak of COVID-19, and Omicron Variant (the "COVID-19" pandemic) in 2022, a series of precautionary and control measures have been and continued to be implemented in China. The Group's sales in Shanghai were temporarily suspended due to the restrictive pandemic measures. The Group's sales in other cities and other operating activities were not materiality impacted as the Group's production and operations were centrally located in the Zhejiang Province. As of the date of this report, management of the Company are not aware of any material adverse impact on the Group's financial position and performance subsequent to the Track Record Period resulted from the pandemic controls and measures. The management will continue to pay close attention on the development of the pandemic and dedicate resources to effecting any necessary measures on a timely manner to minimize the unfavorable impact, if any, on the Group's businesses and operations in subsequent periods.

(b) On 22 June 2022, the pre-IPO share option scheme was adopted by the Company. 50,594,348 shares options of the Company with an exercise price of RMB27.26 per share were granted to the certain eligible employees of the Group subsequently on 5 August 2022, which will be vested in tranches during 4 years from the date of the initial public offering of the Company upon satisfaction of the vesting conditions.

Other than the events as disclosed above, there are no other material subsequent events undertaken by or impacted on the Company or the Group subsequent to 31 March 2022 and up the date of this report.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies comprising the Group in respect of any period subsequent to 31 March 2022 and up to the date of this report. No dividend or distribution has been declared, made or paid by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 March 2022.

The information set forth in this appendix does not form part of the Accountant's Report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules, is for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 March 2022 as if the Global Offering had taken place on 31 March 2022.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group as at 31 March 2022 or at any future dates following the Global Offering. It is prepared based on the consolidated financial information of the Group as at 31 March 2022 as set forth in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as of 31 March 2022	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company as of 31 March 2022**	**Unaudited pro forma adjusted net tangible assets per H Share**	
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on the Offer Price of HK$48.00 per H Share	5,833,821	5,377,622	11,211,443	9.81	11.11
Based on the Offer Price of HK$62.00 per H Share	5,833,821	6,954,353	12,788,174	11.19	12.67

Notes:

(1) The audited consolidated net tangible assets attributable to equity holders of the Company as of 31 March 2022 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to equity holders of the Company as of 31 March 2022 of approximately RMB6,260,971,000, with an adjustment for the intangible assets of approximately RMB427,150,000 as at 31 March 2022.

(2) The estimated net proceeds from the Global Offering are based on the individual Offer Price of HK$48.00 and HK$62.00 per H Share, being the lower end to higher end of the stated offer price range, respectively, and 130,819,100 H Shares expected to be issued under the Global Offering, after deduction of the underwriting fees and other related expenses payable by the Company (excluding listing expenses of RMB28,598,000 which have been accounted for in the Group's consolidated statements of comprehensive loss prior to 31 March 2022), and takes no account of any H Shares which may be issued pursuant to the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets per H Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,142,706,059 shares are in issue, assuming the Global Offering had been completed on 31 March 2022, and no over-allotment option will be granted.

(4) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at rate of HK$1.00 to RMB0.8831. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2022.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Zhejiang Leapmotor Technology Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Zhejiang Leapmotor Technology Co., Ltd. (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 March 2022 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages II-1 to II-2 of the Company's prospectus dated 20 September 2022, in connection with the proposed initial public offering of the H Shares of the Company (the "**Prospectus**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 March 2022 as if the proposed initial public offering had taken place at 31 March 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the period ended 31 March 2022, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*, ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 March 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 20 September 2022

I. TAXATION AND FOREIGN EXCHANGE

1. Taxation of Security Holders

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices in effect, and constitutes no predictions of changes or adjustments to relevant laws or policies or any advice or suggestions thereunder. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares or take into account the specific circumstances of any particular investor, some of which may be subject to special rules. Accordingly, investors should consult their own tax adviser regarding the taxation of an investment in the H Shares. The discussion is based upon current laws and relevant interpretations in effect as at the execution date of this prospectus, all of which are subject to change or adjustment and may have retrospective effect.

The discussion below does not involve any issue concerning the PRC or Hong Kong taxation other than income tax, capital gains tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

1) Taxation on Dividends

A. Individual Investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》) last amended on August 31, 2018 and implemented on January 1, 2019 as well as the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法實施條例》) last amended on December 18, 2018 and implemented on January 1, 2019, dividends distributed by PRC enterprises are subject to an individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to an individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty. In accordance with the Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No.020) (《關於個人所得税若干政策問題的通知》(財税字[1994]020號)) promulgated by the Ministry of Finance ("**MOF**") and the State Administration of Taxation (the "**SAT**") on May 13, 1994 and effective from the same day, overseas individuals are, as an interim measure, exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises. According to the Notice of the State Council on Approving and Relaying the Several Opinions of the National Development and

Reform Commission and Other Departments on Deepening Reform of the Income Distribution System (《國務院批轉發展改革委等部門關於深化收入分配制度改革若干意見的通知》) issued by the State Council on February 5, 2013, overseas individuals are no longer exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises, which is, however, not specified in the subsequent Individual Income Tax Law of the PRC and relevant tax regulations.

On June 28, 2011, the SAT issued the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Document Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), pursuant to which, dividends received by overseas resident individual shareholders from domestic non-foreign invested enterprises which have issued shares in Hong Kong are subject to individual income tax, which shall be withheld and paid by a withholding agent according to the items of interest, dividend and bonus income. Overseas resident individual shareholders of domestic non-foreign invested enterprises which have issued shares in Hong Kong are entitled to relevant preferential tax treatment pursuant to the provisions in the tax treaties between the countries in which they are residents and China, and the tax arrangements between Mainland China and Hong Kong (Macau). Individual shareholders are generally subject to a withholding tax rate of 10% without any application when domestic non-foreign invested enterprises which have issued shares in Hong Kong distribute dividends. Where the tax rates on dividends are not 10%, the following requirements shall apply: (1) for individuals receiving dividends who are citizens from countries that have entered into tax treaties with China with tax rates lower than 10%, they may, according to the Notice of SAT on Issuing the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Guo Shui Fa [2009] No.124) (《國家稅務總局關於發佈〈非居民納稅人享受協議待遇管理辦法〉的公告》(國稅發[2009]124號)), apply for refund; (2) for individuals receiving dividends who are citizens from countries that have entered into tax treaties with China with tax rates higher than 10% but lower than 20%, the withholding agent will, upon distribution of dividends, withhold and pay the individual income tax at the agreed effective tax rates under the treaties, without seeking such approval; (3) for individuals receiving dividends who are citizens from countries without tax treaties with China or under other circumstances, the withholding agent will, upon distribution of dividends, withhold and pay the individual income tax at the rate of 20%.

In accordance with 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 (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the dividends payable by the PRC company.

B. Enterprise Investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) last amended on August 31, 2018 and implemented on January 1, 2019 as well as the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》) last amended on December 18, 2018 and implemented on January 1, 2019, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise), if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place. Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The SAT Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (Guo Shui Han [2008] No.897) (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the SAT on November 6, 2008, which became effective on the same day, further clarified that a PRC-resident enterprise must withhold corporate income tax at a flat rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H Shares with respect to the dividends of 2008 and onwards. In addition, the SAT Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprises from Holding Stocks such as B Shares (Guo Shui Han [2009] No.394) (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》(國稅函[2009]394號)) issued by the SAT on July 24, 2009, which became effective on the same day, further provides that PRC-resident enterprises listed on Chinese and overseas stock exchanges by issuing stocks (A shares, B shares and overseas shares) must withhold enterprise income tax at a

flat rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprise shareholders. Such tax rates may be further modified pursuant to the tax treaties or agreements that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland 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 (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) signed on August 21, 2006, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the dividends payable by the PRC company.

C. Tax Treaties

Investors who are not PRC residents and reside in jurisdictions which have entered into avoidance of double taxation treaties or arrangements with the PRC are entitled to a reduction of the PRC enterprise income taxes imposed on the dividends received from PRC companies. At present, the PRC has entered into agreements/arrangements for the avoidance of double taxation with a number of countries or regions including HKSAR, Macau S.A.R, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements may apply to the PRC tax authorities for a refund of enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the PRC tax authorities.

2) Taxation on Equity Transfer

i. Income Tax

A. Individual Investors

According to the Individual Income Tax Law of the PRC, gains realized on the transfer of personal assets are subject to the income tax at a rate of 20%. Under the Circular on the Continued Exemption of Individual Income Tax over Individual Income from Share Transfer (Cai Shui Zi [1998] No.61) (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》(財税字[1998]61號)) jointly issued by the MOF and the SAT on March 30, 1998, which became effective on the same day, from January 1, 1997, gains of individuals from the transfer of shares of listed enterprises

continues to be exempted from individual income tax. According to the Individual Income Tax Law (last amended and implemented on January 1, 2019) and its implementing regulations, the SAT has not explicitly stated whether it will continue to exempt individual income tax on gains from the transfer of shares of listed companies.

However, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2009] No.167) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》(財稅[2009]167號)), which became effective on January 1, 2010 and provides that individuals' income from transferring listed shares publicly issued and transferred on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for shares subject to sales limitations as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2010] No.70) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》(財稅[2010]70號)) jointly issued by such departments on November 10, 2010 and coming into effect on the same day.

As of the execution date of this prospectus, no provision has expressly provided that individual income tax shall be collected from non-PRC resident individual shareholders on their gains from the transfer of shares of PRC resident enterprises listed on overseas stock exchanges (such as the Hong Kong Stock Exchange).

B. Enterprise Investors

In accordance with the Enterprise Income Law of the People's Republic of China (《中華人民共和國企業所得稅法》) last amended on December 29, 2018 and effective on the same day as well as the Regulations on Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) last amended and implemented on April 23, 2019, a non-resident enterprise is generally subject to a flat 10% enterprise income tax on PRC-sourced income, if it does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place. Such income tax for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from

the amount to be paid to the non-resident enterprise when such payment is made or due. The tax may be reduced pursuant to special arrangements or agreements entered into between the PRC and jurisdictions where the non-resident enterprise operates.

ii. Stamp Duty

Under the Stamp Tax Law of the People's Republic of China (《中華人民共和國印花税法》) issued by the SCNPC on June 10, 2021 and implemented on July 1, 2022, the PRC stamp tax is applicable to the entities and individuals that conclude taxable vouchers or conduct securities trading within the territory of the People's Republic of China, and the entities and individuals outside the territory of the People's Republic of China that conclude taxable vouchers that are used inside China. Therefore, PRC stamp duty on share transfer by PRC listed companies does not apply to acquisitions or dispositions of H shares outside the PRC by non-PRC investors.

3) Estate Duty

As of the signing date of this prospectus, no estate duty has been levied in China under the PRC laws.

4) Taxation Policies of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

On October 31, 2014 and November 5, 2016, the MOF, the SAT and the CSRC jointly issued the Notice on Taxation Policies Concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No.81) (《關於滬港股票市場交易互聯互通機制試點有關税收政策的通知》(財税[2014]81號)) and the Notice on Tax Policies Concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No.127) (《關於深港股票市場交易互聯互通機制試點有關税收政策的通知》(財税[2016]127號)), pursuant to which, the income from transfer differences and dividend and bonus income derived by PRC enterprise investors from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect shall be included in their total income and subject to enterprise income tax in accordance with the law. In particular, the dividend and bonus income derived by PRC resident enterprises which hold H shares for at least 12 consecutive months shall be exempted from enterprise income tax according to law. H-share companies do not withhold tax on dividends and bonus income of PRC enterprise investors, and the tax payable shall be declared and paid by enterprises.

For dividends and bonuses received by PRC individual investors investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, H-share companies shall submit an application to China Securities Depository and Clearing Corporation Limited, which shall provide H-share companies with a register of PRC individual investors. H-share companies shall withhold individual income tax at a rate of 20%. Individual investors who have paid withholding tax outside the PRC may apply for tax credits at the competent tax authorities of the CSDC with valid tax deduction certificates. Individual income tax is levied on dividend and bonus income derived by PRC security investment funds from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect in accordance with the above provisions.

On December 4, 2019, the MOF, the SAT and the CSRC jointly issued the Announcement on the Continued Implementation of the Individual Income Tax Policies on the Interconnection Mechanisms for Transactions in Shanghai and Hong Kong Stock Markets and for Transactions in Shenzhen and Hong Kong Stock Markets (MOF Announcement 2019 No.93) (《關於繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》(財政部公告2019年第93號)). It stipulates that for PRC individual investors, the transfer difference income derived from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and the trading of Hong Kong fund units through mutual recognition of funds will continue to be exempt from individual income tax on a temporary basis from December 5, 2019 to December 31, 2022.

2. Principal Taxation of Our Company in the PRC

For details, please refer to the Regulatory Overview in this prospectus.

II. FOREIGN EXCHANGE

RMB is the legal currency of the PRC and is currently subject to foreign exchange controls and cannot be freely inverted into foreign currency. The State Administration of Foreign Exchange ("**SAFE**") under the People's Bank of China is responsible for all matters relating to foreign exchange, including the enforcement of exchange control regulations.

Under the Regulations of the People's Republic of China on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) issued by the State Council on January 29, 1996 and effective from April 1, 1996, all international payments and transfers are classified into current items and capital items. Approval by the foreign exchange authorities is not required for most current items, but required for capital items. According to the Regulations of the People's Republic of China on Foreign Exchange Administration amended on January 14, 1997 and August 1, 2008, the state does not impose restrictions on current international payments and transfers.

Under the Administrative Regulations on Foreign Exchange Settlement, Sale and Payment (《結匯、售匯及付匯管理規定》) issued by the People's Bank of China on June 20, 1996 and implemented from July 1, 1996, the existing restrictions on foreign exchange transactions under capital items are retained, while the remaining restrictions on foreign exchange conversion for current items are abolished.

According to the Announcement on Reforming the RMB Exchange Rate Regime (《關於完善人民幣匯率形成機制改革的公告》) issued by the People's Bank of China on July 21, 2005 and effective from the same date, from July 21, 2005 onwards, China has implemented a floating exchange rate system with management and regulation based on market supply and demand and with reference to a basket of currencies. As a result, RMB exchange rates are no longer pegged to USD. The People's Bank of China publishes the closing prices of the exchange rates of RMB against USD and other currencies in the interbank foreign exchange market after the market closes on each working day, which serves as the mid-price for the currency's transactions against RMB on the following working day.

On August 5, 2008, the State Council promulgated the amended Regulations of the People's Republic of China on Foreign Exchange Administration, with significant changes to China's foreign exchange regulatory system. Firstly, balanced treatment has been adopted for foreign exchange inflows and outflows. Foreign exchange earnings from overseas may be transferred back to the PRC or deposited abroad, and foreign exchange and settlement funds under capital items may only be used for the purposes approved by competent authorities and foreign exchange control authorities. Secondly, it has improved the RMB exchange rate formation mechanism based on market supply and demand. Thirdly, when there is or appears to be a serious imbalance in international balance of payments or when there is or appears to be a serious crisis in the national economy, the state can take necessary safeguard and control measures on international balance of payments. Fourthly, it has strengthened the supervision and management of foreign exchange transactions and granted extensive powers to the SAFE to enhance its supervision and management capabilities.

According to relevant PRC laws and regulations, Chinese enterprises (including foreign-invested enterprises) requiring foreign exchange for current account transactions may, without the approval of foreign exchange authorities, make payments through foreign exchange accounts opened at designated foreign exchange banks, provided that valid receipts or vouchers for the transactions are produced. Foreign-invested enterprises that need to distribute profits in foreign currency to their shareholders and Chinese enterprises that need to pay dividends in foreign currency to their shareholders may make payments from foreign exchange accounts at designated foreign exchange banks or exchange and pay at such banks in accordance with the decision of the board of directors or the shareholders' general meeting on the distribution of profits.

Pursuant to the Decision of the State Council on Cancelling and Adjusting a Range of Administrative Approval Items and Other Matters (Guo Fa [2014] No.50) (《國務院關於取消和調整一批行政審批項目等事項的決定》(國發[2014]50號)) issued by the State Council on October 23, 2014 and effective from the same date, the requirement has been cancelled for the SAFE and its branches to approve the repatriation and settlement of foreign exchange proceeds raised by overseas listed foreign shares.

According to the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (Hui Fa [2014] No.54) (《國家外匯管理局關於境外上市外匯管理有關問題的通知》(匯發[2014]54號)) issued by the SAFE on December 26, 2014 and effective from the same date, a domestic company shall register its overseas listing with the local branch of the State Administration of Foreign Exchange within 15 working days from the date of completion of overseas listing. Funds raised by a domestic company from overseas listing may be transferred back or deposited overseas, and the use of the funds shall be consistent with those set out in the prospectus and other disclosure documents.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (Hui Fa [2015] No.13) (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》(匯發[2015]13號)) issued by the SAFE on February 13, 2015, implemented from June 1, 2015 and amended on December 30, 2019, two administrative approvals have been cancelled, namely foreign exchange registration under domestic direct investment and that under overseas direct investment, which will be directly reviewed and approved by banks. The SAFE and its branches exercise indirect supervision over the foreign exchange registration of direct investment through banks.

Pursuant to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating the Policies for the Administration of Foreign Exchange Settlement under Capital Items (Hui Fa [2016] No.16) (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》(匯發[2016]16號)) issued by the SAFE on June 9, 2016 and implemented from the same date, the relevant policies have explicitly stated that the foreign exchange income from capital items (including foreign exchange capital funds, foreign debt funds, funds transferred back from overseas listings, etc.) which are subject to voluntary settlement can be settled at banks according to the particular needs of domestic institutions. The ratio of voluntary settlement of foreign exchange earnings from capital items of domestic institutions is temporarily set at 100%, which is subject to adjustment by the SAFE according to international balance of payments.

According to the Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (Hui Fa [2017] No.3) (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》(匯發[2017]3號)) issued by the SAFE on January 18, 2017 and implemented from the same date, the scope of domestic foreign exchange loan settlement is further expanded to allow domestic foreign exchange loans with the background of commodity trade and exports to be settled, allow funds under domestic guarantee and foreign loans to be transferred back, allow foreign exchange settlement via the foreign exchange accounts of foreign institutions in pilot free trade zones, and implement full-coverage overseas lending management in both RMB and foreign currencies; where a domestic institution engages in overseas lending, the combined balance of foreign exchange lending in RMB and foreign currencies shall not exceed a maximum of 30% of the owner's equity in the audited financial statements of the preceding year.

According to the Notice on Further Facilitating Cross-border Trade and Investment (Hui Fa [2019] No.28) (《關於進一步促進跨境貿易投資便利化的通知》(匯發[2019]28號)) issued by the SAFE on October 23, 2019 and implemented from the same date, restrictions have been removed on the use of capital funds by non-investment foreign-invested enterprises for domestic equity investment. In addition, restrictions have also been removed on the use of funds in domestic asset realization accounts for foreign exchange settlement and the use of security deposits for foreign exchange settlement by foreign investors. Eligible enterprises in pilot areas are allowed to use capital funds, foreign debt, overseas listings and other income under capital items for domestic payments without providing the banks with proofs of authenticity in advance, and their use of funds should be genuine and compliant with the current regulations governing the use of income from capital items.

III. TAXATION IN HONG KONG

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.13% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.26% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument

of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

I. THE PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (hereinafter referred to as the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of ministries of the State Council, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (hereinafter referred to as the "**Legislation Law**"), the National People's Congress (hereinafter referred to as the "**NPC**") and the Standing Committee of The National People's Congress are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC. During the adjournment of the NPC, partial supplement and amendment shall be made to the laws as formulated by the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The People's Congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas. These local regulations shall comply with the Constitution, laws and administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection, and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provisions of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. Where the laws provide otherwise on the matters concerning the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations by cities divided into districts shall become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions shall examine the legality of the local regulations submitted for approval. Such approval shall be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the

provinces or autonomous regions concerned, a decision shall be made by the standing committees of the people's congresses of provinces or autonomous regions for resolution. The people's congresses of national autonomous areas shall have the power to formulate autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, the People's Bank of China, the National Audit Office of the PRC and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules within the jurisdiction of their respective departments based on the laws and administrative regulations, as well as the decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate their rules and regulations based on the laws, administrative regulations and local regulations of relevant provinces, autonomous regions and municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the cities with districts and autonomous prefectures within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or abrogate any inappropriate laws enacted by its committee, and to abrogate any autonomous regulations and separate regulations as approved by its committee which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to abrogate any administrative regulations that contravene the Constitution or laws, to abrogate any local regulations that contravene the Constitution, laws or administrative regulations, and to abrogate any autonomous regulations and local regulations which have been approved by the Standing Committee of the NPC of the relevant provinces, autonomous regions or municipalities directly under the central government, but contravene the Constitution or the Legislation Law. The State Council has the power to alter or abrogate any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or abrogate any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or abrogate any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution or the Legislation Law, the power to interpret the laws is vested in the Standing Committee of the NPC. According to the Resolution of the Standing Committee of the National People's Congress Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981. If the scope prescribed by laws needs to be further defined or supplementary provisions need to be made, the Standing Committee of the NPC shall interpret them or make provisions. Issues involving the specific application of laws in the trial work of the court shall be interpreted by the Supreme People's Court. Issues involving the specific application of laws in the procuratorial work of the procuratorate shall be interpreted by the Supreme People's Procuratorate. If there are principled differences in the interpretation of the Supreme People's Court and the Supreme People's Procuratorate, they shall be submitted to the Standing Committee of The National People's Congress for interpretation or decision. Issues that do not involve the specific application of laws in judicial and procuratorial work shall be interpreted by the State Council and the competent departments. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and ministerial rules which they have promulgated. At the regional level, the power to give interpretation of the local laws is vested in the regional legislative and administrative organs which promulgate such law.

II. PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (2018 revision) (《中華人民共和國人民法院組織法》(2018年修訂)), the PRC judicial system is made up of the Supreme People's Court, the local people's courts at all levels, and the special people's courts.

Local people's courts are divided into primary people's court, intermediate people's court and high people's court. High people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial organ in the PRC. It supervises the judicial work of the people's courts at all levels.

A people's court adopts the system in which the rule of the second instance as the final rule, that is, the judgments or rulings of the second instance at a people's court are final. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court, and judgments or rulings of the first instance of the Supreme People's Court are final. However, if any errors are identified in a legally effective judgment, ruling or mediation statement of the people's court at any level by the Supreme People's Court, or if such errors are identified in a legally effective judgment, ruling or mediation statement of the people's court at a lower level by the people's court at

a higher level, it has the authority to review the case itself or to refer to the people's court at a lower level to conduct a retrial. If such errors are identified in a legally effective judgment, ruling or mediation statement by the chief judge of all levels of the people's courts, and they consider a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (hereinafter referred to as the "**Civil Procedure Law**"), which was last amended by the Standing Committee of the NPC on December 24, 2021 and became effective on January 1, 2022, prescribes the conditions for instituting a civil action, the jurisdiction of a people's court, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC shall comply with the Civil Procedure Law. A civil case is generally heard at the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at the place directly associated with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is performed or signed or the place where the subject matter of the action is located. However, such choice shall not in any circumstances contravene the regulations of differential jurisdiction and exclusive jurisdiction.

A foreign individual, a person without a nationality, a foreign enterprise or organization is given the same litigation rights and obligations as a citizen and legal person of the PRC. Should a foreign court limit the litigation rights of a PRC citizen and enterprise, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or organization must engage a PRC lawyer if they need to engage a lawyer for the purpose of initiating an action or defending against litigation at a PRC court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a PRC people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence, and conduct other actions on its behalf. A PRC people's court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or social and public interests of the PRC.

A party shall comply with a law-binding civil judgment or ruling, If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same within two years. However, they may apply for an extension for the enforcement or revocation. If such party fails to satisfy a judgment as enforced and permitted by the court within the stipulated time, the court may, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against another party who is not personally or whose property is not within the PRC may apply to a foreign court with the jurisdiction over the case for recognition and enforcement of such judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by

a PRC people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court believes that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or national security or against its social and public interests.

III. THE PRC COMPANY LAW, THE SPECIAL REGULATIONS, AND THE MANDATORY PROVISIONS

A joint stock limited company which is incorporated in the PRC and listed on the Stock Exchange is mainly subject to the following laws and regulations in the PRC:

1) The PRC Company Law (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, and was amended on December 25, 1999, August 28, 2004, October 27, 2005, and December 28, 2013, respectively, and the latest amendment had been implemented since October 26, 2018;

   On December 24, 2021, the SCNPC issued the Company Law of the People's Republic of China (Revision Draft) (the "Revision Draft of the Company Law") for public comments. This revision of the Revision Draft of the Company Law mainly improves the special provisions on state-owned investment companies by optimizing the system of company establishment and withdrawal, the organizational structure of companies, the capital system of companies, strengthening the responsibility of controlling shareholders and management personnel and enhancing the social responsibility of companies. It is proposed that the shares of the company held by the controlling shareholders of the company issued before the public offering of shares shall not be transferred within three years from the date of listing and trading of the company's shares on the stock exchange. As of the actual issue date of the prospectus, this draft is in the process of collecting views and has not yet come into effect.

2) The Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (hereinafter referred to as the "**Special Regulations**"), which was passed at the 22nd Standing Committee Meeting of the State Council on July 4, 1994, promulgated on August 4, 1994, and was implemented on the same date. The Special Regulations include the provisions in respect of the overseas share offering and listing of joint stock limited companies;

3) The Mandatory Provisions for Companies Listing Overseas (《到境外上市公司章程必備條款》) (hereinafter referred to as the "**Mandatory Provisions**") were promulgated by the former Securities Commission of the State Council and the former State Economic System Restructuring Commission on August 27, 1994, contains the provisions which must be incorporated into the articles of association of a joint stock limited company to be listed overseas. Therefore, the Mandatory Provisions have been incorporated into the Articles of Association of the Company, and a summary of which is set out in Appendix V — Summary of the Articles of Association of the Company in this Prospectus;

4) The Official Reply of the State Council on Adjusting the Application of Provisions to Matters Including the Notification Period for Convening Shareholders' Meetings by Overseas Listed Companies (Guo Han [2019] No.97) (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號)), which was promulgated by the State Council on October 17, 2019 and was implemented on the same date, pursuant to which, it was agreed that, for the companies registered in the PRC but listed overseas, the requirements on the notification period for convening a shareholders' general meeting, shareholders' rights to proposal, and the convening procedures shall be collectively governed by the relevant provisions of the PRC Company Law, and no longer be governed by Article 20 to 22 of the Special Regulations.

Below sets out a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions:

1. General Provisions

A joint stock limited company refers to a corporate legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The company shall bear the responsibility for its debts with all its assets, and the shareholders of a joint stock limited company shall bear responsibilities to the company within the scope of the number of shares they subscribe for.

2. Incorporation

A company may be established by promotion or subscription. A company shall have a minimum of two but no more than 200 people as its promoters, and over half of the promoters must have residence within the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company registration authorities. No share offering shall be made before the shares subscribed for by the promoters are fully paid up. For companies established by subscription, the registered capital is the total paid-up share capital as registered with the company registration authorities. If laws, administrative regulations

and State Council decisions provide otherwise on paid-up registered capital and minimum registered capital, the company shall comply with such provisions.

For companies established by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreement. After the promoters have subscribed for capital contributions under the articles of association, a board of directors and a board of supervisors shall be elected and the board of directors shall apply for registration of establishment by filing the articles of association as well as other documents required by laws and administrative regulations with the company registration authorities.

Where companies are established by subscription, no less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided by laws or administrative regulations. A promoter who offers shares to the public must announce a share offering prospectus and prepare a share subscription form. Such offer shall be underwritten by security companies established according to law, with underwriting agreements to be entered into and agreements to be entered into with banks in relation to the receipt of subscription monies. After the subscription monies for the share issue have been paid in full, a capital verification institution established according to law must be engaged to conduct capital verification and furnish a certificate thereof. The promoters shall preside over and convene an inauguration meeting within 30 days from the date of full payment of subscription monies. The inauguration meeting shall be formed by the promoters and the subscribers. Where the shares issued remain undersubscribed by the cut-off date stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank deposit rates for the same period. Within 30 days of the conclusion of the inauguration meeting, the board of directors shall apply to the company registration authorities for registration of the establishment of the company.

A company's promoter shall be liable for the followings: (1) the debts and expenses incurred in the establishment process jointly and severally if the company cannot be established; (2) the refund of subscription monies paid by the subscribers together with interest at bank deposit rates for the same period jointly and severally if the company cannot be established; (3) the compensation of any damage suffered by the company as a result of the promoters' fault in the course of its establishment.

3. Share Capital

Shareholders may make capital contributions in cash, or non-monetary assets such as in kind, intellectual property rights and land use rights which can be appraised with monetary value and transferred lawfully, except for assets prohibited from capital contribution by laws and administrative regulations. For capital contributions made in non-monetary assets, a valuation of the assets contributed must be carried out to for verification without any overvaluation or under-valuation.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same. For shares subscribed by any organization or individual, the same price shall be paid for each share. The share offering price may be equal to or greater than the nominal value of the share, but not less than the nominal value.

A company must obtain the approval of CSRC to offer its shares to the overseas public. According to the Special Regulations and the Mandatory Provisions, the shares issued to foreign investors and listed overseas by a company shall be in registered form, denominated in Renminbi and subscribed for in foreign currency. The shares issued to foreign investors (including investors from the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan) and listed in Hong Kong are known as H shares, and the shares issued to investors within the PRC other than the territories specified above are known as domestic invested shares. Under the Special Regulations, upon approval of the CSRC, a company may agree in the underwriting agreement entered into with the underwriter to retain no more than 15% of the aggregate number of such overseas-listed foreign invested shares proposed to be issued in addition to the number of underwritten shares. The issuance of the retained shares is deemed to be a part of this issuance.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a shareholder register which sets forth the following matters: (1) the name and domicile of each shareholder; (2) the number of shares held by each shareholder; (3) the serial numbers of shares held by each shareholder; (4) the date on which each shareholder acquired the shares.

4. Increase in Share Capital

Where a company issues new shares, resolutions shall be made at the shareholder's general meeting in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares, and the class and amount of the new shares proposed to be issued to existing shareholders.

When a company launches a public issue of new shares upon approval by the CSRC, a new share offering prospectus and financial accounting report must be published and a subscription form must be prepared. After the new shares issued by the company have been fully paid up, the change must be registered with the relevant company registration authorities and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of issuing new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the establishment of a company.

5. Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law: (1) the company shall prepare a balance sheet and an inventory of assets; (2) the reduction of registered capital must be approved by shareholders at the shareholders' general meeting; (3) the company shall notify its creditors of the reduction in share capital within 10 days and publish the relevant announcement in newspapers within 30 days of the resolution approving the reduction being passed; (4) the creditors of the company may require the company to repay its debts or provide guarantees for the debts within 30 days of receipt of the notification or within 45 days of the date of the announcement if they fail to receive any notification; and (5) the company must apply to the company registration authorities for registration of such change.

6. Repurchase of Shares

In accordance with the PRC Company Law, a company shall not purchase its own shares except under any of the following circumstances: (1) reducing the registered capital of the company; (2) merging with another company that holds its shares; (3) using shares for the employee stock ownership plan or as equity incentives; (4) a shareholder requesting the company to purchase its shares held by him/her since he/she objects to a resolution of the shareholders' general meeting on the combination or division of the company; (5) using shares for converting convertible corporate bonds issued by the listed company; (6) it is necessary for a listed company to protect its corporate value and the rights and interests of shareholders. A company purchasing its own shares under any of the circumstances set forth in items (1) and (2) above shall be subject to a resolution of the shareholders' general meeting; and a company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) above may, pursuant to the provisions of the articles of association or the authorization of the shareholders' general meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing the Company's shares pursuant to the above provisions, the company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; under the circumstance set forth in item (2) or (4), transfer or cancel them within six months; or under the circumstance set forth in item (3), (5) or (6), hold an aggregate of no more than 10% of all the shares issued by the company and transfer or cancel them within three years.

Repurchase of the Company's shares by a listed company shall perform the obligation of information disclosure in accordance with the Securities Law of the PRC (the "**Securities Law**"). A listed company purchasing the Company's shares under any of the circumstances set forth in items (3), (5) and (6) of this article shall carry out trading in a public and centralized manner.

The Company shall not accept its own shares as the subject of a pledge.

7. Transfer of Shares

Shares held by shareholders may be transferred according to law.

Under the PRC Company Law, shares held by promoters shall not be transferred within one year from the date of establishment of the company. Shares issued prior to the public offering of the company's shares cannot be transferred within one year from the listing date of such shares on a stock exchange. The directors, supervisors and senior management of the company shall notify the company of their holding of shares therein and changes of their shareholdings. The shares transferrable by them in each year of their tenures shall not exceed 25% of all their shares in the company. The shares in the company held by them are not transferable within one year from the date on which the company's shares are listed. The shares in the company held by them shall not be transferred within six months of their departure from the company. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management.

8. Shareholders

Under the PRC Company Law and the Mandatory Provisions, the rights of shareholders include: (1) to transfer their shares according to law; (2) to attend or appoint a proxy to attend and vote at shareholders' general meetings; (3) to inspect the articles of association, share register, counterfoils of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the board of supervisors and financial and accounting reports, and to make suggestions or inquiries in respect of the company's operations; (4) to receive dividends in respect of the number of shares held; (5) to participate in residual properties of the company in proportion to their shareholdings upon the liquidation of the company; (6) any other shareholders' rights provided for in laws, administrative regulations, other regulatory documents and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of his or her share subscriptions, not to abuse their shareholders' rights to harm the interests of the company or other shareholders, not to abuse the independent status of the legal person of the company and the limited liability of shareholders to harm the interest of any creditor and any other shareholder obligation specified in the articles of association.

9. Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company that exercises its powers: (1) to decide on the company's operational objectives and investment plans; (2) to elect and replace the directors and supervisors that are not employee representatives, and to decide on the matters relating to the remuneration of directors and supervisors; (3) to consider and approve the reports of the board of directors; (4) to consider and approve the reports of the board of supervisors; (5) to consider and approve the company's annual financial budgets and final accounts; (6) to consider and approve the company's profit distribution and loss recovery proposals; (7) to decide on any increase or reduction of the company's registered capital; (8) to decide on the issue of corporate bonds; (9) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form; (10) to amend the company's articles of association; (11) to exercise any other authority stipulated in the articles of association.

A shareholders' general meeting is required to be convened once every year, and shall be held within six months after the end of the previous accounting year. An extraordinary general meeting is required to be convened within two months of the occurrence of any of the following: (1) the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association; (2) the total outstanding losses of the company amounts to one-third of the company's total paid-up share capital; (3) shareholders individually or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting; (4) the board deems necessary; (5) the board of supervisors proposes to convene a meeting; (6) any other circumstances as provided for in the articles of association.

A shareholders' general meeting shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman cannot or does not perform his/her duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman cannot or does not perform his/her duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors cannot or does not perform its duties to convene the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. If the board of supervisors fails to convene and preside over such meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 consecutive days or more may unilaterally convene and preside over a shareholders' general meeting.

In accordance with the PRC Company Law, a notice of shareholders' general meeting stating the date and venue thereof and the matters to be considered thereat shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer shares, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting. Shareholders who separately or in aggregate hold over three percent of the shares of the company may submit an interim proposal in writing

to the board of directors ten days before the shareholders' general meeting is convened. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the interim proposal to the shareholders' general meeting for consideration. The contents of the interim proposal shall fall within the scope of powers of the shareholders' general meeting, and shall have a clear agenda and specific matters to be resolved. The shareholders' general meeting shall not make any resolution in respect of any matter not set out in the notice. Holders of bearer shares who wish to attend a shareholders' general meeting shall deposit their share certificates with the company between five days before the meeting and its conclusion.

Under the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

A cumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the cumulative voting system, each share shall be entitled to the voting rights equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting, and shareholders may consolidate their votes when casting a vote.

Under the PRC Company Law, resolutions of the shareholders' general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company and other matters must be approved by way of a resolution of the shareholders' general meeting, the board of directors shall convene a shareholders' general meeting promptly to vote on such matters.

Minutes shall be prepared in respect of matters considered at the shareholders' general meeting, and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and proxy forms.

According to the Mandatory Provisions, the increase or reduction of share capital, the issuance of shares of any class, warrants or other similar securities and bonds, the division, merger, dissolution and liquidation of the company, amendments to the articles of association and any other matters, which, as resolved by way of an ordinary resolution of the shareholders' general meeting, may have a material impact on the company and require adoption by way of a special resolution, must be approved by way of a special resolution by more than two-thirds of the voting rights held by shareholders (including the proxies thereof) present at the meeting.

The Mandatory Provisions require a special resolution to be passed at the shareholders' general meeting and a class meeting to be held in the event of a variation or derogation of the class rights of a shareholder class.

10. Board of Directors

The company shall have a board of directors composed of 5 to 19 members. Board members may include employee representatives, who shall be democratically elected by the company's employees at an employee representative assembly, general employee meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall exceed three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with laws, administrative regulations and the articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors is accountable to the shareholders' general meeting and may exercise the following powers: (1) to convene shareholders' general meetings and report on its work to the shareholders' general meetings; (2) to implement the resolutions adopted at the shareholders' general meetings; (3) to decide on the company's operational plans and investment proposals; (4) to formulate proposals for the company's annual financial budgets and final accounts; (5) to formulate the company's profit distribution and loss recovery proposals; (6) to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds; (7) to formulate proposals for merger, division or dissolution of the company or change of corporate form; (8) to decide on the setup of the company's internal management organs; (9) to decide on the appointment or dismissal of the company's manager and his/her remuneration and, based on the manager's nomination, to decide on the appointment or dismissal of any deputy manager and financial officer of the company and their remuneration; (10) to formulate the company's basic management system; (11) to exercise any other authority stipulated in the articles of association.

Meetings of the board of directors shall be convened at least twice a year. Notices of such meetings shall be given to all directors and supervisors 10 days before the meetings are convened. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board may otherwise determine the means and the period of notice for convening an interim board meeting.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization.

The board of directors shall prepare minutes of the meetings of the board of directors and such minutes shall be signed by the directors present at the meeting. The directors shall be responsible for resolutions adopted by the board of directors. The directors adopting a resolution that contravenes laws, administrative regulations, the articles of association or resolutions of the shareholders' general meeting and results in severe losses to the company shall be liable to the company for compensation. However, a director may be exempt from such liability with the proof that he/she has expressed a disagreement which has been recorded in the minutes of the meeting.

Under the PRC Company Law, none of the following persons may serve as directors of the company: (1) persons without capacity or with limited capacity for civil acts; (2) persons who were sentenced for corruption, bribery, encroachment or embezzlement of properties or disruption of social or economic order, or persons who were deprived of political rights for committing a crime, and in each case, where five years have not lapsed following the serving of the sentence; (3) directors, factory heads or managers who bear individual responsibility for the bankruptcy or liquidation of their companies or enterprises where three years have not lapsed following the date of completion of such bankruptcy or liquidation; (4) the legal representatives of companies or enterprises that had their business licenses revoked and ordered to be closed for violation of the law, where such representatives bear individual responsibility and three years have not lapsed following the date of revocation of such business licenses; (5) persons with relatively significant individual debts that have not been settled upon maturity. Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

In addition, the Mandatory Provisions further stipulates other circumstances under which a person is disqualified from acting as a director of a company, including: (1) a person whose cases have been established for investigation by judicial authorities due to violation of the criminal law, and such cases have not been closed; (2) a person who may not serve as the management of enterprises by virtue of laws or administrative regulations; (3) a non-natural person; (4) a person adjudged by relevant competent authorities to have violated securities-related regulations, where such violation involves fraudulent or dishonest acts and five years have not lapsed following the date of the ruling.

Under the PRC Company Law, the board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties.

11. Board of Supervisors

The company shall have a board of supervisors composed of no less than three members. The board of supervisors shall consist of shareholder representatives and an appropriate proportion of employee representatives of the company, with the proportion of such employee representatives no less than one-third subject to the articles of association. Employee representatives of the company at the board of supervisors shall be democratically elected by the company's employees at the employee representative assembly, general employee meeting or otherwise.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors shall be elected by more than half of the supervisors. The directors and senior management may not act concurrently as supervisors.

According to the Letter of the Overseas Listing Department of CSRC and the Production System Department of the State Commission for Restructuring the Economic System on Opinions Concerning the Supplements and Amendments to the Articles of Association by Companies to Be Listed in Hong Kong (《中國證監會海外上市部、國家體改委生產體制司關於到香港上市公司對公司章程作補充修改的意見的函》), the chairman of the board of supervisors shall be selected by more than two-thirds of the supervisors.

The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. Where the chairman of the board of supervisors cannot or does not perform his/her duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. Where the vice chairman of the board of supervisors cannot or does not perform his/her duties, a supervisor recommended by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with laws, administrative regulations and the articles of association until a re-elected supervisor takes office, if the re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors exercises the following powers: (1) to review the company's financial position; (2) to supervise directors and senior management in performing their company duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the articles of association or the resolutions of shareholders' general meetings; (3) when the acts of a director or senior management member are detrimental to the company's interests, to require the director and senior management member to correct these acts; (4) to propose the convening of extraordinary general meetings and the convening and presiding over shareholders' general meetings when the board of directors fails to perform the duty of

convening and presiding over shareholders' general meetings under the Law; (5) to submit proposals to the shareholders' general meeting; (6) to bring actions against directors and senior management pursuant to the relevant provisions of the PRC Company Law; (7) to exercise any other authority stipulated in the articles of association.

Supervisors may be present at the meetings of the board of directors and make inquiries or proposals in respect of the resolutions of the board of directors. The board of supervisors may investigate any irregularities identified in the operation of the company and, when necessary, engage an accounting firm to assist its work at the expense of the company.

12. Manager and Senior Management

Under the relevant provisions of the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. Meanwhile, under the Mandatory Provisions, the manager shall be accountable to the board of directors and may exercise the following powers: (1) to manage the production, operation and administration of the company and to arrange for the implementation of the resolutions of the board of directors; (2) to arrange for the implementation of the company's annual operational plans and investment proposals; (3) to formulate proposals for the establishment of the company's internal management organs; (4) to formulate the basic management system of the company; (5) to formulate the company's basic rules and regulations; (6) to recommend the appointment or dismissal of any deputy manager and financial officer of the company; (7) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); (8) to exercise any other authority granted by the articles of association and the board of directors.

The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the PRC Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

13. Duties of Directors, Supervisors and Senior Management

Under the PRC Company Law, directors, supervisors and senior management shall comply with relevant laws, administrative regulations and the articles of association, and carry out their duties of fidelity and diligence. Directors, supervisors and senior management are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property.

In addition, directors and senior management shall not: (1) misappropriate company funds; (2) deposit company funds into accounts under their own names or the names of other individuals; (3) loan company funds to others or provide guarantees in favor of others supported by company's property in violation of the articles of association

or without approval of the shareholders' general meeting or the board of directors; (4) enter into contracts or transactions with the company in violation of the articles of association or without approval of the shareholders' general meeting; (5) use their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operate business similar to that of the company for their own benefits or on behalf of others without approval of the shareholders' general meeting; (6) accept and possess commissions paid by others for transactions with the company; (7) disclose the confidential information of the company without its authority; (8) engage in other acts in violation of their duty of fidelity to the company. Income generated by directors or senior management in violation of the aforementioned shall be returned to the company.

A director, supervisor or senior management member who contravenes laws, administrative regulations or the articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management member is required to attend a shareholders' general meeting, such director, supervisor or senior management member shall attend the meeting and answer inquiries from shareholders. Directors and senior management shall furnish relevant situations and information to the board of supervisors in a truthful manner, without impeding the discharge of duties by the board of supervisors.

Where a director or senior management member contravenes laws, administrative regulations or the articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate more than 1% of the company's shares for at least 180 consecutive days may request in writing that the board of supervisors institute litigation at a people's court on its behalf. Where the supervisor violates laws or administrative regulations or the articles of association in the discharge of his/her duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at a people's court on its behalf. If the board of supervisors or the board of directors refuses to institute litigation after receiving the written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in the event of an emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in his/her/their own name for the company's benefit. For other parties who infringe on the legitimate interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the above provisions. Where a director or senior management member contravenes any laws, administrative regulations or the articles of association in infringement on shareholders' interests, a shareholder may also institute litigation at a people's court.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, managers and other senior management shall have the duty of loyalty to the company. They shall faithfully perform their duties and protect the interests of the company without using their positions in the company for their own benefits.

14. Finance and Accounting

Under the PRC Company Law, the company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of competent financial authorities of the State Council. At the end of each accounting year, the company shall prepare a financial report audited by an accounting firm in accordance with laws. The company's financial and accounting reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial and accounting reports.

When distributing profits after taxation of the year, the company shall set aside 10% of its profits for the company's statutory common reserve fund until the fund has reached 50% or more of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the profits of the current year shall first be used to cover the losses before any allocation is set aside for the statutory common reserve fund pursuant to the preceding provision. After making allocations to the statutory common reserve fund from its profits after taxation, the Company may, upon passing a resolution at a shareholders' meeting or shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company covers its losses and makes allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a shareholders' general meeting or the board of directors before losses are covered and allocations are made to the statutory common reserve fund in violation of the preceding requirements must be returned to the company. The company shall not distribute any profits in respect of the shares held by it.

The premium received through issuance of shares of the company at prices above par value and other incomes required by the financial authorities of the State Council to be allocated to capital reserve fund shall be allocated to the company's capital reserve fund. The company's reserve fund shall be applied to cover the losses of the company, expand its business operations or be converted to increase the capital of the company. However, the capital reserve fund shall not be used to cover the company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

15. Appointment and Dismissal of Accounting Firms

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by the shareholders' meeting, shareholders' general meeting or board of directors in accordance with the provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' meeting, shareholders' general meeting or board of directors of the company conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it engages, without any refusal, withholding or misrepresentation.

The Special Regulations provide that a company shall engage an independent accounting firm in line with relevant regulations of the state to audit its annual report and review other financial reports of the company. The accounting firm's term of office shall commence from the end of this annual general meeting to the end of the next annual general meeting.

16. Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn. Meanwhile, the Special Provisions require that dividends and other distributions paid to shareholders of H Shares by the company be declared and calculated in RMB and paid in foreign currencies.

Under the Mandatory Provisions, a company shall make foreign currency payments to shareholders through a receiving agent.

17. Amendments to the Articles of Association

According to the PRC Company Law, a resolution at a shareholders' general meeting to amend a company's articles of association shall be passed by more than two-thirds of the shareholders with voting rights who attend the meeting. Pursuant to the Mandatory Provisions, a company may amend its articles of association in accordance with the laws, administrative regulations and the requirements under the articles of association. The amendments to the articles of association involving the content of the Mandatory Provisions shall only be effective upon approval by the department in charge of examination of the company authorized by the State Council and approval by a securities regulatory department under the State Council, while amendments to the articles of association involving matters of company registration, change in registration shall be completed with the relevant authority in accordance with the laws.

18. Dissolution and Liquidation

According to the PRC Company Law, a company may dissolve as a result of the following reasons: (1) the expiry of term of its operations set out in the articles of association, or the occurrence of other events of dissolution specified in the articles of association; (2) it is resolved in a shareholders' general meeting that the company shall resolve; (3) the company is dissolved by reason of a merger or division; (4) the business license is suspended or the company is ordered to close down or to be dissolved in accordance with the laws; or (5) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all of the company's shareholders, on the grounds that the company suffers from significant hardship in its operation and the management that cannot be resolved through other means, and the ongoing existence of the company will bring significant losses to the shareholders.

In the event of (1) above, the company may carry on its existence by amending its articles of association. Amendments to the articles of association in accordance with the provisions set out above shall be passed by more than two-thirds of the shareholders with voting rights who attend the shareholders' general meeting. Where the company is dissolved in the circumstances described in (1), (2), (4), or (5) above, a liquidation committee shall be established and the liquidation process shall commence within 15 days upon the occurrence of an event of dissolution. The liquidation committee shall compose the directors or the personnel appointed at the shareholders' general meeting. If a liquidation committee is not established to conduct liquidation within the stipulated period, the company's creditors may apply to a people's court and request the court to appoint relevant personnel to form a liquidation committee. The people's court shall accept such application and form a liquidation committee to conduct liquidation in a timely manner.

A liquidation committee may exercise the following powers during the liquidation period: (1) to dispose the company's assets and to prepare a statement of assets and liabilities and an inventory of the assets; (2) to notify the company's creditors through notice or announcement; (3) to handle the company's outstanding businesses related to liquidation; (4) to settle all tax overdue as well as tax amounts arising from the process of liquidation; (5) to settle credits and pay off debts; (6) to handle the company's remaining assets after settling its debts; and (7) to represent the company in a civil lawsuit.

The liquidation committee shall notify the company's creditors within 10 days upon its establishment and publish an announcement on newspapers within 60 days. A creditor shall file his claim with the liquidation committee within 30 days upon receipt of the notification, or within 45 days of the date of the announcement if they have not received any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any debt settlement with the creditors during the period of the claim.

Upon disposal of the company's assets and preparation of the balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan to be submitted to the shareholders' general meeting or the people's court for verification. The company's remaining assets, after payment of liquidation expenses, employees' wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders according to the proportion of their shareholding. The company shall continue to exist during the liquidation period, it however cannot commence any operating activities that are not related to the liquidation. The company's assets shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's assets, and preparation of the balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for declaration of bankruptcy in accordance with the laws. After the people's court has ruled that the company is declared bankrupt, the liquidation committee shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation of the company, the liquidation committee shall prepare a liquidation report to be submitted to the shareholders' general meeting or the people's court for verification. It shall also file with a company registration authority for deregistration of the company and declare the company dissolved by way of an announcement. Members of the liquidation committee are required to discharge their duties faithfully and in compliance with the laws. Members of the liquidation committee shall not take advantage of their powers and accept bribes or other unlawful income, nor misappropriate the company's assets. Members of the liquidation committee who have caused the company or its creditors to suffer from any loss due to intentional fault or gross negligence are liable for making compensations to the company or its creditors.

In addition, the liquidation of a company which has declared bankrupt in accordance with the laws shall be subject to liquidation of bankruptcy in accordance with the laws on corporate bankruptcy.

19. Loss of Share Certificates

If a shareholder's share certificate(s) in registered form is stolen, lost, or destroyed, he may, in accordance with the public notice procedures set out in the Civil Procedure Law, apply to a people's court for declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) are no longer valid, the shareholder may apply to the company for issue of a replacement certificate(s).

The procedure regarding the loss of H Share certificate(s) is provided for in the Mandatory Provisions, details of which are set out in the Articles of Association.

20. Merger and Division

According to the PRC Company Law, in the case of a merger, a merger agreement shall be signed by all parties, and they shall prepare their balance sheets and inventory of assets. The company shall notify its creditors within 10 days upon the date of passing of the resolution which approves the merger, and announce the merger on a newspaper within 30 days. A creditor may request the company to settle any outstanding debts or provide guarantees accordingly within 30 days upon receipt of the notification, or within 45 days of the date of the announcement if they have not received any notification. Where companies merge, the credits and debts of the merging parties shall be assumed by the surviving or the new company upon merging.

In case of a division, the company's assets shall be divided accordingly. The debts of the company which have accrued prior to the division shall be jointly borne by the divided companies, unless it is otherwise agreed by way of an agreement in writing with the creditors in respect of the settlement of debts before the company's division.

Changes in registration as a result of a merger or division shall be completed with a relevant registration authority in accordance with the laws. Where a company is dissolved or a new company is established, company deregistration or company registration shall be completed respectively in accordance with the laws.

IV. SECURITIES LAWS AND REGULATIONS

The PRC has promulgated a series of regulations in relation to issuance and trading of a company's shares and disclosure of information. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC, and administering CSRC. CSRC is the regulatory arm of the Securities Committee and is responsible for drafting regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, managing the trading of securities, preparing securities-related statistics and conducting relevant research and analysis. The State Council dissolved its Securities Committee and its duties were assumed by CSRC in 1998.

The Securities Law came into effect on July 1, 1999, and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014, and December 28, 2019, and the last revised Securities Law was implemented on March 1, 2020. The Securities Law is the first volume of national securities law in the PRC to fully regulate the activities in securities market in the PRC. It is divided into 14 chapters and 226 articles covering the issuance and trading of securities, the takeovers of listed companies, and the duties and responsibilities of stock exchanges, securities companies, securities registration and clearing institutions, and securities regulatory and administration authorities. Article 224 of the Securities Law provides that a domestic enterprise shall satisfy the relevant requirements set out by the

State Council when they issue or list securities outside the PRC directly or indirectly. Currently, the issuance and trading of shares (including H Shares) outside the PRC are governed by the regulations and rules promulgated by the State Council and CSRC.

1. Overseas Listing

The shares of a company shall only be listed overseas after an approval is obtained from the securities regulatory and administration authorities of the State Council, and the listing shall follow the procedures specified by the State Council.

According to the Guidelines for Supervising the Application Documents and Examination Procedures for the Overseas Stock Issuance and Listing of Joint Stock Companies (《關於股份有限公司境外發行股票和上市申報文件及審核程序的監管指引》) promulgated by CSRC, the application documents for the overseas stock issuance and listing of joint stock companies granted by CSRC are valid for a term of 12 months.

2. Suspension and Termination of Listing

Where a termination of listing and trading of shares has been decided by a stock exchange, it shall duly publish an announcement and file with a securities regulatory and administration authorities of the State Council.

V. ARBITRATION AND ENFORCEMENT OF AN ARBITRAL AWARD

The Arbitration Law of the PRC (2017 Amendment) (hereinafter referred to as the "**Arbitration Law**") was enacted by the Standing Committee of the NPC on August 31, 1994, and came into effect on September 1, 1995, and was last amended on September 1, 2017 and implemented on January 1, 2018. It is applicable to the disputes relating to contracts and other properties in which the involved parties have entered into a written agreement to resolve the disputes by arbitration of an arbitration committee constituted in accordance with the Arbitration Law. The Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration provisions in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have reached an arbitration agreement, a people's court will refuse to handle a legal proceeding initiated by one party made to such people's court, unless the arbitration agreement is invalid.

The Hong Kong Listing Rules and the Mandatory Provisions require that arbitration clauses shall be included in the articles of association of a company listed in Hong Kong, and the Hong Kong Listing Rules also require that arbitration clauses shall be included in contracts between the company and each of the directors or supervisors, such that in case of occurrence of any dispute or claim among the following parties, such dispute or claim shall refer to arbitration: (1) a holder of H Shares and a company; (2) a holder of H Shares and a holder of domestic shares; (3) a holder of H Shares and directors, supervisors or other management personnel of a company, which are disputes or rights of assertion in relation to the affairs of the company arising from rights and obligations as provided in the articles of association, the PRC Company Law and other relevant laws and administrative regulations concerning the affairs of the company.

Such parties may elect to refer such disputes or rights of assertion to arbitration at the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre. Disputes as defined by such shareholder and the disputes in relation to the company's register do not necessarily resolve by arbitration. If the party seeking arbitration elects to arbitrate the dispute or claim at the Hong Kong International Arbitration Centre, then either party may apply to have such arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award shall be final. Once an arbitral award is made, an arbitration committee or a people's court will refuse to accept the application for arbitration or prosecution filed to the people's court by a party regarding the same dispute. If either party fails to comply with the arbitral award, the other party to the award may apply to the people's court to enforce such arbitration award. However, the people's court may refuse to enforce an arbitral award made by the arbitration committee if there is a violation of the arbitration of procedures, including but not limited to the violation in the composition of the arbitration tribunal, or that matter of arbitration does not fall into the scope of the arbitration agreement, or that the arbitration committee is not entitled to carry out the arbitration.

VI. MATERIAL DIFFERENCES BETWEEN CERTAIN ASPECTS OF CORPORATION LAW IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law. Set out below is a summary of certain material differences between Hong Kong company law and the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the Company upon its incorporation, and the company will acquire an independent corporate existence henceforth. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or subscription.

Share Capital

Under the Companies Ordinance, the concept of the nominal value (also known as par value) of shares of a Hong Kong company has been abolished, and the companies have increased flexibility to alter its share capital by (i) increasing its share capital; (ii) capitalizing its profits; (iii) allotting and issuing bonus shares with or without increasing its share capital; (iv) converting its shares into larger or smaller number of shares; and (v) cancelling its shares. The concept of authorized capital no longer applies to a Hong Kong company formed on or after March 3, 2014 as well. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital. Any increase in the registered capital of a PRC company must be approved by its shareholders' general meeting and the relevant PRC governmental and regulatory authorities (if applicable).

The newly amended PRC Company Law effective on October 26, 2018 has no requirements for the minimum registered capital of a joint stock company. However, if laws, administrative regulations and State Council decisions provide otherwise on the paid-up registered capital and minimum registered capital of a joint stock company, such laws, administrative regulations and State Council decisions shall prevail. The Companies Ordinance does not prescribe any minimum capital requirement for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no overvaluation or undervaluation of the assets. If laws and administrative regulations provide otherwise on the valuation, such laws and administrative regulations shall prevail. There is no such restriction on a company incorporated in Hong Kong.

Restrictions on Shareholding and Transfer of Shares

Generally, overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau SAR and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Hong Kong Stock Connect, they may also be subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

When the application for "full circulation" has been approved by the CSRC, the domestic unlisted shares of the H share listed company, after conversion into H shares, might be listed and circulated on the Hong Kong Stock Exchange. Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in a company, and the shares they held in a company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management.

There are no restrictions on shareholdings and transfers of shares under Hong Kong law apart from the restriction on the Company to issue additional Shares within six months following the Global Offering.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. According to the Official Reply of the State Council on Adjusting the Provisions Governing Matters Including the Application of the Notice Period for the Convening of Shareholders' General Meetings by Companies Listed Overseas (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) promulgated by the State Council on October 17, 2019, the notice period for a shareholders' meeting, the shareholder proposal right, and the procedures for convening a shareholders' meeting, for those joint stock companies established within the territory of China but listed outside the territory of China, should be governed by the PRC Company Law.

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is fourteen (14) days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least fourteen (14) days before the meeting. The notice period for the annual shareholders' general meeting is twenty one (21) days.

Quorum for Shareholders' Meetings

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least twenty (20) days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

Voting at Shareholders' Meetings

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and a special resolution is passed by not less than three-fourths of affirmative votes casted by shareholders present in person, or by proxy, at a general meeting.

Variation of Class Rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate requirements relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of amendments of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix V to this prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

We have incorporated provisions to protect the rights of class shares into the Articles of Association in a similar way as required by the laws of Hong Kong in accordance with the Hong Kong Listing Rules and Mandatory Provisions. The Articles of Association define the holders of overseas listed shares and domestic shares as shareholders of different classes of shares. The special procedure for voting by class shareholders is not applicable in the following circumstances: (1) after approval by a special resolution at a shareholders' general meeting, the Company issue H Shares at an interval of 12 months, and the proposed number of H Shares to be issued will not exceed 20% of the outstanding issued shares of such class; (2) the plans to issue H Shares upon establishment of the Company are completed within 15 months from the date of approval by the securities regulatory authority of the State Council or within a period specified by the applicable relevant regulations; and (3) after approval has been granted by the competent securities authority of the State Council and other approval authorities (if applicable), the Company converts its domestic shares into foreign shares which are listed and traded on an overseas stock exchange.

Derivative Action by Minority Shareholders

Under Hong Kong company law, minority shareholders may start a derivative action against directors for their misfeasance committed against the company, if such directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors for their misfeasance committed against the company in its own name.

Pursuant to the PRC Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates such requirements and causes losses to the Company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damage to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

In addition, the Mandatory Provisions provide other remedies against the Directors, Supervisors and senior management who breach their duties to the Company.

Minority Shareholder Protection

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the

unfairly prejudicial conduct. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong.

The PRC Company Law provides that any shareholders holding 10% or above of all voting rights of a company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to the interests of shareholders, and no other alternatives can resolve such difficulties.

The Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority Shareholder protection provisions. These provisions state that except for the obligations required by laws, administrative regulations or the listing rules of the stock exchange where the company's shares are listed, a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of other shareholders to relieve a director or supervisor of his/her duty to act honestly in our best interests, or may not approve the expropriation by a director or supervisor of our assets or the individual rights of other shareholders.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and providing guarantees for directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain requirements and restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong.

The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care.

Under the Special Regulations, directors, supervisors, managers and other members of senior management of the company shall honestly and diligently perform their duties for the company.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report.

The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting.

According to the PRC laws, a joint stock limited company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the Chinese accounting standards and regulations, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the China accounting standards.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant domestic and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings, resolutions of the board of directors meetings, resolutions of the board of supervisors meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

Receiving Agent

Under the PRC Company Law and Hong Kong laws, dividends once declared will become liability payable to shareholders. The limitation period for debt recovery action under Hong Kong laws is six years, while under the PRC laws this limitation period is three years.

The Mandatory Provisions require that the relevant company shall appoint a receiving agent for shareholders who hold overseas listed foreign shares, and the receiving agent shall receive on behalf of such holders of shares dividends distributed and other payables owed by the company in respect of its overseas listed foreign shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance.

Pursuant to the PRC Company Law, which was amended by the Standing Committee of the NPC and came into effect on October 26, 2018, merger, division, dissolution or changes to the form of a joint stock limited liability company shall be approved by shareholders representing over two-thirds of voting rights at the general meeting.

Special Withdrawal

Under the PRC Company Law, a company is required to appropriate a certain prescribed percentage of profits as the statutory reserve fund after allocating its after-tax profits for the year.

There are no corresponding provisions under Hong Kong law.

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Mandatory Provisions provides that disputes between a holder of H shares and the Company, a holder of H shares and directors, supervisors, managers and other members of senior management of the Company or a holder of H shares and a holder of domestic listed shares, arising from the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company should, with certain exceptions, be referred to arbitration at either the HKIAC or the China International Economic and Trade Arbitration Commission, at the claimant's choice. The verdicts made by such arbitration authorities are conclusive and binding on each party.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules of the HKIAC, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau SAR and Taiwan.

Remedies of a Company

Under the PRC Company Law, if a director, supervisor or senior management person in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management shall be held liable to the company for such damages.

The Hong Kong Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

Pursuant to relevant PRC laws and regulations, the company in certain circumstances shall withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder.

Under Hong Kong laws, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not be closed for the registration of transfers of shares for more than thirty days (extendable to sixty days in certain circumstances) in a year.

As required by the Mandatory Provisions, share transfers shall not be registered within thirty (30) days before the date of convening a general meeting or within five (5) days before the base date of distribution of dividends.

This appendix contains a summary of the Articles of Association of the Company for the purpose of providing an overview of the Articles of Association to potential investors.

As this appendix is only a summary, it does not contain all the information of importance to potential investors. The Articles of Association is available for inspection in the section headed "Appendix VII — Documents Delivered to the Registrar of Companies and Available on Display".

The summary of the Articles of Association of the Company was passed or approved by the Shareholders at the general meeting on December 20, 2021 according to applicable laws and regulations, including the PRC Company Law, the Securities Law, the Special Regulations, the Mandatory Provisions, the Letter on Opinions Concerning the Supplements and Amendments to the Articles of Association by Companies to Be Listed in Hong Kong (《關於到香港上市公司對公司章程作補充修改的意見的函》), the Opinions on Further Promoting Standard Operation of Overseas Listed Companies and Deepening Reform (《關於進一步促進境外上市公司規範運作和深化改革的意見》) jointly issued by the former State Economic and Trade Commission and the China Securities Regulatory Commission on March 26, 1999, the Official Reply of the State Council on Adjusting the Application of Provisions to Matters Including the Notification Period for Convening Shareholders' Meetings by Overseas Listed Companies (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》), the Hong Kong Listing Rules and other regulations, and will come into effect on the date when the H Shares of the Company are listed on the Hong Kong Stock Exchange.

1. GENERAL PROVISIONS

From its effective date, the Articles of Association has constituted a legally binding document regulating the Company's organization and activities, and the rights and obligations between the Company and its Shareholders and among the Shareholders, with a legal binding effect on the Company and its Shareholders, Directors, Supervisors and senior management. All of them have the rights to refer to the Articles of Association for claims regarding affairs related to the Company. In accordance with the Articles of Association, Shareholders may sue other Shareholders; Shareholders may sue Directors, Supervisors, general manager (known as "**Chief Executive Director (CEO)**" in the Company and the same hereinafter) and other senior management of the Company; Shareholders may sue the Company; the Company may sue Shareholders, Directors, Supervisors, general manager and other senior management of the Company. The term "sue" mentioned above shall include commencing court proceedings and applying for arbitration proceedings.

2. OBJECTIVES AND SCOPE OF BUSINESS

- Business objectives of the Company: the Company upholds the values of "user-centric, integrity, responsibility, efficiency and innovation" and is committed to providing users with highly cost-effective products and travel experience to create a leading global new energy vehicle enterprise.

- Business scope of the Company: development and design of new energy vehicles and vehicle accessories, production of new energy vehicles,

production of vehicle accessories, sales of vehicles and vehicle accessories, development, technical services and sales of computer software, electronic products and communications products, technical consultation of computer application, training services (excluding organizing training classes), development, system integration and sales of network products as well as the engagement in import and export businesses. (Projects which require approval according to the law can commence operation once approved by relevant authorities.)

The term business scope referred in the preceding paragraph is subject to review by company registration authorities.

The Company may adjust its business scope based on domestic and overseas market changes, business development and its capacity, and shall complete relevant procedures for industrial and commercial registration change in accordance with regulations.

3. SHARES

3.1 Issuance of Shares

- The Company's stock takes the form of Shares.

  The Company shall have ordinary Shares at any time. Ordinary Shares issued by the Company include domestic Shares and foreign Shares. Subject to approval by the authorized company registration department of the State Council, the Company may create other classes of Shares as needed in accordance with the provisions under relevant laws and administrative regulations.

- Issuance of Shares of the Company shall adopt the principles of fairness and impartiality. Shares of the same class shall rank pari passu with one another. For the same class of Shares issued in the same tranche, each Share shall be issued at the same price and subject to the same conditions. For Shares subscribed by any entity or individual, the amount paid for each Share shall be the same.

- All the Shares issued by the Company shall have a par value denominated in Renminbi which shall be RMB1 for each Share.

- The Company may, upon approval by the securities regulators of the State Council, issue Shares to domestic investors and overseas investors.

  Overseas investors in the preceding paragraph refer to investors in foreign countries, the Hong Kong Special Administrative Region ("**Hong Kong**"), the Macao Special Administrative Region and Taiwan who subscribe for the Shares issued by the Company. Domestic

investors in the preceding paragraph refer to investors residing in the territory of the People's Republic of China other than the places referred to above who subscribe for the Shares issued by the Company.

Overseas listed foreign shares listed in Hong Kong and issued by the Company are known as H Shares. H Shares refer to the Shares approved to be listed on the Hong Kong Stock Exchange, whose par value is denominated in Renminbi and which are subscribed for and traded in Hong Kong dollars.

After issuance and Listing of Shares overseas by the Company and upon approval by the State Council or its securities regulators, Shareholders of the domestic Shares of the Company may transfer the Shares held by them to overseas investors, and may convert such Shares into overseas listed Shares. If such Shares are listed and traded on overseas stock exchanges, the regulatory procedures, provisions and requirements of the overseas stock markets shall also be complied with. No class Shareholders' meeting needs to be convened in respect of the listing and trading of such Shares on overseas stock exchanges. If the domestic Shares held by the Shareholders of the Company are listed and traded overseas upon approval, the class of such Shares shall be changed to overseas listed Shares.

Shareholders of domestic Shares and Shareholders of foreign Shares who hold the ordinary Shares of the Company shall be entitled to the same rights in any distribution made by dividends or in other forms.

3.2 Increase, Reduction and Repurchase of Shares

Increase in Shares

- Based on its operation and development needs and in accordance with provisions under laws and administrative regulations, the Company may increase its capital in the following manners upon separate resolutions at the general meeting:

  (I) public issue of Shares;

  (II) non-public issue of Shares;

  (III) placing new Shares to existing Shareholders;

  (IV) bonus issue of Shares to existing Shareholders;

  (V) conversion of reserve into equity;

  (VI) other means as permitted by laws and administrative regulations or as approved by relevant regulators.

The Company's issuance of new Shares to increase capital shall, upon approval according to the Articles of Association and the listing rules of the place where the Company's Shares are listed, be carried out in accordance with the procedures stipulated by relevant national laws, administrative regulations, departmental rules and the listing rules of the place where the Company's Shares are listed.

Reduction of Shares

- The Company may reduce its registered capital. The Company's reduction of registered capital shall be carried out in accordance with the Company Law and other relevant requirements, and the procedures set forth in the Articles of Association.

Acquisition of the Company's Shares

- The Company may acquire the Shares of the Company in accordance with provisions under laws, administrative regulations, departmental rules, the Hong Kong Listing Rules and the Articles of Association under the following circumstances:

  (I) to reduce the registered capital of the Company;

  (II) to merge with another company that holds the Shares of the Company;

  (III) to use Shares for the Employee Shareholding Plan or as equity incentives;

  (IV) a Shareholder requesting the Company to purchase its shares held by him/her since he/she objects to a resolution of the general meeting on the combination or division of the Company;

  (V) to use Shares for conversion into such corporate bonds issued by the listed company that can be converted into stocks;

  (VI) as deemed necessary by the Company to protect its corporate value and the rights and interests of Shareholders;

  (VII) other circumstances prescribed by laws, administrative regulations, departmental rules, The Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong, the Hong Kong Listing Rules and the regulatory rules of the place where the Company's Shares are listed.

  The Company shall not engage in activities of trading in the Shares of the Company except in the circumstances described above.

- The Company purchasing its own Shares under any of the circumstances set forth in items (I) and (II) of the preceding paragraph

shall be subject to a resolution at the general meeting; and the Company purchasing its own Shares under any of the circumstances set forth in items (III), (V) and (VI) of the preceding paragraph may, pursuant to the provisions under the Articles of Association or the authorization of the general meeting, be subject to a resolution of a meeting of the Board at which more than two-thirds of Directors are present.

After purchasing its own Shares pursuant to the provisions of the preceding paragraph, the Company shall, under the circumstance set forth in item (I), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (II) or (IV), transfer or cancel them within six months.

Where the Company purchases its Shares under the circumstance set forth in item (III), (V) or (VI) of the preceding paragraph, it shall not hold in aggregate more than 10% of all the Shares issued by the Company, and shall transfer or cancel them within three years; and the funds used for the acquisition shall be paid out of the Company's profit after tax.

- The Company may choose one of the following means to acquire its Shares upon approval by relevant competent authorities:

  (I) to issue a repurchase offer to all Shareholders in the same proportion;

  (II) to repurchase the Shares by means of public trading on the stock exchange;

  (III) to repurchase the Shares by agreement outside the stock exchange;

  (IV) other means approved by national laws, administrative regulations and relevant competent authorities.

- The repurchase of Shares by agreement outside the stock exchange shall be approved in advance by the general meeting in accordance with the provisions of the Articles of Association. With the prior approval of the general meeting in the same manner, the Company may cancel or change the contract already entered into by the aforementioned means, or waive any of its rights of the contract.

  The contract for the repurchase of Shares referred to in the preceding paragraph includes (but is not limited to) an agreement for assuming the obligation to repurchase Shares and to acquire the right to repurchase Shares.

  The Company may not assign the contract for the repurchase of its Shares or any of the rights therein.

In the case of redeemable Shares of the Company, as far as the Company has the right to repurchase the redeemable Shares, the price of the Shares must be limited to a certain maximum price if the Shares are not repurchased through the market or bidding; if the Shares are purchased through bidding, the relevant tenders must be made to all Shareholders without discrimination.

- If the Company has to cancel the Shares after the repurchase in accordance with the law, it shall cancel such part of the Shares within the period prescribed by laws and regulations and apply to the company registration authority to amend the registration as to registered capital.

  The aggregate par value of the cancelled Shares shall be deducted from the Company's registered capital.

- Unless the Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its outstanding Shares:

  (I) where the Company repurchases Shares at nominal value, payment shall be made out of the book surplus on the distributable profits of the Company or out of the proceeds of the new issue of Shares made for that purpose;

  (II) where the Company repurchases Shares at a premium to its nominal value, payment equivalent to the nominal value may be made out of the book surplus on the distributable profits of the Company or out of the proceeds of the new issue of Shares made for that purpose. Payment of the portion in excess of the nominal value shall be effected as follows:

    (1) if the Shares being repurchased were issued at nominal value, payment shall be made out of the book surplus on the distributable profits of the Company;

    (2) if the Shares being repurchased were issued at a premium to its nominal value, payment shall be made out of the book surplus on the distributable profits of the Company or out of the proceeds of the new issue of Shares made for that purpose, provided that the amount paid out of the proceeds of the new issue shall not exceed the aggregate amount of premiums received by the Company on the issue of the Shares repurchased or the Company's capital common reserve account at the time of the repurchase (including the number of premiums on the new issue);

  (III) the Company shall make the following payments out of the Company's distributable profits:

(1) payment for the acquisition of the right to repurchase its own Shares;

(2) payment for the variation of any contract for the repurchase of its Shares;

(3) payment for the release of its obligation(s) under any contract for the repurchase of Shares;

(IV) after the Company's registered capital has been reduced by the aggregate nominal value of the cancelled Shares in accordance with the relevant provisions, the amount deducted from the distributable profits for payment of the nominal value of the repurchased Shares shall be included in the Company's capital common reserve account.

Where laws, administrative regulations, departmental rules and the listing rules of the place where the Company's Shares are listed provide otherwise for the financial treatment involved in the aforementioned Share repurchase, such provisions shall prevail.

3.3 Share Transfer

- Except as otherwise provided for by laws, administrative regulations or the listing rules of the place where the Company's Shares are listed, the paid-up Shares of the Company's share capital may be freely transferred without any lien.

  The transfer of H Shares listed in Hong Kong is subject to registration with the local stock registration agency entrusted by the Company in Hong Kong.

- All overseas listed Shares listed on the Hong Kong Stock Exchange with paid-up capital may be freely transferred in accordance with the Articles of Association, provided that the Board may refuse to recognize any instrument of transfer without statement of any reason therefor unless the following conditions are met:

  (I) the instrument of transfer involves solely overseas listed Shares listed on the Hong Kong Stock Exchange;

  (II) the stamp duty payable under the laws of Hong Kong on the instrument of transfer has been paid;

  (III) the share certificate(s) concerned shall be provided, together with such evidence as the Board may reasonably require to prove the right of the transferor to transfer the Shares.

If the Board refuses to register the transfer of the Shares, the Company shall give the transferor and the transferee a notice of refusal to register the transfer of such Shares within 2 months from the date on which the transfer application is duly made.

- All transfers of H Shares listed in Hong Kong shall be effected by an instrument of transfer in writing in the usual or common form or in any other form acceptable to the Board (including the standard form of transfer or transfer form prescribed by the Hong Kong Stock Exchange from time to time); the instrument of transfer may be executed by hand only or, if the transferor or transferee is a company, under its seal. If the transferor or transferee is a recognized clearing agency as defined in the relevant regulations in force from time to time under the laws of Hong Kong or its nominee, the transfer form may be executed by hand or by machine imprint.

  All instruments of transfer shall be placed at the legal address of the Company or at such address as the Board may designate from time to time.

- The Company does not accept the Company's Shares as a pledge right object.

- The Shares of the Company held by the promoters shall not be transferred within one year from the date of establishment of the Company.

  The Directors, Supervisors and senior management personnel of the Company shall declare to the Company the number of its Shares held by them and the alternation of such Shares. During their term of office, they shall not transfer more than 25% of the total number of the Company's Shares they held for a year or transfer any Shares of the Company within one year from the date when the Company's Shares are listed for trading. Within six months of their departure, the aforesaid personnel shall not transfer the Company's Shares held by them. Where such transfer restriction involves H Shares, the relevant provisions under the Hong Kong Listing Rules shall be complied with.

- Where the Directors, Supervisors and senior management personnel of the Company and any Shareholders who hold more than 5% of the Company's Shares, sell his/her Shares in the Company within six months of his/her purchase, or purchase the Shares again within six months of the sale, the profits thus made shall accrue to the Company and the Board shall collect all such profits. Where such transfer restriction involves H Shares, it is subject to the approval of the Hong Kong Stock Exchange. If a securities company, however, as the underwriter, purchases all the unsold Shares and therefore holds more than 5% of the Shares, it is not subject to the six months restriction for selling such Shares.

3.4 Financial Assistance for the Acquisition of Shares of the Company

- The Company or its subsidiaries shall not at any time provide any financial assistance in any form to purchasers or prospective purchasers of the Shares in the Company. Purchasers of Shares in the Company as referred to above shall include persons that directly or indirectly undertake obligations for the purpose of purchasing Shares in the Company. The Company or its subsidiaries shall not at any time provide financial assistance in any form to the above obligors in order to reduce or discharge their obligations.

- The following actions shall not be deemed to be activities prohibited by the preceding paragraph of the Articles of Association:

  (I) the provision of financial assistance by the Company is given in good faith and in the interests of the Company, and the principal purpose of which is not for the acquisition of Shares in the Company, or the giving of such financial assistance is an incidental part of a master plan of the Company;

  (II) the lawful distribution of the Company's assets by way of dividend;

  (III) the distribution of share dividends in the form of Shares;

  (IV) a reduction of registered capital, repurchase of Shares or adjustment of the equity structure in accordance with the Articles of Association;

  (V) the provision of loans by the Company within its scope of business and for its normal business activities, provided that the net assets of the Company are not thereby reduced or that the financial assistance is provided out of the distributable profits of the Company despite the ensuing reduction of the assets;

  (VI) contributions made by the Company to the Employee Shareholding Plan, provided that the net assets of the Company are not thereby reduced or that the financial assistance is provided out of the distributable profits of the Company despite the ensuing reduction of the assets.

- In the Articles of Association, financial assistance includes (but is not limited to) assistance by way of:

  (I) gift;

(II) guarantee (including the provision of any undertaking or property to secure the performance of obligations by the obligor), indemnity (other than an indemnity in respect of the Company's default), release or waiver of rights;

(III) provision of loans, or any other contract under which the obligations of the Company are to be fulfilled before the obligations of another party to the contract, or the change of such loans and parties to the contract, or the assignment of rights under such loans or contracts;

(IV) financial assistance provided in any other manner where the Company is unable to pay its debts, has no net assets or in situations where its net assets would be reduced to a material extent.

In this Article, undertaking of obligations includes the obligations incurred by changing one's financial position by entering into a contract or arrangement (whether enforceable or otherwise and whether made on one's own account or with any other person) or by any other means.

3.5 Share Certificates and Register of Shareholders

- Share certificates are certificates issued by the Company to certify the Shares held by Shareholders. The Company's Shares are registered shares.

The share certificates of the Company shall contain the following items:

(I) the name of the Company;

(II) the date of establishment of the Company;

(III) the type and par value of Shares and the number of Shares represented;

(IV) the serial number of the share certificate;

(V) other items required by the Company Law and the stock exchange where the Company's Shares are listed.

The overseas listed Shares issued by the Company may take the form of depositary receipts or other derivatives of Shares in accordance with the laws of the place where the Company's Shares are listed and the practice of the registration and depository of securities.

- During the period in which the H Shares are listed in Hong Kong, the Company shall ensure that its documents relating to the H Shares include the following statements and shall instruct and cause its share registrar to refuse to register the subscription, purchase or transfer of its Shares in the name of any individual holder unless and until such individual holder submits to the share registrar a duly signed form in respect of such Shares, which shall include the following statements:

  (I) the purchaser of the Shares and the Company and each of its Shareholders, and the Company and each of the Shareholders, agree to comply with and conform to the provisions of the Company Law, the Special Provisions and other relevant laws, administrative regulations and the Articles of Association.

  (II) the purchaser of the Shares and the Company, each Shareholder, Director, Supervisor, general manager and other senior management personnel of the Company agree, and the companies acting on behalf of the Company and each Director, Supervisor, general manager and other senior management personnel, agrees with each Shareholder, that any dispute or claim arising out of the Articles of Association or out of rights and obligations under the Company Law or other relevant laws or administrative regulations relating to the affairs of the Company shall be submitted to arbitration for settlement in accordance with the provisions of the Articles of Association, and that any arbitration request submitted shall be deemed to authorize the arbitral tribunal to conduct a public hearing and publish its award, which shall be final.

  (III) The purchaser of the Shares agrees with the Company and each of its Shareholders that the Shares of the Company are freely transferable by their holders.

  (IV) The purchaser of the Shares authorizes the Company to enter into a contract with each of the Directors, general manager and other senior management personnel on its behalf, whereby such Directors, general manager and other senior management personnel undertake to observe and perform their duties to the Shareholders as provided in the Articles of Association.

- The share certificates shall be signed by the chairman of the Board. If the securities regulatory authority or the stock exchange of the place where the Company's Shares are listed requires the signature of other senior management personnel of the Company, it shall also be signed by other relevant senior management personnel. The Share certificate shall become effective after the Company's seal is affixed or stamped in printed form. The affixing of the Company's seal on the Share

certificates shall be authorized by the Board. The signature of the chairman of the Board or other relevant senior management personnel on the share certificates may also be in printed form.

Under the conditions of paperless issuance and trading of the Company's Shares, separate regulations of the securities regulatory authority and the stock exchange of the place where the Company's Shares are listed shall apply.

- The Company shall establish a register of Shareholders based on the certificates provided by the security registration authority. The register of Shareholders shall be the sufficient evidence of the Shareholders' shareholding in the Company, unless there is evidence to the contrary.

  The Company shall keep a register of Shareholders containing the following particulars:

  (I) the name, address (or domicile), occupation or nature of each Shareholder;

  (II) the class and number of Shares held by each Shareholder;

  (III) the amount paid-up or payable in respect of Shares held by each Shareholder;

  (IV) the share certificate numbers of the Shares held by each Shareholder;

  (V) the date on which each Shareholder was registered in the register as a Shareholder;

  (VI) the date on which any Shareholder ceased to be a Shareholder.

- The Company may, in accordance with the mutual understanding and agreements made between the competent securities authorities of the State Council and overseas securities regulatory authorities, maintain its register of Shareholders of H Shares outside the PRC and appoint overseas agent(s) to manage such register. The original register of Shareholders of H Shares listed in Hong Kong shall be maintained in Hong Kong.

  A duplicate of the register of Shareholders of H Shares shall be made and maintained at the Company's domicile. The appointed overseas agent(s) shall ensure at all times that the original and the duplicate registers of Shareholders of H Shares are consistent.

  In the case of inconsistencies between any information recorded in the original register of Shareholders of H Shares and that of the duplicate register, the original register shall prevail.

- The Company shall have a complete register of Shareholders.

  The register of Shareholders shall comprise the following parts:

  (I) a register of Shareholders maintained at the Company's domicile, which shall be the register of all Shareholders other than those registered in accordance with paragraphs (II) and (III) of this Article;

  (II) a register of Shareholders of H Shares maintained at the stock exchange of the place of overseas listing;

  (III) such registers of Shareholders maintained in such other places as the Board may deem necessary for listing purposes.

- Different parts of the register of Shareholders shall not overlap. No transfer of Shares registered in one part of the register of Shareholders shall, during the continuance of the registration of those Shares, be registered in any other parts of the register of Shareholders.

  Alteration or rectification of each part of the register of Shareholders shall be made in accordance with the laws of the place where that part of the register of Shareholders is kept.

- Where laws, regulations, the security regulatory authority or the stock exchange of the place where the Company's Shares are listed provide otherwise for the period during which the registration of the transfer of Shares is suspended before the general meeting or the base date of the Company's decision to distribute dividends, such provisions shall apply.

- Any person who has objection in relation to the register of Shareholders and seeks to register his/her name on the register of Shareholders or to delete his/her name from the register of Shareholders may in each case apply to a court of competent jurisdiction to rectify the register of Shareholders.

- Any Shareholder who is registered on the register of Shareholders or any person who seeks to register his/her name on the register of Shareholders may, if he/she has lost his/her share certificate (the "**Original Certificate**"), apply to the Company for a new share certificate in respect of the Shares (the "**Relevant Shares**").

  A Shareholder of domestic Shares who has lost his/her share certificate and applies for a replacement certificate to be issued shall comply with the relevant provisions of the Company Law.

A Shareholder of H Shares who has lost his/her share certificate and applies for a replacement certificate to be issued may do so in accordance with the laws, the rules of the stock exchange or other relevant requirements of the place where the original register of Shareholders of H Shares is maintained.

- After the Company has issued a replacement share certificate in accordance with the Articles of Association, the name of a bona fide purchaser who obtains the new share certificate or a person (if a bona fide purchaser) whose name is subsequently entered in the register of Shareholders in respect of such Shares shall not be removed from the register of Shareholders.

- The Company shall not be liable for any damages suffered by any person by reason of the cancellation of the Original Certificate or the issue of the replacement share certificate, unless the claimant can prove that the Company has acted fraudulently.

4. SHAREHOLDERS AND GENERAL MEETING

4.1 Shareholders

- The Company's Shareholders are persons who lawfully hold Shares of the Company and whose names are registered on the register of Shareholders.

  Shareholders shall enjoy rights and assume obligations according to the class of Shares held by them. Shareholders holding the same class of Shares shall enjoy equal rights and assume the same obligations.

  If more than two persons are registered as joint holders of any of the Shares, they shall be deemed joint owners of the Relevant Shares, but shall be subject to the following terms:

  (I) the Company shall not register more than 4 persons as the joint holders of any Shares;

  (II) all joint holders of any Shares shall assume joint liability to pay for all amounts payable in respect of the Relevant Shares;

  (III) If any of the joint holders dies or is deregistered, only the other surviving joint holders shall be deemed to be entitled to the Relevant Shares. However, the Board has the power to require a death or deregistration certificate as it thinks fit for the purpose of revising the register of Shareholders;

  (IV) in respect of the joint Shareholders of any Shares, only the joint Shareholder whose name stands first in the register of

Shareholders has the right to receive certificates of the Relevant Shares from the Company or receive notices of the Company. Any notice delivered to the aforementioned Shareholder shall be deemed to have been delivered to all the joint Shareholders of the Relevant Shares. Any of the joint Shareholders may sign a proxy form, provided that if more than one joint Shareholders attend a meeting in person or by proxy, the vote of the senior joint Shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint Shareholder(s). For this purpose, seniority will be determined by the order in which the names stand in the register of Shareholders of the Company in respect of the Relevant Shares.

- When the Company convenes a general meeting, distributes dividends, commences liquidation or participates in other activities which require the confirmation of shareholdings, the Board shall fix a date as the date for the determination of shareholdings. Shareholders whose names appear on the register of Shareholders at the end of that date will be the Shareholders of the Company.

- The Company shall, in accordance with the provisions of the Articles of Association, protect the Shareholders' rights to know, participate, vote and inquire on the necessary affairs of the Company to the maximum extent.

- The holders of ordinary Shares of the Company shall enjoy the following rights:

  (I) to receive dividends and other forms of profit distribution in proportion to the number of Shares held by them;

  (II) to request, convene, host, attend or appoint proxies to attend general meetings and exercise corresponding voting rights in accordance with laws;

  (III) to supervise the operation of the Company and to put forward proposals or raise inquiries;

  (IV) to transfer, donate, or pledge Shares held by them in accordance with the provisions of laws, administrative regulations and the Articles of Association;

(V) to obtain relevant information in accordance with the provisions of the Articles of Association, including:

1. to receive a copy of the Articles of Association upon payment of charges at cost;

2. to inspect and photocopy upon payment of a reasonable charge, of:

(1) copies of all parts of the registers of Shareholders;

(2) personal information of the Directors, Supervisors, Managers and other senior management of the Company, including:

(a) current and previous names and aliases;

(b) main address (domicile);

(c) nationality;

(d) full-time and all other part-time occupations and duties;

(e) identification documents and their numbers.

(3) the status of the Company's share capital;

(4) the latest audited financial statements of the Company, and the report of the Board of Directors, auditor's report and report of the Board of Supervisors;

(5) special resolutions of the Company;

(6) reports of the aggregate par value, number of Shares, and the highest and lowest prices paid by the Company in respect of each class of Shares bought back since the last accounting year, as well as all the expenses paid by the Company therefore (with a breakdown of domestic Shares and foreign Shares);

(7) minutes of general meetings, and resolutions of meetings of both the Board of Directors and the Board of Supervisors (for Shareholders' inspection only);

(8) corporate bond counterfoils.

The Company shall keep at its address in Hong Kong the aforesaid documents in items (1) to (8) other than those in item (2) above and other applicable documents in accordance with the requirements of the Hong Kong Listing Rules for free inspection by the public and holders of H Shares.

The Company may refuse any inspection or reproduction request which involves commercial secrets and insider information of the Company and personal privacy of relevant personnel.

(VI) in the event of the termination or liquidation of the Company, to participate in the distribution of the residual property of the Company in proportion to the number of Shares held;

(VII) to demand the Company to acquire their Shares (for Shareholders who disagree with the resolutions adopted at a general meeting in relation to the merger or division of the Company);

(VIII) such other rights as stipulated by laws, administrative regulations, departmental rules, the listing rules of the place where the Company's Shares are listed or the Articles of Association.

The Company shall not, with the sole reasons that a person who owns direct or indirect interests therein has failed to disclose his/her interests to the Company, exercise any power to freeze or otherwise impair any of the rights attached to the Shares held.

- Where Shareholders request for inspection of the relevant information or demand for materials as mentioned in the preceding Article, they shall provide the Company with written documents evidencing the class and number of Shares of the Company they hold. Upon verification of the Shareholder's identity, the Company shall provide information requested by such Shareholder.

- Shareholders shall have the rights to protect their lawful rights through civil action or other legal means in accordance with laws and administrative regulations.

- If a resolution passed at the general meeting or meeting of the Board of Directors of the Company violates laws or administrative regulations, Shareholders shall have the right to submit a petition to the People's Court to render the same invalid.

  If the convening procedures or voting method of a general meeting or meeting of the Board of Directors violate laws, administrative regulations or the Articles of Association, or the contents of any resolution violate the Articles of Association, Shareholders shall have the right to submit a petition to the People's Court to revoke the resolution within 60 days from the date on which such resolution is adopted.

- If a Director or a senior management member contravenes the provisions of laws, administrative regulations or the Articles of Association when carrying out his/her duties in the Company and results in losses to the Company, Shareholders individually or collectively holding more than 1% of Shares for 180 consecutive days, have the right to request the Board of Supervisors in writing to commence litigation at the People's Court. If a Supervisor contravenes the provisions of laws, administrative regulations and the Articles of Association when carrying out his/her duties in the Company and results in losses to the Company, Shareholders can request the Board of Directors in writing to commence litigation at the People's Court.

  If the Board of Supervisors or the Board of Directors refuses to commence litigation after receiving the Shareholders' written request in the preceding paragraph or fails to commence litigation within 30 days of receiving the request, or the situation is so urgent that no immediate commencement of litigation will cause irreparable losses to the Company, the Shareholders under the previous paragraph may commence litigation in their own names at the People's Court in the interest of the Company.

  If any other person contravenes the legal interests of the Company and leads to the losses of the Company, a Shareholder under the first paragraph of this Article may commence litigation at the People's Court in accordance with the two preceding paragraphs.

- If a Director or a senior management member contravenes the provisions of laws, administrative regulations or the Articles of Association and results in losses to Shareholders, Shareholders may commence litigation at the People's Court.

- Holders of ordinary Shares of the Company shall undertake the following obligations:

  (I) to abide by laws, administrative regulations and the Articles of Association;

  (II) to pay subscription fees based on the Shares subscribed by them and the method of capital contribution;

  (III) not to withdraw Shares except in such circumstances as prescribed by laws and regulations;

  (IV) not to abuse Shareholders' rights to damage the interests of the Company or other Shareholders; and not to abuse the independent status of the Company as a legal person and the limited liabilities of the Shareholders to damage the interests of the creditors of the Company;

Shareholders of the Company who abuse their Shareholders' rights and result in losses to the Company or other Shareholders shall bear compensation in accordance with laws.

Shareholders of the Company who abuse the independent status of the Company as a legal person and the limited liabilities of the Shareholders to escape from debts and thereby seriously damage the interests of the Company's creditors shall jointly and severally bear the Company's debts.

(V) other obligations imposed by laws, administrative regulations and the Articles of Association.

Shareholders shall not bear any liability for further contribution to share capital other than the conditions agreed to by the subscriber of such Shares on subscription.

- Where a relevant Shareholder and a de facto controller pledges any Shares of the Company in his/her possession, he/she shall notify the Company in a timely manner and report the same to the stock exchange where the Shares of the Company are listed under the listing rules of the place where the Shares of the Company are listed for disclosure.

- The controlling Shareholder or the de facto controller of the Company shall not use their connected relationship to prejudice the interests of the Company. Where he/she violates such provisions and results in loss to the Company, he/she shall be liable to compensate the Company for the losses thereof.

  The controlling Shareholder and the de facto controller of the Company have the obligation of honesty towards the Company and other Shareholders of the Company. The controlling Shareholder shall exercise his/her rights as a capital contributor strictly in accordance with laws. The controlling Shareholder shall not make use of methods such as the distribution of profits, restructuring of assets, external investment, misappropriation of assets, guarantee for borrowings to damage the legal rights and interests of the Company and other Shareholders of the Company, and he/she shall not make use of his/her controlling position to damage the interests of the Company and other Shareholders of the Company.

- In addition to the obligations imposed by laws, administrative regulations or the Hong Kong Listing Rules, controlling Shareholders may not, in the exercise of their Shareholders' rights, make decisions prejudicial to the interests of all or part of the Shareholders as a result of the exercise of their voting rights on the issues set forth below:

  (I) to relieve a Director or Supervisor of his/her duty to act honestly in the best interest of the Company;

(II) to approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person), in any form, of the Company's assets, including (without limitation to) any opportunities beneficial to the Company;

(III) to approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person) of the individual rights of other Shareholders, including (without limitation to) rights to distributions and voting rights save pursuant to a restructuring of the Company submitted at a general meeting for approval in accordance with the Articles of Association.

4.2 General Meeting

General Provisions of the General Meeting

- The general meeting is the organ of authority of the Company and shall exercise the following powers:

(I) to decide on the Company's operational objectives and investment plans;

(II) to elect and replace the Directors and Supervisors that are not employee representatives, and to decide on the matters relating to the remuneration of Directors and Supervisors;

(III) to consider and approve the reports of the Board of Directors;

(IV) to consider and approve the reports of the Board of Supervisors;

(V) to consider and approve the Company's annual financial budgets and final accounts;

(VI) to consider and approve the Company's profit distribution and loss recovery plans;

(VII) to resolve on any increase or reduction of the registered capital and the issuance of any kind of Shares, warrants and other similar securities by the Company;

(VIII) to resolve on the issuance of debentures by the Company;

(IX) to resolve on merger, division, dissolution and liquidation of the Company or change of its corporate form;

(X) to amend the Articles of Association;

(XI) to consider the proposal by a Shareholder who holds, individually or in aggregate, more than 3% of the Shares with voting rights of the Company;

(XII) to resolve on the appointment or dismissal of accounting firms by the Company;

(XIII) to consider and approve the guarantee matters specified in the following Article;

(XIV) to consider the acquisition or disposal of significant assets within one year which accounts for more than 30% of the latest audited total assets of the Company;

(XV) to consider and approve the changes in the use of proceeds;

(XVI) to consider the equity incentive scheme;

(XVII) to consider other matters which, according to laws, administrative regulations, departmental rules, the Hong Kong Listing Rules or the Articles of Association, should be resolved by the Shareholders at general meetings.

The abovementioned powers of the general meeting may not be exercised by the Board of Directors or other bodies and individuals on its behalf by delegation, but the Board of Directors or Directors may be authorized to handle or implement relevant resolutions when the general meeting votes on and approves relevant resolutions.

- The following external guarantees to be provided by the Company shall be considered and approved at the general meeting:

(I) Any provision of guarantee, where the total amount of external guarantees provided by the Company and its controlled subsidiaries reaches or exceeds 50% of the latest audited net assets;

(II) Provision of guarantee to anyone whose liability-asset ratio exceeds 70%;

(III) Provision of a single guarantee the amount of which exceeds 10% of the latest audited net assets;

(IV) Any guarantee, the amount of which on a cumulative basis for twelve consecutive months, exceeds of 30% of the latest audited total assets of the Company;

(V) Provision of guarantee to Shareholders, de facto controllers and their connected parties;

(VI) Other guarantees required to be considered at the general meeting according to laws, administrative regulations, normative documents and the Articles of Association;

(VII) Other guarantees provided by the stock exchange where the Company's Shares are listed or the Articles of Association.

When the general meeting considers the matters related to the guarantee in item (IV) of the preceding paragraph, it shall be approved by more than two-thirds of the voting rights held by Shareholders present at the meeting.

When the general meeting considers the matters related to providing guarantee for any Shareholders, de facto controller or connected persons, the said Shareholder or the Shareholders controlled by the said de facto controller shall abstain from voting on the proposal, and the proposal shall be subject to approval by more than half of the voting rights held by the other attending Shareholders.

The "**external guarantee**" mentioned in the Articles of Association refers to the guarantee provided by the Company for other parties, including the guarantee provided by the Company to its controlling subsidiaries. The "**total amount of the external guarantees provided by the Company and its controlling subsidiaries**" refers to the sum of the total amount of the external guarantees provided by the Company (including the guarantees provided to its controlling subsidiaries) and the total amount of the external guarantees provided by the controlling subsidiaries.

Where the Company provides a guarantee for its wholly-owned subsidiary, or for a holding subsidiary and other Shareholders of the holding subsidiary provide a guarantee in the same proportion of their rights and interests, without prejudice to the interests of the Company, application of the provisions of the items (I) to (III) of this Article may be exempted.

- The Company shall not, without the prior approval of the general meeting, enter into any contract with any person other than a Director, a Supervisor, general manager and other senior management personnel whereby the management of the whole or any substantial part of the business of the Company is to be handed over to such person.

- General meetings comprise annual general meetings and extraordinary general meetings. Annual general meetings shall be convened once every year within six months after the conclusion of the previous accounting year.

- The Board shall convene an extraordinary general meeting within two months upon the occurrence of any of the following circumstances:

  (I) when the number of Directors is less than the number as stipulated in the Company Law or two-thirds of the number prescribed in the Articles of Association;

  (II) when the unrecovered losses of the Company amount to one-third of the total amount of its paid-in share capital;

  (III) when Shareholder(s) individually or in aggregate holding more than 10% of the Company's shares request(s);

  (IV) when the Board of Directors considers necessary;

  (V) when the Board of Supervisors proposes to convene a meeting;

  (VI) when more than 2 independent non-executive Directors so request;

  (VII) other circumstances as stipulated by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules or the Articles of Association.

Convening of General Meetings

- A general meeting shall be convened by the Board of Directors, and presided over by the chairman of the Board of Directors. In the event that the chairman cannot or does not perform his/her duties, a Director nominated by more than half of the Directors shall preside over the meeting.

  Where the Board of Directors cannot or does not perform its duties to convene the general meeting, the Board of Supervisors shall convene and preside over such meeting in a timely manner. If the Board of Supervisors fails to convene and preside over such meeting, Shareholders individually or in aggregate holding 10% or more of the Company's shares for more than 90 consecutive days may unilaterally convene and preside over a general meeting.

  The Board of Directors, or the Board of Supervisors or Shareholders responsible for convening the general meeting in accordance with the

provisions of the Company Law or the Articles of Association, shall be the convener of the general meeting.

- The Board of Supervisors shall be entitled to make a proposal in writing to the Board of Directors on convening an extraordinary general meeting. The Board of Directors shall give a written reply on whether to agree to convene such meeting within 10 days upon receipt of the proposal in accordance with laws, administrative regulations and the Articles of Association.

  Where the Board of Directors agrees to convene the extraordinary general meeting, it shall issue a notice of convening the general meeting within 5 days upon the date of the resolution of the Board of Directors. Any changes made to the original proposal in the notice shall be agreed by the Board of Supervisors.

  Where the Board of Directors disagrees to convene such a meeting, or fails to reply within 10 days upon receipt of the proposal, it shall be deemed that the Board of Directors cannot or does not perform its duty of convening the general meeting, and the Board of Supervisors may convene and preside over it by itself.

- Shareholder(s) individually or in aggregate holding more than 10% of Shares of the Company are entitled to request the Board of Directors in writing to convene an extraordinary general meeting. The Board of Directors shall, in accordance with the requirements of laws, administrative regulations and the Articles of Association, reply with a written opinion to state whether it agrees to convene an extraordinary general meeting within 10 days upon receipt of the request.

  Where the Board of Directors agrees to convene the extraordinary general meeting, it shall issue a notice of convening the general meeting within 5 days after the date of the resolution of the Board of Directors. Any changes made to the original proposal in the notice shall be agreed by the Relevant Shareholders.

  Where the Board of Directors disagrees to convene the extraordinary general meeting, or does not reply within 10 days upon receipt of the proposal, Shareholders individually or in aggregate holding more than 10% of the Shares of the Company are entitled to request the Board of Supervisors in writing to convene an extraordinary general meeting.

  Where the Board of Supervisors agrees to convene the extraordinary general meeting, it shall issue a notice of convening the general meeting within 5 days upon receiving the request. Any changes made to the original proposal in the notice shall be agreed by the Relevant Shareholders.

  If the Board of Supervisors fails to issue a notice of general meeting within the prescribed time limit, it shall be deemed that the Board of

Supervisors does not convene and preside over the general meeting, and Shareholders holding individually or in aggregate more than 10% of the Shares of the Company for more than 90 consecutive days can convene and preside over the general meeting by themselves.

- Where the Board of Supervisors or Shareholders decide to convene a general meeting on their own, they must notify the Board of Directors in writing. Before the resolution of the general meeting is made, the Shareholders convening the meeting shall hold no less than 10% of the Shares.

Proposal and Notice of General Meeting

- When the Company convenes a general meeting, the Board of Directors, the Board of Supervisors and the Shareholders individually or in aggregate holding more than 3% of the Company's Shares shall have the right to make proposals to the Company.

  Shareholders individually or in aggregate holding more than 3% of the Company's Shares may submit an interim proposal to the convener in writing 10 days before the general meeting. The convener shall issue a supplementary notice of general meeting within two days after receiving the proposal with the contents of the interim proposal attached.

  Except for the circumstances specified in the preceding paragraph, the convener shall not modify the proposals listed in the notice of general meeting or add new proposals after issuing the notice of general meeting.

  For proposals that are not listed in the notice of general meeting or that do not meet the requirements of Article 77 of the Articles of Association, the general meeting shall not vote and make resolutions thereon.

- Where the general meeting is convened by the Company, it shall issue a written notice at least 20 clear working days prior to the annual general meeting or at least 10 clear working days or 15 days (whichever is longer) prior to the extraordinary general meeting, to notify all the registered Shareholders of the matters proposed to be considered as well as the date and place of the meeting.

  Where laws, regulations, the securities regulatory authority of the place where the Company's Shares are listed or the stock exchange provide otherwise, such provisions shall prevail.

- Unless otherwise stipulated in the Articles of Association, the notice of general meeting shall be sent to Shareholders (regardless of whether they have voting rights at the general meeting) by hand or mail with

prepaid postage, and the address of the recipient shall be the address registered in the register of Shareholders.

For domestic Shareholders, the notice of general meeting may also be made by public announcement.

The announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities regulatory authority of the State Council. Once the announcement is made, all domestic Shareholders shall be deemed to have received the notice of the relevant general meeting.

The notice of general meeting served on the holders of H Shares may be published through the websites of the Hong Kong Stock Exchange and the Company. Once the announcement is made, all holders of overseas listed foreign Shares shall be deemed to have received the notice of the relevant general meeting.

- The notice of general meeting shall be in writing and include the following information:

  (I) the time, place and duration of the meeting;

  (II) matters and proposals to be submitted to the meeting for consideration;

  (III) provision to Shareholders with information and explanations necessary for them to make sound decisions on the matters to be discussed; this principle includes (but is not limited to) the provision of the specific terms and contracts (if any) of the proposed transactions and detailed explanations about the causes and effects when the Company proposes mergers, repurchase of Shares, capital reorganization or other reorganization;

  (IV) a disclosure of the nature and extent of the material interest of any Director, Supervisor, manager and other senior management personnel in the matters to be discussed and the difference of the effects of the proposed matters on them in their capacity as Shareholders from the effects on other Shareholders of the same class;

  (V) the full text of any special resolutions to be passed at the meeting;

  (VI) a conspicuous statement that all Shareholders are entitled to attend and vote at the meeting and may appoint proxies to do so on their behalf, and such proxies need not to be Shareholders;

  (VII) the equity registration date of Shareholders entitled to attend the general meeting;

(VIII) the name and phone number of the permanent contact person for conference affairs;

(IX) the time and place of delivering the power of attorney for proxy voting at the meeting.

The interval between the equity registration date and the meeting date shall be no more than 7 working days.

- After giving the notice of general meeting, the meeting shall not be postponed or cancelled and the proposals set out in the notice shall not be cancelled without justifiable reasons. In case of a delay or cancellation, the convener shall make announcement at least 2 working days prior to the original date of convening the meeting and explain the reasons.

Convening of General Meetings

- All Shareholders listed in the register on the Share registration date or the proxies thereof shall be entitled to attend the general meeting, and exercise voting rights pursuant to relevant laws, regulations, the Hong Kong Listing Rules and the Articles of Association.

  Shareholders may attend a general meeting in person, or may entrust other proxies to attend and vote on their behalf.

  Any Shareholders entitled to attend and vote at a general meeting shall be entitled to appoint one or more persons (whether or not a Shareholder) as their proxies to attend and vote on their behalf. A proxy so appointed shall be entitled to exercise the following rights in accordance with the authorization from that Shareholder:

  (I) the Shareholder's right to speak at the meeting;

  (II) the right to demand a poll, whether on his/her own or together with others;

  (III) unless otherwise required by applicable securities listing rules or other securities laws and regulations, to exercise the right to vote by a show of hands or by poll; however, if more than one proxy is appointed by a Shareholder, such proxies shall only exercise the right to vote on a poll.

- Natural person Shareholders who attend the meeting in person shall present their ID cards or other valid identification proofs; if a proxy is entrusted to attend the meeting, the proxy shall present his/her ID card and the Shareholder's power of attorney.

  Non-natural person Shareholders shall be represented at the meeting by the legal representative/executive partner or the proxy authorized by the resolution of the Board of Directors/other decision-making bodies. To attend the meeting, legal representatives/executive partners shall present their ID cards and valid certificate proving their qualification as legal representatives/executive partners; if a proxy is entrusted to attend the meeting, the proxy shall present his/her ID card and the written power of attorney issued by the Board of Directors/other decision-making bodies of the Shareholder according to law.

Voting and Resolutions of General Meetings

- The resolutions of the general meeting are classified as ordinary resolutions and special resolutions.

  An ordinary resolution made by the general meeting shall be passed by more than half of the voting rights held by the Shareholders with voting rights (including proxies) present at the general meeting.

  A special resolution made by the general meeting shall be passed by more than two-thirds of the voting rights held by the Shareholders with voting rights (including proxies) present at the general meeting.

- The following matters require the sanction of an ordinary resolution at a general meeting:

  (I) the work reports of the Board of Directors and the Board of Supervisors;

  (II) the profit distribution and loss recovery plans proposed by the Board of Directors;

  (III) the election and removal of the members of the Board of Directors and the Board of Supervisors(except for employee representative supervisors), their remuneration and method of payment;

  (IV) the annual budget and final account, balance sheet, profit and loss statement and other financial statements of the Company;

  (V) the annual reports of the Company;

(VI) the Company's appointment, removal or non-reappointment of an accounting firm;

(VII) other matters, except those required to be adopted by way of a special resolution as required by laws, administrative regulations, the Hong Kong Listing Rules or the Articles of Association.

- The following matters require the sanction of a special resolution at a general meeting:

  (I) the increase or reduction of registered capital, issue of any class of Shares, warrants and other similar securities of the Company;

  (II) the issue of debentures by the Company;

  (III) the division, merger, dissolution and liquidation or change of corporate form of the Company;

  (IV) the amendments to the Articles of Association;

  (V) the amount of the Company's purchase or disposal of material assets or guarantee within one year exceeding 30% of the latest audited total assets;

  (VI) equity incentive schemes;

  (VII) the repurchase of the Company's Shares;

  (VIII) other matters required by laws, administrative regulations, the Hong Kong Listing Rules or the Articles of Association, and those considered by way of an ordinary resolution at a general meeting with a material impact on the Company and in need of approval by way of a special resolution.

- Shareholders (including their proxies) shall exercise their voting rights according to the number of Shares carrying voting rights they represent, with one vote for each Share.

  Shares of the Company held by the Company do not carry any voting rights, and shall not be counted in the total number of Shares carrying voting rights represented by Shareholders attending a general meeting.

  The Board, independent non-executive Directors and Shareholders who meet the relevant requirements are entitled to solicit Shareholders' voting rights.

- Voting is conducted by open ballot at the general meeting.

- Shareholders who attend the general meeting shall take one of the following stances when a proposal is put forward for voting: to vote for or against or abstain from voting.

  Any votes which are uncompleted, erroneously completed or illegible, or uncast votes shall be considered as a waiver of voting rights by the voter, and the outcome of votes carried with the Shares held by such voters shall be counted as "abstain from voting".

  Where any Shareholder is required to abstain from voting on any resolution or restricted to voting only for or only against it under the Hong Kong Listing Rules, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

- The resolutions of the general meeting shall specify the number of the Shareholders and proxies attending the meeting, the total number of Shares carrying voting rights held by them and such Shares as a percentage of the total number of Shares of the Company carrying voting rights, the means of voting, the voting result of each resolution and the details of the resolutions passed.

Special Procedures for Voting by Class Shareholders

- Shareholders holding different classes of Shares shall be class Shareholders.

  Class Shareholders shall be entitled to the rights and assume obligations pursuant to the provisions of laws, administrative regulations, the listing rules where the Shares of the Company are listed and the Articles of Association.

- The following circumstances shall be deemed to be a variation or abrogation of the rights of a certain class of Shareholders:

  (I) to increase or decrease the number of Shares of such class, or increase or decrease the number of Shares of another class carrying rights to voting, distribution or other privileges equal or superior to those of Shares of such class;

  (II) to convert all or part of Shares of such class into Shares of other classes, or to convert or grant a right of conversion of all or part of Shares of other classes into Shares of such class;

  (III) to remove or reduce rights to accrued dividends or cumulative dividends attached to Shares of such class;

(IV) to reduce or remove the rights to a dividend preference or a liquidation preference in distribution of property attached to Shares of such class;

(V) to add, remove or reduce the rights of conversion, options, voting and transfer, pre-emptive rights to placement and the right of acquisition of securities of the Company attached to Shares of such class;

(VI) to remove or reduce the rights to receive payables from the Company in particular currencies attached to Shares of such class;

(VII) to create a new class of Shares carrying rights of voting, distribution or other privileges equal or superior to those of the Shares of such class;

(VIII) to restrict the transfer or ownership of the Shares of such class or increase such restrictions;

(IX) to grant subscription rights or share conversion rights for Shares of such class or other classes;

(X) to increase the rights and privileges of Shares of other classes;

(XI) to restructure the Company in such a way as to cause different classes of Shareholders to bear a disproportionate burden of obligations of such restructuring;

(XII) to amend or abrogate the terms provided in this Article.

- Shareholders of the affected class, whether or not having the right to vote at general meetings, shall have the right to vote at class meetings on matters referred to in items (II) to (VIII) and (XI) to (XII) above, but interested Shareholders shall not be entitled to vote at class meetings.

- A resolution of a class meeting shall only be passed in accordance with the aforementioned provisions by Shareholders attending the class meeting who represent more than two-thirds of voting rights.

- When convening a class meeting, the Company shall issue a written notice of the meeting within the same period as that of a non-class meeting to be convened together, and notify all registered Shareholders of the relevant class, stating the matters to be considered at the meeting and the date and venue of the meeting. If the Hong Kong Listing Rules have special provisions, such provisions shall prevail.

5. BOARD OF DIRECTORS

5.1 Directors

- Directors of the Company comprise executive Directors, non-executive Directors and independent non-executive Directors. Executive Directors refer to Directors who assume operation and management duties within the Company. Non-executive Directors refer to Directors who do not assume operation and management duties within the Company and do not have independence pursuant to laws. Independent non-executive Directors refer to Directors who satisfy the requirements of the Articles of Association.

  Directors shall be elected or replaced at the general meeting and each has a term of three years unless otherwise required by the Articles of Association. The Directors shall be eligible for re-election upon the expiry of their term.

  Directors shall not be dismissed for no reason at the general meeting before the expiry of their terms. On the premise of complying with relevant laws and administrative regulations, the general meeting may remove any Director whose term does not expire by passing an ordinary resolution (but claims under any contract shall not be affected by such removal).

  The term of a Director shall be calculated from the date upon which the Director assumes office to the expiry of the current Board. If the term of a Director expires but re-election is not made timely, the original Director shall perform the duties as Director pursuant to laws, administrative regulations, departmental rules, the Hong Kong Listing Rules and the Articles of Association until a new Director is elected.

  A Director may serve concurrently as the general manager or other senior management, but the total number of Directors serving concurrently as the general manager or other senior management as well as employee representative Directors (if any) shall not be more than half of the Directors of the Company.

  Directors are not required to hold any Shares of the Company.

- Directors shall fulfill the following obligations of loyalty in accordance with laws, administrative regulations, departmental rules, the Hong Kong Listing Rules and the Articles of Association:

  (I) not abusing their powers to accept bribes or other unlawful income or misappropriating the Company's properties;

(II) not misappropriating the Company's capital;

(III) not depositing the Company's assets or capital into accounts under his/her own name or the name of other individuals;

(IV) not loaning the Company's funds to others or providing guarantees in favor of others supported by the Company's assets in violation of the Articles of Association or without approval of the general meeting or the Board;

(V) not entering into contracts or deals with the Company in violation of the Articles of Association or without approval of the general meeting;

(VI) not using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the Company or operating for their own benefits or managing on behalf of others businesses similar to that of the Company without approval of the general meeting;

(VII) not accepting and possessing commissions paid by another person for transactions conducted with the Company;

(VIII) no unauthorized divulgence of confidential information of the Company;

(IX) not using their associated relationships to harm the interests of the Company;

(X) other obligations of loyalty stipulated by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules and the Articles of Association.

Any income earned by Directors in violation of the Articles of Association shall belong to the Company; any loss caused to the Company shall be liable for compensation.

- Directors shall fulfill the following obligations of diligence in accordance with laws, administrative regulations, departmental rules, the Hong Kong Listing Rules and the Articles of Association:

(I) to exercise the rights conferred by the Company with due discretion, care and diligence to ensure that the business operations of the Company comply with the requirements of the laws, administrative regulations and various economic policies of the country and not exceed the business scope specified in the business license of the Company;

(II) to treat all Shareholders impartially;

(III) to keep informed of the operation and management conditions of the Company;

(IV) to sign a written confirmation for the securities offering documents and periodic reports of the Company, to ensure the truthfulness, accuracy and completeness of the information disclosed by the Company;

(V) to provide the Board of Supervisors with truthful information and not prevent the Board of Supervisors or Supervisors from exercising their duties and functions;

(VI) other obligations of diligence stipulated by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules and the Articles of Association.

- Directors who fail to attend two consecutive meetings of the Board of Directors either in person or entrust other Directors to do so shall be deemed incapable of performing their duty, and the Board shall make a proposal to the general meeting to replace such Directors.

- Directors may submit their resignation upon the expiry of their term. The resigning Directors shall submit a resignation report to the Board in writing.

  In the event that the resignation of a Director will result in the Board of the Company falling below the quorum, the original Directors shall perform their duties as Directors pursuant to laws, administrative regulations, departmental rules, the Hong Kong Listing Rules and the Articles of Association until a new Director assume his/her post.

  Save for the aforesaid circumstances, the Director's resignation takes effect upon delivery of his/her resignation report to the Board.

  On the premise of not violating relevant laws and regulations as well as regulatory rules in Hong Kong, any Director appointed to fill a casual vacancy or as an addition to the Board (as permitted by applicable laws and regulations) shall hold office only until the first general meeting after acceptance of the appointment and shall be eligible for re-election.

- When a Director's resignation takes effect or his/her term of service expires, the Director shall complete all transfer procedures with the Board. His/her obligation of loyalty towards the Company do not necessarily cease immediately after the end of his/her term of service. The obligation of confidentiality in respect of trade secrets of the

Company shall remain in effect after the end of his/her term of office, until such trade secrets become publicly available information. Other obligations may continue for such period as the principle of fairness may require, depending on the duration between the occurrence of the event concerned and the termination of tenure, and the circumstances and conditions under which the relationships between them and the Company have been terminated.

- No Director shall act in his/her own name on behalf of the Company or the Board, without the legal authorization provided in the Articles of Association or from the Board. Where the Director acts in his/her own name, but where a third party may reasonably assume such Director to act on behalf of the Company or the Board, such Director shall state his/her position and capacity in advance.

5.2 Independent Non-executive Directors

- The Company establishes an independent non-executive Director system. Independent non-executive Directors refer to Directors who do not assume other posts in the Company except directorship and have no relationship with the Company and its substantial Shareholders that may impede them from exercising independent judgment.

  Independent non-executive Directors shall serve a term of three years and be eligible for re-election, but in any case not exceeding a total of nine years unless otherwise provided in relevant laws, regulations and the listing rules of the stock exchange where the Shares of the Company are listed.

- Independent non-executive Directors have the following special powers in addition to the powers conferred on the Directors by the Company Law, other relevant laws and regulations, the listing rules of the stock exchange where the Shares of the Company are listed and the Articles of Association:

  (I) proposing to the Board with respect to the engagement or dismissal of accounting firms;

  (II) proposing to the Board with respect to the convening of extraordinary general meetings;

  (III) proposing the convening of Board meetings;

  (IV) with the consent of all independent non-executive Directors, independently engaging external auditing and consultancy firms with respect to the auditing and consulting of specific matters of the Company. The costs so incurred shall be borne by the Company.

Except for item (IV), to exercise the above-mentioned powers, independent non-executive Directors shall obtain consent from more than half of all independent non-executive Directors. In the event that the above proposal is not adopted or the above powers cannot be normally exercised, the Company shall disclose the relevant information.

5.3 Board of Directors

- The Company shall have a Board of Directors accountable to the general meeting.

- The Board comprises 7 Directors (including 3 independent non-executive Directors), all elected at the general meeting. The Board shall have one chairman, who shall be a Director of the Company and elected by more than half of the Directors of the Board.

- The Board of Directors shall exercise the following duties and functions:

  (I) to convene general meetings and report to the general meeting;

  (II) to implement resolutions of the general meeting;

  (III) to resolve on the Company's operational plans and investment plans;

  (IV) to prepare the annual financial budgets and final accounts of the Company;

  (V) to prepare the profit distribution and loss recovery plans of the Company;

  (VI) to formulate proposals for the Company in respect of increase or reduction of registered capital, issue of Shares, bonds or other securities and the listing thereof;

  (VII) to formulate plans for material acquisitions, purchase of Shares of the Company, or merger, division and dissolution of the Company as well as change of corporate form;

  (VIII) to decide on, within the authority granted by the general meeting, such matters as external investment, acquisition and disposal of assets, asset mortgage, external guarantee, entrusted financial management and connected transactions;

  (IX) to decide on the establishment of internal management organizations of the Company;

  (X) to appoint or dismiss the general manager and secretary to the Board of Directors of the Company based on the nominations by the chairman; to appoint or dismiss senior management officers

including deputy general manager and chief financial officer of the Company based on the nominations by general manager, and to determine their remuneration, rewards and punishments;

(XI) to propose and submit plans regarding the amounts of Directors' remuneration and payment methods;

(XII) to set up the basic management system of the Company;

(XIII) to formulate proposals for any amendment to the Articles of Association;

(XIV) to propose to the general meeting the appointment or replacement of accounting firms which provide audit services to the Company;

(XV) to listen to the work reports of general manager and other senior management and review their work;

(XVI) to consider guarantees other than those that require approval by the general meeting, subject to the consideration and approval by more than two-thirds of the attending Directors;

(XVII) to exercise other duties and functions as stipulated by laws, administrative regulations, department rules, the Hong Kong Listing Rules or the Articles of Association.

The Board of Directors may resolve on the above issues with approval by more than half of the Directors, save for the issues specified in items (VI), (VII) and (XIII), for which approval by more than two-thirds of the Directors is required.

- The Company's Board of Directors shall explain to the general meeting regarding the non-standard auditors' advice given by a certified accountant in respect of the financial report of the Company.

- The Board of Directors shall formulate the rules of procedure for meetings of the Board of Directors in compliance with laws, administrative regulations and requirements of the relevant competent authority, to ensure the implementation by the Board of Directors of the resolutions of the general meeting, higher efficiency and scientific decision-making.

- The Board of Directors shall determine the scope of authority in respect of external investment, acquisition or sale of assets, asset mortgage, external guarantees, entrusted financial management and connected transactions in accordance with the provisions of the stock exchange where the Company's Shares are listed, and establish strict examination and decision-making procedures.

- The Board of Directors shall not dispose of or agree to dispose of any fixed assets without approval by the general meeting, if the sum of the

expected value of the fixed assets to be disposed of and the value derived from the disposal of fixed assets within four months before such proposal exceeds 33% of the value of the fixed assets as shown on the latest audited balance sheet considered and approved by the general meeting.

The validity of the Company's transaction concerning fixed asset disposal shall not be affected by any breach of the foregoing provisions.

- The Board of Directors meets regularly at least four times every year (roughly on a quarterly basis) and such meetings shall be convened by the chairman. All Directors and Supervisors shall be informed in writing 14 days prior to the convening of the meeting. The responsible authority of the Company shall give the written notice of the meeting to all Directors and Supervisors by direct delivery, fax, speedpost or other electronic communication methods. For non-direct delivery, confirmation shall be made by telephone with records made accordingly.

- The Board meeting shall be held upon the attendance by more than half of Directors. Unless otherwise stipulated in the Articles of Association, a resolution of the Board shall be passed by more than half of all Directors. For external guarantees that shall be approved by the Board, a resolution of the Board of Directors shall be approved by more than two-thirds of Directors present at the meeting and passed by more than half of all Directors.

  Resolutions of the Board are voted by way of poll with each Director having one vote.

  Where there is a tie in votes cast for and against a resolution, the chairman of the Board of Directors shall have a casting vote.

- If any Director has connection with the enterprise involved in the resolution made at a Board meeting, the said Director shall not vote on the said resolution for himself/herself or on behalf of another Director. The Board meeting may be held when more than half of the non-connected Directors attend the meeting. The resolutions of the Board meeting shall be passed by more than half of the non-connected Directors. If the number of non-connected Directors attending the meetings is less than three, the issue shall be submitted to the general meeting for consideration.

  Save for the exceptions specified in the Hong Kong Listing Rules, in case a Director or his/her close associate (as defined in the Hong Kong Listing Rules applicable from time to time) is interested in a resolution of the Board meeting, that Director shall avoid attending the meeting and have no voting right. The Director will also be excluded in the calculation of quorum for the Board.

- Directors shall attend the meetings of the Board in person. Directors shall attend the Board meeting in a careful and responsible manner, and express clear opinions on the matters considered. Where a Director is unable to attend a meeting for any reason, he/she may, by a written power of attorney, appoint another Director to attend the meeting on his/her behalf. The power of attorney shall set out the name of the attorney, issues under authorization, scope of authorization and valid period, which will be signed or sealed with the chop by the appointing Director. A Director appointed as a proxy of another Director to attend the meeting shall exercise the rights of a Director within the scope of authority conferred by the appointing Director. Where a Director is unable to attend a meeting of the Board of Directors and has not appointed a proxy to attend the meeting on his/her behalf, he/she shall be deemed to have waived his/her right to vote at the meeting.

5.4 Secretary to the Board of Directors

- The Company has a secretary to the Board of Directors who shall be appointed or dismissed by the Board of Directors and serve as a senior management officer of the Company.

- The secretary to the Company's Board of Directors shall be a natural person with requisite professional knowledge and experience, and shall be appointed by the Board of Directors. The primary responsibilities are:

  (I) ensuring the Company has complete organization documents and records, keeping and managing the Shareholders' information and assisting to handle the daily affairs of the Board;

  (II) organizing and arranging for Board meetings and general meetings; preparing meeting materials, handling relevant meeting affairs; taking minutes of the meetings and ensuring their accuracy and completeness; keeping documents and minutes of meetings; taking the initiative to monitor the implementation of relevant resolutions; reporting to the Board important issues that occur during the implementation and giving relevant advice to the Board;

  (III) acting as the liaison officer of the Company with the securities regulatory authorities, responsible for organizing, preparing and timely submitting the documents required by the regulatory authorities, accepting and finishing any relevant assignment from the regulatory authorities;

  (IV) responsible for coordinating and organizing the Company's disclosure of information, establishing and implementing the

information disclosure system, participating in all of the Company's meetings involving the disclosure of information, and keeping informed of the Company's material operational decisions and related information in a timely manner;

(V) ensuring that the Company's registers of members are properly maintained, and that persons entitled to the Company's records and documents are furnished with such records and documents in time;

(VI) exercising other duties and functions as conferred by the Board, as well as those required by laws, regulations and the listing rules of the stock exchanges where the Company's Shares are listed.

6. GENERAL MANAGER AND OTHER SENIOR MANAGEMENT PERSONNEL

- The Company shall have one general manager.

  The general manager, deputy general manager, chief financial officer and secretary to the Board are the senior management personnel of the Company, all of whom shall be appointed or dismissed by the Board.

- The general manager shall be accountable to the Board and exercise the following functions and powers:

  (I) to take charge of the production operations and management of the Company, organize the implementation of the Board's resolutions, and report his/her work to the Board;

  (II) to organize the implementation of the Company's annual operational plans and investment plans;

  (III) to decide on the setup of the Company's internal management organs;

  (IV) to formulate the basic management system of the Company;

  (V) to formulate the specific rules and regulations of the Company;

  (VI) to propose to the Board the appointment or dismissal of the deputy general manager, chief financial officer and other senior management personnel of the Company;

  (VII) to appoint or dismiss management personnel, other than those required to be appointed or dismissed by the Board of Directors;

  (VIII) other functions and powers as granted by the Articles of Association and the Board.

The general manager shall perform his/her duties diligently and take charge of the daily operations and management of the Company. If the general manager is unable to perform his/her duties due to special circumstances, he/she shall designate a person to perform the duties of the general manager on his/her behalf; if the general manager cannot designate a person to perform the duties on his/her behalf, the Board shall designate one.

7. BOARD OF SUPERVISORS

7.1 Supervisors

- The Supervisors shall be shareholder representatives and employee representatives of the Company. The number of employee representative Supervisors shall be no less than one-third of all Supervisors.

- Directors, the general manager and other senior management personnel may not concurrently serve as Supervisors.

- Supervisors shall perform their supervisory duties faithfully in accordance with laws, administrative regulations and the Articles of Association, and bear fiduciary and diligent duties to the Company. Supervisors shall not abuse their powers to accept bribes or other illegal income or misappropriate the Company's property.

- The term of office of a Supervisor is three years. Upon expiration of the term of office, the Supervisors can be re-elected and re-appointed.

7.2 Board of Supervisors

- The Company shall have a Board of Supervisors. The Board of Supervisors shall consist of three Supervisors, including two shareholder representative Supervisors and one employee representative Supervisor.

  The Board of Supervisors shall have one chairman, whose appointment or dismissal shall be subject to the affirmative vote of at least two-thirds of the members of the Board of Supervisors. The chairman of the Board of Supervisors shall convene and preside over meetings of the Board of Supervisors. If the chairman of the Board of Supervisors cannot or does not perform his/her duties, a Supervisor jointly elected by more than half of the Supervisors shall convene and preside over the meeting.

  The shareholder representative Supervisor shall be elected at the general meeting, and the employee representative Supervisor shall be elected at the employee representative assembly of the Company.

- The Board of Supervisors shall be accountable to the general meeting and exercise the following functions and powers:

(I) to review and express its view in writing on corporate securities issuance documents and periodic reports prepared by the Board, with signatures of the Supervisors to be affixed on such written confirmations;

(II) to examine the Company's finance;

(III) to supervise the Directors and senior management personnel in the performance of their duties, and to propose the removal of the Directors and senior management personnel that violate laws, administrative regulations, the Articles of Association or resolutions of the general meeting;

(IV) to require rectification by Directors and senior management personnel if their acts are detrimental to the Company's interests;

(V) to have the right to be informed of matters within the terms of reference of the Board of Supervisors as stipulated by laws, administrative regulations and the Articles of Association of the Company;

(VI) to propose the convening of an extraordinary general meeting, and to convene and preside over a general meeting in the event of the Board failing to perform such duties as stipulated in the Company Law;

(VII) to submit proposals to the general meeting;

(VIII) to be present at the Board meetings;

(IX) to initiate legal proceedings against the Directors and senior management personnel in accordance with Article 151 of the Company Law;

(X) to propose to convene an interim Board meeting;

(XI) to review the financial information such as financial reports and profit distribution plans to be submitted by the Board to the general meeting and, to investigate and, if necessary, to engage professional organizations, such as accounting firms and law firms, to assist its work if queries arise or it discovers any irregularities in the Company's operations. The expenses thereof shall be borne by the Company;

(XII) such other functions and powers as granted by the Articles of Association or the general meeting.

Supervisors shall be present at the Board meetings.

8. QUALIFICATIONS AND OBLIGATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT PERSONNEL

Qualifications of Directors, Supervisors and Senior Management Personnel

- A person shall be disqualified for being a Director, Supervisor, general manager or other senior management personnel of the Company in any of the following circumstances:

  (I) persons without capacity or with limited capacity for civil acts;

  (II) persons who were convicted and sentenced to penalty for corruption, bribery, encroachment or embezzlement of property or disruption of social or economic order, or persons who were deprived of political rights for committing a crime, and in each case, where five years have not lapsed following the serving of the penalty;

  (III) directors, factory heads or managers who bear individual responsibility for the bankruptcy of their companies or enterprises dissolved or put into liquidation as a result of mismanagement, where three years have not lapsed following the date of completion of such bankruptcy or liquidation;

  (IV) the legal representatives of companies or enterprises that had their business licenses revoked for violation of law, where such representatives bear individual responsibility and three years have not lapsed following the date of revocation of such business licenses;

  (V) persons with relatively significant individual debts that have not been settled upon maturity;

  (VI) persons whose cases have been established for investigation by judicial authorities due to violation of the criminal law, and such cases have not been closed;

  (VII) persons who may not serve as chief executives of enterprises by virtue of laws or administrative regulations;

  (VIII) artificial persons;

  (IX) persons adjudged by relevant competent authorities to have violated securities-related regulations, where such violation involves fraudulent or dishonest acts and five years have not lapsed following the date of the ruling;

  (X) persons prohibited from participating in the securities market by the CSRC, and such barring period has not lapsed;

(XI) other circumstances specified by the relevant laws and regulations of the place where the Company's Shares are listed.

- The validity of an act of a Director, general manager and other senior management personnel on behalf of the Company for a bona fide third person is not affected by any irregularity in his/her office, election or any defect in his/her qualification.

Disclosure of Interests in Contracts, Transactions or Arrangements with the Company

- Where a Director, Supervisor, general manager and other senior management personnel of the Company is, directly or indirectly, materially interested in a contract, transaction or arrangement entered into or proposed to be entered into with the Company (other than an employment contract of each Director, Supervisor, general manager and other senior management personnel with the Company), he/she shall declare the nature and extent of his/her interests to the Board at the earliest opportunity, whether or not the relevant issues shall be otherwise subject to approval of the Board.

  Excluding such exceptions stipulated by the securities listing rules, no Directors shall vote on any contract, transaction or arrangement or any other relevant proposal in which they or any of their close associates (as defined in the applicable securities listing rules effective from time to time) have material interests. When determining whether a quorum for the meeting is attained, relevant Directors shall not be counted in.

  Unless the interested Director, Supervisor, general manager and other senior management personnel of the Company so interested have made a disclosure of his/her interests to the Board as required in the preceding paragraph of this Article and the Board has approved the same at a meeting where such persons have not been counted in the quorum nor have voted, the Company has the power to revoke such contract, transaction or arrangement except where the other party is a bona fide third party without knowledge of the breach of the obligations of such Director, Supervisor, manager and other senior management personnel.

  Each Director, Supervisor, general manager and other senior management personnel of the Company shall be deemed to be interested in a contract, transaction or arrangement in which any associate of the Director, Supervisor, general manager and other senior management personnel is interested.

Loans or Loan Guarantees to Directors, Supervisors and Senior Management Personnel

- The Company shall not, directly or indirectly, provide loans or any loan guarantees to the Directors, Supervisors, general manager and other senior management personnel of the Company or of its parent, or provide loans or any loan guarantees to any associate(s) of the above-mentioned persons.

The provisions of the preceding paragraph shall not be applicable to the following circumstances:

(I) the provision by the Company of a loan or a loan guarantee to its subsidiary;

(II) the provision by the Company of a loan, a loan guarantee or any other funds to the Directors, Supervisors, general manager and other senior management personnel of the Company to pay the expenditures incurred by him/her for the purposes of the Company or for enabling him/her to properly perform his/her duties, in accordance with the terms of an employment contract approved at a general meeting;

(III) the Company may provide a loan or a loan guarantee to any of the relevant Directors, Supervisors, general manager and other senior management personnel and their respective associates within the normal scope of its business and on normal commercial terms, provided that such scope includes the provision of loans or loan guarantees.

- A loan made by the Company in breach of the preceding Article shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

- A loan guarantee provided by the Company in breach of the foregoing provisions of the Articles of Association shall not be enforceable against the Company, unless:

(I) at the time the loan was provided to an associate of any of the Directors, Supervisors, general manager and other senior management personnel of the Company or of its parent, the lender was not aware of the relevant circumstances;

(II) the collateral provided by the Company was lawfully disposed of by the lender to a good will purchaser.

Duties of Directors, Supervisors and Senior Management Personnel

- In addition to various rights and remedies provided by laws and administrative regulations, where a Director, Supervisor, general manager and other senior management personnel of the Company breaches his/her duties to the Company, the Company shall have the right to:

(I) claim damages from the Director, Supervisor, general manager and other senior management personnel in compensation for the losses sustained by the Company as a result of such breach;

(II) rescind any contract or transaction which has been entered into between the Company and such Director, Supervisor, managers and other senior

management or between the Company and a third party (where such third party knows or should have known that such Director, Supervisor, general manager or other senior management representing the Company has breached his/her duties to the Company);

(III) demand an account of the profits made by the Director, Supervisor, general manager and other senior management personnel in breach of his/her obligations;

(IV) recover any monies received by the Director, Supervisor, general manager and other senior management personnel which should otherwise have been received by the Company, including but not limited to commissions;

(V) request such Director, Supervisor, general manager and other senior management personnel to return the interests accrued or may be accrued on the monies which otherwise should have been paid to the Company;

(VI) to request for adjudication through legal proceedings that the property acquired by Directors, Supervisors, general manager and other senior management personnel through their breach of duties shall belong to the Company.

- In addition to the obligations imposed by laws and administrative regulations or required by the Hong Kong Listing Rules, the Directors, Supervisors, general manager and other senior management personnel of the Company shall, in the exercise of their functions and powers entrusted by the Company, bear the following duties towards each Shareholder:

  (I) not to cause the Company to exceed the scope of business stipulated in its business license;

  (II) to act in good faith and in the best interests of the Company;

  (III) not to expropriate the Company's property in any way, including but not limited to opportunities beneficial to the Company;

  (IV) not to expropriate the individual rights of Shareholders, including but not limited to the rights of distribution and voting, save pursuant to a restructuring of the Company submitted to the general meeting for approval in accordance with the Articles of Association.

- The Directors, Supervisors, general manager, and other senior management personnel of the Company shall, in exercising their powers and discharging their duties, exercise care, diligence and skills that a reasonably prudent person would exercise in similar circumstances.

- The Directors, Supervisors, general manager and other senior management personnel of the Company shall exercise their powers or perform their duties

in the principle of good faith, and shall not put themselves in a position of possible conflict between their interests and duties. This principle includes (but is not limited to) the performance of the following obligations:

(I) to act in good faith and in the best interests of the Company;

(II) to exercise powers within the scope of powers and not to exceed the authorizations;

(III) to exercise the discretion vested in him/her personally and not to allow himself/herself to act under the control of another person and, unless and to the extent permitted by laws and administrative regulations or with the informed consent of Shareholders at a general meeting, without delegating the exercise of his/her discretion;

(IV) to treat Shareholders of the same class equally and to treat Shareholders of different classes fairly;

(V) except otherwise stipulated by the Articles of Association or otherwise consented by Shareholders on an informed basis at a general meeting, not to enter into any contract, transaction or arrangement with the Company;

(VI) without the informed consent of Shareholders at a general meeting, not to use the Company's property for his/her own benefits;

(VII) not to exploit his/her position to accept bribes or other illegal income or expropriate the Company's property by any means, including but not limited to opportunities beneficial to the Company;

(VIII) without the informed consent of Shareholders at a general meeting, not to accept commissions in connection with any of the Company's transactions;

(IX) to abide by the Articles of Association, perform his/her duties faithfully and protect the Company's interests, and not to exploit his/her position and power in the Company to advance his/her own personal benefits;

(X) not to compete with the Company in any way unless with the informed consent of Shareholders at a general meeting;

(XI) not to misappropriate the Company's funds or lend such funds to others, not to open accounts in his/her own name or in the names of others for the deposit of the Company's assets, and not to provide a guarantee for the debts of a Shareholder of the Company or other individual(s) with the Company's assets;

(XII) unless otherwise permitted on an informed basis at a general meeting, to keep information acquired by him/her in confidentiality in the

course of his/her tenure and not to use the information other than in furthering the interests of the Company, save and except that disclosure of such information to the court or other competent government authorities is permitted if such disclosure is made:

1. by operation of law;

2. for public interests;

3. for the interests of the Director, Supervisor, general manager and other senior management personnel.

Any gains arising from the breach of this Article by the personnel mentioned in this Article shall belong to the Company. Such personnel shall be liable for compensation for any loss of the Company arising therefrom.

- The Directors, Supervisors, general manager and other senior management personnel of the Company shall not cause the following persons or institutions (the "**Associates**") to do what they are prohibited from doing:

  (I) the spouse or minor children of the Company's Directors, Supervisors, general manager and other senior management personnel;

  (II) a person acting in the capacity of a trustee of the Company's Directors, Supervisors, general manager and other senior management personnel or any person referred to in item (I) of this Article;

  (III) a person acting in the capacity of a partner of the Company's Directors, Supervisors, general manager and other senior management personnel or any person referred to in items (I) and (II) of this Article;

  (IV) a company in which the Company's Director(s), Supervisor(s), general manager and other senior management personnel, individually or jointly with the personnel referred to in items (I), (II) and (III) of this Article or other Directors, Supervisors, general manager and other senior management personnel of the Company having de facto joint control;

  (V) the Directors, Supervisors, general manager and other senior management personnel of the controlled entities referred to in item (IV) of this Article.

  Except as provided in the Articles of Associations, the Directors, Supervisors, general manager and any other senior management personnel of the Company may be relieved of liability for specific breaches of his/her duties with the informed consent of Shareholders at a general meeting.

Remuneration of Directors and Supervisors

- The Company shall enter into a written contract with the Directors and Supervisors of the Company in respect of remuneration. Such contract shall be approved by the general meeting. The abovementioned remuneration shall include:

  (I) remuneration for serving as a Director, Supervisor or a member of senior management of the Company;

  (II) remuneration for serving as a director, supervisor or a member of senior management of a subsidiary of the Company;

  (III) remuneration for provision of other services for management of the Company and its subsidiaries;

  (IV) compensation for loss of office or retirement of such Director or Supervisor.

  Except pursuant to the aforementioned contract, a Director or Supervisor may not take legal actions against the Company for any benefits payable to him/her in respect of the aforesaid matters.

9. FINANCIAL ACCOUNTING SYSTEM, DISTRIBUTION OF PROFITS AND AUDITING

9.1 Financial Accounting System

Financial Accounting System

- The Company shall establish its financial accounting system in accordance with the provisions of laws, administrative regulations and relevant departments of the state.

- The Company's financial reports shall be made available for Shareholders' inspection at the Company 20 days before the date of annual general meetings. Each Shareholder of the Company shall be entitled to obtain a copy of the financial reports referred to in this Article.

  Unless otherwise specified in the Articles of Association, the Company shall deliver, by personal delivery or prepaid post, the abovementioned reports or the report of Directors, together with the balance sheet (including every document to be attached to the balance sheet as required by laws) and profit statement or the statement of income and expenditure (if applicable), to each Shareholder of H Shares at the address as registered in the register of members at least 21 days before such annual general meeting; subject to the compliance with laws,

administrative regulations and the listing rules of the place where the Shares of the Company are listed, the Company can proceed by way of announcements, including announcement via the Company's website. Upon announcement and after implementation of the procedures required by the listing rules of Hong Kong, the abovementioned financial reports shall be deemed to have been served to all Shareholders.

- The financial statements of the Company shall, in addition to being prepared in accordance with the PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or the accounting standards of the overseas place where the Shares of the Company are listed. If there is any material difference between the financial statements prepared in accordance with the two accounting standards, such difference shall be stated in the notes to the financial statements. When the Company is to distribute its after-tax profits for relevant accounting years, the lower of the after-tax profits as shown in the aforesaid two financial statements shall be adopted.

- Any interim results or financial information published or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations, and also in accordance with either international accounting standards or the accounting standards of the overseas place where the Shares of the Company are listed.

- The Company shall disclose two financial reports in each accounting year, i.e., its interim financial reports within 60 days after the end of the first six months of an accounting year and its annual financial reports within 120 days after the end of the accounting year.

  Other regulations of the securities regulatory authorities of Hong Kong shall prevail.

- The Company shall not establish account books other than the statutory account books. The assets of the Company shall not be deposited in any personal account.

Distribution of Profits

- When distributing profits after taxation of the year, the Company shall set aside 10% of its profits for the Company's statutory common reserve fund until the fund has reached more than 50% of the Company's registered capital.

  When the Company's statutory common reserve fund is not sufficient to make up for the Company's losses for the previous years, the profits of the current year shall first be used to cover the losses before any

allocation is set aside for the statutory common reserve fund pursuant to the preceding provision.

After making allocations to the statutory common reserve fund from its profits after taxation, the Company may, upon passing a resolution at a general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund.

After the Company covers its losses and makes allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the Articles of Association.

Profits distributed to Shareholders by a general meeting before losses are covered and allocations are made to the statutory common reserve fund in violation of the preceding requirements must be returned to the Company.

The Company shall not distribute any profits in respect of the Shares held by it.

- The Company's common reserve fund shall be applied to cover the losses of the Company, expand its business operations or be converted to increase the capital of the Company. However, the capital reserve fund shall not be used to cover the Company's losses.

  Upon the conversion of statutory common reserve fund into capital, the balance of the common reserve fund shall not be less than 25% of the registered capital of the Company before such conversion.

- After the resolution on the profit distribution plan has been adopted at the general meeting of the Company, the Board of Directors of the Company shall complete the distribution of dividends (or Shares) within two months from the convening of the general meeting.

9.2 Internal Audit

- The Company shall implement an internal audit system and assign full-time auditing staff to conduct internal audit and supervision on the incomes and expenditures and economic activities of the Company.

- The internal audit system and the duties of the auditing staff of the Company shall come into effect upon approval by the Board of Directors. The person in charge of audit shall be responsible to and report to the Board of Directors.

9.3 Engagement of Accounting Firm

- The Company shall engage an accounting firm which is qualified under the provisions of the Securities Law to audit accounting statements, verify net assets and provide other relevant consultation services. The term of such engagement is one year, commencing from the conclusion of the current annual general meeting of the Company until the conclusion of the next annual general meeting. The engagement may be renewed.

- The engagement of an accounting firm by the Company shall be determined at the general meeting, and the Board of Directors shall not engage an accounting firm before any decision is made at the general meeting.

- Notwithstanding any terms stipulated in the contract between the accounting firm and the Company, the general meeting may, by way of an ordinary resolution, resolve to remove such accounting firm before the expiration of its term of office, without prejudice to the rights of the firm to claim for damages in respect of such removal.

- The decision on engaging, removing or not renewing the engagement of an accounting firm shall be made by the general meeting and filed with the CSRC.

  A 30-day prior notice shall be given to the accounting firm if the Company decides to remove such accounting firm or not to renew the engagement thereof. The accounting firm shall be entitled to make representations when the voting on a resolution regarding the removal of the accounting firm is conducted at the general meeting of the Company.

10. NOTICE AND ANNOUNCEMENT

- A notice of the Company shall be sent by:

  (I) hand;

  (II) mail;

  (III) announcement;

  (IV) fax;

  (V) email;

  (VI) publishing on the Company's website or the websites designated by the stock exchange subject to laws, administrative regulations and the Hong Kong Listing Rules;

  (VII) other means agreed between the Company and the recipient of the notice in advance or accepted by the recipient of the notice after receiving such notice;

  (VIII) other means recognized by relevant regulatory authorities of the place where the Shares of the Company are listed or provided in the Articles of Association.

- If a notice of meeting is accidentally omitted to be sent to a person who is entitled to receive the notice or if such person has not received the notice of meeting, the meeting and any resolutions made therein shall not become void thereby.

11. MERGER, DIVISION, INCREASE AND REDUCTION OF CAPITAL, DISSOLUTION AND LIQUIDATION

11.1 Merger, Division, Increase and Reduction of Capital

- In the event of a merger, the merging parties shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date of the Company's merger resolution and shall publish an announcement on the information disclosure media designated by the Company within 30 days from the date of such resolution. The creditors may, within 30 days after receiving such notice or, for those who do not receive the notice, within 45 days from the date of the announcement, demand the Company to settle their debts or provide corresponding guarantees for such debts.

- When the Company is divided, its assets shall be split up accordingly.

  In the event of a division, the Company shall prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date of the Company's resolution on division, and shall publish an announcement on the information disclosure media designated by the Company within 30 days from the date of such resolution.

- Where the Company is required to reduce its registered capital, it shall prepare a balance sheet and an inventory of assets.

  The Company shall notify its creditors within 10 days from the date of the Company's resolution on reduction of registered capital and shall publish an announcement on the information disclosure media designated by the Company within 30 days from the date of such resolution. The creditors may, within 30 days after receiving such notice or, for those who do not receive the notice, within 45 days from the date of the announcement, demand the Company to settle their debts or provide corresponding guarantees for such debts.

  The registered capital of the Company after reduction shall not be less than the statutory minimum amount.

11.2 Dissolution and Liquidation

- The Company shall be dissolved for the following reasons:

  (I) a resolution on dissolution is passed at a general meeting;

  (II) dissolution as a result of a merger or division of the Company;

  (III) the Company's business license is revoked or the Company is ordered to close down or deregistered according to law;

  (IV) where the Company encounters major difficulties in its operation and management and its continuation may cause substantial loss to the interests of Shareholders, and no solution can be found through any other channel, Shareholders holding more than 10% of the voting rights of all Shareholders of the Company may request the People's Court to dissolve the Company;

  (V) other events of dissolution specified in laws, regulations and the Articles of Association have occurred;

- Where the Company is dissolved in accordance with the preceding items (I), (II), (IV) or (V), a liquidation committee shall be established to

commence liquidation within fifteen days from the date of occurrence of dissolution events. The members of the liquidation committee shall be determined by the Directors or the general meeting. In case no liquidation committee is established within the specified period to commence liquidation, creditors may apply to the People's Court to designate relevant persons to form a liquidation committee and commence liquidation.

- If the Board of Directors decides that the Company shall be liquidated (except for such liquidation as a result of the Company's declaration of bankruptcy), the notice of the general meeting convened for such purpose shall include a statement that the Board of Directors has made full inquiry into the conditions of the Company and is of the opinion that the Company can settle all its debts within 12 months after the liquidation has commenced.

  Upon the passing of the resolution to liquidate the Company at the general meeting, the functions and powers of the Board of Directors of the Company shall cease immediately.

  The liquidation committee shall take instructions from the general meeting and report to the general meeting on the liquidation committee's income and expenditure, the business of the Company and the progress of the liquidation at least once per year. The committee shall also make a final report to the general meeting upon the completion of such liquidation.

- The liquidation committee shall exercise the following functions and powers during the period of liquidation:

  (I) sorting out the property of the Company, and preparing a balance sheet and an inventory of assets separately;

  (II) serving notices or making announcements to creditors;

  (III) processing the unfinished businesses of the Company related to the liquidation;

  (IV) clearing off the outstanding taxes and the taxes incurred in the course of liquidation;

  (V) clearing off credits and debts;

  (VI) disposing of the residual property of the Company after settling debts;

  (VII) participating in the civil litigation on behalf of the Company.

- The liquidation committee shall, within 10 days of its establishment, notify the creditors, and shall, within 60 days of its establishment, make

an announcement on the information disclosure media designated by the Company. The creditors shall, within 30 days of the receipt of the notice or, for those who do not receive the notice, within 45 days from the date of the announcement, file their creditors' rights with the liquidation committee.

Creditors who file their creditors' rights shall explain about the matters related to creditors' rights and provide supporting materials. The liquidation committee shall register the creditors' rights.

The liquidation committee may not clear off any of the debts of any creditors during the period of filing creditors' rights.

- After the liquidation committee has sorted out the property of the Company and prepared the balance sheets and inventories of assets, it shall prepare a plan of liquidation and submit it to the general meeting or the People's Court for confirmation.

  After settling the liquidation expenses, wages of employees, social insurance premiums and statutory compensation, the outstanding taxes and the debts of the Company, the residual property of the Company shall be distributed in proportion to shareholding of the Shareholders.

  During the period of liquidation, the Company continues to exist but may not carry out any business operation unrelated to the liquidation. Before the settlement of repayments as provided in the preceding paragraphs, the Company's property shall not be distributed to Shareholders.

- Should the liquidation committee find that the property of the Company are insufficient for clearing off the debts after sorting out such property and preparing the balance sheets and inventories of assets, it shall apply to the People's Court to declare the Company's bankruptcy pursuant to laws.

  Once the People's Court declares the bankruptcy of the Company, the liquidation committee shall hand over the liquidation matters to the People's Court.

- Following the completion of the liquidation of the Company, the liquidation committee shall prepare a liquidation report, an income and expenditure statement and financial accounts in respect of the liquidation period and, after verification thereof by a certified public accountant in China, such committee shall submit the same to the general meeting or relevant competent authorities for confirmation. Within 30 days from the date of the said confirmation made by the general meeting or relevant competent authorities, the Company shall submit the same to the company registration authority to apply for deregistration of the Company and announce its termination.

12. AMENDMENT TO ARTICLES OF ASSOCIATION

- Under any of the following circumstances, the Company shall amend the Articles of Association:

  (I) after amendment has been made to the Company Law or relevant laws or administrative regulations, the provisions of the Articles of Association will conflict with the amended laws or administrative regulations;

  (II) the changes that the Company has undergone are not in consistency with the records made in the Articles of Association;

  (III) the general meeting decides that the Article of Association should be amended.

- Where amendments to the Articles of Association passed by resolutions at the general meeting require examination and approval by competent authorities, such amendments shall be submitted for approval by the original competent approval authorities. Should the items registered by the Company are involved, such changes shall be registered according to law.

- The Board of Directors shall amend the Articles of Association according to the resolutions of the general meeting and the review opinions of the relevant competent authority.

- Any amendment to the Articles of Association that involves information to be disclosed as required by laws and regulations shall be announced to the public as required.

13. SETTLEMENT OF DISPUTES

- The Company shall comply with the following rules in settling disputes:

  (I) in the event of any disputes or claims concerning the affairs of the Company based on the rights and obligations provided in the Articles of Association, the Company Law and other relevant laws and administrative regulations between a holder of overseas listed Shares and the Company, between a holder of overseas listed Shares and a Director, Supervisor or senior management personnel of the Company, and between a holder of overseas listed Shares and a holder of domestic Shares, the parties concerned shall resolve such disputes and claims through arbitration.

Where the aforesaid dispute or claim is submitted for arbitration, the entire claim or dispute shall be resolved through arbitration; all persons who have a cause of action based on the same facts that give rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim shall accept the arbitration award if they are the Company or its Shareholders, Directors, Supervisors or senior management personnel.

Disputes related to the definition of Shareholders and Shareholders' register may be settled by methods other than arbitration.

(II) the party seeking arbitration may opt for arbitration either by the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or by the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once the party seeking arbitration submits a dispute or claim to arbitration, the other party must proceed with such arbitration at the arbitral institution selected by the party seeking the arbitration.

If the party seeking arbitration opts for arbitration at the Hong Kong International Arbitration Centre, then either party may apply to have such arbitration conducted in Shenzhen according to the securities arbitration rules of the Hong Kong International Arbitration Centre.

(III) if any disputes or claims are settled by way of arbitration in accordance with item (I) of this Article, the laws of the People's Republic of China shall apply, save as otherwise provided in laws and regulations.

(IV) the award of the arbitral institution is final and shall be binding on the parties thereto.

Our Company was established as a limited liability company in the PRC on December 24, 2015 and was converted into a joint stock limited company on April 30, 2021 under the laws of the PRC. As of the Latest Practicable Date, the registered share capital of our Company was RMB1,011,886,959.

Our Company has established a place of business in Hong Kong at 5/F Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance. Ms. Lee, one of our joint company secretaries, has been appointed as our agent for the acceptance of service of process in Hong Kong whose correspondence address is the same as our place of business in Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in "Appendix V — Summary of Articles of Association". A summary of certain relevant aspects of the laws and regulations of the PRC is set out in "Appendix IV — Summary of Principal Legal and Regulatory Provisions".

Changes in Share Capital

On December 24, 2015, our Company was incorporated with a registered capital of RMB100,000,000.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this Prospectus:

In January 2021, pursuant to a capital increase agreement with the Pre-IPO Investors, the terms of which are summarized in the paragraph headed "History, Development and Corporate Structure — Establishment and Development of Our Company — (5) Series B Financing", the total registered capital of our Company increased from RMB580,713,558 to RMB788,802,584.

In August 2021, pursuant to a capital increase agreement with the Pre-IPO Investors, the terms of which are summarized in the paragraph headed "History, Development and Corporate Structure — Establishment and Development of Our Company — (8) Series C Financing", the total registered capital of our Company increased from RMB788,802,584 to RMB954,652,912.

In November 2021, pursuant to a capital increase agreement with the Pre-IPO Investors, the terms of which are summarized in the paragraph headed "History, Development and Corporate Structure — Establishment and Development of Our Company — (8) Series C Financing", the total registered capital of our Company increased from RMB954,652,912 to RMB1,011,886,959.

For more details, see "History, Development and Corporate Structure — Establishment and Development of Our Company". Save as aforesaid, as of the Latest Practicable Date, there had been no alterations of our share capital within the two years preceding the date of publication of this prospectus.

Corporate Reorganization

Our Company has not gone through any corporate reorganization. For details of the history and development of our Company, see the section headed "History, Development and Corporate Structure" in this prospectus.

Resolutions of our Shareholders

Pursuant to general meetings held on December 20, 2021 and January 26, 2022, among other things, our Shareholders resolved that:

(a) the issuance by our Company of the H Shares of nominal value of RMB1.00 each and such H Shares being listed on the main board of Hong Kong Stock Exchange;

(b) the number of H Shares to be issued shall not be more than 20% of the total issued share capital of our Company as enlarged by the Global Offering before the exercise of the Over-allotment Option, and the grant to the underwriters (or their representatives) of the Over-allotment Option of not more than 15% of the number of H Shares issued pursuant to the Global Offering;

(c) subject to the completion of the Global Offering, the adoption of the Articles of Association which shall become effective on the Listing Date, and authorization to the Board to amend the Articles of Association for the purpose of the Company's Listing; and

(d) authorization of the Board to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares.

Changes in Share Capital of our Subsidiary

Our subsidiary as of the Latest Practicable Date was set out in "Appendix I — Accountant's Report — Note 11 History, Development and Corporate Structure — Our Subsidiary".

The following sets forth the changes in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this prospectus:

On August 18, 2020, the registered capital of Leapmotor Automobile Co., Ltd. (零跑汽車有限公司) increased from RMB800,000,000 to RMB908,000,000.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this Prospectus that are or may be material:

1. the capital increase agreement dated January 10, 2021 entered into among Zhejiang Dahua Technology Co., Ltd. (浙江大華技術股份有限公司) ("**Dahua Technology**"), Fu Liquan (傅利泉), Zhu Jiangming (朱江明), Hangzhou Junyi Venture Capital Partnership (Limited Partnership) (杭州君溢創業投資合夥企業(有限合夥)) ("**Hangzhou Junyi**"), Wenzhou Qiangpao Equity Investment Partnership (Limited Partnership) (溫州強跑股權投資合夥企業(有限合夥)) ("**Wenzhou Qiangpao**"), Jing Hua (敬華), Xu Wei (許煒), Zhejiang Mituo Investment Co., Ltd. (浙江米拓投資有限公司) ("**Zhejiang Mituo**"), Hangzhou Yisheng Investment L.P. (杭州易盛投資合夥企業(有限合夥)) ("**Hangzhou Yisheng**"), Hangzhou Jingbo Equity Investment L.P. (杭州景博股權投資合夥企業(有限合夥)) ("**Hangzhou Jingbo**"), Ningbo Jinghang Equity Investment Partnership (Limited Partnership) (寧波景航股權投資合夥企業(有限合夥)) (currently renamed as Ningbo Jinghang Enterprise Management L.P. (寧波景航企業管理合夥企業(有限合夥)) ("**Ningbo Jinghang**"), Ningbo Huayang Investment Management Partnership (L.P.) (寧波華暘投資管理合夥企業(有限合夥)) (currently renamed as Ningbo Huayang Venture Capital L.P. (寧波華暘創業投資合夥企業(有限合夥)) ("**Ningbo Huayang**"), Wanzai Mingzhao Consulting Service Center L.P. (萬載明昭諮詢服務中心(有限合夥)) ("**Wanzai Mingzhao**"), Geng Yongping (耿永平), Ningbo Meishan Free Trade Zone Sequoia Zhisheng Capital Investment L.P. (寧波梅山保稅港區紅杉智盛股權投資合夥企業(有限合夥)) ("**Sequoia Zhisheng**"), Ningbo Gulin Equity Investment L.P. (寧波顧麟股權投資合夥企業(有限合夥)) ("**Ningbo Gulin**"), Huzhou Yipu Enterprise Management L.P. (湖州易璞企業管理合夥企業(有限合夥)) (currently renamed as Hangzhou Yipu Enterprise Management L.P. (杭州易璞企業管理合夥企業(有限合夥)) ("**Yipu Enterprise**"), Hangzhou Yueyou Canal Industrial Investment Partnership (Limited Partnership) (杭州岳佑運河產業投資合夥企業(有限合夥)) ("**Hangzhou Yueyou**"), Hangzhou Qianyun Yongzhen Investment L.P (杭州錢運湧臻投資合夥企業(有限合夥)) ("**Qianyun Yongzhen**"), Ma Tingqi (馬婷琪), Gao Dong (高冬), Chen Jinxia (陳金霞), Shanghai Electric Hongkong Co. Ltd. (上海電氣香港有限公司) ("**Shanghai Electric HK**"), Industrial Securities Investment Management Limited (興證投資管理有限公司) ("**Industrial Securities Investment**"), Everfront Phoenix Mountain Ltd. ("**Everfront Phoenix**"), Ningbo Sequoia Jiesheng Equity Investment L.P. (寧波紅杉捷盛股權投資合夥企業(有限合夥)) ("**Sequoia Jiesheng**"), Ningbo Hualing Investment Management Partnership (Limited Partnership) (寧波華淩投資管理合夥企業(有限合夥)) (currently renamed as Ningbo Hualing Venture Capital Partnership (Limited Partnership) (寧波華綾創業投資合夥企業(有限合夥)) ("**Ningbo Hualing**"), Hangzhou Xintu Technology Co., Ltd. (杭州芯圖科技有限公司) ("**Hangzhou Xintu**"), Jinhua Yuxuan Smart IoT New Energy Industry Partnership (Limited Partnership) (金

華輿軒智慧物聯新能源產業合夥企業(有限合夥)) ("**Jinhua Yuxuan**"), Shanghai Xiangheyongyuan Equity Investment L.P. (上海祥禾湧原股權投資合夥企業(有限合夥)) ("**Shanghai Xianghe**"), Changsha Nuofeng Private Equity Fund L.P. (長沙諾豐私募股權基金合夥企業(有限合夥)) ("**Changsha Nuofeng**"), Hangzhou Fanlian Technology Co., Ltd. (杭州泛鏈科技有限公司) ("**Hangzhou Fanlian**"), Huzhou Heninghai Equity Investment L.P. (湖州和凝海股權投資合夥企業(有限合夥)) ("**Huzhou Heninghai**"), Zhang Wenjun (張文軍), Hangzhou Qianyao Investment L.P. (杭州乾曜投資合夥企業(有限合夥)) ("**Hangzhou Qianyao**"), Hefei Xuanyizhihui New Energy Industry Investment Fund L.P. (合肥軒一智匯新動力產業投資基金合夥企業(有限合夥)) ("**Hefei Xuanyi**"), Zhoushan Haohai Venture Capital L.P. (舟山灝海創業投資合夥企業(有限合夥)) ("**Zhoushan Haohai**") and Hangzhou Hanzhi Investment L.P. (杭州漢智投資合夥企業(有限合夥)) ("**Hangzhou Hanzhi**") (collectively, the "**Parties to the Series B-1 Financing Agreements**") and Zhejiang Leapmotor Technology Co., Ltd. (浙江零跑科技有限公司) (the predecessor of our Company), to increase the registered capital of our Company;

2. the shareholders' agreement dated January 10, 2021 entered into among the Parties to the Series B-1 Financing Agreements and Zhejiang Leapmotor Technology Co., Ltd. (浙江零跑科技有限公司) (the predecessor of our Company), pursuant to which shareholders' rights were agreed among the aforementioned parties;

3. the capital increase agreement dated January 25, 2021 entered into among Dahua Technology, Fu Liquan (傅利泉), Zhu Jiangming (朱江明), Hangzhou Junyi, Wenzhou Qiangpao, Jing Hua (敬華), Xu Wei (許煒), Zhejiang Mituo, Hangzhou Yisheng, Hangzhou Jingbo, Ningbo Jinghang, Ningbo Huayang, Wanzai Mingzhao, Geng Yongping (耿永平), Sequoia Zhiseng, Ningbo Gulin, Yipu Enterprise, Hangzhou Yueyou, Qianyun Yongzhen, Ma Tingqi (馬婷琪), Gao Dong (高冬), Chen Jinxia (陳金霞), Shanghai Electric HK, Industrial Securities Investment, Everfront Phoenix, Sequoia Jiesheng, Ningbo Hualing, Hangzhou Xintu, Jinhua Yuxuan, Shanghai Xianghe, Changsha Nuofeng, Ningbo Meishan Free Trade Port Zone Xingmao Investment Management L.P. (寧波梅山保稅港區星茂投資管理合夥企業(有限合夥)) ("**Xingmao Investment**"), Huzhou Heninghai, Zhang Wenjun (張文軍), Hangzhou Qianyao, Hefei Xuanyi, Zhoushan Haohai, Hangzhou Hanzhi, Huzhou Jingxin Equity Investment Partnership (Limited Partnership) (湖州景鑫股權投資合夥企業(有限合夥)) ("**Huzhou Jingxin**"), Central Enterprises Poor Regions Industry Investment Fund Co., Ltd. (中央企業貧困地區產業投資基金股份有限公司) (currently renamed as Central Enterprise Rural Industry Investment Fund Co., Ltd. (中央企業鄉村產業投資基金股份有限公司)) ("**Central Enterprise**"), Hangzhou Chunsheng Investment Co., Ltd. (杭州春生投資有限公司) ("**Hangzhou Chunsheng**") and Gao Yanfeng (高雁峰) (collectively, the "**Parties to the Series B-2 Financing Agreements**") and Zhejiang Leapmotor Technology Co., Ltd. (浙江零跑科技有限公司) (the predecessor of our Company), to increase the registered capital of our Company;

4. the shareholders' agreement dated January 25, 2021 entered into among the Parties to the Series B-2 Financing Agreements and Zhejiang Leapmotor Technology Co., Ltd. (浙江零跑科技有限公司) (the predecessor of our Company), pursuant to which shareholders' rights were agreed among the aforementioned parties;

5. the capital increase agreement dated August 1, 2021 entered into among Zhu Jiangming (朱江明), Fu Liquan (傅利泉), Dahua Technology, Guosen Securities Co., Ltd. (國信證券股份有限公司) ("**Guosen Securities**"), Ningbo Hualing, Shanghai Electric HK, Sequoia Zhisheng, Hangzhou Hanzhi, Jinhua Yuxuan, Ningbo Huayang, Ningbo Gulin, Zhoushan Haohai, Changsha Nuofeng, Wenzhou Qiangpao, Huzhou Jingxin, Ningbo Jinghang, Hangzhou Jingbo, Wanzai Mingzhao, Chen Jinxia (陳金霞), Huzhou Heninghai, Hefei Xuanyi, Jing Hua (敬華), Xu Wei (許煒), Yipu Enterprise, Gao Dong (高冬), Xingmao Investment, Zhejiang Mituo, Qianyun Yongzhen, Ma Tingqi (馬婷琪), Industrial Securities Investment, Hangzhou Xintu, Sequoia Jiesheng, Hangzhou Junyi, Hangzhou Yisheng, Geng Yongping (耿永平), Hangzhou Yueyou, Hangzhou Qianyao, Shanghai Xianghe, Zhang Wenjun (張文軍), Central Enterprise, Hangzhou Chunsheng, Gao Yanfeng (高雁峰), Everfront Phoenix, Hangzhou Guoshun Lingpao Equity Investment L.P. (杭州國舜領跑股權投資合夥企業(有限合夥)) ("**Guoshun Lingpao**"), Hangzhou CICC Binchuang Equity Investment L.P. (杭州中金濱創股權投資合夥企業(有限合夥)) ("**CICC Binchuang**"), Qingdao Green Intelligence Venture Capital Fund L.P. (青島綠色智能創業投資基金合夥企業(有限合夥)) ("**Green Intelligence**"), Huzhou Tanzhonghe Equity Investment L.P. (湖州碳中合股權投資合夥企業(有限合夥)) ("**Huzhou Tanzhonghe**"), Hangzhou Yangzhi Equity Investment Partnership L.P. (杭州洋智股權投資合夥企業(有限合夥)) ("**Hangzhou Yangzhi**"), Qingdao Tandafeng Equity Investment L.P. (青島碳達峰股權投資合夥企業(有限合夥)) ("**Qingdao Tandafeng**"), China Securities Investment Limited (中信建投投資有限公司) ("**China Securities Investment**"), Guangdong Wenlve No.1 Equity Investment Partnership Enterprise (Limited Partnership) (廣東文略一號股權投資合夥企業(有限合夥)) ("**Wenlve No.1**") and CITIC Dicastal Co., Ltd. (中信戴卡股份有限公司) ("**CITIC Dicastal**") (collectively, the "**Parties to the Series C-1 Financing Agreements**") and our Company, to increase the registered capital of our Company;

6. the shareholders' agreement dated August 1, 2021 entered into among the Parties to the Series C-1 Financing Agreements and our Company, pursuant to which shareholders' rights were agreed among the aforementioned parties;

7. the capital increase agreement dated November 15, 2021 entered into Zhu Jiangming (朱江明), Fu Liquan (傅利泉), Dahua Technology, Guosen Securities, Ningbo Hualing, Shanghai Electric HK, Sequoia Zhisheng, Hangzhou Hanzhi, Jinhua Yuxuan, Ningbo Huayang, Ningbo Gulin, Zhoushan Haohai, Changsha Nuofeng, Wenzhou Qiangpao, Huzhou Jingxin, Ningbo Jinghang, Hangzhou Jingbo, Wanzai Mingzhao, Chen Jinxia (陳金霞), Huzhou Heninghai, Hefei Xuanyi, Jing Hua (敬華), Xu Wei (許煒), Yipu

Enterprise, Gao Dong (高冬), Xingmao Investment, Zhejiang Mituo, Qianyun Yongzhen, Ma Tingqi (馬婷琪), Industrial Securities Investment, Hangzhou Xintu, Sequoia Jiesheng, Hangzhou Junyi, Hangzhou Yisheng, Geng Yongping (耿永平), Hangzhou Yueyou, Hangzhou Qianyao, Shanghai Xianghe, Zhang Wenjun (張文軍), Central Enterprise, Hangzhou Chunsheng, Gao Yanfeng (高雁峰), Everfront Phoenix, Guoshun Lingpao, CICC Binchuang, Green Intelligence, Huzhou Tanzhonghe, Hangzhou Yangzhi, Qingdao Tandafeng, China Securities Investment, Wenlve No.1, CITIC Dicastal, Hangzhou Green Lingpao Venture Capital L.P. (杭州綠色領跑創業投資合夥企業(有限合夥)) ("**Green Lingpao**"), CICC Chuanyu Phoenix (Hangzhou) Equity Investment Fund Partnership (Limited Partnership) (中金傳譽鳳凰(杭州)股權投資基金合夥企業(有限合夥)) ("**CICC Chuanyu**"), CCB International Industrial Investment (Zhuhai) Co., Ltd. (建銀國際產業投資(珠海)有限公司) ("**CCB Zhuhai**"), Hangzhou Zhongcaishengsheng Capital Co., Ltd. (杭州中財生生資本有限公司) ("**Hangzhou Zhongcai**"), Wang Mingwang (王明旺), Ge Weidong (葛衛東) and Zibo Wenlve No. 4 Equity Investment Partnership (Limited Partnership) (淄博文略四號股權投資合夥企業(有限合夥)) ("**Wenlve No.4**") (collectively, the "**Parties to the Series C-2 Financing Agreements**") our Company, to increase the registered capital of our Company;

8. the shareholders' agreement dated November 15, 2021 entered into among the Parties to the Series C-2 Financing Agreements and our Company, pursuant to which shareholders' rights were agreed among the aforementioned parties;

9. the cornerstone investment agreement dated September 16, 2022 entered into between our Company, Zhejiang Industrial Fund Co., Ltd. (浙江省產業基金有限公司) ("**Zhejiang Industrial Fund**"), J.P. Morgan Securities (Far East) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities plc, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited, and CCB International Capital Limited, pursuant to which Zhejiang Industrial Fund agreed to subscribe for such number of H Shares of the Company at the Offer Price in an aggregate of such amount of Hong Kong dollar equivalent of RMB1,000 million (excluding brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy);

10. the cornerstone investment agreement dated September 16, 2022 entered into between our Company, Jinhua Industrial Fund Co., Ltd. (金華市產業基金有限公司) ("**Jinhua Industrial Fund**"), J.P. Morgan Securities (Far East) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities plc, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited, and CCB International Capital Limited, pursuant to which Jinhua Industrial Fund agreed to subscribe for such number of H Shares of the Company at the Offer Price in an aggregate of such amount of Hong Kong dollar equivalent of RMB500 million (excluding brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy);

11. the cornerstone investment agreement dated September 16, 2022 entered into between our Company, Jinhua Jinkai Industrial Leading Investment Partnership (Limited Partnership) (金華市金開產業引領投資合夥企業(有限合夥)) ("**Jinkai Leading Fund**"), Shanghai Haitong Securities Asset Management Co., Ltd. (上海海通證券資產管理有限公司), J.P. Morgan Securities (Far East) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities plc, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited, and CCB International Capital Limited, pursuant to which Jinkai Leading Fund agreed to subscribe for such number of H Shares of the Company at the Offer Price in an aggregate of such amount of Hong Kong dollar equivalent of RMB500 million (excluding brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy);

12. the cornerstone investment agreement dated September 16, 2022 entered into between our Company, GF Fund Management Co., Ltd. (廣發基金管理有限公司) ("**GF Fund**"), J.P. Morgan Securities (Far East) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities plc, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited, and CCB International Capital Limited, pursuant to which GF Fund agreed to subscribe for such number of H Shares of the Company at the Offer Price in an aggregate of such amount of Hong Kong dollar equivalent of USD10 million (excluding brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy);

13. the cornerstone investment agreement dated September 16, 2022 entered into between our Company, Kwok Tai East International Group Limited (國泰東方國際集團有限公司) ("**Kwok Tai East**"), J.P. Morgan Securities (Far East) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities plc, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited, and CCB International Capital Limited, pursuant to which Kwok Tai East agreed to subscribe for such number of H Shares of the Company at the Offer Price in an aggregate of such amount of Hong Kong dollar equivalent of USD10 million (excluding brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy); and

14. the Hong Kong Underwriting Agreement.

Intellectual Property Rights

Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of registration	Class	Registered number	Expiry date
1	零跑	PRC	7	19092475	March 13, 2027
		PRC	9	19092495	March 13, 2027
		PRC	11	19092431	March 13, 2027
		PRC	12	26670485	September 13, 2028
		PRC	12	19092522	March 13, 2027
		PRC	25	34904169	November 6, 2029
		PRC	37	19092479	March 13, 2027

No.	Trademark	Place of registration	Class	Registered number	Expiry date
2	零跑	PRC	1	25472531	July 20, 2028
		PRC	2	24385987	May 27, 2028
		PRC	3	24386026	May 27, 2028
		PRC	4	24386153	May 20, 2028
		PRC	5	25477343	July 20, 2028
		PRC	6	25477198	July 20, 2028
		PRC	8	24386387	May 20, 2028
		PRC	13	25487832	July 20, 2028
		PRC	14	24385439	May 20, 2028
		PRC	15	25477361	July 20, 2028
		PRC	16	24386210	May 27, 2028
		PRC	17	25479466	July 20, 2028
		PRC	18	24386219	May 20, 2028
		PRC	19	25479469	July 20, 2028
		PRC	20	24445964	June 6, 2028
		PRC	21	24449290	June 6, 2028
		PRC	22	24453833	June 6, 2028
		PRC	23	25484884	July 20, 2028
		PRC	24	24451021	June 6, 2028
		PRC	25	24453883	February 6, 2030
		PRC	26	24446087	June 6, 2028
		PRC	27	24443806	June 6, 2028
		PRC	28	24449429	June 6, 2028
		PRC	29	25487857	July 20, 2028
		PRC	30	24452515	June 6, 2028
		PRC	31	25472299	July 20, 2028
		PRC	32	24452534	June 6, 2028
		PRC	33	25486912	July 20, 2028
		PRC	34	25486917	July 20, 2028
		PRC	35	25476298	July 20, 2028
		PRC	38	25489529	July 20, 2028
		PRC	39	24454012	June 6, 2028
		PRC	40	25486944	July 20, 2028
		PRC	41	24443903	June 6, 2028
		PRC	42	24449520	October 20, 2028
		PRC	43	24443927	June 6, 2028
		PRC	44	25479543	July 20, 2028
		PRC	45	25479943	July 20, 2028

No.	Trademark	Place of registration	Class	Registered number	Expiry date
3	零跑	Hong Kong (China)	9	304761685	December 6, 2028
		Hong Kong (China)	12	304761685	December 6, 2028
		Hong Kong (China)	35	304761685	December 6, 2028
		Hong Kong (China)	37	304761685	December 6, 2028
		Macau (China)	9	N/148855	June 11, 2026
		Macau (China)	12	N/148856	June 11, 2026
		Macau (China)	35	N/148857	June 11, 2026
		Macau (China)	37	N/148858	June 11, 2026
		Macau (China)	39	N/148859	June 11, 2026
		Taiwan (China)	9	01992409	June 30, 2029
		Taiwan (China)	12	01992572	June 30, 2029
		Taiwan (China)	35	01996591	June 30, 2029
		Taiwan (China)	37	01996706	June 30, 2029
		Taiwan (China)	39	01996756	June 30, 2029
4	零跑	PRC	4	41516518	July 13, 2030
		PRC	9	39847113	March 13, 2030
		PRC	9	42407645	August 13, 2030
		PRC	11	39834496	March 13, 2030
		PRC	12	42423407	August 6, 2030
		PRC	16	39834539	March 13, 2030
		PRC	18	39841857	March 13, 2030
		PRC	21	39851530	March 13, 2030
		PRC	22	39838723	March 13, 2030
		PRC	37	41527704	July 13, 2030
5	凌跑	PRC	7	54616681	October 6, 2031
		PRC	9	32243124	June 6, 2029
		PRC	12	30398329	December 13, 2029
		PRC	12	34910188	September 13, 2029
		PRC	35	54603420	June 20, 2032
		PRC	37	30387118	February 13, 2029
		PRC	39	30396382	February 13, 2029
		PRC	42	32236162	April 6, 2029
6	凌芯	PRC	9	52741624A	September 6, 2031
7		PRC	7	19092602	March 13, 2027
		PRC	11	19092705	March 13, 2027
		PRC	12	19092681	April 20, 2028
		PRC	35	26686437	November 27, 2028

No.	Trademark	Place of registration	Class	Registered number	Expiry date
8		PRC	3	32240173	June 6, 2029
		PRC	6	32250317	August 27, 2029
		PRC	7	19092633	March 13, 2027
		PRC	8	32225583	April 6, 2029
		PRC	11	39840383	September 20, 2030
		PRC	11	19092611	March 13, 2027
		PRC	12	19092712	April 20, 2028
		PRC	12	26688061	September 20, 2028
		PRC	14	32250322	April 6, 2029
		PRC	16	39847231	March 13, 2030
		PRC	16	32233602	April 13, 2029
		PRC	17	32250325	August 27, 2029
		PRC	18	39839009	March 13, 2030
		PRC	18	32250327	April 6, 2029
		PRC	20	32228565	April 6, 2029
		PRC	21	39843537	March 13, 2030
		PRC	21	32250337	April 6, 2029
		PRC	22	39853428	May 13, 2030
		PRC	22	32244973	April 6, 2029
		PRC	24	32228571	April 13, 2029
		PRC	25	32247385	June 6, 2029
		PRC	27	32233838	June 6, 2029
		PRC	28	32244981	April 6, 2029
		PRC	35	26676245	November 27, 2028
		PRC	36	32247613	April 6, 2029
		PRC	39	32240203	April 6, 2029
		PRC	39	32247616	April 6, 2029
9		Australia	12	1973612	December 5, 2028
		Australia	35	1973612	December 5, 2028
		Australia	39	1973612	December 5, 2028
		New Zealand	9	1108946	December 5, 2028
		New Zealand	12	1108946	December 5, 2028
		New Zealand	35	1108946	December 5, 2028
		New Zealand	37	1108946	December 5, 2028
		New Zealand	39	1108946	December 5, 2028
		European Union	12	017994160	November 29, 2028
		European Union	35	017994160	November 29, 2028
		European Union	37	017994160	November 29, 2028
		European Union	39	017994160	November 29, 2028
		United Kingdom	12	UK00003357105	November 29, 2028
		Singapore	12	40201826658Y	December 21, 2028
		Hong Kong (China)	12	304761676	December 6, 2028
		Macau (China)	12	N/148854	June 11, 2026

No.	Trademark	Place of registration	Class	Registered number	Expiry date
10		Australia	9	1973610	December 5, 2028
		Australia	37	1973610	December 5, 2028
		European Union	9	17994150	November 29, 2028
		European Union	12	17994150	November 29, 2028
		United Kingdom	9	UK00003357102	November 29, 2028
		United Kingdom	35	UK00003357102	November 29, 2028
		United Kingdom	37	UK00003357102	November 29, 2028
		United Kingdom	39	UK00003357102	November 29, 2028
		Malaysia	9	2018016048	December 4, 2028
		Malaysia	12	2018016049	December 4, 2028
		Malaysia	35	2018016051	December 4, 2028
		Malaysia	37	2018016052	December 4, 2028
		Malaysia	39	2018016053	December 4, 2028
		Singapore	9	40201826657W	December 21, 2028
		Singapore	35	40201826657W	December 21, 2028
		Singapore	37	40201826657W	December 21, 2028
		Singapore	39	40201826657W	December 21, 2028
		The Philippines	9	42019500310	October 20, 2029
		The Philippines	12	42019500310	October 20, 2029
		The Philippines	35	42019500310	October 20, 2029
		The Philippines	37	42019500310	October 20, 2029
		The Philippines	39	42019500310	October 20, 2029
		Thailand	9	190111029	March 20, 2029
		Thailand	12	190111030	March 20, 2029
		Thailand	35	190111031	March 20, 2029
		Thailand	37	190111032	March 20, 2029
		Thailand	38	190111033	March 20, 2029
		Israel	12	1621856	September 9, 2031
		PRC	12	54383850	August 6, 2032
		Hong Kong (China)	9	304761658	December 6, 2028
		Hong Kong (China)	35	304761658	December 6, 2028
		Hong Kong (China)	37	304761658	December 6, 2028
		Hong Kong (China)	39	304761658	December 6, 2028
		Macau (China)	9	N/148849	June 11, 2026
		Macau (China)	35	N/148850	June 11, 2026
		Macau (China)	37	N/148851	June 11, 2026
		Macau (China)	39	N/148852	June 11, 2026
		Taiwan (China)	9	01992410	June 15, 2029
		Taiwan (China)	12	01996757	July 15, 2029
		Taiwan (China)	35	01996592	June 30, 2029
		Taiwan (China)	37	01999487	July 15, 2029
		Taiwan (China)	39	01996757	June 30, 2029

No.	Trademark	Place of registration	Class	Registered number	Expiry date
11	LEAPMOTOR	PRC	3	32225612	April 6, 2029
		PRC	4	41514771	July 13, 2030
		PRC	6	32231238	April 6, 2029
		PRC	7	32928951	January 27, 2029
		PRC	8	32225615	April 6, 2029
		PRC	12	32939346	June 27, 2030
		PRC	12	42423469	August 13, 2030
		PRC	14	32240229	April 20, 2029
		PRC	16	39847216	March 13, 2030
		PRC	16	32233871	April 13, 2029
		PRC	17	32233872	April 13, 2029
		PRC	18	36254316	September 6, 2030
		PRC	20	32230094	April 20, 2029
		PRC	21	32247646	April 6, 2029
		PRC	21	39847326	March 13, 2030
		PRC	22	32247645	April 6, 2029
		PRC	22	39859037	March 13, 2030
		PRC	24	32237710	June 6, 2029
		PRC	25	32240234	April 20, 2029
		PRC	25	39845202	March 13, 2030
		PRC	28	32236075	April 13, 2030
		PRC	35	32937884	June 20, 2029
		PRC	36	32246611	April 6, 2029
		PRC	39	32230833	April 13, 2029
		PRC	42	32249359	June 20, 2029
12	LEAPMOTOR	PRC	12	26679323	September 13, 2028
		PRC	12	19092727	November 20, 2027
		PRC	35	26688142	September 13, 2028

No.	Trademark	Place of registration	Class	Registered number	Expiry date
13	LEAPMOTOR	Australia	12	1973611	December 5, 2028
		Australia	35	1973611	December 5, 2028
		Australia	39	1973611	December 5, 2028
		New Zealand	9	1122700	December 5, 2028
		New Zealand	12	1108943	December 5, 2028
		New Zealand	35	1122700	December 5, 2028
		New Zealand	37	1108943	December 5, 2028
		New Zealand	39	1108943	December 5, 2028
		European Union	12	017994154	November 29, 2028
		European Union	35	017994154	November 29, 2028
		European Union	37	017994154	November 29, 2028
		European Union	39	017994154	November 29, 2028
		United Kingdom	12	UK00003357104	November 29, 2028
		Singapore	12	40201826656V	December 21, 2028
		Hong Kong (China)	12	304761667	December 6, 2028
		Macau (China)	12	N/148853	June 11, 2026
14	C11	European Union	12	1630909	September 18, 2031
15	T03	European Union	12	1630903	September 18, 2031
16	LEAPMOTOR C11	European Union	12	1630912	September 18, 2031
17	LEAPMOTOR T03	European Union	12	1629252	September 18, 2031
18	LEAPMOTOR 零跑	PRC	9	54597078	July 27, 2032
19	零小跑	PRC	9	61682681	June 13, 2032
		PRC	35	61669042	June 20, 2032

As of the Latest Practicable Date, we had applied for the registration of the following trademarks, which we consider to be material to our business:

No.	Trademark Applied	Place of Registration	Class	Application Number	Application Date
1	零跑	PRC	9	54612803A	March 24, 2021
2	你好小零	PRC	12	57293351	June 29, 2021
			42	57299094	June 29, 2021
3	LEAPMOTOR A11	PRC	12	58696998	August 23, 2021
4	LEAPMOTOR C11	PRC	12	58674388	August 23, 2021
5	LEAPMOTOR T03	PRC	12	58692513	August 23, 2021
6	零小跑	PRC	9	61682081	December 24, 2021
7	升维 SHENG WEI	PRC	9	61259553	September 9, 2021
			12	61269508	September 9, 2021
8	LEAPON	PRC	9	63613270	March 29, 2022
9	LEAPAI	PRC	9	63624534	March 29, 2022
		PRC	12	63621990	March 29, 2022
		PRC	42	63629791	March 29, 2022
10	LEAPON	PRC	12	63638763	March 29, 2022
		PRC	42	64003616	April 15, 2022
11	LEAPPILOT	PRC	9	63629747	March 29, 2022
		PRC	12	63619899	March 29, 2022
		PRC	42	63611842	March 29, 2022
12	LEAPPOWER	PRC	9	63624519	March 29, 2022
		PRC	12	64014422	April 15, 2022
13	C01	European Union	12	1657296	February 8, 2032
		Iceland	12	1657296	February 8, 2032
		Norway	12	1657296	February 8, 2032
14	LEAPMOTOR C11	European Union	12	1657321	February 8, 2032
		Iceland	12	1657321	February 8, 2032
		Norway	12	1657321	February 8, 2032

No.	Trademark Applied	Place of Registration	Class	Application Number	Application Date
15.	LEAPMOTOR	Hong Kong (China)	9, 35, 37, 39, 42	306045318	August 25, 2022
16.		Hong Kong (China)	9, 35, 37, 39, 42	306045327	August 25, 2022
17.	LEAPMOTOR LEAPMOTOR	Hong Kong (China)	9, 12, 35, 37, 39, 42	306045336	August 25, 2022
18.	零跑汽車 零跑汽車	Hong Kong (China)	9, 12, 35, 37, 39, 42	306045345	August 25, 2022

Copyrights registered

As at the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright	Copyright Type	Registered Owner	Registration Number	Registration Date
1	Leapmotor graphic logo (零跑圖形標識)	Artwork	Our Company	Guozuodengzi (國作登字) -2019-F-00792270	May 30, 2019
2	Lpmiko emoji pack (lpmiko表情包)	Artwork	Our Company	Guozuodengzi (國作登字) -2019-F-00824257	July 11, 2019
3	Lpmiko three-dimensional image (lpmiko立體形象)	Artwork	Our Company	Guozuodengzi (國作登字) -2019-F-00824156	July 11, 2019
4	"Small Zero" image V2.0 (小零形象V2.0)	Artwork	Our Company	Guozuodengzi (國作登字) -2021-F-00174050	August 2, 2021

Software Copyrights registered

As at the Latest Practicable Date, we had registered the following software copyrights which we consider to be or may be material to our business:

No.	Copyright	Registered Owner	Registration Number	Registration Date
1	Leapmotor electric controller software v1.0 (零跑電機控制器軟件v1.0)	Our Company	2017SR470971	July 25, 2018
2	Leapmotor in-vehicle information entertainment system (零跑車載信息娛樂系統v1.0)	Our Company	2017SR470757	August 25, 2018
3	Leapmotor Project S01 BMS software V1.4.0 (零跑S01項目BMS軟件V1.4.0)	Our Company	2017SR470753	August 25, 2017
4	Leapmotor whole-vehicle controller software V1.0 (零跑整車控制器軟件V1.0)	Our Company	2017SR470953	August 25, 2017
5	Leapmotor application software V1.0 (零跑APP軟件V1.0)	Our Company	2018SR428488	June 7, 2018
6	Leapmotor partner unified portal mobile software for Android V1.0 (零跑合作夥伴統一門戶移動端Android版軟件V1.0)	Our Company	2020SR0195550	March 2, 2020
7	Leapmotor partner unified portal mobile software for iOS V1.0 (零跑合作夥伴統一門戶移動端iOS版軟件V1.0)	Our Company	2020SR0195546	March 2, 2020
8	Intelligent driving warning system V1.0 (智能駕駛預警系統V1.0)	Our Company	2020SR0291557	March 26, 2020
9	360-degree high definition bird's eye view system V1.0 (360度高清環視系統V1.0)	Our Company	2020SR0291555	March 26, 2020

No.	Copyright	Registered Owner	Registration Number	Registration Date
10	Youyoulechong application software V1.0 (優優樂充APP軟件V1.0)	Zhejiang Youchong New Energy Technology Co., Ltd. (浙江優充新能源科技有限公司)	2018SR794018	September 29, 2018
11	PowerEconomy_EVcar (power economy calculation) V1.0 (PowerEconomy_EVcar (動力性經濟性計算) V1.0)	Our Company	2021SR0955054	June 28, 2021
12	Leapmotor technology electric oil pump controller software V1.0 (零跑科技電子油泵控制器軟件V1.0)	Our Company	2021SR1239653	August 20, 2021
13	In-vehicle unified access security verification gateway system V1.0 for New energy vehicle (新能源汽車車載統一接入安全校驗網關系統V1.0)	Our Company	2021SR1702340	November 11, 2021
14	Leapmotor API platform V1.0 (零跑API接口平台V1.0)	Our Company	2022SR0673648	May 31,2022
15	Leapmotor partner portal system V1.0 (零跑合作夥伴門戶系統V1.0)	Our Company	2022SR0673709	May 31,2022
16	Leapmotor after-sales remote diagnosis system (零跑售後遠程診斷系統V1.0)	Our Company	2022SR0673968	May 31,2022
17	Leapmotor data middle office V1.0 (零跑數據中台系統V1.0)	Our Company	2022SR0673708	May 31,2022
18	Leapmotor application middle office V1.0 (零跑應用中台系統V1.0)	Our Company	2022SR0673647	May 31,2022

Patents

As of the Latest Practicable Date, we have registered the following patents which we considered to be or may be material to our business:

No.	Patent Name	Application No.	Application Type	Patent Type	Patent Owner	Application Acceptance Date	Patent Grant Date
1	A method for detecting obstacles and drivable areas based on in-vehicle binocular cameras	2016105385828	Invention patent	Intelligent Driving	The Company	July 11, 2016	July 10, 2019
2	A vehicle motion measurement method based on a in-vehicle overhead camera	201610564262X	Invention patent	Intelligent Driving	The Company	July 19, 2016	January 3, 2019
3	A multi-train articulation angle measurement method based on a rear-view binocular camera	2016105968022	Invention patent	Intelligent Driving	The Company	July 27, 2016	January 4, 2019
4	A vehicle path-following method based on a single overhead camera and rear-axis steering	2016106292746	Invention patent	Intelligent Driving	The Company	August 4, 2016	December 5, 2018
5	A vehicle path-following method based on a dual overhead camera and rear-axis steering	2016105970747	Invention patent	Intelligent Driving	The Company	July 27, 2016	August 1, 2019
6	A vehicle forward collision warning method based on in-vehicle binocular cameras	2016105872528	Invention patent	Intelligent Driving	The Company	July 25, 2016	October 19, 2017
7	A method for participant recognition in traffic scenes based on in-vehicle binocular cameras	2016105861932	Invention patent	Intelligent driving	The Company	July 25, 2016	January 28, 2019
8	A lane departure warning method based on in-vehicle binocular cameras	2016106485289	Invention patent	Intelligent driving	The Company	August 10, 2016	August 29, 2017
9	A lane keeping method based on in-vehicle binocular cameras and segmented PID control	2016106468387	Invention patent	Intelligent driving	The Company	August 10, 2016	April 4, 2019
10	An electric vacuum pump control method and control device	2017100058839	Invention patent	Chassis	The Company	January 5, 2017	December 29, 2017

No.	Patent Name	Application No.	Application Type	Patent Type	Patent Owner	Application Acceptance Date	Patent Grant Date
11	A method for estimating the calibration SOC errors of lithium battery OCV_SOC curves	2017100518762	Invention patent	Battery	The Company	January 24, 2017	June 27, 2019
12	An in-vehicle charging system and its method for electric vehicles	2017100770240	Invention patent	Battery	The Company	February 14, 2017	December 11, 2018
13	A power battery temperature detection structure	2017100842554	Invention patent	Battery	The Company	February 16, 2017	December 11, 2018
14	A battery pack insulation structure	2017100839138	Invention patent	Battery	The Company	February 16, 2017	March 12, 2019
15	A battery pack structure	2017100977369	Invention patent	Battery	The Company	February 22, 2017	June 25, 2019
16	A temperature box ramp rack device	2017101186410	Invention patent	Battery	The Company	March 1, 2017	August 28, 2018
17	An optimization method for visual measurement of vehicle path-following errors	2017101719557	Invention patent	Intelligent driving	The Company	March 25, 2017	December 18, 2018
18	A composite heat dissipation battery module	2017101475961	Invention patent	Battery	The Company	March 13, 2017	May 9, 2019
19	A booster accumulator for vehicle automatic braking	2017103314714	Invention patent	Chassis	The Company	May 11, 2017	May 22, 2019
20	A powertrain suspension structure	2017103097977	Invention patent	Chassis	The Company	May 4, 2017	December 11, 2018
21	A deep convolutional neural network-based method for following the front vehicle	2017104096810	Invention patent	Intelligent driving	The Company	June 2, 2017	July 13, 2020
22	A synchronous-belt-driven adjustable new energy vehicle brake system	2017105106928	Invention patent	CChassis	The Company	June 29, 2017	June 17, 2019
23	A phase-locked loop based soft decoding speed measurement algorithm for motors	2017105587415	Invention patent	Electric drive	The Company	July 11, 2017	May 28, 2019
24	A soft decoding speed intelligent measurement algorithm for motors	2017105587129	Invention patent	Electric drive	The Company	July 11, 2017	May 28, 2019
25	A parking space detection method based on side surround cameras	2017105349366	Invention patent	Intelligent driving	The Company	July 4, 2017	March 31, 2020
26	A method of forward vehicle detection and tracking based on a monocular front-facing camera	2017106175412	Invention patent	Intelligent driving	The Company	July 26, 2017	September 26, 2019

No.	Patent Name	Application No.	Application Type	Patent Type	Patent Owner	Application Acceptance Date	Patent Grant Date
27	A self-learning method and device for tracking the MTPA curve of a permanent magnet synchronous motor	201710727107X	Invention patent	Electric drive	The Company	August 23, 2017	August 1, 2019
28	A method and device for tracking the maximum torque-current ratio curve of a permanent magnet synchronous motor	2017107269351	Invention patent	Electric drive	The Company	August 23, 2017	August 1, 2019
29	A vehicle detection and positioning method based on in-vehicle monocular cameras	2017107209327	Invention patent	Intelligent driving	The Company	August 22, 2017	February 26, 2020
30	A new brake device and method for electric vehicles	2017106988691	Invention patent	Chassis	The Company	August 15, 2017	December 11, 2019
31	A vehicle electromagnetic brake structure and braking method	2017108139158	Invention patent	Chassis	The Company	September 11, 2017	September 24, 2019
32	A flexible connection protection structure for the maintainability of the connection between the motor and the electric control	2017108553124	Invention patent	Electric drive	The Company	September 21, 2017	February 3, 2019
33	A highly integrated all-in-one motor control device and control method for vehicles	2017108852696	Invention patent	Electric drive	The Company	September 26, 2017	December 30, 2019
34	A motor speed measurement system, method and motor controller	2017109491407	Invention patent	Electric drive	The Company	October 12, 2017	January 19, 2020
35	A method for controlling the failure of position sensors in permanent magnet motors for vehicles	201711251520X	Invention patent	Electric drive	The Company	December 1, 2017	December 6, 2019
36	A highly integrated and maintainable motor control device and control method for vehicles	2017113700496	Invention patent	Electric drive	The Company	December 19, 2017	March 4, 2020
37	A two-way cooling device for battery packs	2017114382664	Invention patent	Battery	The Company	December 27, 2017	July 9, 2019
38	A device and method for automatic rotor angle alignment of permanent magnet synchronous motors	2017114395109	Invention patent	Electric drive	The Company	December 27, 2017	August 22, 2019

No.	Patent Name	Application No.	Application Type	Patent Type	Patent Owner	Application Acceptance Date	Patent Grant Date
39	A segmented angle compensation method for permanent magnet synchronous motors	201711439477X	Invention patent	Electric drive	The Company	December 27, 2017	August 29, 2019
40	An electro-corrosion free bearing	2017114753128	Invention patent	Electric drive	The Company	December 29, 2017	April 17, 2019
41	A two-tier vibration damping suspension device for electric vehicles	2018100282044	Invention patent	Chassis	The Company	January 11, 2018	September 4, 2019
42	A method for cylindrical battery cells de-sheathing	2018101911382	Invention patent	Battery	The Company	March 8, 2018	September 6, 2019
43	An electrical connection device for high power charging of electric vehicles	2018101915006	Invention patent	Battery	The Company	March 8, 2018	May 30, 2019
44	An electric vehicle controller with dual MCUs	2018102024598	Invention patent	Internet on Vehicle and electronics	The Company	March 13, 2018	July 10, 2019
45	A quick assembly device and assembly method for the thermal management system of power battery modules	2018102065598	Invention patent	Battery	The Company	March 14, 2018	September 29, 2019
46	A battery box and its production method	2018102459250	Invention patent	Battery	The Company	March 23, 2018	February 4, 2021
47	A battery system power limitation estimation algorithm based on cell voltage	2018102536948	Invention patent	Battery	The Company	March 26, 2018	October 11, 2021
48	A control system and method based on power batteries for current and temperature decoupling	2018102977781	Invention patent	Battery	The Company	April 4, 2018	January 13, 2020
49	An explosion-proof and pressure-relief device for power battery packs	2018103121932	Invention patent	Battery	The Company	April 9, 2018	November 16, 2020
50	An automatic parking trajectory planning method based on deep augmented learning approach	201810324107X	Invention patent	Intelligent driving	The Company	April 12, 2018	August 29, 2019
51	A PI regulator-based weak magnetic curve controller for synchronous motors and their tracking algorithm	2018103444252	Invention patent	Electric drive	The Company	April 17, 2018	August 1, 2019

No.	Patent Name	Application No.	Application Type	Patent Type	Patent Owner	Application Acceptance Date	Patent Grant Date
52	A method and device for field weakening curve tracking of built-in permanent magnet synchronous motors based on self-learning	2018103452206	Invention patent	Electric drive	The Company	April 18, 2018	October 8, 2019
53	An adaptive cruise method for electric vehicles based on joint control of motors and ESC	201810369446X	Invention patent	Intelligent driving	The Company	April 24, 2018	March 3, 2020
54	A vision-based driving fatigue detection and warning system and method	2018104707518	Invention patent	Intelligent driving	The Company	May 17, 2018	March 27, 2020
55	A system and method for visual scene recognition based on deep neural networks	2018104720122	Invention patent	Intelligent driving	The Company	May 17, 2018	June 30, 2020
56	An anti-collision warning system and method based on 360 degree all-round looking input	2018104720118	Invention patent	Intelligent driving	The Company	May 17, 2018	January 8, 2020
57	A CPLD-based hardware protection circuit and method for motor controllers for electric vehicles	2018104902718	Invention patent	Electric drive	The Company	May 21, 2018	August 5, 2019
58	An assisted driving warning method based on in-vehicle 360 degree all-round looking input	2018105610257	Invention patent	Intelligent driving	The Company	June 4, 2018	October 12, 2020
59	A vision-based method for detecting driving behaviour	2018105609512	Invention patent	Intelligent driving	The Company	June 4, 2018	October 14, 2020
60	An in-vehicle non-GPU rendering 360 degree stereo all-round looking realization method	2018105662482	Invention patent	Intelligent driving	The Company	June 5, 2018	June 3, 2021
61	A quick vehicle ranging optimization method for in-vehicle binocular systems	2018105713997	Invention patent	Intelligent driving	The Company	June 6, 2018	October 12, 2020
62	A battery pack heating control strategy	2018105821703	Invention patent	Battery	The Company	June 8, 2018	November 12, 2019
63	A vehicle keyless unlocking control system and method based on vein recognition	2018106722777	Invention patent	Internet on Vehicle and electronics	The Company	June 27, 2018	August 29, 2019

No.	Patent Name	Application No.	Application Type	Patent Type	Patent Owner	Application Acceptance Date	Patent Grant Date
64	A method for detecting the initial position of the rotor of a permanent magnet synchronous motor	2018107479640	Invention patent	Electric drive	The Company	July 10, 2018	April 22, 2020
65	An integrated method for driving scene target recognition and driveable area segmentation	2018109173358	Invention patent	Intelligent driving	The Company	August 13, 2018	August 13, 2021
66	A method for determining the depth of view of an in-vehicle vision system scene	2018109170326	Invention patent	Intelligent driving	The Company	August 13, 2018	August 17, 2021
67	A method based on deep convolutional neural network for determining the own motion of in-vehicle vision systems	2018109173381	Invention patent	Intelligent driving	The Company	August 13, 2018	November 26, 2020
68	A battery management system for electric vehicles	2018110686152	Invention patent	Battery	The Company	September 14, 2018	August 31, 2020
69	A battery module liquid cooling duct	2018110584017	Invention patent	Battery	The Company	September 11, 2018	October 27, 2020
70	An immersive glue coating bracket and assembly method	2018111083025	Invention patent	Battery	The Company	September 25, 2018	March 2, 2021
71	A short-circuit breaking protection method for permanent magnet synchronous motors	2018114669550	Invention patent	Electric drive	The Company	December 3, 2018	March 3, 2020
72	A PI controller-based method for short-circuit protection for the end of permanent magnet synchronous motors	201811466065X	Invention patent	Electric drive	The Company	December 3, 2018	September 4, 2020
73	A short-circuit protection system for the end of permanent magnet synchronous motors based on voltage feedforward	2018114660611	Invention patent	Electric drive	The Company	December 3, 2018	April 3, 2020
74	A high-voltage vehicle interlocking system and control method	201811510549X	Invention patent	Battery	The Company	December 11, 2018	January 4, 2021
75	A heat capacity test method and charge/discharge heat calculation method for lithium-ion batteries	2018115200757	Invention patent	Battery	The Company	December 13, 2018	June 10, 2021

No.	Patent Name	Application No.	Application Type	Patent Type	Patent Owner	Application Acceptance Date	Patent Grant Date
76	A voltage feed forward based device and method for short circuit protection at the end of permanent magnet synchronous motors	2018115663636	Invention patent	Electric drive	The Company	December 21, 2018	November 28, 2019
77	A new energy vehicle electric vacuum pump vibration and noise reduction device and method	201811641401X	Invention patent	Chassis	The Company	December 30, 2018	March 4, 2020
78	A structured data analysis method for lane level accuracy autonomous driving	2018116414556	Invention patent	Intelligent driving	The Company	December 30, 2018	March 24, 2021
79	A method for estimating the SOC of power batteries under working conditions	2018116482661	Invention patent	Battery	The Company	December 30, 2018	January 27, 2021
80	A visual perception optimization method for autonomous driving based on feature time series correlation	2019100609915	Invention patent	Intelligent driving	The Company	January 23, 2019	October 20, 2020
81	A motor end cover alignment assembly device and assembly method	2019101004318	Invention patent	Electric drive	The Company	January 31, 2019	February 4, 2021
82	A square battery module structure	2019101713136	Invention patent	Battery	The Company	March 7, 2019	June 17, 2021
83	A HUD imaging device and its adjustment method	2019102082687	Invention patent	Internet on Vehicle and electronics	The Company	March 19, 2019	April 28, 2020
84	A multi-sensor fusion localization method for low-speed parking driving scenarios	201910213302X	Invention patent	Intelligent driving	The Company	March 20, 2019	March 12, 2021
85	A front suspension system for adjusting front wheel camber	201910262117X	Invention patent	Chassis	The Company	April 2, 2019	June 15, 2020
86	A method for estimating the charging time of power batteries	2019102806994	Invention patent	Battery	The Company	April 9, 2019	August 19, 2020
87	A thermal management device embedded in a square battery module	2019102906780	Invention patent	Battery	The Company	April 11, 2019	August 5, 2020
88	A vision-based method for anti-cheating driver behaviour analysis	2019104213264	Invention patent	Intelligent driving	The Company	May 21, 2019	May 31, 2021

No.	Patent Name	Application No.	Application Type	Patent Type	Patent Owner	Application Acceptance Date	Patent Grant Date
89	A realization method for heavy-duty articulated vehicle rings based on articulation angle compensation	2019104972999	Invention patent	Intelligent driving	The Company	June 10, 2019	September 28, 2021
90	A fusion method of vehicle ultrasonic radar and vehicle all-round looking system	2019105166701	Invention patent	Intelligent driving	The Company	June 14, 2019	November 2, 2020
91	A bus-based vehicle LED matrix headlamp controller	2019105166504	Invention patent	Internet on Vehicle and electronics	The Company	June 14, 2019	November 17, 2021
92	A power seat controller with protection function and its control method	2019105177250	Invention patent	Internet on Vehicle and electronics	The Company	June 15, 2019	May 7, 2021
93	An electric powertrain suspension structure for electric vehicles	2019106512025	Invention patent	Chassis	The Company	July 18, 2019	August 6, 2020
94	A thin film electrical weakness detector	2019106375634	Invention patent	Battery	The Company	July 16, 2019	November 13, 2021
95	A method for reliability testing of electric drive powertrain based on a topologically tractable correlation function	2019106300750	Invention patent	Electric drive	The Company	July 12, 2019	July 7, 2021
96	A hermetic protective flexible connection structure that shields against electromagnetic radiation	2019107649909	Invention patent	Electric drive	The Company	August 19, 2019	August 31, 2020
97	A lane assist method for controlling steering torque based on in-vehicle blind spot visual scene analysis	2019108110322	Invention patent	Intelligent driving	The Company	August 30, 2019	November 5, 2020
98	An automatic parking method based on integration of vision and ultrasonic sensing	2019108110869	Invention patent	Intelligent driving	The Company	August 30, 2019	December 24, 2020
99	A charging CC signal detection and single wake-up circuit	2019109075970	Invention patent	Battery	The Company	September 25, 2019	March 25, 2021
100	A differential performance testing facility	2019109968491	Invention patent	Electric drive	The Company	October 19, 2019	June 23, 2021
101	A method for calculating PACKSOC based on single battery capacity calibration	2019110008801	Invention patent	Battery	The Company	October 21, 2019	November 3, 2021

No.	Patent Name	Application No.	Application Type	Patent Type	Patent Owner	Application Acceptance Date	Patent Grant Date
102	A method for estimating the remaining available energy in a battery	2019110134984	Invention patent	Battery	The Company	October 23, 2019	December 3, 2021
103	A pool algorithm based online estimation method for battery SOP	2019110734979	Invention patent	Battery	The Company	November 6, 2019	November 8, 2021
104	A connection structure between the battery pack output shield and the battery pack case and body	2019111008870	Invention patent	Battery	The Company	November 12, 2019	February 3, 2021
105	A PR vibration suppression method based on stagnation point calibration	2019111492074	Invention patent	Electric drive	The Company	November 21, 2019	May 31, 2021
106	An anti-vibration method that can reduce torque loss	201911149157X	Invention patent	Electric drive	The Company	November 21, 2019	March 24, 2021
107	A deep weak magnet system for automotive permanent magnet synchronous motors and its control method	2019112429699	Invention patent	Electric drive	The Company	December 6, 2019	May 27, 2021
108	A new battery pack outer casing structure	2019112752079	Invention patent	Battery	The Company	December 12, 2019	September 13, 2021
109	An anti-saturation current regulator and method for vehicle permanent magnet synchronous motors	2019113471176	Invention patent	Electric drive	The Company	December 24, 2019	June 10, 2021
110	A method of manufacturing a water-cooled casing for an electric vehicle drive train	2020103122557	Invention patent	Electric drive	The Company	April 20, 2020	March 4, 2021
111	A method and system for stepless deep magnetization weakening of permanent magnet synchronous motors	2020106980051	Invention patent	Electric drive	The Company	July 20, 2020	November 24, 2021
112	A vector stepless magnetization weakening method for permanent magnet synchronous motors	2020106980259	Invention patent	Electric drive	The Company	July 20, 2020	December 17, 2021
113	A lightweight aluminium steering knuckle structure	2020110655382	Invention patent	Chassis	The Company	September 30, 2020	August 23, 2021
114	An extended range generator train system	2021106395796	Invention patent	Electric drive	The Company	June 9, 2021	August 12, 2021
115	An oil-cooled motor to prevent electrical corrosion of bearings	2021112167320	Invention patent	Electric drive	The Company	October 19, 2021	December 7, 2021

No.	Patent Name	Application No.	Application Type	Patent Type	Patent Owner	Application Acceptance Date	Patent Grant Date
116	A battery pack insulation detection circuit and diagnosis method	2019110711680	Invention patent	Battery	The Company	November 5, 2019	January 20, 2022
117	An insulation detection circuit diagnosis function test system and diagnosis method thereof	2019110762610	Invention patent	Battery	The Company	November 6, 2019	January 26, 2022
118	A novel vehicle battery pack and control method thereof	2020101471286	Invention patent	Battery	The Company	March 5, 2020	March 2, 2022
119	An opposite-dragging test bench structure for electric driving force assembly of new energy automobile	2020101519980	Invention patent	Electric drive	The Company	March 6, 2020	February 23, 2022
120	A square battery fixing structure and using method thereof	2020101872703	Invention patent	Battery	The Company	March 17, 2020	January 29, 2022
121	A battery SOC calibration method and device, and storage medium	2020102903889	Invention patent	Battery	The Company	April 14, 2020	March 29, 2022
122	A battery SOC calibration method	2020102903893	Invention patent	Battery	The Company	April 14, 2020	April 1, 2022
123	A battery charging method and computer readable storage medium	2020106753382	Invention patent	Battery	The Company	July 14, 2020	June 28, 2022
124	A permanent magnet synchronous instability-preventing weak magnetic method	2020108521303	Invention patent	Electric drive	The Company	August 21, 2020	June 22, 2022
125	A permanent magnet auxiliary synchronous reluctance motor for electric automobile	2020108857668	Invention patent	Electric drive	The Company	August 28, 2020	May 26, 2022
126	An electric automobile battery heat preservation structure	2020112609213	Invention patent	Battery	The Company	November 12, 2020	May 18, 2022
127	A power battery metal plate lower box body assembly structure	2020112786896	Invention patent	Battery	The Company	November 16, 2020	May 30, 2022
128	A method for improving universality of battery pack middle mounting point and vehicle body connecting structure	2021100981426	Invention patent	Battery	The Company	January 25, 2021	June 1, 2022
129	An integrated temperature control battery pack	2021102555298	Invention patent	Battery	The Company	March 9, 2021	May 16, 2022

No.	Patent Name	Application No.	Application Type	Patent Type	Patent Owner	Application Acceptance Date	Patent Grant Date
130	A battery module	2021102554755	Invention patent	Battery	The Company	March 9, 2021	May 17, 2022
131	A thermal management system of oil cooling electric drive power assembly	2021104761389	Invention patent	Electric drive	The Company	April 29, 2021	April 20, 2022
132	A damping vibration isolation and noise reduction device for a new energy vehicle	2021108023213	Invention patent	Electric drive	The Company	July 15, 2021	June 6, 2022

Domain Name

As of the Latest Practicable Date, we had registered the following internet domain names which we consider to be or may be material to our business:

No.	Domain Name	Owner	Registration Date
1	leapmotor.net	The Company	July 1, 2021
2	leapmotor.com	The Company	July 1, 2021
3	uuevc.com.cn	Zhejiang Youchong New Energy Technology Co., Ltd.	November 19, 2021
4	uuevc.com	Zhejiang Youchong New Energy Technology Co., Ltd.	November 19, 2021
5	uuevc.net	Zhejiang Youchong New Energy Technology Co., Ltd.	November 19, 2021
6	uuevc.cn	Zhejiang Youchong New Energy Technology Co., Ltd.	November 19, 2021

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

Save as disclosed below, immediately following the completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised), so far as our Directors are aware, none of our Directors, Supervisors or chief executive has any interests or short positions in our Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(a) *Interests in our Company*

Name	Position	Nature of Interest[1]	Number and class of Shares held	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering[2](%)	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering (%)
Domestic Shares					
Mr. Zhu	Founder, chairman of the Board, executive Director and chief executive officer	Beneficial owner	55,557,839	25.19	4.86
		Interests held jointly with another person	72,960,000	33.08	6.38
H Shares					
Mr. Zhu	Founder, chairman of the Board, executive Director and chief executive officer	Beneficial owner	37,038,559	4.02	3.24
		Interests in controlled corporations	27,683,972	3.00	2.42
		Interests held jointly with another person	120,549,007	13.07	10.55
Mr. Wu Baojun (吳保軍先生)	Executive Director and president	Interests in controlled corporations	12,806,500	1.39	1.12
		Beneficial interest	500,000	0.05	0.04
Mr. Cao Li (曹力先生)	Executive Director and senior vice president	Beneficial interest	2,000,000	0.22	0.18

Notes:

(1) All interests stated are long position.

(2) The calculation is based on the total number of 220,552,174 Domestic Shares in issue and 922,153,885 H Shares to be issued pursuant to the Global Offering (including 750,372,750 H Shares to be converted from Domestic Shares and 40,962,035 H Shares to be converted from Unlisted Foreign Shares) in issue upon Listing, assuming that the Over-allotment Option is not exercised.

(3) See the section headed "Substantial Shareholders" in this prospectus for details.

2. Substantial Shareholders

For the information on the persons who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, see the section headed "*Substantial Shareholders*" in this Prospectus.

So far as set out above, our Directors are not aware of any persons (other than our Directors, Supervisors or chief executive) will, immediately following the completion of the Global Offering, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

3. Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance with the relevant laws and regulations, the Articles of Association and applicable provisions on arbitration.

Each of our Directors has entered into service contracts with our Company. The principal particulars of these service contracts comprise (a) a term of three years which is equivalent to the term of the Board; and (b) termination provisions in accordance with their respective terms. Our Directors may be re-appointed subject to Shareholders' approval. The service contracts can be renewed pursuant to our Articles of Association and applicable rules.

Each of our Supervisors has entered into a contract with our Company. Each contract contains provisions relating to compliance with relevant laws and regulations, observation of our Articles of Association and resolution of disputes by means of arbitration.

Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors or Supervisors (other than contracts expiring or determinable by the employer within one year without any payment of compensation (other than statutory compensation)).

4. Director's and Supervisors' Remuneration

Save as disclosed in "Directors, Supervisors and Senior Management" and "Appendix I — Accountant's Report — II Notes to The Historical Financial Information — 39. Benefits and Interests of Directors" for the three financial years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, none of our Directors or Supervisors received other remunerations of benefits in kind from us.

5. Employee Incentive Schemes

A. Share Award Scheme I

The following is a summary of the principal terms of our Share Award Scheme I adopted on January 30, 2021. The Share Award Scheme I is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options by the Company to subscribe for new Shares.

(a) Purposes

The purposes of the Share Award Scheme I are to recognise the contributions of our key employees and motivate them to further promote the development of the Company.

(b) The Number of Shares

A total of 12,806,500 Shares are granted under the Share Award Scheme I, representing approximately 1.27% of the share capital in issue of the Company immediately prior to the completion of the Global Offering and approximately 1.12% of the share capital in issue of the Company immediately following the completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised). No further Awards will be granted under the Share Award Scheme I after Listing.

(c) Participants

The participants under the Share Award Scheme I (the "**Participants**") shall be key employees of the Company and its subsidiaries in office or those with major contributions to the Company as determined by the Executive Partner (as defined below).

Restricted share unit(s) is/are granted under the Share Award Scheme I to the Participants as an award (the "**Award**"). The award incentive shares are held by Ningbo Jinghang Enterprise Management Partnership (Limited Partnership) ("**Ningbo Jinghang**"). After the grant of the Award, the Participants will become limited partners of Ningbo Jinghang and are indirectly interested in the incentive shares under the terms and conditions contained in relevant agreements of Share Award Scheme I. Please refer to "*History, Development and Corporate Structure — Establishment and Development of Our Company — (2) Equity Transfer and Capital Increase in 2017*" for more information about Ningbo Jinghang.

(d) Administration

The Share Award Scheme I is managed by the executive partner of Ningbo Jinghang (the "**Executive Partner**"). As of the Latest Practicable Date, the Executive Partner was Mr. Zhu Jiangming, the chairman of our Board, an executive Director and the chief executive officer. The Executive Partner has the power to manage the Share Award Scheme I, including determining the persons with major contributions to the Company as the Participants under the Share Award Scheme I and exercising the conditions and other terms in relation to the Award granted.

(e) Rights and Restrictions as Attached in the Award

During the lock-up period of the Share Award Scheme I, Shares of the Company held under the Share Award Scheme I shall not be transferred to external parties, and the Participants under the Share Award Scheme I. Shall not request to dispose any interests in Ningbo Jinghang during the lock-up period.

After the expiration of the lock-up period of the Share Award Scheme I, the Participants are entitled to apply to the Executive Partner for disposal of their limited partnership interests in Ningbo Jinghang. The Executive Partner will reduce, based on the application of the Participants, the corresponding number of shares in accordance with the applicable principles under the relevant agreement of the Share Award Scheme I and the conditions of the secondary market.

(f) Lapse of the Award

The Participants may be required to withdraw from the Share Award Scheme I and transfer all of Ningbo Jinghang's shares held by them to other persons eligible to participate in the Share Award Scheme I, including but not limited to (1) expiration of the employment; (2) voluntary resignation; (3) inability to perform the employment contract (for instance, incapacity for work); or (4) dismissal.

(g) Details of the Awards Granted

As of the Latest Practicable Date, details of the awards granted under the Share Award Scheme I are set out as below.

Name of the grantees	Position held in our Group	Number of incentive shares held	Approximate percentage of shareholding immediately following completion of the Global Offering	
			Assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised	Assuming the Offer Size Adjustment Option and the Over-allotment Option are exercised in full
Connected Persons				
Mr. Zhu	Founder, chairperson of the Board, executive Director and chief executive officer of the Company	10,000	0.001%	0.001%
Mr. Wu Baojun (吳保軍先生) ("**Mr. Wu**")	Executive Director and president of the Company	9,000,000	0.788%	0.760%
Ms. Jing Hua (敬華女士) ("**Ms Jing**")	Senior vice president and secretary to the Board of the Company	643,600	0.056%	0.054%
Mr. Xu Wei (許煒先生)	Former Director of the Company and a subsidiary of the Company in the previous 12 months	3,152,900	0.276%	0.266%

B. Share Award Scheme II

The following is a summary of the principal terms of our Share Award Scheme II adopted on January 31, 2021. The Share Award Scheme II is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options by the Company to subscribe for new Shares.

(a) Purposes

The purposes of the Share Award Scheme II are to recognise the contributions of our key employees and motivate them to further promote the development of the Company.

(b) The Number of Shares

A total of 57,723,164 Shares are granted under the Share Award Scheme II, representing approximately 5.70% of the share capital in issue of the Company immediately prior to the completion of the Global Offering and approximately 5.05% of the share capital in issue of the Company immediately following the completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised). No further Awards will be granted under the Share Award Scheme II after Listing.

(c) Participants

The participants under the Share Award Scheme II shall be Directors, Supervisors and senior management of the Company, key employees of the Company and its subsidiaries and other employees as considered and approved by the Board of the Company (the "**Participants**").

Restricted share unit(s) is/are granted under the Share Award Scheme II to the Participants as an award (the "**Award**"). The awarded incentive shares are held by Guosen Securities Co., Ltd. ("**Guosen Securities**") as the manager of our employee shareholding plan, Guosen Securities Leapmotor Technology Employee Shareholding No. 1 Single Asset Management Plan (國信證券零跑科技員工持股1號單一資產管理計劃). Please refer to *"History, Development and Corporate Structure — Establishment and Development of our Company — (6) Equity Transfer to Employee Shareholding Plan in February 2021"* for more information about Guosen Securities.

(d) Administration

Upon subscription of the shares held under the Share Award Scheme II, a participant of the scheme shall become the holder under the Share Award Scheme (the "**Holder**"). The Holders' meeting is the highest internal management body of the Share Award Scheme II. The Holders have the right to convene a meeting, consider and decide to elect and remove a member of the Management Committee and authorise the Management Committee to supervise the daily management of the Share Award Scheme II.

A Management Committee (the "**Management Committee**") is separately established for the Share Award Scheme II. The Management Committee comprises three members, including one chairperson. The members of the Management Committee shall be elected by the Holders' meeting. The Management Committee oversees the daily management of the Share Award Scheme II and exercises Shareholders' rights on behalf of the Holders or authorizes the management body to exercise the Shareholders' rights.

The Board of the Company is responsible for formulating and amending the terms of the Share Award Scheme II and handling other related matters of the Share Award Scheme II within the scope of authorization of the general meeting.

Guosen Securities with the qualification for asset management business has been entrusted to manage the Share Award Scheme II.

(e) Rights and Restrictions as Attached in the Award

During the lock-up period of the Share Award Scheme II, Shares of the Company held under the Share Award Scheme II shall not be transferred to external parties, and the Participants shall not request to dispose any of the Shares awarded under Share Award Scheme II.

Upon the expiration of the lock-up period of the Share Award Scheme II, the Holder has the right to apply to the Management Committee for disposal of Shares awarded under Share Award Scheme II. The Management Committee will, upon the application of the Holders, reduce the corresponding number of Shares in accordance with the principles applicable under the relevant agreement of the Share Award Scheme II and the conditions of the secondary market.

(f) Lapse of the Award

The Holders may be required to withdraw from the Share Award Scheme II under the following circumstances and transfer their shares in the Share Award Scheme II to other persons eligible to participate in the Share Award Scheme II, including but not limited to: (1) the expiration of the employment period; (2) voluntary resignation; (3) inability to perform the employment contract (such as incapacity for work); or (4) dismissal.

(g) Details of the Awards Granted

As of the Latest Practicable Date, details of the awards granted under the Share Award Scheme II are set out as below.

Name of the grantees	Position held in our Group	Number of incentive shares held	Approximate percentage of shareholding immediately following completion of the Global Offering	
			Assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised	Assuming the Offer Size Adjustment Option and the Over-allotment Option are exercised in full
Connected Persons				
Mr. Zhu	Founder, chairperson of the Board, executive Director and chief executive officer of the Company	1,199,214	0.10%	0.10%
Mr. Wu	Executive Director and president of the Company	600,000	0.05%	0.05%
Mr. Cao Li (曹力先生)	Executive Director and senior vice president of the Company	1,600,000	0.14%	0.14%
Ms. Jing	Senior vice president and secretary to the Board of the Company	100,000	0.01%	0.01%
Mr. Mo Chengrui (莫承銳先生)	Supervisor of the Company	550,000	0.05%	0.05%
Ms. Yao Tianzhi (姚甜芝女士)	Employees' representative Supervisor of the Company	167,000	0.01%	0.01%
Others				
1,172 qualified Participants		53,506,950	4.68%	4.52%

C. Pre-IPO Share Option Scheme

The following is a summary of the principal terms of our Pre-IPO Share Option Scheme adopted on June 22, 2022. The terms of Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options by the Company upon listing.

We have applied to the Hong Kong Stock Exchange and SFC for (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) an exemption from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. See "Waivers from Compliance with the Listing Rules and Exemption from Compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance — Waiver and Exemption in Relation to the Pre-IPO Share Option Scheme".

(a) Purpose

The purpose of the Pre-IPO Share Option Scheme is to improve the Company's incentive mechanism to attract and retain outstanding talents, to better align the interests of the Company's employees with those of the shareholders and the Company, and to promote the Company's long-term development.

(b) Number of Shares

The maximum number of Shares underlying the options under the Pre-IPO Share Option Scheme shall be 50,594,348 Shares, representing approximately 5.00% of the issued share capital of the Company immediately prior to the completion of the Global Offering and approximately 4.43% of the issued share capital of the Company immediately after completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised). Each option entitles the purchase of one Share. There is no reserved entitlement under the Pre-IPO Share Option Scheme. No further options will be granted under the Pre-IPO Share Option Scheme after Listing.

(c) Participants

The participants of the Pre-IPO Share Option Scheme (the "**Participants**") are management personnel and core employees (save for the independent non-executive Directors) working for the Company and its subsidiaries.

(d) Administration

The Company's general meeting is responsible for considering and approving the implementation, alteration and termination of the Pre-IPO Share Option Scheme and authorizing the Board or its authorized persons for handling certain matters relating to the Pre-IPO Share Option Scheme. The Board or its authorized person is responsible for the implementation of the Pre-IPO Share Option Scheme.

(e) Implementation

Approval of the Pre-IPO Share Option Scheme: The Pre-IPO Share Option Scheme shall be subject to the approval by more than two-thirds of the voting rights held by Shareholders attending the general meeting. Shareholders who are Participants or related to the Participants shall abstain from voting.

Adjustment of the number of share options and the exercise price: In the event of any conversion of capital reserve into share capital, distribution of stock dividends, share split, allotment of shares, reduction of share capital or issuance of new shares by the Company before exercise of share options, the number of share options and the exercise price shall be adjusted accordingly pursuant to the terms of the Pre-IPO Share Option Scheme.

Alternation and termination of the Pre-IPO Share Option Scheme: The alteration of the Pre-IPO Share Option Scheme shall be considered and determined by the Company's general meeting.

The termination of the Pre-IPO Share Option Scheme shall be considered and determined by the Company's general meeting. Upon the termination of the Pre-IPO Share Option Scheme, the Company shall cancel any outstanding share options.

(f) Grant of Options

Prior to any grant of options by the Company to a Participant, the Board or its authorized persons shall verify and confirm that the grant conditions stipulated in the Pre-IPO Share Option Scheme are satisfied.

The Company shall grant the share options to the Participant if the Participant is working for the Company or its subsidiaries on the date of grant as approved by the Board, and that there is no circumstance under which the Participant shall not participate in the Pre-IPO Share Option Scheme as stipulated by the laws and regulations, or which the options shall not be exercised as stipulated in the provisions of the Pre-IPO Share Option Scheme.

(g) Vesting of Options

The options granted under the Pre-IPO Share Option Scheme may be vested in tranches as per the agreed proportions upon satisfaction of the vesting conditions. The vesting date must be a trading day within the validity period of the Pre-IPO Share Option Scheme. Details of the vesting period and vesting arrangements are as follows:

Vesting period	Vesting time	Vesting proportion
First vesting period	The expiry of 12 months from the date of the initial public offering of the Company	25%
Second vesting period	The expiry of 24 months from the date of the initial public offering of the Company	25%
Third vesting period	The expiry of 36 months from the date of the initial public offering of the Company	25%
Fourth vesting period	The expiry of 48 months from the date of the initial public offering of the Company	25%

(h) Exercise of Options

The Board shall confirm the method of exercise of the Pre-IPO Share Option Scheme prior to the date of exercise, and inform the Participants of the specific operating procedures. The Remuneration Committee of the Board shall review and confirm the vesting conditions, number of options exercisable and exercise qualifications of the Participants. The Board shall consider and the independent non-executive Directors shall express their opinions on whether the vesting conditions stipulated in the Pre-IPO Share Option Scheme are satisfied. For Participants who satisfy the vesting conditions, the Company may, based on the application of the Participants, make centralized arrangements for the exercise of share options and handle relevant matters of the exercise. For Participants who fail to satisfy the conditions, the Company shall cancel their share options with respect to such exercise that they have applied for.

Exercise price of share options: The exercise price of the Pre-IPO Share Option Scheme is RMB27.26 per Share.

Exercise period: In order to avoid administrative approval or filing costs caused by decentralized exercise, Participants shall apply to the Company for exercise within the exercise window as determined by the Board or its authorized persons each year, and the Company shall arrange centralized exercise of options.

If a Participant fails to apply for exercise of options within the requisite period or is unable to apply for exercise of options due to the failure to meet vesting conditions, the Company shall cancel the corresponding options that have not been exercised according to the specified rules under the Pre-IPO Share Option Scheme.

(i) Rights and Restrictions Attached to the Pre-IPO Share Option Scheme

The validity period of the Pre-IPO Share Option Scheme shall be from the date when the share options are granted and the Company completes its initial public offering and Listing to the date on which all the share options granted to the Participants are exercised or cancelled, with a maximum period of 6 years. The Participants of the Pre-IPO Share Option Scheme may only exercise their options within the validity period in accordance with relevant rules. After the expiry of the validity period, all outstanding share options will lapse and be cancelled.

The Directors, Supervisors or senior management of the Company who are granted options in the Pre-IPO Share Option Scheme shall abide by relevant laws of the PRC, namely the number of Shares transferred each year during their tenure shall not exceed 25% of the total number of Shares held by them, and no Shares held by them shall be transferred within half a year after their termination of office.

Share options under the Pre-IPO Share Option Scheme shall not be transferred, used as security or to repay debts.

(j) Outstanding Grants

As of the Latest Practicable Date, the Company granted options to subscribe for an aggregate of 50,594,348 Shares to a total of 600 eligible participants at nil consideration under the Pre-IPO Share Option Scheme. As of the Latest Practicable Date, none of the options were exercised and all of the options were outstanding. The Company will not grant further options under the Pre-IPO Share Option Scheme after the Listing.

Assuming the share options granted under the Pre-IPO Share Option Scheme are fully exercised, the shareholding of the Shareholders immediately following completion of the Global Offering (assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised) would be diluted by approximately 4.24% as calculated based on 1,142,706,059 Shares of the Company then in issue. The effects of such exercise were excluded from the calculation of diluted loss per Share as the effects would have been anti-dilutive.

(k) Details of Options Granted

All the options are granted to the Company's employees. Details of the options granted under the Pre-IPO Share Option Scheme to our Directors, Supervisors, senior management or other connected person of the Company as at the Latest Practicable Date are set out below:

				Approximate percentage of shareholding immediately following completion of the Global Offering		
Name of grantee	**Position held in the Group/ connected relationship**	**Address**	**Number of Shares underlying the options granted**	**Assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised**	**Assuming the Offer Size Adjustment Option and the Over-allotment Option are exercised in full**	**Notes**
Mr. Wu Baojun (吳保軍先生)	Executive Director and president	Room 303, No, 62, Huangcun West Road, Tianhe District, Guangzhou, Guangdong Province, PRC	500,000	0.04%	0.04%	*Note 1*
Mr. Cao Li (曹力先生)	Executive Director and senior vice president	Room 302, Unit 2, Block 9, Wutong Yanlu, Xihu District, Hangzhou, Zhejiang Province, PRC	2,000,000	0.18%	0.17%	*Note 1*
Mr. Mo Chengrui (莫承銳先生)	Supervisor	No. 10, Room 401, Huaxia East Road, Lane 2895, Heqing Town, Pudong New District, Shanghai, PRC	170,000	0.01%	0.01%	*Note 1*
Ms. Yao Tianzhi (姚甜芝女士)	Employees' representative Supervisor	No. 9, Lijiang Yangcheng Village, Meicheng Town, Jiande City, Zhejiang Province, PRC	100,000	0.01%	0.01%	*Note 1*

Name of grantee	Position held in the Group/ connected relationship	Address	Number of Shares underlying the options granted	Approximate percentage of shareholding immediately following completion of the Global Offering		Notes
				Assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised	Assuming the Offer Size Adjustment Option and the Over-allotment Option are exercised in full	
Ms. Jing Hua (敬華女士)	Senior vice president and secretary to the Board	Room 1002, Unit 1, Block 5, Qianshuiwan City Garden, Gongshu District, Hangzhou, Zhejiang Province, PRC	500,000	0.04%	0.04%	*Note 1*
Mr. Cho Kwong Lun Kelvin (曹廣麟先生)	Vice chairman and chief financial officer	Flat B, 38/F, Moon Tower, The Arch, 1 Austin Road West, Kowloon, Hong Kong, PRC	9,540,000	0.83%	0.81%	*Note 1*
Mr. Zhou Hongtao (周洪濤先生)	Senior vice president	Room 402, Unit 2, Block 8, Rainbow City, Puyan Street, Binjiang District, Hangzhou, Zhejiang Province, PRC	2,000,000	0.18%	0.17%	*Note 1*
Mr. Wu Cun (巫存先生)	Vice president	Room 1301, Block 148, Donghu Dajun Garden, Industrial Park, Suzhou, Jiangsu Province, PRC	1,500,000	0.13%	0.13%	*Note 1*
Mr. Shu Chuncheng (舒春成先生)	Vice president	No. 6, Gutang Road, Binjiang District, Hangzhou, Zhejiang Province, PRC	1,500,000	0.13%	0.13%	*Note 1*
Mr. Zhang Guangyin (張光銀先生)	Vice president	Sunzui Villager Group, Sangang Village, Shangpai Town, Feixi County, Anhui Province, PRC	200,000	0.02%	0.02%	*Note 1*
Total			**18,010,000**	**1.58%**	**1.52%**	

Note 1: All the options are granted on August 5, 2022, with an exercise price of RMB 27.26 per share. For details of the vesting schedule, please see the paragraph headed "(g) vesting of options" above. As of the Latest Practicable Date, none of the options granted are vested.

For details of their roles and responsibilities in the Company, please see section headed "Directors, Supervisors and Senior Management" in this Prospectus.

The table below sets out the details of the 13 grantees who have been granted 200,000 options or more under the Pre-IPO Share Option Scheme as at the Latest Practicable Date:

Name of grantee	Position held in the Group/connected relationship	Address	Number of Shares underlying the options granted	Approximate percentage of shareholding immediately following completion of the Global Offering: Assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised	Approximate percentage of shareholding immediately following completion of the Global Offering: Assuming the Offer Size Adjustment Option and the Over-allotment Option are exercised in full	Notes
Wang Yaonong (王耀農)	Deputy General Manager of R&D Department	Room 9, 1 Chuangye Road, Puyan Street, Binjiang District, Hangzhou	1,500,000	0.13%	0.13%	*Note 1*
Song Yining (宋憶寧)	General Manager of R&D Department	Room 1-2-1101 Shangfu, Sunshine City, Shanyin Road, Xiaoshan District, Hangzhou	1,500,000	0.13%	0.13%	*Note 1*
Bai Wei (白薇)	Vice President	Room 6-502, North District, Xinzhou Garden, Wenxin Road, Xihu District, Hangzhou, Zhejiang Province, PRC	1,500,000	0.13%	0.13%	*Note 1*
Xu Jun (徐軍)	Senior Vice President & Chief Operating Officer	Room 2702, Block B, No. 10, Apple Community, Baiziwan Road, Chaoyang District, Beijing	1,200,000	0.11%	0.10%	*Note 1*
Zhang Weili (張韋力)	Senior Vice President & Chief Marketing Officer	No. 29, Shazikou Middle Street, Chongwen District, Beijing	1,200,000	0.11%	0.10%	*Note 1*

Name of grantee	Position held in the Group/connected relationship	Address	Number of Shares underlying the options granted	Approximate percentage of shareholding immediately following completion of the Global Offering: Assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised	Approximate percentage of shareholding immediately following completion of the Global Offering: Assuming the Offer Size Adjustment Option and the Over-allotment Option are exercised in full	Notes
Lai Wenliang (賴文亮)	General Manager of Sales Department	Room 601, Building 1, Block 2, Changxin Park, Xinghewan, 201, Yingbin Road, Panyu District, Guangzhou City, Guangdong Province	300,000	0.03%	0.03%	*Note 1*
Guo Shiwei (郭世偉)	Deputy General Manager of R&D Department	No. 7, Unit 4, Building 97, Tai'anli, Mining District, Datong City, Shanxi Province	250,000	0.02%	0.02%	*Note 1*
Li Tengfei (李騰飛)	General Manager of Management Department	Room 1110, Gate 3, Building 4, Phase II, No. 1377, Zhinong Street, Lvyuan District, Changchun City, Jilin Province	250,000	0.02%	0.02%	*Note 1*
Li Ying (李穎)	General Manager of Management Department	Room 1002, Unit 1, Building 50, Zhengyuan Community, Xihu District, Hangzhou City, Zhejiang Province	250,000	0.02%	0.02%	*Note 1*
Jiang Tao (江濤)	General Manager of Sales Department	No. 6, Gutang Road, Binjiang District, Hangzhou City, Zhejiang Province	250,000	0.02%	0.02%	*Note 1*

Name of grantee	Position held in the Group/connected relationship	Address	Number of Shares underlying the options granted	Approximate percentage of shareholding immediately following completion of the Global Offering: Assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised	Approximate percentage of shareholding immediately following completion of the Global Offering: Assuming the Offer Size Adjustment Option and the Over-allotment Option are exercised in full	Notes
Zhou Ying (周穎)	General Manager of Sales Department	9-3301, Licheng, Longhu Chunjiang, Binjiang District, Hangzhou	235,000	0.02%	0.02%	*Note 1*
Xu Dawei (許大偉)	Vice President	Room 3301, Unit 3, Building 6, Xujiang Huating, Binjiang District, Hangzhou	200,000	0.02%	0.02%	*Note 1*
He Jie (何潔)	General Manager of Sales Department	Room 402, Building 2, Meiyuan Renjia, Yaolin Road, Chengnan Street, Tonglu County, Hangzhou City, Zhejiang Province	200,000	0.02%	0.02%	*Note 1*

Note 1: All the options are granted on August 5, 2022, with an exercise price of RMB27.26 per share. For details of the vesting schedule, please see the paragraph headed "(g) vesting of options" above. As of the Latest Practicable Date, none of the options granted are vested.

As of the Latest Practicable Date, save as disclosed above, no options were granted to any (i) Directors, (ii) Supervisors, (iii) senior management or connected persons of the Group, (iv) or grantees who are not (i), (ii) or (iii) above but are granted options to subscribe 200,000 Shares or more under the Pre-IPO Share Option Scheme. The remaining 577 grantees who are not persons mentioned in (i), (ii), (iii) or (iv) above (being the Other Grantees) have been granted a total of 23,749,348 options under the Pre-IPO Share Option Scheme which are outstanding to subscribe for a total of 23,749,348 Shares, representing approximately 2.08% of the issued share capital of the Company upon the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option is not exercised). We set forth below the information on the options granted to the Other Grantees as at the Latest Practicable Date.

				Approximate percentage of shareholding immediately following completion of the Global Offering		
Range of Shares underlying the options granted	Total number of grantees	Vesting period	Number of Shares underlying the Options granted	Assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised	Assuming the Offer Size Adjustment Option and the Over-allotment Option are exercised in full	Notes
10,000 to 99,999	546	*Note (1)*	19,952,548	1.75%	1.68%	*Note 1*
100,000 to 199,999	31	*Note (1)*	3,796,800	0.33%	0.32%	*Note 1*
Total	**577**		**23,749,348**	**2.08%**	**2.00%**	

Note 1: All the options are granted on August 5, 2022, with an exercise price of RMB27.26 per share. For details of the vesting schedule, please see the paragraph headed "(g) vesting of options" above. As of the Latest Practicable Date, none of the options granted are vested.

6. Disclaimers

Saved as disclosed in this Prospectus:

(a) none of our Directors, Supervisors or any of the parties listed in "*Qualification of Experts*" of this Appendix is:

(i) interested in our promotion, or in any assets which, within the two years immediately preceding the date of this Prospectus, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;

(ii) materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to our business;

(b) save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the parties listed in "*Qualification of Experts*" of this Appendix:

(i) is interested legally or beneficially in any shares in any member of our Group; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;

(c) none of our Directors or Supervisors or their close associates or any shareholders of our Company who to the knowledge of our Directors owns more than 5% of our issued share capital has any interest in our top five customers or suppliers; and

(d) none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are listed on the Hong Kong Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or our subsidiary.

Litigation

Saved as disclosed in this Prospectus, to the knowledge of our Directors, no member of our Group has significant litigation or claims pending or threatened against any member of our Group.

Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Each of the Joint Sponsors will receive a fee of US$500,000 for acting as a sponsor for the Listing.

Preliminary Expenses

Our Company did not incur any material preliminary expenses.

Qualification of Experts

The qualifications of the experts who have given opinions or advice in this Prospectus are as follows:

Name	Qualification
J.P. Morgan Securities (Far East) Limited	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of regulated activities as defined under the SFO
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Citigroup Global Markets Asia Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of regulated activities as defined under the SFO

Name	Qualification
CCB International Capital Limited	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Chapter 50 of the laws of Hong Kong) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Grandway Law Offices	PRC legal advisor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Pillsbury Winthrop Shaw Pittman LLP	Legal advisor as to U.S. export control law to our Company
Han Kun Law Offices	Legal advisor as to PRC data security law to our Company

Consents of Experts

Each of the experts referred to in "*Qualification of Experts*" in this Appendix has given and has not withdrawn its respective written consents to the issue of this Prospectus with the inclusion of certificates, letters, opinions or reports and the references to its names included herein in the form and context in which it is respectively included.

None of the experts named above has any of our shareholding interests in any member of our Group or rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities in any member of our Group.

Compliance Advisor

We have appointed Somerley Capital Limited as our Compliance Advisor upon the Listing in compliance with Rule 3A.19 of the Hong Kong Listing Rules.

Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. Hong Kong stamp duty will apply at the current standard rate of 0.26% on the higher of the consideration paid for, or the market value of the Shares being sold, purchased or transferred, whether or not the sale or purchase is effected on or off the Stock Exchange. For further information in relation to taxation, see "*Appendix III — Taxation and Foreign Exchange — III. Taxation in Hong Kong*".

No Material Adverse Change

Our Directors confirm that, as of the date of this prospectus, there has been no material adverse change in our financial position or prospects since March 31, 2022.

Binding Effect

This Prospectus shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Miscellaneous

Save as disclosed in this Prospectus:

(a) within the two years preceding the date of this Prospectus: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Company;

(b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) there are no arrangements under which future dividends are waived or agreed to be waived;

(e) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(f) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

(g) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(h) no part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought; and

(i) our Company has no outstanding convertible debt securities or debentures.

Restrictions on Share Repurchases

For details, see the sections headed "*Appendix IV — Summary of Principal Legal and Regulatory Provisions*" and "*Appendix V — Summary of Articles of Association*" in this Prospectus".

Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Promoters

The promoters of our Company comprised all of the 43 then shareholders of our Company as at March 21, 2021 before our conversion into a joint stock limited liability company. Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the Global Offering or the related transactions described in this Prospectus.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the **GREEN** Application Form;

(b) the written consents referred to in "*Appendix VI — Statutory and General Information — Other Information — Consents of Experts*"; and

(c) a copy of each of the material contracts referred to in "*Appendix VI — Statutory and General Information — Further Information about our Business — Summary of Material Contracts*".

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.leapmotor.com** during a period of 14 days from the date of this document:

1. the Articles of Association;

2. the Accountant's Report prepared by PricewaterhouseCoopers, the text of which is set forth in Appendix I to this Prospectus;

3. the audited consolidated financial statements of our Company for the three financial years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022;

4. the report from PricewaterhouseCoopers on the unaudited *pro forma* financial information of our Group, the text of which is set forth in Appendix II to this Prospectus;

5. the material contracts in "*Appendix VI — Statutory and General Information — Further Information about our Business — Summary of Material Contracts*";

6. the written consents referred to in "*Appendix VI — Statutory and General Information — Other Information — Consents of Experts*";

7. the service contracts referred to in "*Appendix VI — Statutory and General Information — Further Information about our Directors, Supervisors, Management and Substantial Shareholders — Service Contracts*";

8. the legal opinions issued by Grandway Law Offices, our PRC Legal Advisor, in respect of, among other things, the general corporate matters and the property interests of our Group under PRC law;

9. the legal opinion on U.S. export control law issued by Pillsbury Winthrop Shaw Pittman LLP;

10. the legal opinion on PRC data security laws issued by Han Kun Law Offices;

11. the terms of the Share Award Scheme I, the Share Award Scheme II and Pre-IPO Share Option Scheme;

12. the industry report issued by Frost & Sullivan, the summary of which is set forth in the section headed "*Industry Overview*" in this Prospectus; and

13. a copy of the following PRC laws, together with unofficial English translations:

    (i) the PRC Company Law;

    (ii) the Mandatory Provisions; and

    (iii) the Special Regulations.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of a full list of grantees under the Pre-IPO Share Option Scheme, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of Clifford Chance at 27/F, Jardine House, One Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus.

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