

SUMMARY

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

OVERVIEW

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

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

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

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

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

COMPETITION

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

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

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





OUR EVs

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

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

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

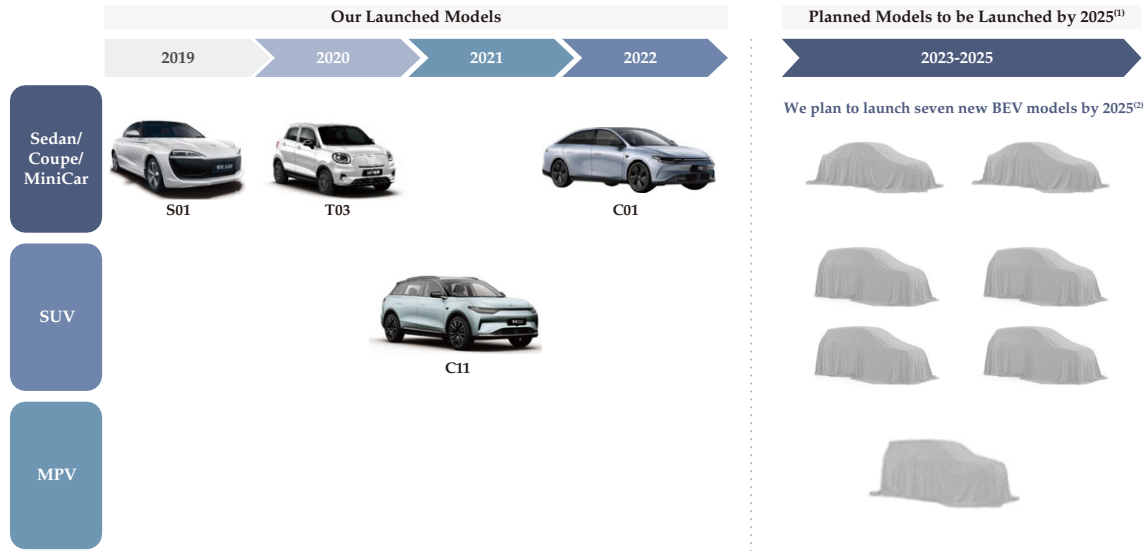
Model ⁽¹⁾	C01 (Mid- to Large-sized Sedan)	C11 (Mid-sized SUV)	T03 (Mini Car)	S01 (Coupe)
				
Length × Width × Height (mm)	5,050×1,902×1,509	4,750×1,905×1,675	3,620×1,652×1,592	4,075×1,760×1,380
Wheelbase (mm)	2,930	2,930	2,400	2,500
CLTC range ⁽²⁾ (km)	500 – 717	510/550/610	301/403	451
0-100 km/h acceleration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

Notes:

- (1) Specifications of each EV model vary due to the various versions available for each model.
- (2) China Light-duty Vehicle Test Cycle, a testing standard to measure and establish a vehicle's driving range developed by the CATARC.
- (3) An indicator to describe the dynamic performance of a vehicle. A vehicle with more power will generally have better acceleration and higher maximum speed.
- (4) An indicator for the acceleration performance of the vehicle, especially the acceleration at low speed.
- (5) Indicative price.

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

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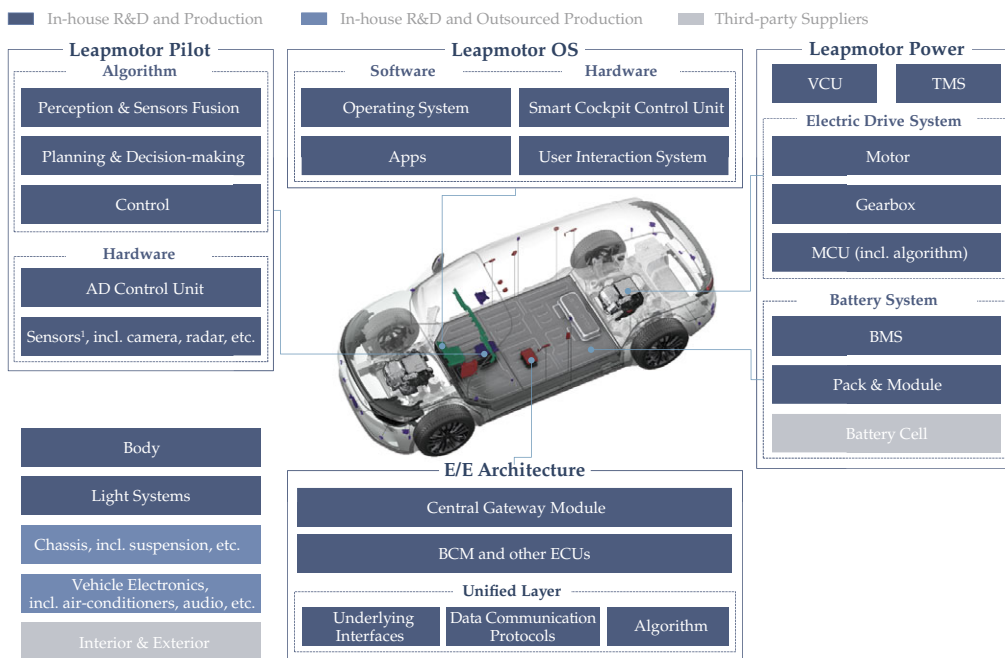
Notes:

- (1) The expected time of delivery and exact format of future models might change.
- (2) We also plan to launch the EREV version of these new models.

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

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

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



Note:

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

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

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

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- **High R&D Efficiency.** Our cross-platform E/E architecture and vehicle architecture are highly adaptable across EV models, enabling us to develop new models within a shorter time frame, enhance R&D efficiency and scale up production quickly. We have launched four BEV models since 2019. We expect to start delivering the C01, a mid- to large-sized smart electric sedan, in the third quarter of 2022, which would be one of the shortest intervals between consecutive deliveries of two models for any pure-play EV company based in China, according to Frost & Sullivan. Leveraging our full-suite of R&D capabilities, we believe we can further expand and upgrade our EV portfolio rapidly, efficiently addressing the evolving needs and preferences of customers.
- **Cost Advantage.** Our full-suite of R&D capabilities and in-house production of all core systems and electronic components allow us to simplify and streamline our supply chain with lower procurement and production costs. As we continue to grow, we believe this cost advantage will become increasingly apparent in the long run.

OUR TECHNOLOGICAL PROWESS

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

- **E/E Architecture.** We have developed proprietary E/E architecture on our mass-produced models that enables domain-centralized control of key vehicle systems, including autonomous driving, smart cockpit and vehicle control. By adopting unified underlying interfaces, algorithms and data communication protocols across systems, our E/E architecture achieves a high degree of adaptability across EV models. Moreover, we are currently developing the next generation of our E/E architecture, which utilizes a powerful centralized vehicle computing platform that is capable of processing highly complex functions.
- **Electric Drive System.** We have developed a proprietary electric drive system with in-house hardware and software technologies. Heracles, the current generation of our proprietary electric drive system, integrates electric motors, MCUs and gearboxes to achieve high performance, and safety, while remaining light weight and cost efficient. In 2022, we have commercialized a more advanced oil-cooling electric drive system called Pan Gu (盘古), featuring a maximum efficiency of up to 94.6%. Moreover, with our deep learning algorithms and highly adaptable hardware, we can upgrade the electric drive system through OTA over the full vehicle lifecycle to continuously improve our vehicles' driving performance.

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- **Battery System.** We developed our own battery pack and battery management technologies. Our proprietary thermal management system is compact and energy efficient, enabling the battery system to function at a temperature as low as -30°C . With the planned delivery of the C01 in the third quarter of 2022, we expect to become the world's first pure-play EV company to apply CTC technology in mass production, according to Frost & Sullivan. CTC technology enables the integration of the battery module with the battery tray and the vehicle body, breaking the boundaries between battery modules, packs and vehicles. Specifically, it has reduced the number of components for the battery system by 20%, resulting in lighter vehicle weight, longer range, faster acceleration and lower cost. The lightweight index is increased by 20%, while the vehicle body's torsional strength is elevated by 25%, which improves collision safety. In addition, the safety of our battery system has been extensively tested and validated, with all testing results meeting the national standards. The results of a number of relevant tests, such as vibration test, thermal diffusion test, enclosure test and several types of impact tests, have exceeded the mandatory national standard for batteries of electric vehicles (GB 38031-2020) and the optional standard for degrees of protection provided by enclosure (GBT/4208-2017). The integrated structure increases the vertical space inside the vehicle and offers greater comfort for passengers.
- **Autonomous Driving.** Leapmotor Pilot 3.0, our latest Level 2 autonomous driving system, provides 360-degree vision and 23 autonomous driving features, such as adaptive cruise control, highway autopilot, automated parking and early warning system, see "Business — Our Technologies — Leapmotor Pilot — Autonomous Driving System." This represents one of the most comprehensive sets of features among EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to Frost & Sullivan. Leapmotor Pilot 3.0 is powered by our full stack autonomous driving software, in particular, proprietary visualization algorithms with high processing accuracy. In June 2021, our algorithms team won the first place in the Real Time 2D Detection Challenge at the 2021 Waymo Open Dataset Challenges, which speaks to our strength and leadership position in algorithms for autonomous driving. It has been widely acknowledged by the industry that vehicle automation is categorized into six levels by the degree of driving automation, which is from Level 0 (no driving automation) to Level 5 (full driving automation) in the context of vehicles and their operations on roadways. See "Industry Overview — Levels of Autonomous Driving" for details.
- **Smart Cockpit.** Leapmotor OS provides a wide variety of highly integrated interactive functions and enables automatic configuration of 25 customizable in-car settings based on user preference. Leapmotor OS also offers cloud-based services through its IoV system, including remote vehicle control and mobile voice control. We will continue to add more functions to Leapmotor OS via OTA updates.

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CUSTOMERS AND SUPPLIERS

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

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

OUR STRENGTHS

We believe the following competitive strengths contribute to our success:

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

OUR STRATEGIES

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

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

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- We will continue to penetrate the mid- to high-end segment by launching seven new BEV models by 2025 with one to three models every year. We also plan to launch the EREV version of these new models to attract customers with different needs and preferences.
- We will increase our brand awareness and strengthen its recognition by initiating a variety of online and offline marketing campaigns. We will also continue to increase the number of directly operated stores, channel partner stores and delivery and service centers to drive business growth.
- We plan to introduce in-vehicle pay-as-you-go and subscription-based value-added services to unlock new revenue. We will also offer digital services and content in lifestyle, productivity and entertainment to provide users with a vibrant mobile lifestyle.
- We intend to strategically establish our international presence by entering into the European market. We plan to open our first overseas flagship store in Europe by 2023. Following that, we plan to expand our presence into other major markets and plan to become a global EV company.

RISK FACTORS

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

- Our research and development efforts may not yield expected results;
- We have a limited operating history, which makes it difficult to evaluate our business and future prospects;
- Our ability to manufacture and deliver automobiles of high quality and appeal to customers, on schedule, and on a large scale is unproven and still evolving;
- Our vehicles and smart technologies may contain faults and may not perform up to customer expectations;
- China's NEV market is highly competitive, and demand for EVs may be cyclical and volatile;
- We recorded gross losses and net losses, and had negative net cash flows from operations in the past, which may continue in the future;
- We depend on revenue generated from a limited number of smart EV models;

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- We may be subject to risks associated with autonomous driving technologies; and
- Changes in government incentives or subsidies to support NEVs could adversely affect our business, financial condition and results of operations.

OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

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

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

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

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

PRE-[REDACTED] INVESTORS

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

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SUMMARY OF HISTORICAL FINANCIAL INFORMATION

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

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

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Non-IFRS Measure

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

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

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

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

Notes:

- (1) Share-based payment expenses mainly represent the arrangement that we receive services from employees as consideration for our equity instruments. Share-based payments are not expected to result in future cash payments.
- (2) Interest expenses on financial instruments with preferred rights at amortized cost represent the interest on our Pre-[REDACTED] Investments. On December 31, 2020, our Company entered into a termination agreement with the Pre-[REDACTED] Investors, pursuant to which the financial instruments with preferred rights at amortized cost were derecognized and no interest was accrued subsequently. In addition, the interest expenses on financial instruments with preferred rights is a non-cash item.
- (3) A non-IFRS measure.

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

Revenue

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

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

Sales of Vehicles and Parts

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

SUMMARY

Sales of Automotive Regulatory Credits

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

Services

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

Cost of Sales

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

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

SUMMARY

Gross Loss and Gross Margin

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

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

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

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

SUMMARY

Selected Items from the Consolidated Balance Sheets

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

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

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

SUMMARY

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

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

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

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

SUMMARY

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

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

Selected Items from the Consolidated Statements of Cash Flows

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

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

SUMMARY

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

- (i) ***Expanding Volume and Revenue Growth.*** Our delivery volume grew from 1,037 units in 2019 to 8,050 units in 2020, and further to 43,748 units in 2021. Our delivery volume increased from 4,235 units for the three months ended March 31, 2021 to 21,579 units for the three months ended March 31, 2022. The expansion of our business has led to a revenue growth from RMB117.0 million in 2019 to RMB631.3 million in 2020, and further to RMB3,132.1 million in 2021 and from RMB278.0 million for the three months ended March 31, 2021 to RMB1,991.8 million for the same period in 2022, thus contributing to growth of our cash inflow from operating activities.
- (ii) ***Improving Gross Margin.*** During the Track Record Period, we have demonstrated rapid and consistent improvement in our gross margin from -95.7% in 2019 to -50.6% in 2020 and further to -44.3% in 2021 and from -49.4% for the three months ended March 31, 2021 to -26.6% for the same period in 2022. Our gross margin has benefited from the increasing economies of scale due to volume ramp-up and is expected to continue to benefit from expansion of our product portfolio, digital value-added services and vertically integrated business model.
- (iii) ***Enhancing Operating Leverage.*** Enhancing operating leverage by reducing R&D expenses, selling expenses, and administrative expenses as a percentage of revenue as our business continues to scale up, thus alleviating the pace of cash outflow in relation to the operating expenses, compared to the cash inflow from operating activities attributable to revenue.
- (iv) ***Enhancing Working Capital Efficiency.*** We also expect to improve our cash flow positions by continuously enhancing working capital efficiency. We review our payment term policy with suppliers to improve cash outlay, as well as negotiate for favorable credit terms with our suppliers to extend payment cycle. We also maintain relationships with banks such that we used commercial acceptance bills to decrease our cash outlay for day-to-day operations. We receive payments from our channel partners in advance of vehicle deliveries, which also improves our cash position. We adopt the make-to-order production approach to keep our inventories at a low level. Our inventory turnover days decreased from 131.9 days in 2019 to 66.6 days in 2020 and further to 37.6 days in 2021, and from 51.1 days for the three months ended March 31, 2021 to 33.7 days for the same period in 2022.

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

SUMMARY

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

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

[REDACTED]

The [REDACTED] comprises: (i) the [REDACTED] of [REDACTED] H Shares (subject to [REDACTED] and the [REDACTED]); and (ii) the [REDACTED] of [REDACTED] H Shares (subject to [REDACTED], the [REDACTED] and the [REDACTED]). For details of the [REDACTED] and the [REDACTED], see "Structure of the [REDACTED]" and "Risk Factor — Risks relating to the [REDACTED] — Purchasers of our H Shares in the [REDACTED] may experience immediate dilution upon such purchases and may experience further dilution if we issue additional H Shares pursuant to the exercise of the [REDACTED] and the [REDACTED]."

All statistics in the following table are based on the assumptions that (i) the [REDACTED] has been completed and [REDACTED] H Shares are issued and sold in the [REDACTED] and (ii) the [REDACTED] and the [REDACTED] are not exercised.

	Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]
Market capitalization of our Shares ⁽¹⁾	HK\$[REDACTED]	HK\$[REDACTED]
Market capitalization of our H Shares ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited pro forma adjusted net tangible assets per share ⁽³⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of market capitalization is based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED], assuming the [REDACTED] and the [REDACTED] are not exercised.
- (2) The calculation of market capitalization of our H Shares is based on [REDACTED] H Shares expected to be in issue immediately upon completion of the [REDACTED], without taking into account any allotment and issuance of H Shares upon exercise of the [REDACTED] and the [REDACTED].
- (3) The unaudited pro forma adjusted net tangible assets per share is arrived at after the adjustment referred to in "Appendix II — Unaudited Pro Forma Financial Information."

SUMMARY

WORKING CAPITAL SUFFICIENCY

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

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

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED], and other fees incurred in connection with the [REDACTED]. We estimate that our [REDACTED] expenses will be approximately HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range) and no exercise of the [REDACTED] and the [REDACTED]), which accounts for approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED]. We estimate the [REDACTED] expenses to consist of approximately HK\$[REDACTED] in [REDACTED] and HK\$[REDACTED] million in [REDACTED] (which consist of fees and expenses of legal advisors and Reporting Accountant of approximately HK\$[REDACTED] and other fees and expenses of approximately HK\$[REDACTED]). Among the total [REDACTED] expenses, approximately HK\$[REDACTED] will be directly attributable to the issue of our Shares, which will be deducted from equity upon the completion of the [REDACTED], and the remaining amount of approximately HK\$[REDACTED] will be expensed in our consolidated statements of comprehensive loss.

FUTURE PLANS AND USE OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the stated range of the [REDACTED] between HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED]), the [REDACTED] and the [REDACTED] are not exercised, we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED] after deducting the [REDACTED], fees and other estimated expenses in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised or HK\$[REDACTED] if the [REDACTED] and the [REDACTED] are exercised in full.

In line with our strategies, we intend to use our [REDACTED] from the [REDACTED] for the following purposes:

- Approximately 40.0% of the net [REDACTED] or approximately HK\$[REDACTED], allocated to our research and development;
- Approximately 25.0% of the net [REDACTED] or approximately HK\$[REDACTED], 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 [REDACTED] or approximately HK\$[REDACTED], for expanding our sales and service network and establishing a stronger brand presence; and

SUMMARY

- Approximately 10.0% of the net [REDACTED] or approximately HK\$[REDACTED], for working capital and general corporate purposes.

See "Future Plans and Use of [REDACTED]."

DIVIDEND POLICY

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

IMPACT OF THE COVID-19 PANDEMIC

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

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

SUMMARY

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

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

GOVERNMENT POLICIES

The PRC central government has set out the NEV development plan and incentive measures as one of its most important strategic mandates. In October 2021, the State Council of China set the target of increasing the share of vehicles fueled by new and clean energy to 40% by 2030, according to the Action Plan for Carbon Dioxide Peaking Before 2030 (《2030年前碳达峰行動方案》), the national climate policy, aiming at achieving "peak CO₂ emissions" by 2030 and "carbon neutrality" by 2060. It has promulgated favorable policies benefiting NEV manufacturers as well as the market participants along the industry value chain.

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

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

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

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

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

RECENT DEVELOPMENT

Recent Development in Our Business Operations

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

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

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

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

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

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

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

Recent Regulatory Development

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

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

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

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

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

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

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

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

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

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