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

2022 ANNUAL REPORT

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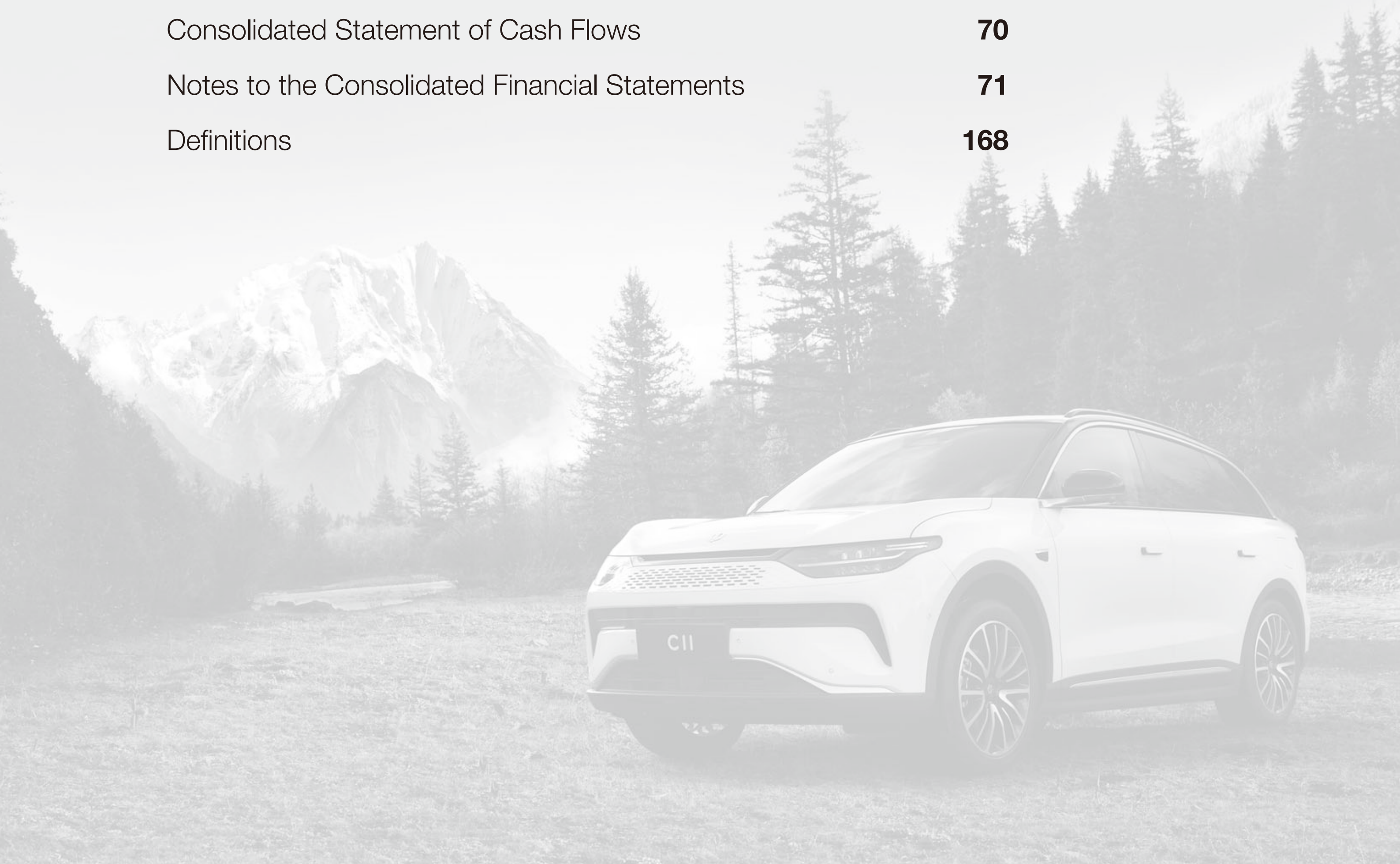

Company Information

DIRECTORS

Executive Directors

Mr. Zhu Jiangming (朱江明) *(Chairperson of the Board and chief executive officer)*
Mr. Wu Baojun (吳保軍) *(President)*
Mr. Cao Li (曹力) *(Senior vice president)*

Non-executive Director

Mr. Jin Yufeng (金宇峰)

Independent Non-executive Directors

Mr. Fu Yuwu (付于武)
Dr. Huang Wenli (黃文禮)
Ms. Drina C Yue (萬家樂)

SUPERVISORS

Mr. Wu Yefeng (吳燁鋒)
Mr. Mo Chengrui (莫承鋭)
Ms. Yao Tianzhi (姚甜芝)

AUDIT COMMITTEE

Dr. Huang Wenli (黃文禮) *(Chairperson)*
Mr. Fu Yuwu (付于武)
Ms. Drina C Yue (萬家樂)

REMUNERATION COMMITTEE

Ms. Drina C Yue (萬家樂) *(Chairperson)*
Mr. Zhu Jiangming (朱江明)
Dr. Huang Wenli (黃文禮)

NOMINATION AND ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG) COMMITTEE

Mr. Zhu Jiangming (朱江明) *(Chairperson)*
Mr. Fu Yuwu (付于武)
Dr. Huang Wenli (黃文禮)

JOINT COMPANY SECRETARIES

Ms. Jing Hua (敬華)
Ms. Lee Mei Yi (李美儀) *(FCG, HKFCG)*

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
China Construction Bank Hangzhou High-tech Branch

HEADQUARTER 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

REGISTERED OFFICE

1/F, No. 451 Wulianwang Street
Binjiang District, Hangzhou
Zhejiang Province, China

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building, Central, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Zhu Jiangming (朱江明)
Ms. Lee Mei Yi (李美儀) *(FCG, HKFCG)*

STOCK CODE

9863

LEGAL ADVISOR TO THE COMPANY

Clifford Chance

COMPANY WEBSITE

www.leapmotor.com

Key Highlights

FINANCIAL HIGHLIGHTS

	For the Year Ended 31 December		
	2022	2021	**Change** (%)
	(RMB in thousands, except percentages)		
Revenue	**12,384,630**	3,132,059	295.4
Cost of sales	**(14,295,946)**	(4,519,690)	216.3
Gross loss	**(1,911,316)**	(1,387,631)	(37.7)
Operating loss	**(5,226,802)**	(2,868,318)	(82.2)
Finance income – net	**106,259**	22,349	376.7
Loss before income tax	**(5,108,838)**	(2,845,773)	(79.5)
Loss and total comprehensive loss for the period attributable to the equity holders of our Company	**(5,108,886)**	(2,845,773)	(79.5)
Loss per share attributable to the equity holders of our Company (in RMB)	**(4.89)**	(3.03)	(61.4)

Four Year Financial Summary

	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022 RMB'000**
Revenue	116,963	631,301	3,132,059	**12,384,630**
Cost of sales	(228,929)	(950,902)	(4,519,690)	**(14,295,946)**
Gross profit	**(111,966)**	**(319,601)**	**(1,387,631)**	**(1,911,316)**
Selling expenses	(131,148)	(154,920)	(427,855)	**(1,113,589)**
Administrative expenses	(160,830)	(183,810)	(398,310)	**(842,097)**
Research and development expenses	(358,318)	(289,248)	(740,015)	**(1,410,645)**
Loss before income tax	**(901,131)**	**(1,100,093)**	**(2,845,773)**	**(5,108,838)**
Loss and total comprehensive loss for the year attributable to the equity holders of the Company	**(901,131)**	**(1,100,093)**	**(2,845,773)**	**(5,108,886)**
Current assets	846,419	1,454,511	8,954,853	**13,638,402**
Non-current assets	1,590,117	1,817,260	3,571,623	**5,629,446**
Total assets	**2,436,536**	**3,271,771**	**12,526,476**	**19,267,848**
Current liabilities	843,071	2,416,152	4,329,522	**9,257,387**
Non-current liabilities	2,822,491	1,418,815	966,738	**1,751,612**
Total liabilities	**3,665,562**	**3,834,967**	**5,296,260**	**11,008,999**
Total (deficits)/equity	(1,229,026)	(563,196)	7,230,216	**8,258,849**
Total (deficits)/equity and liabilities	**2,436,536**	**3,271,771**	**12,526,476**	**19,267,848**

Business Review

Despite certain impacts on the supply chain and sales due to the resurgence of COVID-19, we achieved a delivery volume of 111,168 new energy vehicles for the year 2022, representing a year-on-year increase of 154.1% over 2021. Among them, 44,371 units of the C11 were delivered in 2022, achieving a year-on-year increase of 1,019.1% over 2021, ranking the C11 the first in domestic B-class battery electric SUVs in 2022 in terms of vehicle insurance registrations, which reflected the market recognition for this smart SUV. The Company's total revenue amounted to RMB12,384.6 million for the year 2022, representing a year-on-year growth of 295.4% over 2021. Such spectacular growth of our business was attributable to the Company's strategic direction of adhering to full-suite R&D, which has allowed the continuous launch of our cost-efficient products with rapid iteration, facilitating our success in the fast-growing market.

Product Development and Iteration

With delivery of the mid- to large-sized smart sedan C01 starting from 28 September 2022, we have become the world's first pure-play EV company to apply CTC technology in a mass-produced model. The C01 features a highly distinctive aesthetics 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. Equipped with Leapmotor Power, the C01 has a CLTC range of up to 717 km, which is among the longest range on a single charge compared with EV models within the same price range. We also completed the development of the extended-range version of the C11 and the 2023 product lineup in 2022.

In addition to the launch of new models, we continued to provide users of all models with the application of the Company's latest R&D results through OTA to enhance the driving experience of our customers. In 2022, we completed four OTA updates in total, by which over ten functions and modules such as automatic lane change (ALC) assist function and high-way assist (HWA) driving function were added to the C11, and ten functions such as adaptive cruise control (ACC) operation logic were optimized for the T03.

Development of Core Technologies

In 2022, we also consistently maintained high efficiency in our R&D in the fields of E/E architecture and electric system, allowing us to iterate our products at a lower cost and faster pace. We made remarkable progress in the R&D of the centralised integrated E/E architecture, which has higher level of integration, enhanced platform approach rate, high communication efficiency, fast iteration and other advantages. Such R&D results will be equipped on our next model to be launched in the second half of the year. In 2022, in addition to the cell-to-chassis (CTC) integration technology, we have completed the R&D and mass production of our oil-cooling electric drive system "Pan Gu", which is featured with industry-leading efficiency, weight, NVH and other parameters. Meanwhile, we also completed the development and mass production of range extender and range extender controller, which have been applied in the extended-range version of the C11.

We continued to delve into the development of smart systems, including a smart cockpit system using Qualcomm 8295 chips and an intelligent driving system using Nvidia Orin chips, as well as an intelligent driving system using LiDAR and with hardware capabilities for L4 autonomous driving. The new model to be launched in the second half of 2023 will be equipped with our latest proprietary smart system, providing users with a more relaxed and cozy driving experience.

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 digitalised 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. As of 31 December 2022, our sales network consisted of 582 stores, covering 180 cities across China. Of these stores, 79 were directly operated stores and 503 were channel partner stores. Most of our stores are strategically located in tier 1 and tier 2 cities in China. We expect to significantly expand the number and coverage of both directly operated and channel partner stores.

Oversea Sales

In 2022, we took our first step into the global market by entering into the vehicle market in Israel. Our first overseas stores were set up successively in Tel Aviv, Haifa and Ayalon Mall in Ramat Gan, Israel in November 2022. In 2023, we will gradually expand our global footprint to Europe, the Southeast Asia and the Middle East.

Capital Market

On 29 September 2022, we were successfully listed on the Main Board of the Hong Kong Stock Exchange. The Company issued a total of 130,819,100 H Shares with a nominal value of RMB1.00 in the Global Offering at the offer price of HKD48.00 (exclusive of brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.005%). Net proceeds from the Global Offering, after deducting underwriting discounts and commissions, were approximately HKD6,168.9 million, which will be used in accordance with the use of proceeds as disclosed in the Prospectus. For details of the use of proceeds, please refer to the section headed "Other Information – Use of Proceeds from the Global Offering".

Pursuant to the announcements made by the Shanghai Stock Exchange and the Shenzhen Stock Exchange, the Shares of the Company have been included as eligible stocks in the respective securities lists of the Shanghai-Hong Kong Stock Connect Program and the Shenzhen-Hong Kong Stock Connect Program, both with effect from 5 December 2022. Previously, Hang Seng Indexes Company Limited announced on 18 November 2022 that the Shares of the Company had been included as a constituent stock of the Hang Seng Composite Index and its sub-indexes, including the Hang Seng Composite MidCap Index.

RECENT DEVELOPMENTS AFTER THE REPORTING PERIOD

Delivery Updates

The Company delivered 4,337 vehicles from January to February 2023, representing a decrease of 62.4% as compared to the same period in 2022. It was primarily due to the model iteration of the Company in January and February 2023, when we mainly completed the SOP and production line introduction for the 2023 models.

On 1 March 2023, we released the configurations and prices of the C11 extended-range version and 2023 lineup of battery electric vehicle models, and commenced their sales and delivery. We enriched our product offerings by deploying the dual models of "battery electric + extended-range" to meet the needs of different customers. In the second half of 2023, we will also launch a new model based on a new platform and at the same time roll out its battery electric, extended-range and international versions. Such model will be equipped with our latest R&D results, including the centralised electrical/electronic ("**E/E**") architecture, the new smart cockpit system and ADAS.

Save as disclosed above, no important events affecting the Group occurred since 31 December 2022 and up to the date of this annual report.

MESSAGE FROM MR. ZHU JIANGMING, THE FOUNDER, CHAIRPERSON OF THE BOARD AND CHIEF EXECUTIVE OFFICER OF THE COMPANY

In 2022, we navigated through various difficulties and maintained continuous rapid growth, realizing an increase of 154.1% in our delivery volume as well as an increase of 295.4% in revenue. We started to deliver the C01, a mid-to-large sized smart sedan, in September 2022. The C01 took the lead in adopting a battery-pack-free cell-to-chassis ("**CTC**") integrated technology, which was the first-ever mass production model with such technology in the world, showcasing the competitiveness of our technologies brought by our full-suite R&D strategy.

In 2022, we also consistently maintained high efficiency in our R&D in the fields of E/E architecture and electric system, allowing us to iterate our products at a lower cost and faster pace. We made remarkable progress in the R&D of the centralised integrated E/E architecture, which has higher level of integration, enhanced platform approach rate, high communication efficiency and fast iteration. Such R&D results will be equipped on our next model to be launched in the second half of 2023. In 2022, in addition to the CTC integration technology, we have completed the R&D and mass production of our oil-cooling electric drive system "Pan Gu", which is featured with industry-leading efficiency, weight, NVH and other parameters. Meanwhile, we also completed the development and mass production of the range extender and range extender controller, which have been applied in the extended-range version of the C11.

We are also strengthening our industry cooperations. A number of suppliers, including Faurecia, are planning to build supporting factories near our production base in Jinhua, Zhejiang Province. As such, we will continuously achieve cost reduction and supply assurance through such cooperations and provide our users with more cost-effective products and better service experience.

In 2023, we believe that the new energy vehicle ("**NEV**") market will see further growth and intensified competition, and we are thrilled to operate in such a market full of opportunities and challenges. We will continue to strive for better development of the Company.

Management Discussion and Analysis

FINANCIAL ANALYSIS

Revenues

Total revenues were RMB12,384.6 million in 2022, representing an increase of 295.4% from RMB3,132.1 million in 2021. 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 evolves.

Sales of electric vehicles and parts were RMB12,378.0 million in 2022, representing an increase of 304.7% from RMB3,058.8 million in 2021. This increase was mainly attributable to (i) the increase in the sales volume of our EVs, and (ii) an increase in the average selling price across our portfolio as our product mix continued to evolve. The number of EVs delivered increased from 43,748 units in 2021 to 111,168 units in 2022.

In 2022, we did not generate revenue from sales of automotive regulatory credits, while such revenues amounted to RMB71.9 million in 2021.

The revenue from services amounted to RMB6.6 million in 2022. The embedded services primarily include extended one-year or lifetime warranty, vehicle internet connection and OTA updates.

Cost of Sales

Cost of sales was RMB14,295.9 million in 2022, representing an increase of 216.3% from RMB4,519.7 million in 2021. The increase was primarily due to the increase in the cost of raw materials and consumables resulting from the increased sales volume of our EVs.

Gross Loss and Gross Margin

Gross loss was RMB1,911.3 million in 2022, representing an increase of 37.7% from RMB1,387.6 million in 2021.

Gross margin improved from (44.3%) in 2021 to (15.4%) in 2022, primarily due to (i) the increase in the average selling price and (ii) the decrease in average manufacturing cost per electric vehicle as a percentage of the average selling price, as our product mix evolved. In particular, gross margin for the second half of 2022 was (8.1%), and discounting the effects of the rebates paid to our channel partners, we recorded a positive gross margin in the second half year.

Selling Expenses

Selling expenses were RMB1,113.6 million in 2022, representing an increase of 160.2% from RMB427.9 million in 2021. This increase was primarily due to (i) the increased marketing campaigns and promotional activities, and (ii) the increased number of sales personnel in line with our business expansion.

Administrative Expenses

Administrative expenses were RMB842.1 million in 2022, representing an increase of 111.4% from RMB398.3 million in 2021. This increase was primarily due to the increased number of administrative personnel in line with our business expansion.

R&D Expenses

R&D expenses were RMB1,410.6 million in 2022, representing an increase of 90.6% from RMB740.0 million in 2021. The increase was primarily driven by an increased number of R&D employees resulting in higher employee compensation expenses.

Operating Loss

Operating loss was RMB5,226.8 million in 2022, compared with RMB2,868.3 million in 2021. The increase in operating loss was mainly attributable to higher operating expenses as described above.

Net Finance Income

Net finance income was RMB106.3 million in 2022, representing an increase of 376.7% from RMB22.3 million in 2021. This increase was primarily due to an increase in cash balance leading to an increase in interest income from bank deposits.

Share of Net Profit of an Associate

Share of net profit of an associate was RMB11.7 million in 2022, representing an increase of 5,750.0% from RMB0.2 million in 2021. This increase was primarily due to the improved performance of such associate.

Net Loss and Adjusted Net Loss

Net loss was RMB5,108.9 million in 2022, compared with RMB2,845.8 million in 2021. Excluding the share-based payment as part of employee benefit expense, the adjusted net loss (non-IFRS) was RMB4,565.5 million in 2022, compared with RMB2,628.8 million in 2021. See "– Non-IFRS Measure."

Basic and Diluted Loss Per Share

Basic and diluted loss per share was RMB4.89 in 2022, compared with RMB3.03 per share in 2021.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2022, we had a liquidity of RMB9,781.9 million, which includes cash and cash equivalents, restricted cash, financial assets at fair value through profit or loss and short-term bank time deposits, representing an increase of 40.3% from RMB6,974.1 million as at 31 December 2021. Our cash and cash equivalents primarily consist of cash at banks under RMB and USD denominations. We believe that this level of liquidity with the net proceeds received from the Global Offering (as defined in the Prospectus is sufficient to finance our operations, having considered our business development and expansion plans.

FREE CASH FLOW

Free cash flow represents net cash used in operating activities less capital expenditures. In 2022, our free cash flow amounted to RMB(3,817.9) million, representing an increase of 50.1% from RMB(2,544.1) million in 2021.

INTEREST EXPENSES ON BANK AND OTHER BORROWINGS

Interest expenses on bank and other borrowings were RMB52.5 million for the year ended 31 December 2022, representing a decrease of 31.1% from RMB76.2 million for the year ended 31 December 2021.

BORROWINGS

As at 31 December 2022 and 31 December 2021, we had total borrowings of RMB1,791.8 million and RMB874.2 million, respectively. Our bank and other borrowings were denominated in RMB. Particulars of our bank loans and other borrowings as at 31 December 2022, including their respective effective interest rates, are set out in Note 28 to the consolidated financial statements.

GEARING RATIO

We monitored capital using gearing ratio. As at 31 December 2022, the Group's gearing ratio was negative value, which is calculated as net debt divided by total capital at the end of each financial period. Net debt equals to our total borrowings, lease liabilities and preferred share and other financial liabilities less our cash and cash equivalents. Total capital is calculated as total equity plus net debt.

TREASURY POLICY

If our Company determines that its cash requirements exceed the amount of cash and cash equivalents it has on hand at the time, it may seek to issue equity or debt securities or obtain credit facilities.

PLEDGE OF ASSETS

As at 31 December 2022, our Company pledged restricted deposits of RMB2,522.2 million, representing an increase of 21.5% from RMB2,076.1 million as at 31 December 2021. Such restricted deposits included restricted cash, and long-term bank time deposit.

As at 31 December 2022, the Group pledged certain financial assets at FVPL, land use rights and property, plant and equipment for borrowings.

SIGNIFICANT INVESTMENTS HELD

For the year ended 31 December 2022, our Company did not have any significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as at 31 December 2022).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2022, the Group has no specific plan for material investments and acquisition of capital assets.

CAPITAL COMMITMENTS AND CAPITAL EXPENDITURE

Our Company had capital commitments amounting to RMB2,636.2 million primarily for the acquisition of property, plant and equipment as at 31 December 2022. Our Company recorded capital expenditures of RMB1,418.2 million for the year ended 31 December 2022, which were primarily used for the expansion of production capacity of our production base in Jinhua, Zhejiang Province as well as the construction of our production base in Hangzhou, Zhejiang Province.

CONTINGENT LIABILITIES

As at 31 December 2022, our Company did not have any material contingent liabilities.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

For the year ended 31 December 2022, our Company did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

NON-IFRS MEASURE

To supplement our annual results, 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.

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

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Reconciliation of net loss to adjusted net loss:		
Net loss for the year	**(5,108,886)**	(2,845,773)
Add:		
– Share-based payment expenses[1]	**543,377**	216,955
Adjusted net loss[2]	**(4,565,509)**	(2,628,818)

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) A non-IFRS measure.

RISK MANAGEMENT

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 Group. Our Company and its major subsidiaries were incorporated in Mainland China. Our Company considers RMB as the functional currency and believes that it currently does not have any significant direct foreign exchange risk arising from its operating activities. As at 31 December 2022, our Company did not hold any financial instruments for hedging purposes.

Interest Rate Risk

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 Group did not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk for the Reporting Period.

Directors' Report

The Board is pleased to present this Directors' Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

GLOBAL OFFERING

Issuance and Listing of H Shares

The H Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date. 13,082,000 H Shares were offered in the Hong Kong public offering, and 117,737,100 H Shares were offered in the international offering. The offer price was determined at HK$48.00 per offer share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.005%).

GENERAL INFORMATION ABOUT THE COMPANY

List of Directors

From the Listing Date and up to the date of this annual report, the members of the Board of the Company are set out below:

Executive Directors

Mr. Zhu Jiangming (朱江明先生) *(Chairperson of the Board and chief executive officer)*
Mr. Wu Baojun (吳保軍先生) *(President)*
Mr. Cao Li (曹力先生) *(Senior vice president)*

Non-executive Director

Mr. Jin Yufeng (金宇峰先生)

Independent non-executive Directors

Mr. Fu Yuwu (付于武先生)
Dr. Huang Wenli (黃文禮博士)
Ms. Drina C Yue (萬家樂女士)

For their respective biographical details, please refer to the section headed "Directors, Supervisors and Senior Management – Biographical Details of Directors" of this annual report.

Principal Activities

Founded in 2015, the Company is an NEV company based in China that possesses full-suite R&D capabilities in NEV's core technologies. The Company designs, develops, manufactures and sells NEVs, and at the same time develops and produces EIC core components smart cockpit and intelligent driving and provides vehicle internet solutions based on cloud computing.

Business Review

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance, including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business, a description of the principal risks and uncertainties facing the Group and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the sections headed "Business Review" and "Management Discussion and Analysis" of this annual report. These discussions form part of the Group's business review.

Results and Appropriations

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of comprehensive loss.

The Company has adopted a dividend policy in relation to the declaration, payment or distribution of the Company's net profits as dividends to the Shareholders. For details regarding the dividend policy, please refer to the section headed "Dividend Policy" of the Corporate Governance Report. In compliance with this policy and upon due consideration of the Shareholders' and the Company's long-term interests, the Board has resolved not to recommend any final dividend for the year ended 31 December 2022.

During the Reporting Period, there is no arrangement under which a Shareholder has waived or agreed to waive any dividends.

Four-Year Financial Summary

A summary of the condensed consolidated results and financial positions of the Group is set out on page 4 of this annual report.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in Note 15 to the consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company during the Reporting Period are set out in Note 24 to the consolidated financial statements.

Distributable Reserves

As at 31 December 2022, the Company had distributable reserves amounting to RMB16,796.4 million.

Details of the movements in the reserves of the Company during the Reporting Period are set out in Note 41 to the consolidated financial statements.

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Group as at 31 December 2022 are set out in Note 28 to the consolidated financial statements.

Issuance of Debentures

During the Reporting Period and up to the date of this annual report, the Group has not issued any debentures.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company maintained the sufficient percentage of public float under the Listing Rules.

Purchase, Sale or Redemption of the Company's Listed Securities

The H Shares of the Company were listed on the Stock Exchange on 29 September 2022. From the Listing Date to 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

Tax Relief

The Company is not aware of any tax relief available to the Shareholders by reason of their holding of the Company's securities. If the Shareholders are unsure about the taxation implications of purchasing, holdings, disposing of, dealing in, or the exercise of any rights (including entitlements to any relief of taxation) in relation to, the Shares, they are advised to consult an expert.

Major Customers and Suppliers

For the Reporting Period, revenue generated from the five largest customers of the Group accounted for approximately 5.2% of the Group's total revenue, and the revenue generated from the largest customer accounted for approximately 1.9% of the Group's total revenue.

For the Reporting Period, purchase amounts from the five largest suppliers of the Group accounted for approximately 33.4% of the Group's total purchase, and the purchase amounts from the largest supplier accounted for approximately 9.1% of the Group's total purchase.

None of the Directors, their close associates or any Shareholders who to the knowledge of the Directors own more than 5% of the Company's issued share capital had an interest in the share capital of any of the Group's five largest customers and suppliers during the Reporting Period.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the Reporting Period.

Legal Proceedings and Compliance

During the Reporting Period, the Company had not been and was not a party to any material legal, arbitral or administrative proceedings against it that could, individually or in the aggregate, have a material adverse effect on its business, financial condition and results of operations.

During the Reporting Period, the Company had complied with the applicable laws and regulations in relation to its business in all material respects and was not involved in any non-compliance incidents which the Directors believe would, individually, or in aggregate, have a material adverse effect on its business as a whole.

Corporate Governance

For details regarding the Company's corporate governance, please refer to the Corporate Governance Report on pages 43 to 60 of this annual report.

Equity-Linked Agreements

Save as disclosed in the section headed "Employee Incentive Schemes" of the Director's Report, no equity-linked agreements that will or may result in the Company issuing shares, or that require the Company to enter into any agreements that will or may result in the Company issuing shares, were entered into by the Company during the Reporting Period or subsisted as at the date of this annual report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

In compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"), the Company has established the Remuneration Committee to formulate remuneration policies.

The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. The Company offers 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.

The Directors and the senior management personnel are eligible participants of Employee Incentive Schemes, details of which are set out in the section headed "Director's Report – Employee Incentive Schemes" of this annual report and Note 26 to the consolidated financial statements.

Details of the remuneration of the five highest paid individuals are set out in Note 9 to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Directors' and Supervisor' Service Contracts and Appointment Letters

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, none of the Directors or the Supervisors has or will have a service contract with any member of the Group, other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

Details of the emoluments of the Directors and the Supervisors during the year ended 31 December 2022 are set out in Note 38 to the consolidated financial statements in this annual report.

Directors' and Supervisors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in this annual report, none of the Directors or Supervisors or entities connected with them was materially interested in any transaction, contract or arrangement subsisting during or at the end of the Reporting Period which was significant in relation to the business of the Group taken as a whole.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in this annual report, neither the Company nor its subsidiaries were a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right at any time during the Reporting Period.

Directors' Interests in Competing Business

During the Reporting Period, none of the Directors had any interest in any business which competes, or is likely to compete, directly or indirectly, with the Company's business, and requires disclosure under Rule 8.10(2) of the Listing Rules.

Permitted Indemnity Provision

Subject to the Articles of Association and the applicable laws and regulations, every Director shall, in the absence of actual fraud or wilful default or as otherwise required by law, be indemnified by the Company against all costs, losses, damages and expenses which he may incur or become liable in respect of by reason of any contract entered into, or act or thing done by him as Director or in any way in or about the execution of his duties.

Such permitted indemnity provision has been in force since the Listing Date. The Company has taken out and maintained appropriate insurance coverage for the Directors.

CONNECTED TRANSACTIONS

During the Reporting Period, we have entered into the following transactions the highest applicable percentage ratio of which calculated for the purpose of Chapter 14A of the Listing Rules was more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2) of the Listing Rules, these transactions are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Provision of assembly services procurement

Principal Terms

We have entered into the procurement of assembly services framework agreement with (i) Zhejiang Dahua Vision Technology Co., Ltd. ("**Dahua Vision**"), a subsidiary of Zhejiang Dahua Technology Co., Ltd. ("**Dahua Technology**") and (ii) Zhejiang Dahua Zhilian Co., Ltd. ("**Dahua Zhilian**"), a subsidiary of the Dahua Technology, on 14 September 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 assembles the components by using automated and manual soldering processes.

The initial term of the Services Procurement Framework Agreement shall commence on the Listing Date until 31 December 2024, subject to renewal by mutual consent.

Dahua Vision is a wholly-owned subsidiary of Dahua Technology as of the end of the Reporting Period. Dahua Zhilian is held as to 90.09% by Dahua Technology as of the end of the Reporting Period. Dahua Technology is held as to 34.19% by Mr. Fu Liquan, 5.36% by Mr. Zhu Jiangming and 2.38% by Ms. Chen Ailing as of the end of the Reporting Period, therefore a connected person of our Company. As such, Dahua Vision and Dahua Zhilian are also connected persons of our Company.

Basis of Consideration

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 vendor 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.

Annual Caps

The maximum aggregate annual procurement amounts in respect of the Services Procurement Framework Agreement for the three years ending 31 December 2022, 2023 and 2024 shall not exceed the proposed annual caps set out below:

	Proposed annual caps for the year ended/ending 31 December		
	2022	**2023**	**2024**
	(RMB'000)	(RMB'000)	(RMB'000)
Purchase amount by our Group	73,000	88,000	106,000

For the year ended 31 December 2022, the actual maximum aggregate annual procurement amount in respect of the Services Procurement Framework Agreement was RMB64.2 million.

Provision of components and systems

Principal Terms

We have entered into the procurement of automotive components and systems supply framework agreement with Zhejiang Huaruijie Technology Co., Ltd. ("**Huaruijie Technology**") on 14 September 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, collision 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 31 December 2024, subject to renewal by mutual consent.

Huaruijie Technology is held as to 51% by Dahua Technology as of the end of the Reporting Period. Dahua Technology is held as to 34.19% by Mr. Fu Liquan, 5.36% by Mr. Zhu Jiangming and 2.38% by Ms. Chen Ailing as of the end of the Reporting Period, therefore a connected person of our Company. As such, Huaruijie Technology is also a connected person of our Company.

Basis of Consideration

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 vendor 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.

Annual Caps

The maximum aggregate annual purchase amounts in respect of the Components and Systems Supply Framework Agreement for the three years ending 31 December 2022, 2023 and 2024 shall not exceed the caps set out below:

	Proposed annual caps for the year ended/ending 31 December		
	2022	**2023**	**2024**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**
Purchase amount by our Group	450,000	540,000	648,000

For the year ended 31 December 2022, the actual maximum aggregate annual purchase amount in respect of the Components and Systems Supply Framework Agreement was RMB314.4 million.

Confirmation from Independent Non-executive Directors

The independent non-executive Directors of the Company have reviewed the above continuing connected transaction, and confirmed that such continuing connected transaction had been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreement governing it on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation from the Auditor

The Auditor has performed the relevant procedures regarding the continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the Auditor's letter has been provided by the Company to the Stock Exchange.

The Auditor has performed agreed-upon procedures regarding the continuing connected transactions entered into by the Group during the Reporting Period as set out above and states that:

(i) nothing has come to its attention that causes it to believe that the disclosed continuing connected transactions have not been approved by the Board;

(ii) nothing has come to its attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing the transaction; or

(iii) nothing has come to its attention that causes it to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

Certain related party transactions as disclosed in Note 37 to the consolidated financial statements constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and are in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

Save as disclosed in this annual report, during the Reporting Period, the Company had no other related party transactions which fell to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 8,336 full-time employees, the majority of whom are based in Zhejiang Province, China. The following table sets forth the breakdown of the Group's employees by function as at 31 December 2022:

Function	Number of Employees	% of Total
Manufacturing	4,193	50.3
R&D	2,195	26.3
Sales and marketing	1,345	16.1
Supply chain management	249	3.0
General and administration	354	4.3
Total	**8,336**	**100.0**

The Group primarily recruits the employees through campus recruitment, online recruitment, internal referrals and recruitment firms or agents, to satisfy its demand for different types of talents. The Group conducts safety awareness, quality awareness and corporate culture training for R&D and manufacturing staff, and implements a comprehensive training system for all employees. The Group also holds various training courses conducted online and offline on a weekly basis.

The Group offers its employees competitive compensation packages and a dynamic work environment that encourages initiative. The Group participates in various government statutory employee benefit plans, including social insurance, namely pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and housing funds. In addition, The Group purchased employer's liability insurance and additional commercial health insurance to increase insurance coverage of its employees.

INTERESTS AND/OR SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF OUR COMPANY OR ITS ASSOCIATED CORPORATIONS

The H Shares of the Company were listed on the Main Board of the Stock Exchange on 29 September 2022. Since then, Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were applicable to the Directors, the Supervisors and chief executives of our Company.

As at 31 December 2022, the interests and short positions of the Directors and chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations within the meaning of Part XV of the SFO, which were required (a) to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules are set out as follows:

Name	Position	Nature of Interest	Number and class of Shares held[1]	Approximate percentage of shareholding in the relevant class of Shares[1]	Approximate percentage of shareholding in the total share capital of our Company[1]
Domestic Shares					
Mr. Zhu	Founder, chairperson of the Board, executive Director and chief executive officer	Beneficial owner	55,557,839	25.19%	4.86%
		Interests held jointly with another person[3]	72,960,000	33.08%	6.38%
H Shares					
Mr. Zhu	Founder, chairperson of the Board, executive Director and chief executive officer	Beneficial owner	37,038,559	4.02%	3.24%
		Interests in controlled corporations[2]	27,683,972	3.00%	2.42%
		Interests held jointly with another person[3]	120,549,007	13.07%	10.55%
Mr. Wu Baojun (吳保軍先生)	Executive Director and president	Interests in controlled corporations[4]	12,806,500	1.39%	1.12%
		Beneficial interest[5]	500,000	0.05%	0.04%
Mr. Cao Li (曹力先生)	Executive Director and senior vice president	Beneficial interest[6]	2,000,000	0.22%	0.18%

Notes:

(1) All interests stated are long position. The calculation is based on the total number of 220,552,174 Domestic Shares in issue and 922,153,885 H Shares in issue as at 31 December 2022. Figures for the percentage of shares held have been corrected to the nearest second decimal place.

(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 through Hangzhou Xintu, Ningbo Jinghang and Wanzai Mingzhao.

(3) Pursuant to an acting-in-concert agreement dated 1 February 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. 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.

(5) 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. For details of the Pre-IPO Share Option Scheme, refer to the paragraph headed "Employee Incentive Schemes" below.

(6) 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. For details of the Pre-IPO Share Option Scheme, refer to the paragraph headed "Employee Incentive Schemes" below.

Save as disclosed above, as at 31 December 2022, none of the Directors, the Supervisors or the chief executives of the Company held or was deemed to hold any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND/OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF OUR COMPANY

The H Shares of the Company were listed on the Main Board of the Stock Exchange on 29 September 2022. Since then, Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were applicable to the substantial shareholders of our Company.

So far as the Directors or chief executive of our Company are aware, as at 31 December 2022, the following persons (other than the Directors or chief executives of our Company) had interests and/or short positions in the Shares or underlying Shares of our Company which shall be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept pursuant to Section 336 of the SFO or had otherwise notified to the Company:

Name of Shareholder	Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding in relevant class of Shares[1]	Approximate percentage of shareholding in total share capital of our Company[1]
Domestic Shares				
Ms. Liu	Deemed interests[3]	55,557,839	25.19%	4.86%
	Interests held jointly with another person[2]	72,960,000	33.08%	6.38%
Mr. Fu	Beneficial owner	72,960,000	33.08%	6.38%
	Interests held jointly with another person[2]	55,557,839	25.19%	4.86%
Ms. Chen	Deemed interests[5]	72,960,000	33.08%	6.38%
	Interests held jointly with another person[2]	55,557,839	25.19%	4.86%
Dahua Technology	Beneficial owner[7]	45,000,000	20.40%	3.94%
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[8]	12,107,202	5.49%	1.06%
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[10]	11,229,358	5.09%	0.98%

Name of Shareholder	Nature of Interest	Number of Shares[(1)]	Approximate percentage of shareholding in relevant class of Shares[(1)]	Approximate percentage of shareholding in total share capital of our Company[(1)]
H Shares				
Ms. Liu	Deemed interests[(3)]	64,722,531	7.02%	5.66%
	Interests held jointly with another person[(2)]	120,549,007	13.07%	10.55%
Mr. Fu	Beneficial owner	18,240,000	1.98%	1.60%
	Interests in controlled corporations[(4)]	45,761,266	4.96%	4.00%
	Deemed interests[(5)]	56,547,741	6.13%	4.95%
	Interests held jointly with another person[(2)]	64,722,531	7.02%	5.66%
	Interests in controlled corporation[(11)]	10,800,000	1.17%	0.95%
Ms. Chen	Interests in controlled corporations[(6)]	56,547,741	6.13%	4.95%
	Deemed interests[(5)]	64,001,266	6.94%	5.60%
	Interests held jointly with another person[(2)]	64,722,531	7.02%	5.66%
	Deemed interest[(12)]	10,800,000	1.17%	0.95%
Dahua Technology	Beneficial owner[(7)]	45,000,000	4.88%	3.94%
Guoshun Lingpao	Beneficial owner[(8)]	48,428,810	5.25%	4.24%
Guosen Securities Co., Ltd. (國信證券股份有限公司) ("**Guosen Securities**")	Trustee[(9)]	57,723,164	6.26%	5.05%
Ningbo Hualing	Beneficial owner[(13)]	56,547,741	6.13%	4.95%

Notes:

(1) In the above table, the information on the individuals/entities in which the interests are held, the nature of such interests and the number of Shares is based on information available on the website of the Stock Exchange (http://www.hkexnews.hk/). All interests stated are long position. The calculation is based on the total number of 220,552,174 Domestic Shares in issue and 922,153,885 H Shares in issue as at 31 December 2022. Figures for the percentage of shares held have been corrected to the nearest second decimal place.

(2) Pursuant to an acting-in-concert agreement dated 1 February 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.

(3) 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.

(4) 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.

(5) 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.

(6) Ms. Chen is the general partner of Ningbo Hualing. Therefore, Ms. Chen is deemed to be interested in 56,547,741 H Shares held through Ningbo Hualing.

(7) Dahua Technology is listed on the Shenzhen Stock Exchange (stock code: 002236.SZ). As of 31 December 2022, Mr. Fu, Mr. Zhu and Ms. Chen held approximately 33.76%, 5.28% and 2.35% of the issued share capital of Dahua Technology, respectively.

(8) Guoshun Lingpao is one of our major Pre-IPO Investors and is a limited partnership established in the PRC. 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.

(9) 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, please refer to the paragraph headed "Employee Incentive Schemes" below.

(10) Sequoia Zhisheng is one of our major Pre-IPO Investors and is a limited partnership established in the PRC. The general partner of Sequoia Zhisheng 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**") and the general partner of Sequoia Kunsheng is Ningbo Meishan Bonded Port Area Sequoia Huanjia Investment Management Limited (寧波梅山保稅港區紅杉桓嘉投資管理有限公司), 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) (寧波梅山保稅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) (寧波梅山保稅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.

(11) 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.

(12) 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.

(13) Ningbo Hualing is controlled by Mr. Fu Yiqin. Therefore, Mr. Fu Yiqin is deemed to be interested in the 56,547,741 H Shares held through Ningbo Hualing.

Save as disclosed herein, there is no other person known to the Directors or chief executive of our Company who, as at 31 December 2022, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 under Part XV of the SFO or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

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 31 January 2021. No further awards will be granted under the Share Award Scheme I after Listing.

Purpose. 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 our Company.

The Number of Shares. The total number of Shares available for issue under the Share Award Scheme I is 12,806,500, representing approximately 1.12% of the share capital in issue of our Company as at the date of this annual report.

Participants. We granted awards to key employees of our Company and its subsidiaries in office or those with major contributions to our Company (the "**Participants of Share Award Scheme I**").

Restricted share unit(s) is/are granted under the Share Award Scheme I to the Participants of Share Award Scheme I as an award. The award incentive shares are held by Ningbo Jinghang, which has a business operation period until September 2037. 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.

Administration: The Share Award Scheme I is managed by the executive partner of Ningbo Jinghang (the "**Executive Partner**"). As of the date of this annual report, 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.

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 of Share Award Scheme I 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 of Share Award Scheme I, 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.

Details of the Awards Granted. A total of 12,806,500 Shares were granted under the Share Award Scheme I, representing approximately 1.12% of the share capital in issue of our Company as at the date of this annual report.

The details are set out as follows:

Name of the grantees	Position held in our Group	Grant date	Outstanding and subject to vesting conditions as at 1 January 2022	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding and subject to vesting conditions as at 31 December 2022
Connected Persons								
Mr. Zhu	Founder, chairperson of the Board, executive Director and chief executive officer of the Company	23/2/2021	10,000	–	–	–	–	10,000
Mr. Wu Baojun (吳保軍先生)	Executive Director and president of the Company	23/2/2021	9,000,000	–	–	–	–	9,000,000
Ms. Jing Hua (敬華女士)	Senior vice president and secretary to the Board of the Company	23/2/2021	643,600	–	–	–	–	643,600
Mr. Xu Wei (許煒先生)	Former Director of the Company and a subsidiary of the Company in the previous 12 months	23/02/2021	3,152,900	–	–	–	–	3,152,900
Total		**/**	**12,806,500**	**/**	**/**	**/**	**/**	**12,806,500**

B. Share Award Scheme II

The following is a summary of the principal terms of our Share Award Scheme II adopted on 31 January 2021. No further Awards will be granted under the Share Award Scheme II after Listing.

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 our Company.

The Number of Shares. The total number of Shares available for issue under the Share Award Scheme II is 57,723,164 Shares are granted under the Share Award Scheme II, representing approximately 5.05% of the share capital in issue of our Company as at 31 December 2022.

Participants. We granted awards to Directors, Supervisors and senior management of our Company, key employees of our Company and its subsidiaries and other employees as considered and approved by the Board of our Company (the "**Participants of Share Award Scheme II**").

Restricted share unit(s) is/are granted under the Share Award Scheme II to the Participants of Share Award Scheme II as an award. The awarded incentive shares are held by 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).

Validity period: The Share Award Scheme II has a term of 10 years from the date of the Shareholders' approval of the Share Award Scheme II.

Administration: Upon subscription of the Shares held under the Share Award Scheme II, a Participant of Share Award Scheme II shall become the holder under the Share Award Scheme II (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 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.

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 of Share Award Scheme II 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.

Details of the Awards Granted. A total of 56,959,524 Shares were granted under the Share Award Scheme II, representing approximately 4.98% of the share capital in issue of our Company as at 31 December 2022. The details are set out as follows:

Name of the grantees	Position held in our Group	Grant date	Outstanding and subject to vesting conditions as at 1 January 2022	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding and subject to vesting conditions as at 31 December 2022
Connected Persons								
Mr. Zhu	Founder, chairperson of the Board, executive Director and chief executive officer of the Company	23/02/2021	2,164,664	–	–	–	965,450	1,199,214
Mr. Wu	Executive Director and president of the Company	23/02/2021	600,000	–	–	–	–	600,000
Mr. Cao Li (曹力先生)	Executive Director and senior vice president of the Company	23/02/2021	1,600,000	–	–	–	–	1,600,000
Ms. Jing	Senior vice president and secretary to the Board of the Company	23/02/2021	100,000	–	–	–	–	100,000
Mr. Mo Chengrui (莫承鋭先生)	Supervisor of the Company	23/02/2021	550,000	–	–	–	–	550,000
Ms. Yao Tianzhi (姚甜芝女士)	Employees' representative Supervisor of the Company	23/02/2021 31/5/2022	67,000	100,000	–	–	–	167,000
Others								
1,112 qualified Participants		23/02/2021 31/12/2021 31/05/2022 19/08/2022	50,865,350	6,998,200	–	–	5,120,240	52,743,310
Total		**/**	**55,947,014**	**7,098,200**	**-**	**-**	**6,085,690**	**56,959,524**

For the fair value of the share awards granted during the Reporting Period at the grant date and the accounting standard and policy adopted, please refer to Note 2.21 and 26 to the consolidated financial statements.

C. Pre-IPO Share Option Scheme

The following is a summary of the principal terms of our Pre-IPO Share Option Scheme adopted on 22 June 2022. No further options will be granted under the Pre-IPO Share Option Scheme after Listing.

Purpose. The purpose of the Pre-IPO Share Option Scheme is to improve our Company's incentive mechanism to attract and retain outstanding talents, to better align the interests of our Company's employees with those of the shareholders and our Company, and to promote our Company's long-term development.

Maximum Number of Shares. The maximum number of Shares which may be issued pursuant to all options under the Pre-IPO Share Option Scheme is 50,594,348 Shares, representing approximately 4.43% of the share capital in issue of our Company as at the date of this annual report. Each option entitles the purchase of one Share. There is no reserved entitlement under the Pre-IPO Share Option Scheme.

Participants. We granted awards to management personnel and core employees (save for the independent non-executive Directors) working for our Company and its subsidiaries.

Exercise price of share options. The exercise price of the Pre-IPO Share Option Scheme is RMB27.26 per Share, which was determined with reference the subscription price of the Shares of the equity financing of the Company immediately prior to the adoption of the Pre-IPO Share Option Scheme.

Exercise period and validity period. The period between the Listing Date and the date on which the participants exercise all his options shall not exceed 6 years.

Vesting period. 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%

Outstanding Grants. As of the date of this annual report, our Company granted options to subscribe for an aggregate of 50,594,348 Shares to a total of 600 eligible participants under the Pre-IPO Share Option Scheme. All the options are granted on 5 August 2022, with an exercise price of RMB27.26 per share. As at 31 December 2022, none of the options were exercised and 49,734,848 of the options were outstanding.

All the options are granted to the Company's employees. Details of the options granted under the Pre-IPO Share Option Scheme as at 31 December 2022 are set out below:

Name of grantee	Position held in the Group/connected relationship	Outstanding and subject to vesting conditions as at 1 January 2022	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding and subject to vesting conditions as at 31 December 2022
Mr. Wu Baojun (吳保軍先生)	Executive Director and president	–	500,000	–	–	–	500,000
Mr. Cao Li (曹力先生)	Executive Director and senior vice president	–	2,000,000	–	–	–	2,000,000
Mr. Mo Chengrui (莫承銳先生)	Supervisor	–	170,000	–	–	–	170,000
Ms. Yao Tianzhi (姚甜芝女士)	Employees' representative Supervisor	–	100,000	–	–	–	100,000
Ms. Jing Hua (敬華女士)	Senior vice president and secretary to the Board	–	500,000	–	–	–	500,000
Mr. Zhou Hongtao (周洪濤先生)	Senior vice president	–	2,000,000	–	–	–	2,000,000
Mr. Wu Cun (巫存先生)	Vice president	–	1,500,000	–	–	–	1,500,000
Mr. Shu Chuncheng (舒春成先生)	Vice president	–	1,500,000	–	–	–	1,500,000
Participants that are not to Directors, Supervisors, senior management, or other connected person of the Company	/	–	42,324,348	–	859,500	–	41,464,848
Total	**/**	**-**	**50,594,348**	**-**	**859,500**	**-**	**49,734,848**

For the fair value of the share options granted during the Reporting Period at the grant date and the accounting standard and policy adopted, please refer to Note 2.21 and 26 to the consolidated financial statements.

From the Listing Date to the end of the Reporting Period, the number of shares that may be issued in respect of options and awards granted under the Employee Incentive Schemes during the Reporting Period divided by the weighted average number of shares of the H Shares in issue for the Reporting Period is 4.35%.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On 29 September 2022, the H Shares of our Company were listed on the Main Board of the Stock Exchange. The net proceeds from the global offering, after deducting underwriting discounts and commissions, were approximately HK$6,168.9 million, which will be used in accordance with the use of proceeds as disclosed in the Prospectus in three years from the Listing Date as follows:

- Approximately 40.0% of the net proceeds, for our research and development
- Approximately 25.0% of the net proceeds, 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, for expanding our sales and service network and establishing a stronger brand presence
- Approximately 10.0% of the net proceeds, for working capital and general corporate purposes

As of 31 December 2022, the Group had utilized the net proceeds as set out in the table below:

Intended use	% of use of proceeds	Net proceeds (HK$ million)	Utilized for the year ended 31 December 2022 (HK$ million)	Unutilized amount as of 31 December 2022 (HK$ million)
For our research and development	40%	2,467.6	79.4	2,388.2
For enhancing our production capacity and capabilities, as part of our efforts to improve vertical integration and operational efficiency	25%	1,542.2	23.7	1,518.5
For expanding our sales and service network and establishing a stronger brand presence	25%	1,542.2	20.3	1,521.9
For working capital and general corporate purposes	10%	617	–	617

MATERIAL LITIGATION

Our Company was not involved in any material litigation or arbitration during the Reporting Period.

SUBSEQUENT EVENT

After the Reporting Period and up to the date of this annual report, save as otherwise disclosed in this annual report, there were no other significant events occurred which have material adverse impact on the performance and value of the Group.

REVIEW OF ANNUAL RESULTS AND APPROVAL OF ANNUAL REPORT

The Audit Committee of our Company comprises Mr. Fu Yuwu, Dr. Huang Wenli and Ms. Drina C Yue, all of whom are independent non-executive Directors. The Audit Committee of our Company has reviewed the audited annual results and the annual report of our Company for the year ended 31 December 2022. The annual report and the consolidated financial statements of the Group for the year ended 31 December 2022 were approved and authorised for issue by the Board on 17 April 2023.

APPRECIATION

Our Company would like to express its appreciation to all the staff for their outstanding contribution towards the Group's development. The Board wishes to sincerely thank the management for their dedication and diligence, which are the key factors for the Company to continue its success in the future. Also, our Company wishes to extend its gratitude for the continued support from its shareholders, customers, and business partners. Our Company will continue to deliver sustainable business development, so as to create more values for all its shareholders.

By order of the Board
Zhejiang Leapmotor Technology Co., Ltd.
Mr. Zhu Jiangming
Founder, Chairperson of the Board and
Chief Executive Officer

17 April 2023

Report of the Supervisory Committee

In 2022, the Supervisory Committee of the Company performed its duties strictly in accordance with the Company Law, the Articles of Association and the Rules of Procedure of the Supervisory Committee, examined the Company's finance, supervised the legality and compliance of the Directors and senior management personnel in the discharge of their duties to safeguard the Company and shareholders' legitimate rights and interests. The work for 2022 is hereby reported as follows:

I. THE WORK OF THE SUPERVISORY COMMITTEE

Number of meetings convened		2
Date of the meeting	**Name of the meeting**	**The agenda of the meeting of the Supervisory Committee**
22 June 2022	The Third Meeting of the First Session of the Supervisory Committee	1. To consider and approve the Resolution on Considering the Report of the Supervisory Committee for 2021
2 September 2022	The Fourth Meeting of the First Session of the Supervisory Committee	1. Resolution on Signing the Related Transactions Framework Agreement by the Company with Related Parties

During the year, in order to regulate the Company's operation and management acts, the Supervisory Committee of the Company strengthened supervision and faithfully performed its supervisory functions with a focus on the following aspects.

1. Supervision of operating activities

Members of the Supervisory Committee attended each meeting of the Board of Directors of the Company and supervised major decisions in the Company's operation and management. The Supervisory Committee reviewed, as appropriate, relevant reports on the implementation of the resolutions of the general meeting, resolutions of the Board of Directors, operational plans, major investment plans, as well as financial budgets and final accounts plans by operation and management personnel of the Company, to understand the particulars of the Company's operation and management activities and raise corresponding opinions and suggestions in this regard.

2. Supervision of financial activities

The Supervisory Committee regarded inspection and supervision of the Company's finance as the priority of its work. Firstly, it required the financial department of the Company to provide financial reports and related financial information on a regular basis to keep abreast of the Company's financial activities; secondly, it urged the Company to establish and improve the financial management system and internal control system; thirdly, it conducted financial inspections to perform unscheduled examination on the financial activities of the Company and raised targeted suggestions for improvement in accordance with relevant laws, regulations and policies of the PRC and based on the Company's characteristics, so as to further improve the financial management level of the Company.

3. Supervision of management personnel

In order to effectively exercise the function of supervising the Directors and senior management personnel of the Company, the Supervisory Committee, while performing daily supervisory functions, urged the Company to attach importance to and strengthen publicity and education. It conscientiously organized management personnel to study laws and regulations to enhance their legal awareness and self-consciousness of law abiding, ensuring that the Company's operating activities are carried out in accordance with the laws.

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE OPERATION OF THE COMPANY IN ACCORDANCE WITH LAWS

During the Reporting Period, the Company's Supervisory Committee supervised and inspected the Company's operation in accordance with the laws, and concluded that the Company's decision-making procedures are in compliance with the laws. A relatively sound internal control system has been established, and no Directors, general managers and other senior management have been found to violate the laws and regulations, the Articles of the Company or damage the Company's interests when discharging their duties.

III. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON EXAMINING THE FINANCIAL CONDITIONS OF THE COMPANY

The Supervisory Committee has reviewed the Company's financial report for 2022 and concluded that such report gives an objective view of the financial conditions and operating results of the Company, conforms to the requirements under the Accounting Standards for Business Enterprises, Accounting System for Business Enterprises and other relevant financial and accounting laws and regulations. It is of the opinion that the audit report issued by PricewaterhouseCoopers on the Company's financial report for 2022 is objective and fair.

IV. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELATED PARTY TRANSACTIONS OF THE COMPANY

The Supervisory Committee was of the view that related party transactions of the Company occurred during the Reporting Period were conducted with objective and fair pricing, the transaction conditions and arrangements of which were fair and reasonable and complied with the rules of related party transactions, and there was no circumstances that damaged the interests of the Company and other shareholders, reflecting the principles of fairness, justice and integrity.

In 2023, the Supervisory Committee of the Company will continue to perform its duties faithfully and diligently in accordance with relevant requirements such as the Company Law and Articles of Association, continuously improve the effectiveness and pertinence of the supervisory functions of the Supervisory Committee, promote regulated operation of the Company and prevent operation and management risks to safeguard the legitimate rights and interests of the Company and all shareholders. We will work unremittingly with all shareholders for the development of the Company.

By order of the Supervisory Committee
Zhejiang Leapmotor Technology Co., Ltd.
Mr. Wu Yefeng
Chairperson of the Supervisory Committee

17 April 2023

Directors, Supervisors and Senior Management

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Zhu Jiangming (朱江明先生), aged 56, 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 52, 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 39, 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 46, 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 78, 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 annual report, 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 41, 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 annual report, 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 65, 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.

BIOGRAPHICAL DETAILS OF SUPERVISORS

Mr. Wu Yefeng (吳燁鋒先生), aged 39, 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 (莫承鋭先生), aged 51, 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 29, 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.

BIOGRAPHICAL DETAILS OF SENIOR MANAGEMENT

Mr. Zhu Jiangming (朱江明先生), is our founder, chairperson of the Board, executive Director and chief executive officer. Please refer to the section headed "Biographical Details of Directors" for further details.

Mr. Wu Baojun (吳保軍先生), is our executive Director and president. Please refer to the section headed "Biographical Details of Directors" for further details.

Mr. Cao Li (曹力先生), is our executive Director and senior vice president. Please refer to the section headed "Biographical Details of Directors" for further details.

Ms. Jing Hua (敬華女士), aged 54, 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. Xu Jun (徐軍), aged 52, joined our Company in July 2022 and serves as the senior vice president and chief operating officer of the Company since January 2023. Mr. Xu Jun has extensive experience in marketing. He served as chief marketing expert in Shanghai Geonol Enterprise Management Consulting Co., Ltd. (上海喬諾企業管理諮詢公司) from September 2020 to July 2022; and successively as the director and vice president of sales of the open channel of consumer business in the Greater China Region, and the director of the Asia Pacific Channel of consumer business in Huawei Technologies Co., Ltd. from June 2012 to January 2020. From January 2010 to May 2012, he served as the China-region national channel director in Motorola (China) Co., Ltd. (摩托羅拉（中國）有限公司). From February 2003 to December 2010, he served as regional manager, deputy general manager of the western region and senior key account manager in Nokia (China) Co., Ltd. (諾基亞（中國）有限公司).

Mr. Zhang Weili (張韋力), aged 44, joined our Company in September 2022 and serves as the senior vice president and chief marketing officer of the Company since January 2023. Mr. Zhang Weili has extensive experience in brand marketing. From 2014 to 2021, he successively served as the chief marketing officer of the Greater China and the Latin America regions in Huawei Terminal Co., Ltd. (華為終端有限公司). From June 2012 to March 2014, he served as the senior account director of Zenith Optimedia Group Co., Ltd. (實力傳播集團有限公司). From August 2007 to June 2012, he served as the head of digital product marketing in Samsung OpenTide (China) Co., Ltd. (三星鵬泰（中國）有限公司).

Mr. Zhou Hongtao (周洪濤先生), aged 44, 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 43, 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 39, 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.

Save as disclosed above, during the Reporting Period and up to the date of this annual report, our Directors, Supervisors and members of the senior management does not have financial, business, family or other relationship with one another.

DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT PURSUANT TO LISTING RULES 13.51B(1)

On 13 January 2023, (i) Mr. Xu Jun was appointed as the senior vice president and chief operating officer of the Company in charge of sales and services; (ii) Mr. Zhang Weili was appointed as the senior vice president and chief marketing officer of the Company in charge of marketing and user operation; (iii) Mr. Zhang Guangyin ceased to serve as the vice president of the Company as a result of change of work assignment and had a new appointment from the Company; and (iv) Mr. Cho Kwong Lun Kelvin tendered his resignation as the vice chairman and chief financial officer of the Company due to personal career development reason. For details, please refer to the announcement of the Company dated 13 January 2023.

Save as disclosed above, as of the date of this annual report, there has been no change to the information of the Directors, Supervisors and senior management which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of its Shareholders. The principles of the Company's corporate governance are to promote effective internal control measures and to enhance the transparency and accountability of the Board to all the Shareholders.

The H Shares of the Company were listed on the Main Board of the Stock Exchange on 29 September 2022. Since then, the Company has been complying with the corporate governance requirements under the Corporate Governance Code set out in Appendix 14 to the Listing Rules. In the opinion of the Board, throughout the period from the Listing Date and up to the end of the Reporting Period, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code, save for the deviation from code provision C.2.1 which is further explained in the section headed "Chairperson and Chief Executive Officer" below.

The Board will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

BOARD OF DIRECTORS

Board Composition

The Board currently comprises the following Directors:

Executive Directors

Mr. Zhu Jiangming (朱江明先生) *(Chairperson of the Board and chief executive officer)*
Mr. Wu Baojun (吳保軍先生) *(President)*
Mr. Cao Li (曹力先生) *(Senior vice president)*

Non-executive Director

Mr. Jin Yufeng (金宇峰先生)

Independent non-executive Directors

Mr. Fu Yuwu (付于武先生)
Dr. Huang Wenli (黃文禮博士)
Ms. Drina C Yue (萬家樂女士)

An up-to-date list of the Directors and their roles and functions is maintained on the Company's website and the Stock Exchange's website. The biographical details of the Directors are set out in the section headed "Directors, Supervisors and Senior Management – Biographical Details of Directors" of this annual report.

During the period from the Listing Date to end of the Reporting Period, the Board has met the requirements of the Listing Rules regarding the appointment of at least three independent non-executive directors (representing at least one-third of the Board), with at least one of whom possessing appropriate professional qualifications, or accounting, or related financial management expertise. To provide transparency to the investor community and in compliance with the Listing Rules and the Corporate Governance Code, the independent non-executive Directors of the Company are clearly identified in all corporate communications containing the names of the Directors.

The Company has received annual written confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Responsibilities and Delegation

The Board is responsible for the leadership and control of the Company, directing and supervising the Company's affairs and acting in the best interests of the Company and its Shareholders.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound risk management and internal control systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have full and timely access to all the information of the Company, and may upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company. The Directors have disclosed to the Company details of other offices held by them.

The Board reserves its discretion on all major matters relating to policy matters, strategies and budgets, risk management and internal control, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the chief executive officer and management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

Chairperson and Chief Executive Officer

Pursuant to code provision C.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. The Company does not have a separate chairperson and chief executive officer and Mr. Zhu Jiangming currently performs these two roles. The Board believes that, in view of his experience, personal profile and his roles in the Company, Mr. Zhu Jiangming is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of the Company's business as the 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 Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for regular Board meetings.

For other Board meetings and Board committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are despatched to the Directors or Board committee members at least three days before such meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting.

The matters considered by the Board and Board committees during the meetings and the decisions reached are recorded in sufficient details in the minutes of the meetings kept by the Joint Company Secretaries. Such details include, but are not limited to, any concerns raised by the Directors. The draft minutes of each Board meeting and Board committees meeting are sent to the relevant Directors for comments within a reasonable time after the meeting is held. All minutes are properly maintained by the Joint Company Secretaries and are available for the Directors' and Board committee members' inspection.

During the period from the Listing Date to the end of the Reporting Period, the Company held 7 Board meetings, 2 Audit Committee meetings, 1 Remuneration Committee meetings and 1 Nomination Committee (renamed to Nomination and Environmental, Social and Corporate Governance (ESG) Committee on 13 January 2023) meetings. The attendance record of each Director at the above meetings are set out in the table below:

	Attendance/Number of Meetings			
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination and Environmental, Social and Corporate Governance (ESG) Committee**
Mr. Zhu Jiangming	7/7	–	1/1	1/1
Mr. Wu Baojun	7/7	–	–	–
Mr. Cao Li	7/7	–	–	–
Mr. Jin Yufeng (ceased to be a member of the Audit Committee on 13 January 2023)	7/7	2/2	–	–
Mr. Fu Yuwu	7/7	2/2	–	1/1
Dr. Huang Wenli	7/7	2/2	1/1	1/1
Ms. Drina C Yue (appointed as a member of the Audit Committee on 13 January 2023)	7/7	–	1/1	–

In addition to the above meetings, Mr. Zhu Jiangming, the chairperson of the Board, held a meeting with the independent non-executive Directors without the presence of the other Directors during the period from the Listing Date to the end of the Reporting Period.

Appointment and Re-Election

Code provision B.2.2 of the Corporate Governance Code states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Each Director (including the non-executive Director and independent non-executive Directors) is engaged for a term of three years. They are subject to re-election in accordance with the provisions of the Articles of Association.

Training and Professional Development

Pursuant to code provision C.1.4 of the Corporate Governance Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills, so as to ensure that their contribution to the board remains informed and relevant.

To help the Directors develop and refresh their knowledge and skills, internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Reporting Period, the Company also arranged for its Hong Kong legal advisor in relation to the Listing to provide training to all Directors (including independent non-executive Directors). The training session covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and requirements under the Listing Rules.

The Directors are required to provide details of the training they received in each financial year to the Company for the maintenance of proper training records. Throughout the period from the Listing Date to the end of the Reporting Period, the training received by the Directors was as follows:

Name of Director	Type of continuous professional development training
Mr. Zhu Jiangming	A and B
Mr. Wu Baojun	A and B
Mr. Cao Li	A and B
Mr. Jin Yufeng	A and B
Mr. Fu Yuwu	A and B
Dr. Huang Wenli	A and B
Ms. Drina C Yue	A and B

Notes:

A: Attending seminar(s), conference(s), forum(s) and/or training course(s) arranged by the Company or external parties

B: Perusing materials provided by the Company or external parties, such as materials relating to the Company's business updates, directors' duties and responsibilities, corporate governance and regulatory updates, and other applicable regulatory requirements.

BOARD COMMITTEES

The Board has established three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination and Environmental, Social and Corporate Governance (ESG) Committee, for overseeing particular aspects of the Company's affairs. All Board committees are established with specific terms of reference which deal clearly with their authority and duties, and are posted on the Company's website and the Stock Exchange's website.

Audit Committee

The Company has established the 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.

During the period from the Listing date to the end of the Reporting Period, the Audit Committee consists of three Directors, namely Mr. Fu Yuwu, Dr. Huang Wenli and Mr. Jin Yufeng. On 13 January 2023, Mr. Jin Yufeng ceased to be a member of the Audit Committee of the Company for personal reasons, and Ms. Drina C Yue serves as a member of the Audit Committee since the same date. Dr. Huang Wenli 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 duties and responsibility of the Audit Committee includes but not limited to the following:

- examining the authenticity of financial reports of the Company and monitoring financial reporting procedures of the Company;
- examining the effectiveness of risk management and internal control system of the Company;
- ensuring that the Company's resources in accounting, internal audit and financial reporting functions, qualifications and experience of the 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 the Company has any major internal control defaults or deficiencies;
- evaluating the nature and severity of major risks faced by the Company in the preceding financial year;
- evaluating the performance of the audit function and personnel;
- proposing the appointment of external auditors to the Board, and reviewing the qualification, independence and performance of the external auditors; and
- regularly examining the financial reports and annual reports of the Company.

The attendance records of the Audit Committee are set out in the section headed "Board Meetings" above. During the period from the Listing Date to the end of the Reporting Period, the Audit Committee has performed the following major duties: (i) reviewed the interim report of the Company for the six months ended 30 June 2022; (ii) reviewed the quarterly results of the Company for the three months ended 30 September 2022; (iii) reviewed the annual results and annual report of the Company for the year ended 31 December 2022; and (iv) reviewed the effectiveness of the Company's financial controls, internal control and risk management systems. The Audit Committee has reviewed the audited consolidated financial statements and results of the Group for the Reporting Period, discussed the re-appointment of the external auditors and made a recommendation to the Board.

The Auditor was invited to attend the Audit Committee meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. The Audit Committee also met with the Auditor in the absence of the executive Directors. The Audit Committee is satisfied with the independence and engagement of the Auditor. As such, the Audit Committee has recommended its re-appointment.

Directors' Responsibilities for Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements which should give a true and fair view of the state of affairs of the Company and of the results and cash flows for such reporting period.

In preparing the financial statements, the Board has adopted generally accepted accounting standards in Hong Kong and suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable, and prepared the financial statements on a going concern basis. The Board is responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Company's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The Auditor is responsible for auditing and reporting its opinion on the financial statements of the Company. The independent auditor's report for the Reporting Period is set out in the section headed "Independent Auditor's Report" of this annual report.

Auditor's Remuneration

For the year ended 31 December 2022, the remuneration for the audit services paid to the Auditor (which excludes the service fees in connection with the initial public offering) amounted to RMB4.08 million; while no non-audit services (which mainly include professional services on tax advisory and internal control consultation services) has been provided by the Auditor.

The Company did not change its auditor in the preceding three years.

Nomination and Environmental, Social and Corporate Governance (ESG) Committee

The Company has established the Nomination Committee with written terms of reference in compliance with paragraph B.3 of part II of the Corporate Governance Code on the Listing Date. On 13 January 2023, in order to further enhance the Company's standards on ESG management, improve the ESG management system and strengthen the ESG management competency, the Company changed the name of the original Nomination Committee to the Nomination and Environmental, Social and Corporate Governance (ESG) Committee, with its members unchanged, and added responsibilities related to sustainable development.

The Nomination and Environmental, Social and Corporate Governance (ESG) 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 and Environmental, Social and Corporate Governance (ESG) Committee. The duties and responsibility of the Nomination and Environmental, Social and Corporate Governance (ESG) Committee include but not limited to the following:

- in light of the operating activities, size of assets and shareholding structure of the Company, reviewing the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, expertise, skills, knowledge and length of services) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- making recommendations to the Board on the appointment or re-appointment and succession plan of the directors, especially the chairman of the Board and the general manager;

- identifying suitably qualified individuals for appointment as additional directors or to fill Board vacancies as and when vacancies arise, and making recommendations to the Board on the selection and nomination of such persons as directors;

- assisting the Board in assessing and reviewing the independence of the independent non-executive directors;

- keeping under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continuous and effective competitiveness of the Company in the market;

- performing regular review on the contributions made by the directors and the sufficiency of time devoted to perform their duties, and assessing whether the directors have devoted sufficient time and efforts to perform their duties by way of performance appraisal;

- the Committee shall make recommendations to the Board on the re-appointment of non-executive directors (including independent non-executive directors) upon the expiry of their terms of office, and make recommendations to the Board on matters in relation to the election or re-election of directors by shareholders, and the continuation in office of any director at any time;

- ensuring a formal letter of appointment be delivered to the director upon his/her appointment to the Board, which clearly sets out the principal terms and conditions of the appointment; the letter of appointment shall specify the term of office and being subject to re-election;

- developing and reviewing at its discretion the diversity policy of the Board; and making disclosures relating to its policies or policy summaries on an annual basis in the Corporate Governance Report in the annual reports of the Company, and the policies on the nomination of directors implemented by the Committee, including the nomination procedures adopted by the Nomination and ESG Committee for director candidates and the selection and recommendation criteria;

- formulating the Company's corporate governance policies and practices, monitoring its implementation and making recommendations to the Board;

- reviewing and monitoring the training and continuous professional development plans of the directors and senior management;

- reviewing and monitoring the Company's policies and practices regarding compliance with laws and regulatory requirements as well as their implementation;

- formulating, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the employees and directors;

- reviewing the Company's compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, together with the information disclosure in the Corporate Governance Report;

- providing guidance on and formulating the Company's ESG vision, objectives, strategies and structure to ensure that they align with the Company's needs and comply with the applicable laws, regulations, regulatory requirements and international standards;

- supervising the development and implementation of the Company's ESG vision, objectives, strategies and structure, including setting the Company's ESG management performance targets, reviewing the implementation progress of the targets, and making recommendations to the management and the Board on improving performance on the targets;

- establishing and maintaining appropriate and effective risk management and internal control systems, so as to monitor and respond to major risks related to environment, society and governance; and

- implementing other matters authorized by the Board or set out in the Articles of Association or required by laws from time to time.

The attendance records of the Nomination Committee are set out in the section headed "Board Meetings" above. During the period from the Listing Date to the end of the Reporting Period, the Nomination Committee has reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors, reviewed the effectiveness of the Board Diversity Policy, made recommendations to the Board for re-election of Directors at the annual general meeting, and reviewed the ESG policy and disclosure of the Company.

Board Diversity Policy

In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, the Company has adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of the Board. Pursuant to the board diversity policy, the Company seeks to achieve Board diversity through the consideration of a number of factors when selecting the candidates to the 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 the Board.

The 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 the Group's operations and business. They obtained degrees in various majors including engineering, economics, and business administration. The Company has three independent non-executive Directors with different industry backgrounds, representing more than one third of the members of the Board. Furthermore, the Board has a diverse age and gender representation. Taking into account the Company's existing business model and specific needs as well as the different background of the Directors, the composition of the Board satisfies the board diversity policy.

The Nomination and Environmental, Social and Corporate Governance (ESG) Committee is responsible for reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors. After the Listing, the Nomination and Environmental, Social and Corporate Governance (ESG) Committee monitors and evaluates the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness, and when necessary, makes any revisions that may be required and recommend any such revisions to the Board for consideration and approval. The Nomination and Environmental, Social and Corporate Governance (ESG) 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.

In terms of gender diversity, the Board currently has one female member, and the Board is of the view that it has achieved gender diversity. The Board strives to maintain or enhance gender diversity in the foreseeable future. Specifically, the Board will always include at least 1 female Directors in its composition. To achieve this objective, the Board has been developing a pipeline of potential successors by providing more training and opportunity to female members of the senior management.

The Company is committed to promoting gender diversity not only within the Board but among its workforce generally. As at 31 December 2022, the gender ratio in the Company's workforce (including senior management) is as follows:

Male	18.5%
Female	81.5%
Total	**100.0%**

The Company is engaged in manufacturing of vehicles involving heavy manual labour, resulting in a higher proportion of male employees than that of female employees. During the Reporting Period, female employees accounted for 18.5% of the Company's total number of employees. In order to promote the gender diversity in the composition of the Company's management and workforce, all employees enjoy equal employment, training and career development opportunities. The Company also strives to create an environment and culture which is friendly to our female staff.

Nomination Procedures

The list of candidates for Directors shall be submitted by way of a motion to the general meeting for voting. 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.

The Shareholder who nominates a Director shall provide information of the nominee that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules. The Board of Directors of the Company shall publish the aforesaid relevant information of the Directors prior to the general meeting for the election of Directors. A cumulative voting system may be adopted for the election of Directors at the general meeting pursuant to the provisions of the Articles of Association or a resolution of the general meeting. The cumulative voting system refers to the voting for the election of Directors where each share is entitled to the voting rights equivalent to the number of directors to be elected at the general meeting, and Shareholders may consolidate their votes when casting a vote. The Board of Directors shall provide the resumes and general information of the candidates to the Shareholders.

Mechanisms for the Board to Obtain Independent Views and Opinions

At board meetings, Directors are free to express their opinions, and important decisions can only be made after detailed discussions. Pursuant to the Articles of Association, with the consent of all independent non-executive Directors, the independent non-executive Directors may engage 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. If a Director is interested in a matter proposed by the Board, the relevant Director must withdraw from the discussion of the relevant proposal and abstain from voting, and such Director will not be counted in the quorum for voting on the proposal. In addition, independent non-executive Directors should also express objective and impartial independent opinions on matters discussed by the Company. The independent non-executive Directors do not hold other positions in the Company, do not have relationship with the Company or the Company's substantial shareholders which may affect their independent and objective judgment, and do not have any business or financial interests in the Company and its subsidiaries. Therefore, the participation of independent non-executive Directors also ensures a strong and sufficient independent element on the Board.

The Board is of the view that during the period from the Listing Date to the end of the Reporting Period, the Board has implemented effective mechanism to ensure independent views and input are available to the Board. The Board will review the implementation and effectiveness of the aforementioned mechanism annually.

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with paragraph E.1 of part II of the Corporate Governance Code.

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 duties and responsibility of the Remuneration Committee includes but not limited to the following:

- formulating the overall remuneration policy and structure of the Company's Directors, Supervisors and members of the senior management, formulating proper and transparent remuneration procedures, and making suggestions to the Board;

- reviewing and approving remuneration proposals of members of the senior management in accordance with the Company's policies and objectives as approved by the Board from time to time;

- making recommendations to the 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 the Board on remuneration of the non-executive Directors (including independent non-executive Directors), Supervisors, advisers to the Board (if any) and committees of the Board;

- reviewing and approving compensation payable to the 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 the 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 the Company, terms of reference and applicable securities regulatory authorities, and other matters that are authorized by the Board.

The attendance records of the Remuneration Committee are set out in the section headed "Board Meetings" above. During the period from the Listing Date to the end of the Reporting Period, the Remuneration Committee has reviewed and made recommendations to the Board on the remuneration policies of all Directors and senior management, assessed the performance of the executive Directors and approved the terms under the executive Directors' service contracts.

Pursuant to code provision E.1.5 of the Corporate Governance Code, the annual remuneration (including share-based compensation) of the members of senior management, including those members of senior management who are also executive Directors, by band for the Reporting Period is set out below:

Annual Remuneration	Number of Individuals
0-RMB1,000,000	4
RMB1,000,001-RMB2,000,000	4
RMB2,000,001-RMB3,000,000	3
RMB3,000,001-RMB4,000,000	0
RMB4,000,001-RMB5,000,000	2

Further details of the remuneration of Directors for the Reporting Period are set out in Note 38 to the Consolidated Financial Statements in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company is 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. Such mechanisms are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. 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 financial reporting, 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

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.

Intellectual Property Risk Management

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 at 31 December 2022, we had 1,285 registered patents and 610 patent applications, 334 trademarks, 18 registered software copyrights and seven registered copyrights. As of the same date, we have registered patents for all our core technologies.

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.

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.

Ongoing Review

To monitor the ongoing implementation of our risk management policies, our Audit Committee reviews and supervises 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.

Our internal audit 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.

In respect of the Reporting Period, the Board through the Audit Committee conducted a review of the risk management and internal control systems of the Company, and concluded that they were effective and adequate.

SECURITIES DEALING AND HANDLING OF INSIDE INFORMATION

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. As the H Shares of our Company were not yet listed on the Stock Exchange until the Listing Date, the Model Code was not applicable to the Company until the Listing Date. Having made specific enquiries to all of the Directors, all Directors confirmed that they have fully complied with all relevant requirements set out in the Model Code during the period from the Listing Date to the end of the Reporting Period.

To supplement the Model Code, the Company has also implemented a policy in relation to the handling and dissemination of inside information. Access to inside information is at all times confined to relevant personnel (i.e. Directors, senior management and relevant employees) on a need-to-know basis, until the inside information is properly disclosed in accordance with applicable laws and regulations. Directors, senior management and relevant employees in possession of inside information or potential inside information are required to take reasonable steps to preserve confidentiality and to ensure that its recipients recognize their obligations to maintain confidentiality.

JOINT COMPANY SECRETARIES

The Joint Company Secretaries are responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed. The current Joint Company Secretaries are Ms. Jing Hua and Ms. Lee Mei Yi. The biographical details of Ms. Jing Hua are set out in the section headed "Directors, Supervisors and Senior Management – Biographical Details of Senior Management" of this annual report. Ms. Jing Hua is the primary corporate contact person of the Company with Ms. Lee Mei Yi.

Ms. Lee Mei Yi 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.

During the Reporting Period, each of the Joint Company Secretaries has attended a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investors relation as well as the functions and duties of the company secretary of a Hong Kong listed issuer as required under Rule 3.29 of the Listing Rules.

RELATIONSHIP WITH SHAREHOLDERS

Communication with Shareholders

The Board believes that effective communication with the Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of its corporate information, which enables the Shareholders and investors to make the best investment decision.

The Company communicates with the Shareholders and the investment community mainly through the Company's financial reports (including the interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company's website. The Company also convenes conference calls after the publication of its annual, interim and quarterly results to discuss questions of common concerns with investors and Shareholders.

Shareholders' Meetings

The general meetings of the Company serve as an opportunity for the Directors and senior management to communicate with the Shareholders. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. Notice in writing is given by the Company to the Shareholders 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. Board members, in particular, the chairperson of Board committees or their delegates, appropriate management executives and external auditors will attend annual general meetings to answer Shareholders' questions.

The process of the Company's general meeting will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served.

Corporate Communication

Corporate communication will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding about the content of the communication. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means). Shareholders are encouraged to provide, amongst other things, in particular, their email addresses to the Company in order to facilitate timely and effective communications.

Company's Website

The Company maintains a website at www.leapmotor.com as a communication platform with the Shareholders and investors. Information on the Company's website is updated on a regular basis. Information released by the Company to the website of the Stock Exchange is also posted on the Company's website for corporate communications immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents etc.

Shareholders' Enquiries

Shareholders and investors may send written enquiries or requests to the Company, for the attention of the Board of Directors. The contact details are as follows:

Address:	1/F, No. 451 Wulianwang Street, Binjiang District, Hangzhou, Zhejiang Province, China
Email:	ir@leapmotor.com

Shareholders may direct their questions about their shareholdings to the Company's H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. The Company ensures that the H Share Registrar maintains the most up-to-date information relating to the Shares at all times so that it can respond effectively to the Shareholders' enquiries.

Policies Relating to Shareholders

Shareholders' Communication Policy

The Company has established a shareholders' communication policy with the objective of ensuring that the Shareholders and the investment community at large are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable Shareholders to exercise their rights in an informed manner, and to enhance the communication among Shareholders, the investment community and the Company.

The Board reviews the shareholders' communication policy on a regular basis to ensure its effectiveness, particularly with regards to the requirements of Part 2 in the Corporate Governance Code. The Board has reviewed the implementation and effectiveness of the shareholders' communication policy during its meetings, and are of the view that the shareholders' communication policy has been effectively implemented and that the dissemination of information to the Shareholders' were effective based on the measures adopted above.

Dividend Policy

Pursuant to Code Provision F.1.1 of the Corporate Governance Code, the Company has adopted a dividend policy (the "**Dividend Policy**") in relation to the declaration, payment or distribution of the Company's net profits as dividends to the Shareholders.

The Company currently does not have any fixed dividend pay-out ratio. No dividend shall be declared or payable except out of the profits and reserves lawfully available for distribution. According to relevant PRC laws, any future net profit that the Company makes will have to be first applied to make up for the historically accumulated losses, after which the Company will be obliged to allocate 10% of the net profit to the statutory common reserve fund until such fund has reached more than 50% of the registered capital. The Company will, therefore, only be able to declare dividends after: (i) all the historically accumulated losses have been made up for; and (ii) the Company has allocated sufficient net profit to the statutory common reserve fund as described above.

Shareholders' Rights

To safeguard the Shareholders' interests and rights, separate resolutions are proposed at the general meetings on each substantial issue, including the election of individual Directors, for the Shareholders' consideration and voting. All resolutions put forward at the general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company (www.leapmotor.com) and the Stock Exchange (www.hkexnews.hk) after each general meeting.

Pursuant to the Articles of the Company, 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. 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. 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. The Company shall bear costs and expenses necessary for the general meeting convened by the Shareholders on their own and such amount shall be charged from the amount owed by the Company to the incompetent Directors.

The Shareholders may, in accordance with Article 78, 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.

Articles of Association

The Articles of Association is available on the website of the Company (www.leapmotor.com) and the Stock Exchange (www.hkexnews.hk). During the period from the Listing Date to the end of the Reporting Period, no amendments were made to the Articles of Association.

Independent Auditor's Report

羅兵咸永道

To the Shareholders of Zhejiang Leapmotor Technology Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Zhejiang Leapmotor Technology Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 66 to 166, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to accrual of warranty provisions.

Key Audit Matter	How our audit addressed the Key Audit Matter
Accrual of warranty provisions Refer to notes 2.24, 4(f) and 29 to the consolidated financial statements. The Group recorded warranty provision liabilities of approximately RMB268.4 million on the balance sheet as at 31 December 2022, and recognised provision for warranty expenses of approximately RMB277.5 million in the profit or loss for the year then ended. The accrual of warranty provisions involves significant management's judgement and estimates in respect of the followings: • the assumptions related to the frequency of future claims; and • the assumptions related to the average costs of future claims. We focused on this area as the determination of the assumptions to support the accrual involves significant management judgement and estimates, and thus significant auditor's judgment and effort were devoted in designing and performing procedures relating to evaluating the reasonableness of management's assumptions and estimates supporting the accrual of warranty provisions.	Our procedures performed in relation to the accrual of warranty provisions mainly included the followings: • Understood, evaluated and validated management's key controls and assessment process of the accrual of warranty provisions, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as subjectivity, changes and susceptibility to management bias. • Evaluated the outcome of prior period accrual of warranty provisions to assess the effectiveness of management's estimation process. • Evaluated the reasonableness of the significant assumptions related to the frequency of future claims and the assumptions related to the average costs of future claims by comparing with the Group's historical records of repair and other services as required under the warranty claims, and the latest purchase costs of the commonly replaced parts and the estimated related labour costs for the upcoming warranty periods. • Tested, on a sample basis, the completeness and accuracy of management's data used in the calculation of future claims, such as the number of vehicles sold under each model, the average cost of actual claims incurred for the specific model, to the underlying supporting documents. • Tested the mathematical accuracy of the calculation of the accrual of warranty provisions as prepared by management. Based on our audit procedures, we found the estimates and judgements adopted by management in determining assumptions supporting the accrual of warranty provisions are supported by available evidences.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in Zhejiang Leapmotor Technology Co., Ltd. 2022 Annual Report (the "**annual report**") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including the company information, key highlights, financial summary, business review and management discussion and analysis prior to the date of this auditor's report. The remaining other information, including the report of corporate governance, directors' report, directors, supervisors and senior management, supervisory committee and the other sections to be included in the annual report, is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dou Wang, Angel.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 21 March 2023

Consolidated Balance Sheet

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**3,207,746**	1,929,028
Right-of-use assets	14	**820,382**	454,362
Intangible assets	16	**446,631**	419,867
Investment in an associate accounted for using the equity method	34	**30,375**	18,670
Long-term bank time deposits	22	**1,038,228**	717,103
Other non-current assets	17	**86,084**	32,593
		5,629,446	3,571,623
Current assets			
Inventories	18	**1,748,854**	749,471
Trade and notes receivables	19	**1,685,217**	782,250
Contract assets	5	**37,238**	28,497
Other current assets	20	**385,240**	420,518
Financial assets at fair value through profit or loss	21	**929,800**	1,260,078
Short-term bank time deposits	22	**80,823**	–
Restricted cash	22	**1,822,236**	1,376,072
Cash and cash equivalents	22	**6,948,994**	4,337,967
		13,638,402	8,954,853
Total assets		**19,267,848**	12,526,476
EQUITY			
Paid-in capital	23	**–**	–
Share capital	24	**1,142,706**	1,011,887
Reserves	25	**16,796,443**	10,789,743
Accumulated losses		**(9,680,300)**	(4,571,414)
Total equity		**8,258,849**	7,230,216

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	28	**773,276**	534,021
Contract liabilities	5	**117,505**	31,222
Lease liabilities	14	**268,931**	16,364
Provisions	29	**177,929**	55,425
Deferred income	30	**413,971**	329,706
		1,751,612	966,738
Current liabilities			
Trade and notes payables	31	**5,986,761**	2,596,106
Other payables and accruals	32	**1,762,711**	825,326
Advances from customers	33	**218,528**	503,213
Contract liabilities	5	**31,225**	3,728
Borrowings	28	**1,018,532**	340,166
Lease liabilities	14	**149,179**	24,559
Provisions	29	**90,451**	36,424
		9,257,387	4,329,522
Total liabilities		**11,008,999**	5,296,260
Total equity and liabilities		**19,267,848**	12,526,476
Net current assets		**4,381,015**	4,625,331
Total assets less current liabilities		**10,010,461**	8,196,954

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 66 to 166 were approved by the Board of Directors on 21 March 2023 and were signed on its behalf.

Mr. Zhu Jiangming
Director

Mr. Li Tengfei
General Manager of Finance

Consolidated Statement of Comprehensive Loss

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	5	**12,384,630**	3,132,059
Cost of sales	8	**(14,295,946)**	(4,519,690)
Gross loss		**(1,911,316)**	(1,387,631)
Selling expenses	8	**(1,113,589)**	(427,855)
Administrative expenses	8	**(842,097)**	(398,310)
Research and development expenses	8	**(1,410,645)**	(740,015)
Net impairment losses on financial assets	3.1(b)	**(1,791)**	(298)
Other income	6	**83,938**	66,293
Other (losses)/gains – net	7	**(31,302)**	19,498
Operating loss		**(5,226,802)**	(2,868,318)
Finance income	10	**143,271**	84,007
Finance costs	10	**(37,012)**	(61,658)
Finance income – net	10	**106,259**	22,349
Share of net profit of an associate accounted for using the equity method	34	**11,705**	196
Loss before income tax		**(5,108,838)**	(2,845,773)
Income tax expense	11	**(48)**	–
Loss and total comprehensive loss for the year attributable to the equity holders of the Company		**(5,108,886)**	(2,845,773)
Loss per share attributable to the equity holders of the Company (in RMB)			
Basic and diluted loss per share	12	**(4.89)**	(3.03)

The above consolidated statement of comprehensive loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

		Attributable to equity holders of the Company				
	Note	Paid-in capital RMB'000	Share capital RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Total 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	249,819	–	4,091,911	–	4,341,730
Conversion into a joint stock company	24	(788,803)	788,803	(980,970)	980,970	–
Issuance of shares	24	–	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 year		**–**	**–**	**–**	**(5,108,886)**	**(5,108,886)**
		–	**1,011,887**	**10,789,743**	**(9,680,300)**	**2,121,330**
Transactions with equity holders						
Issuance of ordinary shares upon global offering	24	**–**	**130,819**	**5,463,323**	**–**	**5,594,142**
Share-based payment	26	**–**	**–**	**543,377**	**–**	**543,377**
		–	**130,819**	**6,006,700**	**–**	**6,137,519**
As at 31 December 2022		**–**	**1,142,706**	**16,796,443**	**(9,680,300)**	**8,258,849**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Net cash used in operations	35	**(2,511,274)**	(1,048,105)
Interest received from cash at banks	10	**111,526**	29,468
Income taxes paid		**(16)**	–
Net cash used in operating activities		**(2,399,764)**	(1,018,637)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**26,636**	7,587
Payments for land use rights		**–**	(322,947)
Payments for property, plant and equipment		**(1,370,698)**	(691,069)
Payments for intangible assets		**(47,467)**	(511,480)
Proceeds from sale of equity interest of a company		**–**	100,000
Government grants received in relation to acquisition of non-current assets		**118,036**	98,925
Proceeds from disposals of financial assets at fair value through profit or loss	3.3(c)	**4,918,456**	3,626,202
Payments for financial assets at fair value through profit or loss	3.3(c)	**(4,566,493)**	(4,788,000)
Payments for time deposits		**(428,000)**	(2,270,000)
Proceeds from time deposits		**50,000**	1,710,000
Interest received from time deposits		**7,797**	37,543
Net cash used in investing activities		**(1,291,733)**	(3,003,239)
Cash flows from financing activities			
Proceeds from contributions from equity holders	23	**–**	4,341,730
Proceeds from issuance of shares	24	**–**	6,080,500
Proceeds from issuance of H shares upon global offering		**5,687,687**	–
Principal payments of lease liabilities		**(120,456)**	(28,021)
Proceeds from loans from equity holders	37(b)	**–**	340,000
Repayments of loans and interests to equity holders	37(b)	**–**	(1,151,322)
Placement of restricted cash for bank borrowings	22(b)	**–**	(610,000)
Repayments of borrowings		**(338,406)**	(791,007)
Proceeds from borrowings		**1,253,881**	138,262
Interest paid for borrowings		**(18,405)**	(58,812)
Interest paid for lease liabilities	14	**(16,461)**	(1,666)
Payments for listing expenses		**(92,430)**	(538)
Net cash generated from financing activities		**6,355,410**	8,259,126
Net increase in cash and cash equivalents		**2,663,913**	4,237,250
Cash and cash equivalents at beginning of the year		**4,337,967**	100,806
Exchange losses on cash and cash equivalents		**(52,886)**	(89)
Cash and cash equivalents at end of the year	22	**6,948,994**	4,337,967

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

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 24 December 2015 as a limited liability company under the Company Law of the PRC. The address of the Company's registered office is 1st 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.

During the year ended 31 December 2022, the Company successfully completed its initial public offering. The Company's H shares have been listed on The Main Board of The Stock Exchange of Hong Kong Limited since 29 September 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied throughout all the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") as issued by the International Accounting Standards Board ("**IASB**") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the certain financial assets and liabilities that are measured at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(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 31 December 2022 reporting periods 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 31 December 2022 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
IFRS 17 'Insurance Contracts'	1 January 2023
IAS 1 (Amendment) and IFRS Practice Statement 2 (Amendment) 'Disclosure of Accounting Policies'	1 January 2023
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
IAS 1 (Amendment) 'Classification of Liabilities as Current or Non-current'	1 January 2024
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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidated financial statements are 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 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 statement of comprehensive loss on a net basis within "other gains/(losses) – net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 report 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	The shorter of the lease terms and their useful lives

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 statement 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (Continued)

(d) Research and development ("R&D") (Continued)

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(c) Measurement (Continued)

Debt instruments (Continued)

- 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" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement 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 statement 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 "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 "other gains/(losses) – net" in the consolidated statement 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(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 time deposits, the expected credit loss risk is considered immaterial.

For trade and 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 and long-term 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 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.

2.14 Cash and cash equivalents

For the purpose of presentation in the consolidated statement 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 sheet.

Time deposits with initial terms of over one year were included in the long-term bank time deposits on the consolidated balance sheet and with initial terms of over three months but under one year were included in the short-term bank time deposits on the consolidated balance sheet.

2.15 Share capital/paid-in capital

Ordinary shares are classified as equity.

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.

2.16 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. 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 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 sheet 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.

2.18 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.

2.19 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Current and deferred income tax (Continued)

(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 consolidated financial statements. 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 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 sheet.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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 (options) is recognized as an expense on the consolidated financial statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments (options) granted:

- including any market performance conditions (e.g. the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

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 and options 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 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.

2.23 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 sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition (Continued)

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue recognition (Continued)

The accounting policy for the Group's principal revenue sources (Continued)

(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, free lifetime roadside assistance service, free lifetime pick-up and delivery for maintenance and free replacement of electric tailgate 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.

2.24 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases

The Group leases various buildings and land use right. Rental contracts are typically made for fixed periods of 1 to 50 years but may have extension options as described in Note 14(d) below.

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 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.

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases (Continued)

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:

- 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 Group 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.

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 period.

Right-of-use assets are measured at cost comprising the following:

- 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 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 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).

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.

2.27 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, adjusted for bonus elements in ordinary shares issued during the year 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 2022, if the USD strengthened/weakened by 10% against the RMB, with all other variables held constant, loss before income tax for the year then ended would have been approximately RMB410,417,000 lower/higher (2021: RMB326,000 lower/higher) as a result of foreign exchange gains/losses on translation of USD denominated cash and cash equivalents, financial assets at FVPL as well as trade and notes receivables.

(ii) Cash flow and fair value interest rate risk

Except for cash and cash equivalents, restricted cash and 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 28. 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 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 then ended would have been approximately RMB2,691,000 higher/lower (2021: RMB4,379,000 higher/lower).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, restricted cash, time deposits, financial assets at FVPL as well as trade and notes receivables, other receivables, contract assets and long-term 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, time deposits and financial assets at FVPL are mainly placed with state-owned or reputable financial institutions in Mainland China and reputable financial institutions outside of Mainland China.

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 and long-term 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, time deposits and financial assets at FVPL;
- trade and notes receivables and contract assets;
- other receivables and long-term receivables.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment of financial assets (Continued)

(i) Cash and cash equivalents, restricted cash, time deposits and financial assets at FVPL

To manage risk arising from cash and cash equivalents, restricted cash, time deposits and financial assets at FVPL, the Group only transacts with state-owned or reputable financial institutions in Mainland China and reputable international financial institutions outside of 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 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 and notes 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).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Impairment of financial assets (Continued)

(iii) Other receivables and long-term receivables

Other receivables mainly include amounts due from related parties, refundable deposits 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 notes receivables, other receivables, contract assets and long-term receivables are written off when there is no reasonable expectation of recovery.

Impairment losses on trade and notes receivables, other receivables, contract assets and long-term 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, other receivables and long-term receivables during the years ended 31 December 2022 and 2021 is as follows:

	Trade receivables and contract assets RMB'000	Other receivables RMB'000	Long-term receivables RMB'000	Total RMB'000
As at 1 January 2022	**(493)**	**(118)**	**–**	**(611)**
Increase in loss allowance recognized in profit or loss during the year	**(1,134)**	**(185)**	**(472)**	**(1,791)**
As at 31 December 2022	**(1,627)**	**(303)**	**(472)**	**(2,402)**
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)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(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 RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2022					
Borrowings (including interest payables)	**1,047,171**	**457,500**	**200,879**	**144,847**	**1,850,397**
Trade and notes payables (Note 31)	**5,986,761**	**–**	**–**	**–**	**5,986,761**
Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 32)	**1,423,476**	**–**	**–**	**–**	**1,423,476**
Lease liabilities	**157,936**	**120,713**	**173,461**	**25,611**	**477,721**
	8,615,344	**578,213**	**374,340**	**170,458**	**9,738,355**
As at 31 December 2021					
Borrowings (including interest payables)	374,146	475,323	77,665	–	927,134
Trade and notes payables (Note 31)	2,596,106	–	–	–	2,596,106
Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 32)	635,159	–	–	–	635,159
Lease liabilities	25,859	11,589	5,571	–	43,019
	3,631,270	486,912	83,236	–	4,201,418

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

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. As at 31 December 2022, the net cash to equity ratio was 69%.

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. An explanation of each level follows underneath the table.

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
As at 31 December 2022				
Financial assets at FVPL (Note 21)	**–**	**–**	**929,800**	**929,800**

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2021				
Financial assets at FVPL (Note 21)	–	–	1,260,078	1,260,078

There were no changes in valuation techniques during the years ended 31 December 2022.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

The Group's policy is to recognize transfers into and out of fair value hierarchy levels as at the end of each reporting period.

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.

(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.

The fair value of trade and notes receivables, other receivables, contract assets, long-term receivables 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 28.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(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 2022 and 2021:

	Financial assets at FVPL RMB'000
As at 1 January 2022	**1,260,078**
Acquisitions	**4,566,493**
Disposals	**(4,918,456)**
Fair value changes	**21,685**
As at 31 December 2022	**929,800**
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

More details about the financial assets at FVPL as at 31 December 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 years ended 31 December 2022 and 2021.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

(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 2022

Description	Fair value RMB'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Wealth management products	929,800	Expected rate of return	2.30%-2.83%	The higher the expected rate of return, the higher the fair value

As at 31 December 2021

Description	Fair value RMB'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
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 December 2022, if expected rate of return higher/lower by 0.5%, fair value of financial assets at FVPL would have been approximately RMB1,406,000 higher/lower (2021: RMB1,967,000 higher/lower).

(f) Valuation processes

External valuation experts will be involved when necessary.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements 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 are addressed below.

(a) Recoverability of non-financial assets

The non-financial assets of the Group refer to property, plant and equipment, right-of-use assets and intangible assets with definite life. 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

The fair value of restricted shares and share options granted are measured on the respective grant dates based on the fair value of the underlying shares. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group. The Group only recognize an expense for those restricted shares and share options expected to vest over the vesting period during which the grantees become unconditionally entitled to those share-based awards. Changes in these estimates and assumptions could have a material effect on determination of the fair value of restricted shares and share options and the amount of such share-based awards vested, which may in turn significantly impact the determination of share-based payment expenses.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Write-down of inventories

The Group's management reviews the condition of inventories, as stated in Note 18 to the consolidated financial statements, 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 assumptions related to the frequency and average costs of future claims. These assumptions 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 utilized within the next 12 months is included within current liabilities while the remaining balance is included within non-current liabilities on the consolidated balance sheet. Warranty cost is recorded as a component of cost of sales in the consolidated statement of comprehensive loss. The Group re-evaluates the adequacy of the warranty accrual on a regular basis.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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, free lifetime roadside assistance service, free lifetime pick-up and delivery for maintenance and free replacement of electric tailgate 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

The Group is engaged in the production, research and development and sales of new energy vehicles principally 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.

(a) Revenue by geographical

During the year ended 31 December 2022, apart from the business and operations conducted in Mainland China, the Group exported new energy vehicles and parts outside the Mainland China. The Group mainly operates its businesses in four principal geographical areas of the world. The following table shows the Group's total consolidated revenue by location of the customers for the year ended 31 December 2022 and 2021:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Mainland China	**12,303,465**	3,132,059
Others	**81,165**	–
	12,384,630	3,132,059

(b) Revenue during the reporting 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. An analysis of the Group's revenue by category for the years ended 31 December 2022 and 2021 is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue from customers and recognized at point in time		
Sales of vehicles and parts (i)	**12,378,011**	3,058,818
Sales of automotive regulatory credits	**–**	71,934
	12,378,011	3,130,752
Revenue from customer and recognized over time		
Rendering of services	**6,619**	1,307
	12,384,630	3,132,059

(i) No revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) Contract liabilities

The Group recognized the following contract liabilities related to the contracts with customers:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current		
Rendering of services	**117,505**	31,222
Current		
Rendering of services	**31,225**	3,728
	148,730	34,950

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, free lifetime roadside assistance service, free lifetime pick-up and delivery for maintenance and free replacement of electric tailgate), which are separated from sales of vehicles and amortized during the service periods.

(d) Unsatisfied performance obligations

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Aggregate amount of the transaction price allocated to performance obligations that are partially or fully unsatisfied	**148,730**	34,950

Management expected that approximately RMB31,225,000 of the transaction price allocated to unsatisfied performance obligations as at 31 December 2022 will be recognized as revenue within one year. The remaining amount of approximately RMB117,505,000 will be recognized during the upcoming seven years from 1 January 2024 (recognizing over eight-years since the deliveries of vehicles to respective customers).

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(e) Contract assets

The Group recognized the following contract assets related to the contracts with customers:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Contract assets	**37,271**	28,518
Loss allowance	**(33)**	(21)
	37,238	28,497

6 OTHER INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Government grants	**83,938**	66,293

There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

7 OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Net fair value gains on financial assets at FVPL (Note 21)	**21,685**	22,238
Net foreign exchange losses	**(52,387)**	(89)
Net gains/(losses) on disposals of property, plant and equipment, intangible assets and right-of-use assets	**2,102**	(668)
Other items	**(2,702)**	(1,983)
	(31,302)	19,498

8 EXPENSES BY NATURE

The detailed analysis of cost of sales, selling expenses, administrative expenses and research and development expenses is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Changes in inventories of finished goods	**(605,769)**	(233,577)
Raw materials and consumables used	**13,736,948**	4,164,058
Provision for impairment of inventories	**26,235**	244,635
Employee benefit expenses (Note 9)	**2,335,078**	821,999
Advertising and publicity expenses	**638,612**	256,267
Depreciation and amortization expenses (Notes 14, 15 and 16)	**415,664**	219,162
Design and development expenses	**352,498**	258,669
Warranty expenses (Note 29)	**277,470**	104,707
Freight expenses	**142,173**	61,989
Legal, consulting and other professional fees	**58,042**	82,405
Listing expenses	**46,994**	12,024
Expenses relating to short-term leases (Note 14)	**36,973**	3,972
Auditors' remuneration		
– Audit services	**4,080**	3,839
Others	**197,279**	85,721
	17,662,277	6,085,870

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	**1,426,792**	495,926
Pension obligations (a)	**115,306**	31,348
Housing funds, medical insurances and other social insurances (a)	**178,858**	49,592
Other employee benefits (b)	**70,745**	28,178
Share-based payment expenses (Note 26)	**543,377**	216,955
	2,335,078	821,999

(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.

No forfeited contributions were utilized during the year end 31 December 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.

9 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2022 include 3 (2021: 3) directors, whose emoluments are disclosed in the Note 37. The emoluments payable to the remaining 2 (2021: 2) highest paid individuals in 2022 are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	**6,302**	5,993
Pension obligations	**50**	53
Housing funds, medical insurances and other social insurances	**91**	121
Other employee benefits	**18**	13
Share-based payment expenses (Note 26)	**68,723**	6,982
	75,184	13,162

The remaining highest paid individuals fell within the following bands:

	Year ended 31 December	
	2022	2021
Emolument bands		
HKD7,500,001–HKD8,000,000	**–**	1
HKD8,000,001–HKD8,500,000	**–**	1
HKD23,500,001–HKD24,000,000	**1**	–
HKD64,000,001–HKD64,500,000	**1**	–

10 FINANCE INCOME – NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Finance income:		
Interest income on cash at banks	**111,526**	29,468
Interest income on time deposits	**31,745**	54,539
Finance income	**143,271**	84,007
Finance costs:		
Interest expenses on bank and other borrowings	**(52,466)**	(76,215)
Interest and finance charges on lease liabilities (Note 14)	**(16,461)**	(1,666)
Interest expenses on loans from related parties (Note 37)	**–**	(2,342)
	(68,927)	(80,223)
Less: borrowing costs capitalized in property, plant and equipment	**31,915**	18,565
Finance costs	**(37,012)**	(61,658)
Finance income – net	**106,259**	22,349

During the year ended 31 December 2022, the interest rate applicable to the Group's capitalization of borrowings costs in construction in progress was 4.61% (2021: 4.77%).

11 INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current income tax expense	**48**	–
Deferred income tax expense	**–**	–
Income tax expense	**48**	–

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 years ended 31 December 2022 and 2021. 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 reapply for HNTE status every three years. The Company re-applied 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%.

The Company's subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% (2021: 16.5%) for the year ended 31 December 2022.

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**").

11 INCOME TAX EXPENSE (CONTINUED)

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 is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Loss before income tax	**(5,108,838)**	(2,845,773)
Share of net profit of an associate accounted for using the equity method	**(11,705)**	(196)
	(5,120,543)	(2,845,969)
Income tax credit computed at the applicable income tax rate of 25%	**(1,280,136)**	(711,492)
Tax effects of:		
Preferential tax rate	**142,966**	66,750
Expenses not deductible for taxation purposes	**106,289**	41,677
Super Deduction in respect of R&D expenditures	**(115,094)**	(102,275)
Utilization of previously unrecognized tax losses and temporary differences	**(1,102)**	–
Tax losses and deductible temporary differences for which no deferred income tax asset was recognized	**1,147,125**	705,340
Income tax expense	**48**	–

As at 31 December 2022, the Group had unused tax losses of approximately RMB9,023,285,000 (2021: RMB4,567,379,000) 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.

11 INCOME TAX EXPENSE (CONTINUED)

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	
	2022	2021
	RMB'000	RMB'000
Expiry year		
2022	**–**	11,470
2023	**45,256**	45,256
2024	**609,499**	609,499
2025	**829,080**	829,080
2026	**1,715,323**	1,715,323
2027	**2,799,419**	155,596
2028	**227,303**	227,303
2029	**164,455**	164,455
2030	**97,232**	97,232
2031	**712,165**	712,165
2032	**1,823,553**	–
	9,023,285	4,567,379

12 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share for the years ended 31 December 2022 and 2021 is 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.

	Year ended 31 December	
	2022	2021
Loss attributable to the equity holders of the Company (RMB'000)	**(5,108,886)**	(2,845,773)
Weighted average number of ordinary shares outstanding (thousand shares) (Note)	**1,045,219**	940,091
Basic loss per share (expressed in RMB per share)	**(4.89)**	(3.03)

Note:

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.

(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 year ended 31 December 2022, the Group had potential ordinary shares, including restricted shares and share options issued under the Company's share incentive plan and Pre-IPO Share Option Scheme (Note 26). As the Group incurred losses for the year ended 31 December 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 year ended 31 December 2022 are the same as basic loss per share for the respective year.

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:

Name of entity	Place of incorporation and kind of legal entity	Registered share capital In thousand	As at 31 December 2022	2021	Principal activities and place of operation
Directly held:					
Leapmotor Automobile Co., Ltd. 零跑汽車有限公司	Jinhua, China, limited liability company	RMB2,908,000	100%	100%	Electric vehicles and components manufacturing in the PRC
Zhejiang Leapmotor Automobile Sales Service Co., Ltd. 浙江零跑汽車銷售服務有限公司	Hangzhou, China, limited liability company	RMB200,000	100%	100%	Electric vehicles and components sales and aftersales services in the PRC
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	Jinhua, China. limited liability company	RMB200,000	100%	100%	Electric vehicles electronic components manufacturing in the PRC
Lingpao Automobile Trading Co., Ltd. 淩跑汽車商貿有限公司	Jinhua, China, limited liability company	RMB50,000	100%	100%	Electric vehicles sales and aftersales services through investing in directly operated stores in the PRC
Zhejiang Youchong New Energy Technology Co., Ltd. 浙江優充新能源科技有限公司	Hangzhou, China, limited liability company	RMB10,000	100%	100%	Electric vehicle charging operation service in the PRC
Zhejiang Zhijiang Pilot Travel Technology Co., Ltd. 浙江之江領航出行科技有限公司	Hangzhou, China, limited liability company	RMB800,000	100%	100%	Car rental in the PRC
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	Hangzhou, China, limited liability company	RMB800,000	100%	100%	Electric vehicles components manufacturing, research and development in the PRC

13 SUBSIDIARIES (CONTINUED)

(a) Subsidiaries of the Company (Continued)

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries: (Continued)

Name of entity	Place of incorporation and kind of legal entity	Registered share capital In thousand	As at 31 December 2022	2021	Principal activities and place of operation
Directly held: (Continued)					
Leapmotor International Trading (Shanghai) Co., Ltd 零跑國際商貿(上海)有限公司	Shanghai, China, limited liability company	RMB50,000	100%	100%	New energy vehicle retail in the PRC
Zhejiang Lingsheng Powertech Co., ltd. 浙江淩昇動力科技有限公司	Hangzhou, China, limited liability company	RMB200,000	100%	100%	Technical service and development in the PRC
Zhejiang Lingxiao Energy Technology Co., ltd. 浙江淩驍能源科技有限公司	Hangzhou, China, limited liability company	RMB150,000	100%	100%	Technical service and development in the PRC
Indirectly held:					
Hangzhou Lingyue Automobile Sales Service Co., Ltd. 杭州淩躍汽車銷售服務有限公司	Hangzhou, China, limited liability company	RMB2,000	100%	100%	New energy vehicle retail in the PRC
Jinhua Leapmotor Automobile Sales Service Co., Ltd. 金華市淩跑汽車銷售服務有限公司	Jinhua, China, limited liability company	RMB2,000	100%	100%	New energy vehicle retail in the PRC
Wuhan Lingchao Automobile Sales Service Co., Ltd. 武漢淩超汽車銷售服務有限公司	Wuhan, China, limited liability company	RMB2,000	100%	100%	New energy vehicle retail in the PRC
Wuhan Lingrui Automobile Sales Service Co., Ltd. 武漢淩鋭汽車銷售服務有限公司	Wuhan, China, limited liability company	RMB2,000	100%	100%	New energy vehicle retail in the PRC
Hangzhou Leapmotor Automobile Sales Service Co., Ltd. 杭州零跑汽車銷售服務有限公司	Hangzhou, China, limited liability company	RMB30,000	100%	100%	New energy vehicle retail in the PRC

13 SUBSIDIARIES (CONTINUED)

(a) Subsidiaries of the Company (Continued)

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries: (Continued)

Name of entity	Place of incorporation and kind of legal entity	Registered share capital In thousand	As at 31 December 2022	2021	Principal activities and place of operation
Indirectly held: (Continued)					
Beijing Leapmotor Automobile Sales Service Co., Ltd. 北京淩跑汽車銷售服務有限公司	Beijing, China, limited liability company	RMB50,000	100%	100%	New energy vehicle retail in the PRC
Shanghai Leapmotor Automobile Sales Service Co., Ltd. 上海淩跑汽車銷售服務有限公司	Shanghai, China, limited liability company	RMB50,000	100%	100%	New energy vehicle retail in the PRC
Shanghai Lingchuang Automobile Sales Service Co., Ltd. 上海淩創汽車銷售服務有限公司	Shanghai, China, limited liability company	RMB3,000	100%	100%	New energy vehicle retail in the PRC
Shanghai Lingli Automobile Sales Service Co., Ltd. 上海淩利汽車銷售服務有限公司	Shanghai, China, limited liability company	RMB2,000	100%	100%	New energy vehicle retail in the PRC
Guangzhou Lingyue Automobile Sales Service Co., Ltd. 廣州淩悅汽車銷售服務有限公司	Guangzhou, China, limited liability company	RMB2,000	100%	100%	New energy vehicle retail in the PRC
Guangzhou Lingxin Automobile Sales Service Co., Ltd. 廣州淩心汽車銷售服務有限公司	Guangzhou, China, limited liability company	RMB2,000	100%	100%	New energy vehicle retail in the PRC
Foshan Lingqi Automobile Sales Service Co., Ltd. 佛山市淩祺汽車銷售服務有限公司	Foshan, China, limited liability company	RMB2,000	100%	100%	New energy vehicle retail in the PRC
Shenzhen Leapmotor Automobile Sales Service Co., Ltd. 深圳市淩跑汽車銷售服務有限公司	Shenzhen, China, limited liability company	RMB2,000	100%	100%	New energy vehicle retail in the PRC
Shenzhen Lingyue Automobile Sales Service Co., Ltd. 深圳市淩躍汽車銷售服務有限公司	Shenzhen, China, limited liability company	RMB2,000	100%	100%	New energy vehicle retail in the PRC

13 SUBSIDIARIES (CONTINUED)

(a) Subsidiaries of the Company (Continued)

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries: (Continued)

Name of entity	Place of incorporation and kind of legal entity	Registered share capital In thousand	As at 31 December 2022	As at 31 December 2021	Principal activities and place of operation
Indirectly held: (Continued)					
Chengdu Lingfu Automobile Sales Service Co., Ltd. 成都凌孚汽車銷售服務有限公司	Chengdu, China, limited liability company	RMB2,000	100%	100%	New energy vehicle retail in the PRC
Tianjin Lingzhi Automobile Sales Service Co., Ltd. 天津凌志汽車銷售服務有限公司	Tianjin, China, limited liability company	RMB2,000	100%	100%	New energy vehicle retail in the PRC
Chongqing Lingdi Automobile Sales Service Co., Ltd. 重慶凌迪汽車銷售服務有限公司	Chongqing, China, limited liability company	RMB2,000	100%	100%	New energy vehicle retail in the PRC
Leapmotor International (Hong Kong) Limited 零跑國際(香港)有限公司	Hong Kong, China, limited liability company	HKD10	100%	NA	Operation entity in Hong Kong
Zhengzhou Lingpeng Automobile Sales Service Co., Ltd. 鄭州凌鵬汽車銷售服務有限公司	Zhengzhou, China, limited liability company	RMB6,500	100%	NA	New energy vehicle retail in the PRC
Hefei Linghe Automobile Sales Service Co., Ltd. 合肥凌禾汽車銷售服務有限公司	Hefei, China, limited liability company	RMB3,000	100%	NA	New energy vehicle retail in the PRC
Hangzhou Lingjie Automobile Sales Service Co., Ltd. 杭州凌杰汽車銷售服務有限公司	Hangzhou, China, limited liability company	RMB2,000	100%	NA	New energy vehicle retail in the PRC

* 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.

14 LEASES

(a) Amounts recognized in the consolidated balance sheet of the Group

The consolidated balance sheet show the following amounts relating to leases:

	As at 31 December	
	2022	**2021**
	RMB'000	**RMB'000**
Right-of-use assets		
Land use rights (i)	**399,042**	407,411
Leased buildings (ii)	**421,340**	46,951
	820,382	454,362
Lease liabilities		
Current	**149,179**	24,559
Non-current	**268,931**	16,364
	418,110	40,923

(i) As at 31 December 2022, the Group's land use rights with carrying value of approximately RMB25,149,000 had been pledged for the Group's borrowings of approximately RMB353,881,000 (Note 28(a)).

(ii) Additions to leased buildings during the years ended 31 December 2022 were approximately RMB506,027,000 (2021: RMB41,780,000). Decreases in leased buildings during the year ended 31 December 2022 of approximately RMB8,384,000 (2021: nil) were due to the early termination of lease contracts of certain leased buildings.

14 LEASES (CONTINUED)

(b) Amounts recognized in consolidated statement of comprehensive loss of the Group

The consolidated statement of comprehensive loss show the following amounts relating to leases:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
Land use rights	**8,369**	4,083
Leased buildings	**123,298**	23,443
	131,667	27,526
Interest expenses (included in finance cost) (Note 10)	**16,461**	1,666
Expenses relating to short-term leases (included in cost of sales, selling expenses, administrative expenses and research and development expenses) (Note 8)	**36,973**	3,972
	53,434	5,638
	185,101	33,164

The total cash outflows for leases of buildings in 2022 were approximately RMB136,917,000 (2021: RMB29,687,000).

(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 ten 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.

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and molds RMB'000	Vehicles RMB'000	Electronic equipment and others RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
As at 1 January 2021							
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
Year ended 31 December 2022							
Opening net book amount	**467,112**	**837,801**	**27,486**	**37,745**	**10,037**	**548,847**	**1,929,028**
Additions	**3,846**	**10,910**	**67,747**	**54,896**	**63,155**	**1,366,036**	**1,566,590**
Transfers	**7,083**	**1,057,549**	**7,045**	**55,201**	**–**	**(1,126,878)**	**–**
Disposals	**–**	**(5,251)**	**(13,567)**	**(5,549)**	**(211)**	**–**	**(24,578)**
Depreciation charge (Note 8)	**(25,233)**	**(194,047)**	**(12,187)**	**(24,328)**	**(7,499)**	**–**	**(263,294)**
Closing net book amount	**452,808**	**1,706,962**	**76,524**	**117,965**	**65,482**	**788,005**	**3,207,746**
As at 31 December 2022							
Cost	**538,164**	**2,186,690**	**90,752**	**166,443**	**83,211**	**788,005**	**3,853,265**
Accumulated depreciation	**(85,356)**	**(479,728)**	**(14,228)**	**(48,478)**	**(17,729)**	**–**	**(645,519)**
Net book amount	**452,808**	**1,706,962**	**76,524**	**117,965**	**65,482**	**788,005**	**3,207,746**

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) During 2022, the Group had two finance leasing arrangements, in the form of sale and leaseback arrangements (Note 28(c)), whereby certain machinery and molds of the Group were sold and leased back over a 24-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 2022, the carrying value of assets under such arrangements amounted to approximately RMB513,992,000.

(b) Depreciation of property, plant and equipment charged to profit or loss is analyzed as follows:

	Year ended 31 December	
	2022	2021
Cost of sales	**156,084**	145,817
Research and development expenses	**65,788**	16,059
Administrative expenses	**23,050**	12,123
Selling expenses	**18,372**	6,171
	263,294	180,170

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Impairment tests for property, plant and equipment, right-of-use assets and intangible assets

	As at 31 December	
	2022	2021
Property, plant and equipment	**3,207,746**	1,929,028
Right-of-use assets (Note 14)	**820,382**	454,362
Intangible assets (Note 16)	**446,631**	419,867
	4,474,759	2,803,257

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 2022 and 2021 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 2022 and 2021, the recoverable amount of aforementioned CGU was determined based on value-in-use calculations. The value-in-use calculations use the cash flow projections based on business plan for the purpose of impairment reviews covering a ten-year period. 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 2022 and 2021.

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Impairment tests for property, plant and equipment, right-of-use assets and intangible assets (Continued)

The following table sets out the key assumptions adopted by management in the impairment assessment:

Year ended 31 December 2022	
Gross profit margin (%)	**0.4% to 18.3%**
Annual revenue growth rate (%)	**3.8% to 91.7%**
Pre-tax discount rate (%)	**23.19%**
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%

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 RMB11,097,678,000 as at 31 December 2022 (2021: RMB10,499,206,000).

If the gross profit margin for each year during the forecast period used in the value-in-use calculation had been 5% lower than management's estimates on 31 December 2022, the estimated recoverable amount shall still exceed its carrying amount by approximately RMB9,005,337,000 (2021: RMB8,514,243,000). 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 management's estimates on 31 December 2022, the estimated recoverable amount shall still exceed its carrying amount by approximately RMB10,599,919,000 (2021: RMB9,876,952,000). If the pre-tax discount rate applied to the cash flow projections had been 5% higher than management's estimates on 31 December 2022, the estimated recoverable amount shall still exceed its carrying amount by approximately RMB10,471,316,000 (2021: RMB9,852,768,000).

The director of the Company therefore concluded that any reasonably possible changes to the key assumptions as adopted in the impairment assessment will not result in any impairment charge to be recognized.

16 INTANGIBLE ASSETS

	Software RMB'000	Patents RMB'000	Automotive manufacturing license RMB'000	Total RMB'000
As at 1 January 2021				
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
Year ended 31 December 2022				
Opening net book amount	**21,034**	**3**	**398,830**	**419,867**
Additions	**47,467**	**–**	**–**	**47,467**
Amortization charge (Note 8)	**(20,700)**	**(3)**	**–**	**(20,703)**
Closing net book amount	**47,801**	**–**	**398,830**	**446,631**
As at 31 December 2022				
Cost	**98,860**	**25**	**398,830**	**497,715**
Accumulated amortization	**(51,059)**	**(25)**	**–**	**(51,084)**
Net book amount	**47,801**	**–**	**398,830**	**446,631**

16 INTANGIBLE ASSETS (CONTINUED)

(a) Amortization of intangible assets has been charged to profit or loss for the years ended 31 2022 and 2021 as follows:

	Year ended 31 December	
	2022	2021
Administrative expenses	**14,197**	11,466
Research and development expenses	**3,389**	–
Selling and marketing costs	**3,117**	–
	20,703	11,466

(b) Impairment tests for intangible assets

Impairment review on the License with indefinite useful life has been conducted by the management as at 31 December 2022, in accordance with IAS 36 "Impairment of assets". Further details have been set out in Note 15(c).

17 OTHER NON-CURRENT ASSETS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Long-term receivables (i)		
– Refundable deposits	**25,930**	–
Provision for impairment	**(472)**	–
	25,458	–
Prepayment for property, plant and equipment	**60,626**	32,593
	86,084	32,593

(i) Long-term receivables represented the receivables due for rental of buildings, which are generally between 1 to 10 years. There is no significant financing component.

All of long-term receivables are denominated in RMB. As a result, there is no exposure to foreign currency risk.

18 INVENTORIES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Raw materials and spare parts	**1,194,796**	774,947
Finished goods	**907,591**	301,822
	2,102,387	1,076,769
Less: provisions for impairment of raw materials	**(170,824)**	(253,273)
Less: provisions for impairment of finished goods	**(182,709)**	(74,025)
	(353,533)	(327,298)
	1,748,854	749,471

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 year ended 31 December 2022, inventories recognized as cost of sales amounted to approximately RMB12,703,787,000 (2021: RMB3,799,599,000), and the provision for impairment of inventories as recognized for the respective years amounted to approximately RMB352,196,000 (2021: RMB323,165,000). All these expenses and impairment charge have been included in "cost of sales" in the consolidated statement of comprehensive loss.

During the year ended 31 December 2022, the provision for impairment of inventories as utilized upon the Group's ultimate sales of the related vehicles/parts amounted to approximately RMB325,961,000 (2021: RMB78,530,000) and there was not any reversal of over-provision recognized in profit or loss for the respective years.

19 TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Notes receivables	**509**	–
Trade receivables		
Due from related parties (Note 37)	**–**	6,534
Government subsidies receivables for promotion of new energy vehicles (i)	**1,654,586**	776,188
Due from customers	**31,716**	–
Gross trade receivables	**1,686,302**	782,722
Provisions for impairment	**(1,594)**	(472)
	1,684,708	782,250
Total	**1,685,217**	782,250

The carrying amounts of the Group's trade and notes receivables, excluding provision for impairment, are denominated in the following currencies:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
RMB	**1,653,638**	782,250
USD	**31,579**	–
	1,685,217	782,250

19 TRADE AND NOTES RECEIVABLES (CONTINUED)

(a) Trade receivables

(i) As at 31 December 2021, government subsidies receivables for promotion of new energy vehicles of RMB200,000,000 has been pledged for issuance of bank acceptance notes of the Group (Note 31) and released during the year ended 31 December 2022.

(ii) Aging analysis of the trade receivables

As at 31 December 2022 and 2021, the aging analysis of the trade receivables based on date of revenue recognition is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Up to 6 months	**570,491**	405,400
6 months to 1 year	**527,389**	209,485
1 to 2 years	**483,965**	150,136
2 to 3 years	**104,457**	17,701
Total	**1,686,302**	782,722

As at 31 December 2022 and 2021, 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.

19 TRADE AND NOTES RECEIVABLES (CONTINUED)

(a) Trade receivables (Continued)

(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 2022 and 2021 is determined as follows:

As at 31 December 2022 and 2021, the Group has no individually impaired trade receivables.

As at 31 December 2022	**Up to 6 months**	**6 months to 1 year**	**1 to 2 years**	**2 to 3 years**	**Total**
Expected credit loss rate	**0.11%**	**0.09%**	**0.09%**	**0.09%**	**N/A**
Gross carrying amount – trade receivables (RMB'000)	**570,491**	**527,389**	**483,965**	**104,457**	**1,686,302**
Loss allowances (RMB'000)	**(611)**	**(464)**	**(427)**	**(92)**	**(1,594)**

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)

20 OTHER CURRENT ASSETS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Other receivables (a)		
– Refundable deposits (i)	**17,079**	8,304
– Due from related parties (Note 37)	**174**	5,767
– Others	**7,476**	830
	24,729	14,901
Provisions for impairment (ii)	**(303)**	(118)
	24,426	14,783
Prepayments for (b)		
– raw materials to related parties	**530**	–
– raw materials to third parties	**36,603**	99,760
– short-term lease rental expenses	**9,003**	1,602
– other taxes	**–**	13
– other operating expenses	**20,656**	8,405
	66,792	109,780
Prepaid listing expenses	**–**	4,585
	66,792	114,365
Input VAT to be deducted (c)	**294,022**	291,370
Total other current assets	**385,240**	420,518

As at 31 December 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.

20 OTHER CURRENT ASSETS (CONTINUED)

(a) Other receivables

(i) Refundable deposits

Refundable deposits consist primarily of security deposits for suppliers, for rental of buildings and others.

(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.

20 OTHER CURRENT ASSETS (CONTINUED)

(a) Other receivables (Continued)

(ii) Impairment and risk exposure (Continued)

The loss allowance recognized in the year 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.

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.

20 OTHER CURRENT ASSETS (CONTINUED)

(a) Other receivables (Continued)

(ii) Impairment and risk exposure (Continued)

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 2022 (RMB'000)	**24,729**	**–**	**–**	**24,729**
Loss allowance as at 31 December 2022 (RMB'000)	**(303)**	**–**	**–**	**(303)**
Expected credit loss rate	**1.23%**	**–**	**–**	**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

(b) The prepayments represented prepayments to third parties during the reporting 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.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(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	
	2022	2021
	RMB'000	RMB'000
Investments in wealth management products	**929,800**	1,260,078

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 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).

As at 31 December 2022, the investments in wealth management products issued with amounts of RMB465,000,000 were restricted as guaranteed deposits for borrowings (Note 28(d)).

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(b) Amounts recognized in profit or loss is set out below:

During the year, the following net fair value gains were recognized in profit or loss:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Net fair value gains on financial assets at FVPL recognized in other (losses)/gains – net (Note 7)		
– realized	**23,378**	14,160
– unrealized	**(1,693)**	8,078
	21,685	22,238

22 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND TIME DEPOSITS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Cash at banks	**9,890,281**	6,431,142
Less: restricted cash (a)	**(1,822,236)**	(1,376,072)
Less: unrestricted short-term bank time deposits	**(80,823)**	–
Less: restricted long-term bank time deposits (b)	**(700,000)**	(700,000)
Less: unrestricted long-term bank time deposits (b)	**(338,228)**	(17,103)
Cash and cash equivalents	**6,948,994**	4,337,967

The maximum exposure to credit risk at the reporting date is the carrying values of the time deposits, cash and cash equivalents and restricted cash as mentioned above.

22 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND TIME DEPOSITS (CONTINUED)

(a) Restricted cash

As at 31 December 2022, cash at banks with amounts of RMB1,204,132,000 (2021: RMB715,720,000) and RMB610,000,000 (2021: RMB610,000,000) were restricted as guaranteed deposits for issuance of bank acceptance notes and security deposits for a bank borrowing (Note 28(a)), respectively. The remaining amount of approximately RMB8,104,000 (2021: RMB50,352,000) was mainly restricted as customs guarantee, guarantee deposits for the contracts with the Group's suppliers and others.

(b) As at 31 December 2022, 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 2022 and 2021.

As at 31 December 2022, the restricted long-term bank time deposits with an amount of RMB300,000,000 (2021: RMB300,000,000) was pledged to a bank as security deposits under various bank borrowing agreements (Note 28(a)), and the remaining amount of RMB200,000,000 (2021: RMB200,000,000) and RMB200,000,000 (2021: RMB200,000,000) were pledged to the bank for issuance of bank acceptance notes and for the contract with the Group's suppliers, respectively.

(c) Cash and cash equivalents

Cash and cash equivalents are denominated in:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
RMB	**3,407,711**	4,334,703
USD	**3,520,084**	3,264
HKD	**14,343**	–
EUR	**6,856**	–
	6,948,994	4,337,967

23 PAID-IN CAPITAL

	RMB'000
As at 1 January 2021	538,984
Capital contributions from series B-1 equity holders (a)	143,136
Capital contributions from series B-2 equity holders (b)	64,953
Capital contributions from Guosen Securities Co., Ltd. (國信證券股份有限公司) (c)	41,730
Conversion into a joint stock company (Note 24(b))	(788,803)
As at 31 December 2021	–

(a) On 5 January 2021, the Company entered into capital contribution agreements 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(c))) 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.

(b) 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(c))) 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.

(c) 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

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 2022	**1,011,886,959**	**1,011,887**
Issuance of ordinary shares upon global offering (a)	**130,819,100**	**130,819**
As at 31 December 2022	**1,142,706,059**	**1,142,706**
As at 1 January 2021	–	–
Conversion into a joint stock limited company (b)	788,802,584	788,803
Issuance of shares (c)(d)	223,084,375	223,084
As at 31 December 2021	1,011,886,959	1,011,887

(a) On 29 September 2022, the Company has completed a global offering of 130,819,100 H Shares of par value of RMB1.00 each at the price of HK$48.00 per H Share.

Share issuance costs related to the global offering mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other costs. Incremental costs that are directly attributable to the issue of the new shares amounting to approximately RMB93,545,000 was treated as a deduction against the share premium arising from the issuance.

(b) 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 788,802,584 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).

(c) 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).

(d) 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 RESERVES

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

	Share premium RMB'000	Reserves Capital reserves RMB'000	Share-based payment reserves RMB'000	Total RMB'000
As at 1 January 2022	**10,519,938**	**–**	**269,805**	**10,789,743**
Issuance of ordinary shares upon global offering (Note 24(a))	**5,463,323**	**–**	**–**	**5,463,323**
Share-based payment (Note 26)	**–**	**–**	**543,377**	**543,377**
As at 31 December 2022	**15,983,261**	**–**	**813,182**	**16,796,443**
As at 1 January 2021	–	1,551,581	52,850	1,604,431
Capital contributions from equity holders (Note 23(a) and (b))	–	4,091,911	–	4,091,911
Conversion into a joint stock company (Note 24(b))	4,662,522	(5,643,492)	–	(980,970)
Issuance of shares (Notes 24(c) and (d))	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

26 SHARE-BASED PAYMENT

(a) 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.

During the year ended 31 December 2021, 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 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. 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.

On 31 May 2022 and 19 August 2022, 3,415,000 shares and 3,683,200 shares, respectively with a grant price of RMB1.40 per unit capital of the Company were granted to the Incentive targets through Guosen Securities. 6,085,690 shares were forfeited for the year ended 31 December 2022. The discount cash flow method was used to determine the underlying equity fair value of the Company and the fair value of each awarded restricted shares granted.

Set out below are the movement in the number of awarded restricted shares under the Share Incentive Plans:

As at 1 January 2022	**68,753,514**
Granted	**7,098,200**
Forfeited	**(6,085,690)**
As at 31 December 2022	**69,766,024**

As at 1 January 2021	–
Granted	70,832,464
Forfeited	(2,078,950)
As at 31 December 2021	68,753,514

26 SHARE-BASED PAYMENT (CONTINUED)

(b) Pre-IPO Share Option Scheme

On 22 June 2022, the pre-IPO share option scheme was adopted by the Company. The number of shares options issued under the pre-IPO share option scheme will be no more than 50,594,348 ordinary shares, representing no more than 5.00% of the issued share capital of the Company immediately prior to the completion of the global offering. The 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 global offering of the Company upon satisfaction of the vesting conditions.

The fair value of the share options granted under Pre-IPO Share Option Scheme have been valued by an independent qualified valuer using the Binomial valuation model as at grant date. Key assumptions are set as below:

	Key assumptions
Risk-free interest rate	**2.53%**
Volatility	**51.54%**
Time to maturity	**6 years**

Set out below are the movement in the number of awarded options under the Pre-IPO Share Option Scheme:

As at 1 January 2022	**–**
Granted	**50,594,348**
Forfeited	**(859,500)**
As at 31 December 2022	**49,734,848**

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognized during the year as part of employee benefit expense were as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Share-based payment expenses	**543,377**	216,955

27 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Financial assets		
Financial assets at amortized cost:		
– Trade and notes receivables (Note 19)	**1,685,217**	782,250
– Other receivables (Note 20)	**24,426**	14,783
– Cash and cash equivalents (Note 22)	**6,948,994**	4,337,967
– Restricted cash (Note 22)	**1,822,236**	1,376,072
– Short-term bank time deposits (Note 22)	**80,823**	–
– Long-term bank time deposits (Note 22)	**1,038,228**	717,103
Financial assets at FVPL (Note 21)	**929,800**	1,260,078
	12,529,724	8,488,253
Financial liabilities		
Liabilities at amortized cost:		
– Borrowings (Note 28)	**1,791,808**	874,187
– Trade and notes payables (Note 31)	**5,986,761**	2,596,106
– Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 32)	**1,423,476**	635,159
– Lease liabilities (Note 14)	**418,110**	40,923
	9,620,155	4,146,375

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 BORROWINGS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings, secured (a)	**425,276**	534,021
Bank borrowings, unsecured and unguaranteed (b)	**98,000**	–
Other borrowings, secured (c)	**250,000**	–
	773,276	534,021
Borrowings included in current liabilities:		
Bank borrowings, secured (d)	**300,000**	–
Current portion of long-term borrowings (a)(b)(c)	**714,627**	338,406
Interest payables	**3,905**	1,760
	1,018,532	340,166
Total borrowings	**1,791,808**	874,187

(a) As at 31 December 2022 and 2021, the Group had long-term bank borrowings with a total amount of approximately RMB887,903,000 and RMB872,427,000, respectively. Borrowings of approximately RMB462,627,000 and RMB338,406,000, respectively will be due within one year from the respective balance sheet date.

As at 31 December 2022, the aforementioned borrowings of approximately RMB887,902,000 (2021: RMB872,427,000) with the effective interest rate ranged from 3.5% to 4.85% (2021: 4.60% to 4.85%) per annum were secured by pledge of the Group's restricted cash with the amount of RMB610,000,000 (2021: RMB610,000,000) (Note 22(a)), the long-term bank time deposits with the amount of RMB300,000,000 (2021: RMB300,000,000) (Note 22(b)) and the land use right with the carrying value of approximately RMB25,149,000 (2021: nil) (Note 14).

(b) As at 31 December 2022, the effective fixed interest rate of the long-term unsecured and unguaranteed borrowing from a PRC bank with the amount of RMB100,000,000 was 3.9% per annum. Borrowings of RMB2,000,000 will be due within one year.

28 BORROWINGS (CONTINUED)

(c) As at 31 December 2022, the Group had 24-month borrowings with a total amount of RMB500,000,000 with two finance leasing companies, obtained through sales and leaseback arrangements, whereby certain property, plant and equipment of the Group were sold and leased back over a 24-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 borrowings have effective interest rates ranging from 5% to 5.1% per annum and was pledged by the property, plant and equipment with the carrying amount of approximately RMB513,992,000 (Note 15). Borrowings of RMB250,000,000 will be due within one year.

(d) As at 31 December 2022, the Group had two secured short-term borrowings from PRC bank with amounts totalling RMB300,000,000, and the effective interest ranging from 1.62% to 1.69% per annum. The aforementioned borrowings were secured by pledge of the Group's financial assets at FVPL with the amount of RMB465,000,000 (Note 21).

(e) Other disclosures

The Group's borrowings are all denominated in RMB.

During the years ended 31 December 2022 and 2021, 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	
	2022	2021
	RMB'000	RMB'000
Less than 6 months	**552,704**	240,723
Between 6 and 12 months	**461,923**	97,683
Between 1 and 2 years	**440,628**	459,087
Between 2 and 5 years	**191,096**	74,934
Over 5 years	**141,552**	–
	1,787,903	872,427

The fair values of current borrowings approximate their carrying amount as the discounting impact is not significant.

28 BORROWINGS (CONTINUED)

(e) Other disclosures (Continued)

The fair values of non-current borrowings as at 31 December 2022 and 2021 were disclosed as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current borrowings	**768,096**	537,015

As at 31 December 2022 and 2021, the Group has the following undrawn bank facilities:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
RMB facilities	**895,830**	234,726

29 PROVISIONS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current		
Service warranties	**177,929**	55,425
Current		
Service warranties	**90,451**	36,424
	268,380	91,849

The Group provides warranties for certain vehicle products sold and undertakes the obligation to repair or replace items that fail to perform satisfactorily within certain years after purchase or mileage utilized ("**warranty periods**"), whichever reached first. Provision for service warranties are made for the estimated warranty claims within the warranty periods that remain effective as at the end of each reporting period. The amount of provisions for warranties is estimated based on the assumptions related to the estimations of frequency and average costs of future claims. The estimation is reviewed on an ongoing basis and is revised when appropriate.

29 PROVISIONS (CONTINUED)

The movements of the Group's provisions are analyzed as follows:

	Service warranties RMB'000
As at 1 January 2022	**91,849**
Provisions for the year	**277,470**
Amounts utilized during the year	**(100,939)**
As at 31 December 2022	**268,380**
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

30 DEFERRED INCOME

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Government grants	**413,971**	329,706

During the years ended 31 December 2022 and 2021, the Group received government grants with total amount of approximately RMB118,036,000 and RMB99,420,000, 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.

31 TRADE AND NOTES PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables		
– Payables for materials	**2,345,688**	1,245,389
Notes payables (a)		
– Payables for materials	**3,641,073**	1,350,717
	5,986,761	2,596,106

(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(a)), certain long-term bank time deposits (Note 22(b)) and financial assets at FVPL (Note 21(a)). As at 31 December 2021, the notes payables are also guaranteed by government subsidies receivables for promotion of new energy vehicles (Note 19) and released during the year ended 31 December 2022.

(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 reporting period is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Up to 6 months	**2,317,173**	1,194,983
6 months to 1 year	**20,070**	31,502
1 to 2 years	**7,137**	8,918
2 to 3 years	**371**	9,986
Over 3 years	**937**	–
	2,345,688	1,245,389

32 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Accrued expenses		
– Rebate payables	**354,542**	132,642
– Advertising and publicity expense	**308,127**	114,335
– Freight expenses	**60,888**	26,602
Payables for purchases of property, plant and equipment	**328,120**	104,195
Payroll and welfare payables	**311,385**	178,259
Payables for design and development services	**165,871**	145,244
Deposit from suppliers and distributors	**138,207**	63,286
Other taxes payables	**27,850**	11,908
Payables for listing expenses	**12,410**	12,591
Others	**55,311**	36,264
	1,762,711	825,326

33 ADVANCES FROM CUSTOMERS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Advances from customers	**218,528**	503,213

Advances from customers represent the initial refundable deposits for intention orders received from customers prior to the signing of vehicle purchase agreements.

34 INVESTMENT IN AN ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Investment in an associate		
At beginning of the year	**18,670**	18,474
Share of net profit of associate accounted for using the equity method	**11,705**	196
At end of the year	**30,375**	18,670

Set out below are the details of the associate of the Group as at 31 December 2022 and 2021. 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.

Name of entity	Place of incorporation and kind of legal entity	% of ownership interest		Principal activities
		2022	2021	
Zhejiang Huaruijie Technology Co., Ltd. 浙江華鋭捷技術有限公司	PRC, limited liability company	**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. 浙江華鋭捷技術有限公司 (the "**Associate**"). The registered capital and paid-in capital of the Associate is RMB150,000,000 and RMB100,000,000, respectively. 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.

34 INVESTMENT IN AN ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current assets		
– Cash and cash equivalents	**174,795**	72,826
– Other current assets	**460,300**	237,045
Total current assets	**635,095**	309,871
Total non-current assets	**95,988**	99,686
Total current liabilities	**(577,857)**	(316,207)
Net assets	**153,226**	93,350

34 INVESTMENT IN AN ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Reconciliation to carrying amounts

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Opening net assets as at 1 January	**93,350**	92,368
Capital contribution from equity holders	**–**	–
Profit and total comprehensive income for the year	**58,527**	982
Other reserves	**1,349**	–
Closing net assets	**153,226**	93,350
Group's share in %	**20%**	20%
Group's share in RMB	**30,645**	18,670
A reconciliation of changes in other reserves	**(270)**	–
Carrying amount	**30,375**	18,670

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue	**575,927**	265,604
Profit and total comprehensive income	**58,527**	982
Group's share in %	**20%**	20%
Group's share of net profit of an associate accounted for using the equity method	**11,705**	196

35 CASH FLOW INFORMATION

(a) Reconciliation of loss before income tax to net cash used in operations

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Loss before income tax	**(5,108,838)**	(2,845,773)
Adjustments for:		
Net impairment losses on financial assets (Note 3.1)	**1,791**	298
Provisions for warranty (Note 8)	**277,470**	104,707
Depreciation of property, plant and equipment (Note 15)	**263,294**	180,170
Depreciation of right-of-use assets (Note 14)	**131,667**	27,526
Amortization of intangible assets (Note 16)	**20,703**	11,466
Net (gains)/losses on disposals of property, plant and equipment, intangible assets and right-of-use assets (Note 7)	**(2,102)**	668
Provisions for impairment of inventories (Note 8)	**26,235**	244,635
Share-based payment expenses (Note 26)	**543,377**	216,955
Net fair value gains on financial assets at FVPL (Note 7)	**(21,685)**	(22,238)
Finance income – net (Note 10)	**(106,259)**	(22,349)
Share of net profit from an associate (Note 34(b))	**(11,705)**	(196)
Amortization of government grants	**(33,771)**	(9,495)
Net foreign exchange differences (Note 7)	**52,387**	89
Operating loss before changes in working capital:	**(3,967,436)**	(2,113,537)
Increase in inventories	**(1,025,618)**	(812,018)
Increase in trade and notes receivables	**(903,590)**	(614,333)
Decrease in other current assets	**35,093**	710
Increase in restricted cash	**(446,164)**	(324,575)
Increase in contract assets	**(8,753)**	(28,518)
Increase in non-current assets	**(25,930)**	–
(Decrease)/increase in advances from customers	**(284,685)**	461,546
Increase in trade and notes payables	**3,390,655**	1,857,365
Increase in other payables and accruals	**712,312**	511,928
Increase in contract liabilities	**113,780**	34,950
Increase in deferred income	**–**	495
Decrease in provisions	**(100,939)**	(22,118)
Net cash used in operations	**(2,511,275)**	(1,048,105)

(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).

35 CASH FLOW INFORMATION (CONTINUED)

(c) Net cash

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Cash and cash equivalents (Note 22)	**6,948,994**	4,337,967
Financial assets at FVPL (Note 21)	**929,800**	1,260,078
Lease liabilities (Note 14)	**(418,110)**	(40,923)
Borrowings (Note 28)	**(1,791,808)**	(874,187)
Net cash	**5,668,876**	4,682,935

(d) Reconciliation of liabilities from financing activities

	Lease liabilities	Borrowings	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2022	**40,923**	**874,187**	**915,110**
Cash flows	**(136,917)**	**897,070**	**760,153**
New leases	**506,027**	**–**	**506,027**
Termination of leases	**(8,384)**	**–**	**(8,384)**
Interest expenses	**16,461**	**20,551**	**37,012**
As at 31 December 2022	**418,110**	**1,791,808**	**2,209,918**
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

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. 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.

36 CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognized as liabilities is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Property, plant and equipment	**2,636,216**	1,063,609

37 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 (傅利泉), 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 27.46% 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 Investment Management L.P. (寧波華暘投資管理合夥企業(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 Consulting Service Center L.P. (萬載明昭諮詢服務中心(有限合夥)) ("**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.

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(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 Investment Management 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
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
Zhejiang Dahua Technology Co., Ltd. 浙江大華技術股份有限公司 (“**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. 上海華尚成悦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
Hangzhou Fuyang Huaao Technology Co., Ltd 杭州富陽華傲科技有限公司	Dahua Technology’s subsidiary

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Sales of vehicles and parts		
Dahua Technology and its subsidiaries	**505**	893
Rendering of services		
Dahua Technology and its subsidiaries	**1,035**	–
Sales of property, plant and equipment/ intangible assets		
Dahua Technology and its subsidiaries	**337**	790
Purchases of raw materials		
Dahua Technology and its subsidiaries	**314,467**	67,461
Purchases of the assembly services		
Dahua Technology and its subsidiaries	**64,232**	23,591
Purchases of services		
Dahua Technology and its subsidiaries	**–**	5,444
Purchases of property, plant and equipment/intangible assets		
Dahua Technology and its subsidiaries	**1,377**	5,472
Addition to right-of-use assets resulted from lease of buildings		
Members of the Single Largest Group of Shareholders	**276**	4,470
Dahua Technology and its subsidiaries	**–**	2,073
	276	6,543
Interest expenses of lease liabilities paid to		
Members of the Single Largest Group of Shareholders	**127**	527
Dahua Technology and its subsidiaries	**4**	69
	131	596
Proceeds from borrowings from		
Members of the Single Largest Group of Shareholders	**–**	340,000
Interest expenses of borrowings		
Members of the Single Largest Group of Shareholders	**–**	2,342
Repayments of loans and interests to		
Members of the Single Largest Group of Shareholders	**–**	1,151,322

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.

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (Continued)

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	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	**22,404**	20,571
Pension obligations, housing funds, medical insurances and other social insurances	**1,145**	889
Other employee benefits	**104**	71
Share-based payment expenses	**217,171**	75,293
	240,824	96,824

(c) Balances with related parties

Trade balances

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Other receivables		
Dahua Technology and its subsidiaries	**174**	5,767

As at 31 December 2022 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 as well as the deposit for rental. The receivables were interest-free and the receivables arising from sales of property, plant and equipment and intangible assets to the related parties had been settled in January 2022.

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties (Continued)

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables (including notes receivables)		
Dahua Technology and its subsidiaries	**–**	6,534
Prepayments		
Dahua Technology and its subsidiaries	**530**	–
Trade payables		
Dahua Technology and its subsidiaries	**125,228**	89,392
Advances from customers		
Dahua Technology and its subsidiaries	**–**	949

The carrying value of the above trade balances approximate their fair value as at 31 December 2022.

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Lease liabilities		
Members of the Single Largest Group of Shareholders	**140**	9,684
Dahua Technology and its subsidiaries	**–**	1,062
	140	10,746

38 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors and supervisors

Details of the emoluments paid or payable to the directors and supervisors for the years ended 31 December 2022 and 2021 are set out as follows:

	Fees RMB'000	Wages and salaries RMB'000	Discretionary bonuses RMB'000	Share-based payment RMB'000	Social security costs, housing benefits and employee welfare RMB'000	Total RMB'000
Year ended 31 December 2022						
Name of directors:						
Mr. Zhu Jiangming	–	1,526	–	54,709	126	56,361
Mr. Wu Baojun (吳保軍) (v)	–	3,334	1,247	39,116	126	43,823
Mr. Cao Li (曹力) (vi)	–	970	914	17,834	126	19,844
Mr. Jin Yufeng (金宇峰) (vii)	–	–	–	–	–	–
Mr. Fu Yuwu (付于武) (viii)	120	–	–	–	–	120
Ms. Wan Jiale (萬家樂) (ix)	120	–	–	–	–	120
Mr. Huang Wenli (黃文禮) (x)	120	–	–	–	–	120
	360	5,830	2,161	111,659	378	120,388
Name of supervisor:						
Mr. Wu Yefeng	–	–	–	–	–	–
Mr. Mo Chengrui (莫承銳) (xi)	–	785	337	2,963	126	4,211
Ms. Yao Tianzhi (姚甜芝) (xii)	–	217	74	1,520	59	1,870
	–	1,002	411	4,483	185	6,081

38 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors and supervisors (Continued)

	Fees RMB'000	Wages and salaries RMB'000	Discretionary bonuses RMB'000	Share-based payment RMB'000	Social security costs, housing benefits and employee welfare RMB'000	Total RMB'000
Year ended 31 December 2021						
Name of directors:						
Mr. Zhu Jiangming	–	1,667	–	7,795	84	9,546
Mr. Fu Liquan (i)	–	–	–	–	–	–
Mr. Wu Liqiang	–	–	–	–	–	–
Mr. Xu Wei (ii)	–	–	–	11,377	–	11,377
Mr. Li Ke	–	–	–	–	–	–
Mr. Zhang Jie (iii)	–	–	–	–	–	–
Mr. Xiang Xiaoxiao (iv)	–	–	–	–	–	–
Mr. Wu Baojun (v)	–	3,435	960	34,625	103	39,123
Mr. Cao Li (vi)	–	–	–	–	–	–
Mr. Jin Yufeng (vii)	–	–	–	–	–	–
Mr. Fu Yuwu (viii)	–	–	–	–	–	–
Ms. Wan Jiale (ix)	–	–	–	–	–	–
Mr. Huang Wenli (x)	–	–	–	–	–	–
	–	5,102	960	53,797	187	60,046
Name of supervisor:						
Mr. Wu Yefeng	–	–	–	–	–	–
Mr. Mo Chengrui (xi)	–	694	2,084	1,971	123	4,872
Ms. Yao Tianzhi (xii)	–	170	420	240	36	866
	–	864	2,504	2,211	159	5,738

38 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors and supervisors (Continued)

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) Mr. Wu Baojun was appointed as the director of the Company on 6 April 2021.

(vi) Mr. Cao Li was designated as the director of the Company on 20 December 2021.

(vii) Mr. Jin Yufeng was designated as the director of the Company on 20 December 2021.

(viii) Mr. Fu Yuwu was designated as an independent non-executive director of the Company on 20 December 2021.

(ix) Ms. Wan Jiale was designated as an independent non-executive director of the Company on 20 December 2021.

(x) Mr. Huang Wenli was designated as an independent non-executive director of the Company on 20 December 2021.

(xi) Mr. Mo Chengrui was designated as a supervisor on 6 April 2021.

(xii) 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 years ended 31 December 2022 and 2021.

(c) Directors and supervisors' termination benefits

None of the directors or supervisors received any termination benefits during the years ended 31 December 2022 and 2021.

(d) Consideration provided to third parties for making available directors and supervisors' services

During the years ended 31 December 2022 and 2021., 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 years ended 31 December 2022 and 2021.

38 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(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 or at any time during the years ended 31 December 2022 and 2021.

39 CONTINGENCIES

As at 31 December 2022, there were no significant contingency items for the Group.

40 DIVIDEND

No dividend has been paid or declared by the Company or subsidiaries of the Company during the years ended 31 December 2022 and 2021.

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**482,570**	308,265
Right-of-use assets	**9,307**	14,907
Intangible assets	**32,418**	14,392
Investments in subsidiaries	**4,654,976**	3,919,454
Investment in an associate accounted for using the equity method	**30,375**	18,670
Long-term bank time deposits	**515,590**	408,312
Other non-current assets	**37,227**	6,294
	5,762,463	4,690,294
Current assets		
Trade receivables	**–**	732
Other current assets	**4,518,959**	3,383,595
Financial assets at fair value through profit or loss	**–**	1,157,560
Short-term bank time deposits	**30,666**	–
Restricted cash	**10,380**	50,495
Cash and cash equivalents	**6,243,994**	3,474,263
	10,803,999	8,066,645
Total assets	**16,566,462**	12,756,939

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Balance sheet of the Company (Continued)

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
EQUITY		
Paid-in capital	**–**	–
Share capital	**1,142,706**	1,011,887
Reserves	**16,796,443**	10,789,743
Accumulated losses	**(1,968,000)**	(566,295)
Total equity	**15,971,149**	11,235,335
LIABILITIES		
Non-current liabilities		
Lease liabilities	**3,495**	2,007
Deferred income	**2,399**	3,380
	5,894	5,387
Current liabilities		
Trade and notes payables	**341,401**	175,572
Other payables and accruals	**241,514**	1,327,021
Lease liabilities	**6,504**	13,624
	589,419	1,516,217
Total liabilities	**595,313**	1,521,604
Total equity and liabilities	**16,566,462**	12,756,939

The balance sheet of the Company was approved by the Board of Directors on 21 March 2023 and was signed on its behalf.

Mr. Zhu Jiangming	**Mr. Li Tengfei**
Director	*General Manager of Finance*

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company

	Reserves			
	Share premium RMB'000	Capital reserves RMB'000	Share-based payment reserves RMB'000	Total RMB'000
As at 1 January 2022	**10,519,938**	**–**	**269,805**	**10,789,743**
Issuance of ordinary shares upon global offering (Note 24(a))	**5,463,323**	**–**	**–**	**5,463,323**
Share-based payment (Note 26)	**–**	**–**	**543,377**	**543,377**
As at 31 December 2022	**15,983,261**	**–**	**813,182**	**16,796,443**
As at 1 January 2021	–	1,551,581	52,850	1,604,431
Capital contributions from equity holders (Note 23(a) and (b))	–	4,091,911	–	4,091,911
Conversion into a joint stock company (Note 24(c))	4,662,522	(5,643,492)	–	(980,970)
Issuance of shares (Notes 24(d) and (e))	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

Definitions

In this annual report, the following expressions have the meanings set out below unless the context requires otherwise.

"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles" or "Articles of Association"	the articles of association of our Company, conditionally adopted on 20 December 2021 with effect from the Listing Date, and as amended from time to time
"Board" or "Board of Directors"	the board of Directors of our Company
"Companies 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 24 December 2015 and converted into a joint stock limited liability company in the PRC on 30 April 2021
"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 substantial shareholder 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
"Employee Incentive Schemes"	collectively, Share Award Scheme I, Share Award Scheme II and Pre-IPO Share Option Scheme
"Global Offering"	the Hong Kong public offering and the international offering as described in the prospectus
"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 are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange

"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
"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 Stock Exchange" or "Stock Exchange"	the Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"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
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	29 September 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
"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
"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 29 December 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)), a limited partnership established under the laws of the PRC on 22 January 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 7 November 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)), a limited partnership established under the laws of the PRC on 11 September 2017 and a member of the Single Largest Group of Shareholders
"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 29 December 1993 and became effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
"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 the 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 the Prospectus

"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme as adopted by the Company in 22 June 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"
"Prospectus"	the prospectus of the Company dated 20 September 2022
"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
"Reporting Period"	the year ended 31 December 2022
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"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) 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" in the Prospectus and the paragraph headed "Employee Incentive Schemes" in this annual report
"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" in the Prospectus and the paragraph headed "Employee Incentive Schemes" in this annual report

"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
"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
"United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"USD"	United States dollars, the lawful currency of the United States
"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 28 November 2017 and a member of the Single Largest Group of Shareholders