OVERVIEW

Who We Are

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

We internally develop all our key hardware and software across the core systems and electronic components of our vehicles. We are the only pure-play EV company, 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 "— Our Full-Suite of R&D Capabilities and Vertical Integration" for details. We believe such unique capabilities in smart EVs enable us to produce high caliber products, develop new models rapidly and enjoy a cost advantage.

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

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

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

China's NEV market is highly competitive. New NEV companies have been quick to capitalize on the NEV market opportunity with innovative smart technologies and products differentiation, while ICE automakers are also quickly adapting to the fast-growing EV market by introducing their smart EV models. We were the fourth largest pure-play EV company based in China by sales volume in China in 2021 and the first half of 2022, according to Frost & Sullivan. We were ranked 19th and 14th in the China NEV market in terms of sales volume measured by vehicle insurance registrations in 2021 and the first half of 2022, with market shares of 1.6% and 2.2%, respectively. The top five companies by sales volume of NEVs accounted for 54.2% and 54.9% in China in 2021 and the first half of 2022, respectively, according to the same source. See "Industry Overview — Competitive Landscape."

Our EVs

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

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

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

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

Notes:

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

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

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

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

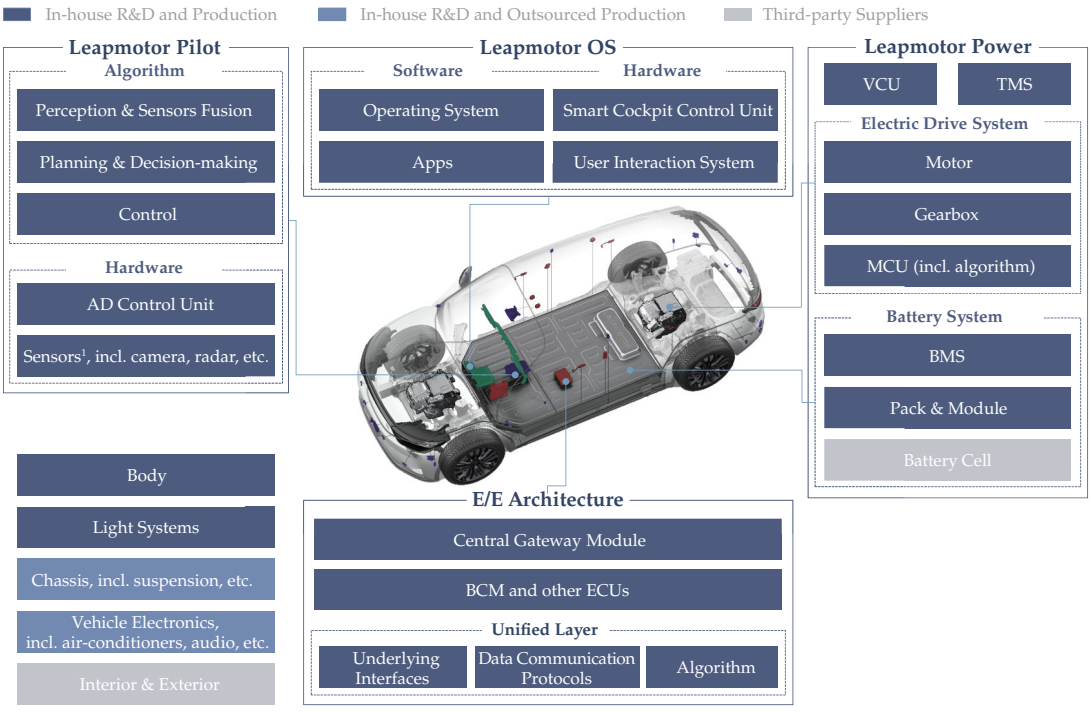
(5) Indicative price.

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

Our Full-Suite of R&D Capabilities and Vertical Integration

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

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



Note:

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

According to Frost & Sullivan, through our full-suite of R&D capabilities, we self-develop more types of key hardware and software for core systems than any other pure-play EV companies, 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, and most of the NEV companies, 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 autonomous driving system, enables 23 autonomous driving features such as adaptive cruise control, highway autopilot, automated parking and early warning system. See "— Our Technologies — Leapmotor Pilot — Autonomous Driving System." This represents one of the most comprehensive sets of features among EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to Frost & Sullivan. Leapmotor OS, our smart cockpit system, offers a broad spectrum of customizable smart interactive functions, as well as cloud-based services through its IoV system. Equipped with Leapmotor Power, the C11 delivers a CLTC range of up to 610 km for its Premium Edition and 0–100 km/h acceleration in 4.5 seconds for its Performance Edition. With a 0–100 km/h acceleration in 3.7 seconds, the C01 Pro+ High Performance Edition has the fastest acceleration among all competing EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to Frost & Sullivan. The C01 Ultra-Long Range Edition has a CLTC range of up to 717 km, which is among the longest ranges on a single charge compared with EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to the same source. In addition, we offer comprehensive OTA updates and remote intelligent diagnostics functions to continuously improve product performance and user experience. In particular, more than 85% of the ECUs of the C11 can be updated via OTA, including MCU, BMS, autonomous driving and smart cockpit systems.

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

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

Our Technological Prowess

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

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

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

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

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

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

OUR STRENGTHS

Full-Suite of R&D Capabilities

We are the only pure-play EV company, and one of the few NEV companies, based in China that develops all key hardware and software across the core systems and electronic components, according to Frost & Sullivan. We develop modularized and cross-platform hardware and software from the ground up, resulting in high adaptability across different EV models, high level of system interconnectivity, and hardware-software integration. This approach enables us to develop and apply the latest proprietary technologies to all our smart EVs with a shorter R&D cycle and achieve higher cost efficiency with faster speed to market. We believe our unique R&D approach will further strengthen our competitiveness and market leadership.

Most Vertically Integrated Pure-Play EV Maker in China

We have achieved the highest level of vertical integration of R&D and in-house production among pure-play EV companies based in China, according to Frost & Sullivan. We are also one of the most vertically integrated NEV companies based in China, according to the same source. Our smart EVs are built with proprietary, self-designed and produced core systems and electronic components, including the electric drive system, battery system, autonomous driving system and smart cockpit system. Our manufacturing plant produces both our EVs and their core components.

Our vertically integrated business model significantly simplifies and streamlines our supply chain, lowering procurement costs, providing a stable supply of vehicle components, and maintaining strict quality control throughout the manufacturing process. Moreover, our R&D and in-house production complement and augment each other, forming a virtuous cycle that allows us to keep improving vehicle performance and quality during the vehicle's lifecycle. As an example, three months ahead of its delivery, we invited customers to test drive and provide feedback on the C11, based on which we promptly fine-tuned certain in-car configurations and functions. This demonstrates our unwavering commitment to customers, and our ability to improve product quality from design to production seamlessly and rapidly in response to customers' preferences.

Our high degree of vertical integration across R&D and production allows us to expeditiously launch distinctive EV models with a cost advantage and to scale up deliveries more rapidly.

Diverse Portfolio of Smart EVs

We offer a diverse portfolio of smart EVs primarily targeting the mid- to high-end segment in China's NEV market, which is expected to be the largest and fastest-growing segment from 2022 onwards. Our vehicles differentiate from competing models by delivering remarkable driving performance and immersive interactive experience of smart design, coupled with generous interior space and configurations.

Our flagship SUV, the C11, offers one of the most comprehensive suites of autonomous driving features among EV models within its price range, according to Frost & Sullivan. It enables 22 autonomous driving features, including adaptive cruise control, automated parking and automatic emergency braking. The C11 is also equipped with a triple-display interactive system and offers a wide variety of smart interactive functions, including AI voice control over most in-car functions and automatic configurations of 15 customizable settings. Moreover, the C11 Premium Edition offers a CLTC range of up to 610km and the Performance Edition has 0–100km/h acceleration in 4.5 seconds. It offers generous interior space with a wheelbase of close to three meters, and is equipped with multiple premium features including acoustic glass, air quality system and seats covered with Nappa leather. These features are typically only available in models within a higher price range in the market. Our latest flagship sedan, the C01, offers 23 autonomous driving features, among the most comprehensive suites of such features among EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to Frost & Sullivan. According to the same source, we expect to become the world's first pure-play EV company to apply CTC technology in a mass-produced model, which reduces the number of components for the battery system by 20%, leading to lighter vehicle weight, longer range, faster acceleration and lower cost. The lightweight index is increased by 20% while the vehicle body's torsional strength is elevated by 25%, which improves collision safety. With a 0–100 km/h acceleration in 3.7 seconds, the C01 Pro+ High Performance Edition has the fastest acceleration among all competing EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to Frost & Sullivan. Equipped with Leapmotor Power, the C01 Ultra-Long Range Edition has a CLTC range of up to 717 km, which is among the longest ranges on a single charge compared with EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to the same source.

Furthermore, we introduce new features and functionalities regularly via OTA updates over the full vehicle lifecycle. For instance, the C11 has undergone two OTA updates within two months following its first delivery in October 2021, upgrading 18 functions including radar-based parking spot recognition, 360-degree safe distance alert, and adaptive cruise control. At the end of March 2022, we delivered another OTA update for the C11, delivering more ADAS functions and adding a number of new quick apps and mini programs to the vehicle infotainment system. In addition, we also started to provide subscription services through a popular music app. The upgrade has significantly improved the in-car sound experience and provides a wealth of entertainment content for a luxurious and enjoyable ride, thus enabling us to further expand our revenue streams.

We believe our ability to develop smart EVs that offer users a premium mobility experience at compelling price makes us uniquely positioned to gain market share.

Proven Ability to Rapidly Expand Vehicle Portfolio

Our cross-platform E/E architecture and vehicle architecture allow high adaptability of systems and components across our EV models, enabling us to rapidly develop and deliver new models to address evolving and diverse customer preferences. We have successfully launched four BEV models since 2019, establishing a proven track record of EV development and delivery. We plan to launch seven new BEV models by 2025 at a pace of one to three new models every year, covering sedans, SUVs, and MPVs in various sizes. We expect to deliver the C01, a mid- to large-sized smart electric sedan, in the third quarter of 2022. All of these seven new models will be developed on our A, C and D platforms focusing on the mid- to high-end segment in China's NEV market. We design and develop each of these platforms to complement each other with distinctive attributes whilst catering to different segments of our target market. As an addition to our product offering, we also plan to launch the EREV version of these new models based on our proprietary EREV technology, concurrently or subsequently, to broaden our target audience to include customers with different needs and preferences.

Concurrently, we continue to launch new versions of popular existing models. For example, we launched three new versions of the T03 in April, August and December 2021. We have also launched a four-wheel drive version of the C11 and plan to launch an extended-range version of the C11 in 2022.

We believe our proven ability to rapidly innovate, develop and upgrade products allows us to scale up quickly and build a diversified premium EV portfolio appealing to a growing customer base with diverse and evolving preferences.

Advanced Autonomous Driving and Smart Cockpit Technologies

We believe Leapmotor Pilot 3.0 and Leapmotor OS deliver a smart mobility experience to our users.

Leapmotor Pilot 3.0, our latest proprietary autonomous driving system, provides one of the most comprehensive sets of autonomous driving functions in the mid- to high-end segment of the NEV market in China, according to Frost & Sullivan. It is powered by our full stack autonomous driving software, in particular, our visual algorithms with high processing accuracy. Moreover, with our AI engineers' in-depth expertise, we have built strong corner case analytics capabilities. Our visual algorithms can recognize small objects, semi-obstructed objects, and special-shaped vehicles with high success rate and at speed. In March 2022, the C11, equipped with Leapmotor Pilot 3.0 achieved a five-star C-NCAP safety rating for occupant safety, pedestrian safety and active safety. We also continuously refine algorithms with high iteration efficiency. In June 2021, our autonomous driving algorithms team won the first place in the Real Time 2D Detection Challenge at the 2021 Waymo Open Dataset Challenges, which speaks to our strength and leadership position in visual algorithms for autonomous driving.

Leapmotor OS, our smart cockpit system, integrates a wide variety of smart interactive functions and enables automatic configuration of 25 customizable in-car settings, offering one of the most comprehensive suites of smart interactive functions in the market, according to Frost & Sullivan. Leapmotor OS also offers a wealth of content services, such as in-car music, smart navigation, audio and video content, delivering an immersive smart interactive experience that drives strong user engagement. In addition, Leapmotor OS provides cloud-based services leveraging IoV technologies, including remote vehicle control, mobile voice control, and short video sharing, achieving seamless interconnectivity among user, mobile device and vehicle. Leapmotor OS has passed the testing requirements of the National Automobile Quality Supervision and Inspection Center for remote services and electromagnetic compatibility. We continuously upgrade Leapmotor OS via OTA to ensure our smart interactive experience remains the best in the market.

Visionary Management Team with Proven Ability to Execute

Mr. Zhu Jiangming, our founder, Chairman and Chief Executive Officer, has nearly 30 years of experience and success as both an entrepreneur and engineer in electronics and AI technologies and is credited with ground-breaking innovations. We also have a deep management team with diverse backgrounds who worked at world-renowned automotive and technology companies and financial institutions, including Toyota, Bosch, Emerson, Samsung Electronics and J.P. Morgan. They bring years of in-depth expertise and business acumen in EV technology, AI development, product design, engineering, manufacturing, supply chain management, marketing and financial markets. Under the leadership of our founder and management team, we have successfully built a full-suite of R&D and in-house production capabilities, making us the most vertically integrated pure-play EV company, and one of the most vertically integrated NEV companies, based in China. We believe their long history of entrepreneurship, industry experience and proven ability to execute will drive our long-term success in the EV industry.

OUR STRATEGIES

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

Relentless Pursuit of Innovation in Vehicle Intelligence and Electrification Technologies

We will continue to invest in advanced intelligence and electrification technologies. We will develop a more advanced Leapmotor Pilot by expanding our autonomous driving team and continue to develop algorithms with high processing accuracy. In particular, we plan to offer Leapmotor Pilot with the Navigation Assistance Pilot (NAP) function on city streets by 2024, which enables assisted driving in urban environments. Additionally, we will upgrade Leapmotor OS to provide customers with a smarter and more personalized user experience. We will also increase investment in the next-generation vehicle electrification technologies, including vehicle-centralized E/E architecture, high-voltage electric drive system, and a more integrated battery system to further enhance the performance and reliability of our smart EVs.

We will continuously upgrade the systems and functions of smart EVs through OTA to enhance performance and mobility experience over the full vehicle lifecycle, increase customer satisfaction and referrals, and cultivate long-lasting customer loyalty.

Enhance Vertical Integration

We plan to enhance our vertical integration and operational efficiency. We will further optimize the full process of R&D, supply chain management and EV and components manufacturing, seeking to achieve the highest quality control standards, production and cost efficiencies. Furthermore, we will continue to invest in advanced intelligent and automated manufacturing facilities to further strengthen our EV and components production capabilities.

Expand and Upgrade Our Smart EV Portfolio

China's NEV market reached an inflection point of growth in 2021 and its growth is expected to accelerate in the future. NEVs are expected to exceed ICE vehicles in sales volume in China in 2026, according to Frost & Sullivan. We will continue to penetrate the mid- to high-end segment. We intend to launch seven new BEV models by 2025 with one to three models every year, in response to evolving and diverse customer preferences covering sedans, SUVs, and MPVs from compact to mid-to-large in size. As an addition to our product offering, we also plan to launch the EREV version of these new models based on our proprietary EREV technology, concurrently or subsequently, to broaden our target audience to include customers with different needs and preferences. All of our new models will be developed and built in-house with our full suite of R&D and manufacturing capabilities, allowing us to launch and deliver new models on an accelerated basis.

Establish a Stronger Brand Presence and Expand Our Sales and Service Network

We will increase our investment in building a stronger brand presence. We will increase brand awareness and strengthen its recognition by launching a variety of online and offline marketing campaigns, such as promotions through traditional and social media platforms as well as participating in various auto shows.

We will continue to execute direct-to-customer strategy and increase the number of directly operated stores, channel partner stores and delivery and service center. Leveraging our uniform digital management platform, we will strengthen the implementation of our integrated management and operations for all stores to consistently deliver high quality customer experience and enhance brand identity. We also endeavor to offer more functions and features to our online user community to increase user engagement and conversion to fuel business growth.

Launch and Monetize Digital Value-Added Services

We plan to launch in-vehicle pay-as-you-go and subscription-based value-added services to unlock new revenue streams. We expect to offer the most cutting-edge autonomous driving and smart cockpit functions, such as an advanced NAP feature, which we plan to roll out on a subscription basis. We will also offer digital services and contents in lifestyle, productivity and entertainment. These value-added service offerings will generate new revenue streams and increase customer lifetime value. Furthermore, with our growing user community, we intend to explore providing more services tailored to a vibrant mobile lifestyle.

Expand Globally

As a first step, we intend to strategically establish our international presence by entering into the European market, the second largest EV market in the world. We plan to open our first overseas flagship store in Europe by 2023. Following that, we plan to expand our presence into other major EV markets with a view to become a global EV company delivering a premium product at a compelling price.

OUR VEHICLES

We design, develop, manufacture and sell smart EVs. Our expanding and diverse portfolio of smart EVs is strategically focused on the mid- to high-end segment in China's NEV market. We have launched four smart EV models since 2019. We commenced delivery of the S01, a smart electric coupe, as our first mass-produced model in July 2019. In May 2020, we delivered the T03, a smart electric mini car. In October 2021, we started delivering the C11, a mid-sized smart electric SUV with an enthralling product performance. In May 2022, we launched the C01, our latest flagship mid- to large-sized smart electric sedan, further demonstrating our R&D efficiency and technical prowess in vehicle development.

C01

In May 2022, we launched the C01, a mid- to large-sized smart electric sedan, with expected delivery in the third quarter of 2022. The C01 has an indicative post-subsidy price ranging from RMB180,000 to RMB270,000, targeting the mid- to high-end segment in China's NEV market. The C01 features a highly distinctive esthetic appearance and offers a spacious interior with a vehicle length of 5,050 mm, wide rear legroom of over 300 mm as well as generous trunk space. With a 0–100 km/h acceleration in 3.7 seconds, the C01 Pro+ High Performance Edition has the fastest acceleration among all competing EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to Frost & Sullivan. Equipped with Leapmotor Power, the C01 Ultra-Long Range Edition has a CLTC range of up to 717 km, which is among the longest ranges on a single charge compared with EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to the same source. With delivery of the C01 in the third quarter of 2022, we expect to become the world's first pure-play EV company to apply CTC technology in a mass-produced model, according to Frost & Sullivan.

The exterior and interior of the C01 and the CTC structure

We offer five editions of the C01 with varying battery capacity and power. The four-wheel drive editions are equipped with two electric motors, bringing even more impressive power performance. The following table sets forth certain technical features of the C01:

	RWD[1]			4WD[2]	
Configuration	Standard Edition	Long Range Edition	Ultra-Long Range Edition	Pro Performance Edition	Pro+ High Performance Edition
Length×Width×Height (mm)			5,050×1,902×1,509		
Wheelbase (mm)			2,930		
CLTC range (km)	500	606	717	630	630
0–100 km/h acceleration (s)	7.6	7.5	7.2	4.2	3.7
Maximum power (kW)	200	200	200	400	400
Maximum torque (Nm)	360	360	360	720	720

Notes:

(1) Refers to rear-wheel drive (where the engine drives the rear wheels only).

(2) Refers to four-wheel drive (where a two-axled vehicle powertrain is capable of providing torque to all of its wheels simultaneously).

The C01 brings remarkable driving experience with innovative technologies, offering luxurious interior configuration, advanced power system, smart cockpit and comprehensive autonomous driving capabilities:

- ***Distinctive Esthetic Appearance.*** The full-width light bar at the front of the vehicle is matched by the brand logo connecting the taillights on both sides and the ducktail spoiler design, giving the vehicle a dynamic appearance. Moreover, the C01 features an elegant design with frameless doors, flush door handles and sport-back design, which together contribute to a low drag coefficient of 0.226.

- ***Luxurious Interior Configuration.*** The vehicle interior harmonizes technology and luxury, with a T-shaped triple screen located in the center console area, accompanied by a coated panoramic roof, leather-wrapped interior door panels, Nappa leather seats and a large suede ceiling. The C01 allows the passenger seat to move forward and the rear seat to recline at the touch of a button, creating a wide and comfortable space that is unique in its price range. In addition, it features Hi-Fi 3D audio with 12 speakers tuned by a dedicated professional tuning team, and integrates a karaoke system into the infotainment with a customized microphone for passengers.

- ***Advanced Power System.*** The C01 is equipped with CTC technology, which enables the integration of the battery module with the battery tray and the vehicle body. It breaks the boundaries between battery modules, packs and vehicles. The number of components for the battery system has been reduced by 20%, resulting in lighter vehicle weight, longer range, faster acceleration and lower cost. The lightweight index is increased by 20%, while the vehicle body's torsional strength is elevated by 25%, leading to improved collision safety. In addition, the safety of our battery system has been extensively tested and validated, with a number of testing results exceeding the national standards. The integrated structure increases the vertical space inside the vehicle and offers greater comfort for passengers. With the support of our intelligent battery management system, the C01 Ultra-Long Range Edition has increased its CLTC range up to 717 km.

- ***Smart Cockpit.*** Powered by the Qualcomm Snapdragon 8155 chipset, the C01's smart cockpit system offers automatic configuration of 25 customizable in-car settings, as well as the first Android virtual machine feature in the PRC EV market which is compatible with most of the popular applications. The software system is also compatible with mainstream mobile devices, allowing users to access certain functions through their smartphones or smartwatches, such as locking/unlocking the car and vehicle remote control.

- ***Comprehensive Autonomous Driving Capabilities.*** The C01 is supported by our Leapmotor Pilot 3.0 autonomous driving system with 28 high-precision sensors and 23 autonomous driving features, including AR real-time navigation, automated parking and NAP. The system aids the driver in various scenarios such as regular city driving, highway driving, intersections and traffic congestion.

C11

We started delivering the C11, a mid-sized smart electric SUV, in October 2021. The C11 adopts our self-designed and manufactured core systems and electronic components, including advanced electric drive system, battery system, smart cockpit and autonomous driving system. The C11 has a post-subsidy price ranging from RMB179,800 to RMB229,800, targeting the mid- to high-end segment in China's NEV market. The C11 is equipped with one of the most comprehensive sets of autonomous driving features among EV models within its price range, and possesses extensive smart interactive functions, according to Frost & Sullivan. The C11 also features a CLTC range of up to 610 km for its Premium Edition and 0-100 km/h acceleration in 4.5 seconds for its Performance Edition, and offers extensive vehicle configuration options. With a wheelbase of 2,930 mm, the C11 offers a spacious interior for passengers, combined with frameless doors, panoramic roof and highly recognizable LED matrix headlights for a distinctive esthetic appearance. As of June 30, 2022, we delivered 22,880 units of the C11.

The exterior and interior of the C11 and frameless doors

We offer three editions of the C11 with varying battery capacity and power. The four-wheel drive edition is equipped with two electric motors to further improve the power performance. The following table sets forth certain technical features of the C11:

	RWD[1]		4WD[2]
Configuration	**Deluxe Edition**	**Premium Edition**	**Performance Edition**
Length×Width×Height (mm)		4,750×1,905×1,675	
Wheelbase (mm)		2,930	
CLTC range (km)	510	610	550
0–100 km/h acceleration (s)	7.9	7.9	4.5
Maximum power (kW)	200	200	400
Maximum torque (Nm)	360	360	720
Battery type	LFP	NCM	NCM
Battery capacity (kWh)	78.5	90.0	90.0

Notes:

(1) Refers to rear-wheel drive (where the engine drives the rear wheels only).

(2) Refers to four-wheel drive (where a two-axled vehicle powertrain is capable of providing torque to all of its wheels simultaneously).

The C11 distinguishes itself from competing EV models currently sold within a similar price range, in terms of its driving experience, exhilarating performance, long driving range, smart cockpit, autonomous driving capabilities and comprehensive safety design:

- ***Driving Experience.*** The C11 provides users with smooth vehicle control, generous interior space, user-centric cabin design and a comprehensive in-vehicle infotainment system. The acoustic glass and acoustically insulated tires contribute to a serene travel experience, while the air quality system purifies the air. To ensure a comfortable mobility experience for passengers, we also offer breathable seats covered with Nappa leather and with heating and massage functions.

- ***High Performance and Long Driving Range.*** Supported by our proprietary and highly integrated powertrain system, Leapmotor Power, the C11 has a CLTC range of 510 to 610 kilometers, which can effectively eliminate users' "range anxiety." In October 2021, our C11 was ranked first in electric SUVs among 15 popular EV models in a range competition hosted by Autohome, a leading online platform for automobile consumers in China.[1]

1 In the competition, the C11 was ranked first in the range-to-price ratio for models over RMB100,000, and first among all SUVs in absolute range and the ratio of actual range to NEDC/CLTC range.

- ***Smart Cockpit.*** We provide an array of personalized smart cockpit functions through our Leapmotor OS, powered by the Qualcomm Snapdragon 8155 chipset, with automatic configuration of 15 customizable in-car settings. In addition, it provides AI voice assistant and in-vehicle infotainment system supported by three high-definition screens. These functions offer passengers an engaging and entertaining mobility experience. The C11 is one of the first models in China that supports Quick Apps, which offers intuitive user interface whilst saving storage space at the same time.

Smart Cockpit of the C11

- ***Autonomous Driving Features.*** The C11 is supported by our self-developed Leapmotor Pilot 3.0 system. The comprehensive sensor suite includes 11 cameras, five millimeter wave radars and 12 ultrasonic radars. The C11 offers 22 autonomous driving features, such as ACC and automated parking, as well as active safety features including automatic emergency braking, forward distance monitoring, and blind spot visualization. It provides one of the most comprehensive suites of autonomous driving features compared to models within its price range, according to Frost & Sullivan.

- ***Comprehensive Safety Design.*** The C11 is equipped with our proprietary vehicle stability control system, which delivers a high degree of driving safety, even under extreme driving conditions. For example, the system prevents the vehicle from sideslip when emergency braking. Our proprietary battery safety management system delivers an optimal balance among multiple technical areas, such as performance, driving range and battery safety. In March 2022, the C11 achieved a five-star C-NCAP safety rating for occupant safety, pedestrian safety and active safety.

T03

In May 2020, we began delivering our second mass-produced smart EV, the T03, and had delivered 79,220 units to customers as of June 30, 2022. The T03 is a four-door smart electric mini car, with an appealing post-subsidy price ranging from RMB79,500 to RMB96,500. The T03 was the third best-selling model by pure-play Chinese EV companies by sales volume to consumers in 2021 and the first half of 2022, according to Frost & Sullivan.

Compared to other electric mini cars currently sold within the same price range available in China's EV market as of the Latest Practicable Date, the T03 excels in extensive intelligent functions and impressive driving performance. In China, the T03 was the first mini car model equipped with ADAS functions and AI voice assistant, according to Frost & Sullivan. The Leapmotor OS smart cockpit system also provides smart navigation and in-vehicle infotainment system.

The T03 is equipped with our self-developed integrated electric drive system, Heracles, which has a high power density ratio to provide impressive driving performance. The T03 achieves a maximum CLTC range of 403 kilometers powered by our proprietary battery system, while its peer models typically have a CLTC range of approximately 300 kilometers in comparison, according to Frost & Sullivan.

In addition, we deploy advanced technologies to ensure driving safety for the T03, with our autonomous driving system. We ensure the T03's battery safety by adopting an intelligent battery management system. Moreover, the T03's body and frame utilize high-strength steel and aluminum structural components, achieving high safety standards.

The following table sets forth certain technical features of the T03:

Configuration	Agate Edition	Deluxe Edition[(1)]
LengthxWidthxHeight (mm)	3,620×1,652×1,592	3,620×1,652×1,592
Wheelbase (mm)	2,400	2,400
CLTC range (km)	301	403
0–100 km/h acceleration (s)	14.5	12.0
Maximum power (kW)	55	80
Maximum torque (Nm)	155	158
Battery type	LFP	LFP
Battery capacity (kWh)	31.9	41.0

Note:

(1) Including four versions with different configurations for smart functions.

S01

We entered the EV market by launching the smart electric coupe S01, first delivered in July 2019. The S01 offers a sports car driving experience with strong power performance, in addition to its long driving range, appealing design and advanced technologies. The S01 has a post-subsidy price ranging from RMB129,900 to RMB149,900.

The following table sets forth certain technical features of the S01:

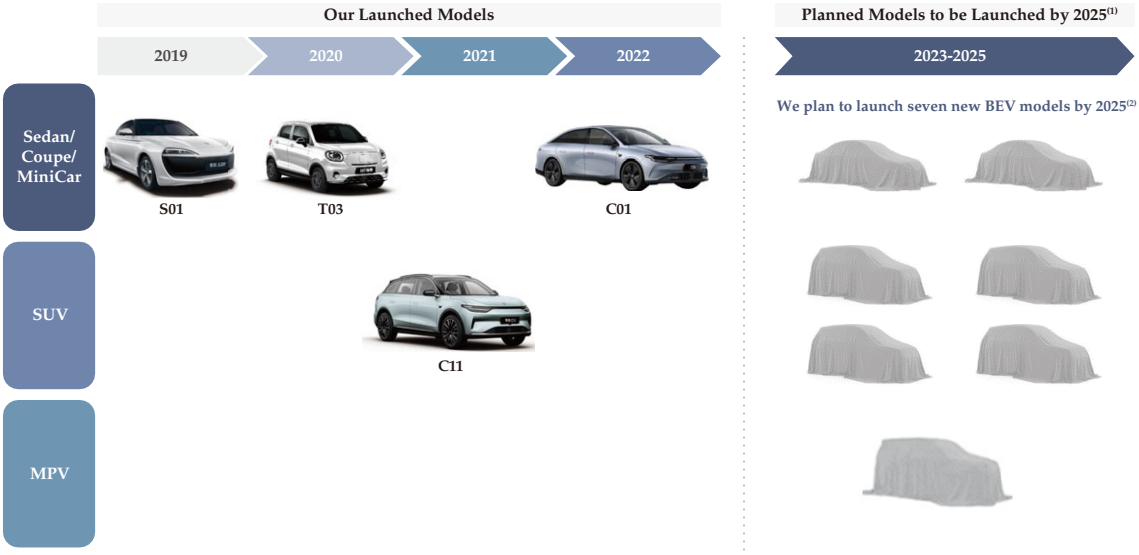
Configuration	Standard Edition
Length×Width×Height (mm)	4,075×1,760×1,380
Wheelbase (mm)	2,500
CLTC range (km)	451
0–100 km/h acceleration (s)	6.9
Maximum power (kW)	125
Maximum torque (Nm)	250
Battery type	NCM
Battery capacity (kWh)	48

Pipeline of Future Models

We will continuously introduce new models to expand and upgrade our smart product portfolio and customer base, with a focus on the mid- to high-end segment in China's NEV market. We are targeting to launch seven new BEV models by 2025, at a pace of one to three new models every year, which will cover sedans, SUVs and MPVs in various sizes. All of these seven new models will be developed on our A, C and D platforms focusing on the mid- to high-end segment in China's NEV market. We design and develop each of these platforms to complement each other with distinctive attributes whilst catering to different segments of our target market. This allows us to seize a greater share of market opportunities.

As an addition to our product offering, we also plan to launch the EREV version of these new models based on our proprietary EREV technology, concurrently or subsequently, to broaden our target audience to include customers with different needs and preferences. We have technical advantages in developing EREV models. Benefiting from our full-suite R&D capability in vehicle development, we expect to develop and produce the EREV version on the same vehicle platform as the correspondent EV model, promoting time and cost efficiencies. We leverage our capabilities in powertrain and control system design as well as simulation optimization to optimize the fuel efficiency of our self-developed range extender system. Our know-how in developing thermal management systems and protection strategies has allowed us to develop innovative cooling systems for EREVs to avoid engine heat damage. Our EREVs are expected to share the competitive strengths of other EV models, including, but not limited to, generous interior space, autonomous driving system and overall smart mobility experience, while offering more flexibility in power replenishment.

The following diagram illustrates the development plan with the expected time of delivery of our future smart EV models.



Notes:

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

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

VEHICLE DELIVERY

The following table sets forth the number of our smart EVs delivered in the periods indicated:

	Three months ended													
Smart EV model	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021	Mar 31, 2022	Jun 30, 2022	Total
S01	3	473	561	241	423	213	160	85	282	216	51	21	–	2,729
T03	–	–	–	–	537	1,933	4,543	4,150	9,715	12,002	13,282	13,767	19,291	79,220
C11	–	–	–	–	–	–	–	–	–	253	3,712	7,791	11,124	22,880
Total	**3**	**473**	**561**	**241**	**960**	**2,146**	**4,703**	**4,235**	**9,997**	**12,471**	**17,045**	**21,579**	**30,415**	**104,829**

We started to deliver the S01 in July 2019 and the T03 in May 2020. The decrease in the number of S01s we delivered during the Track Record Period was primarily due to the shift of market demand and our strategic focus on the mid- to high-end of the NEV market in China.

The T03 sales figures have been steadily increasing as we continuously enrich the T03 product and service offerings. For example, we launched three new versions of the T03 in April, August and December 2021, respectively, optimizing existing functions as well as introducing new features. These new versions have attracted new customers and further enhanced our brand awareness and recognition. We began delivering the C11 in October 2021. We have launched the C01 in May 2022 and expect to start delivery in the third quarter of 2022.

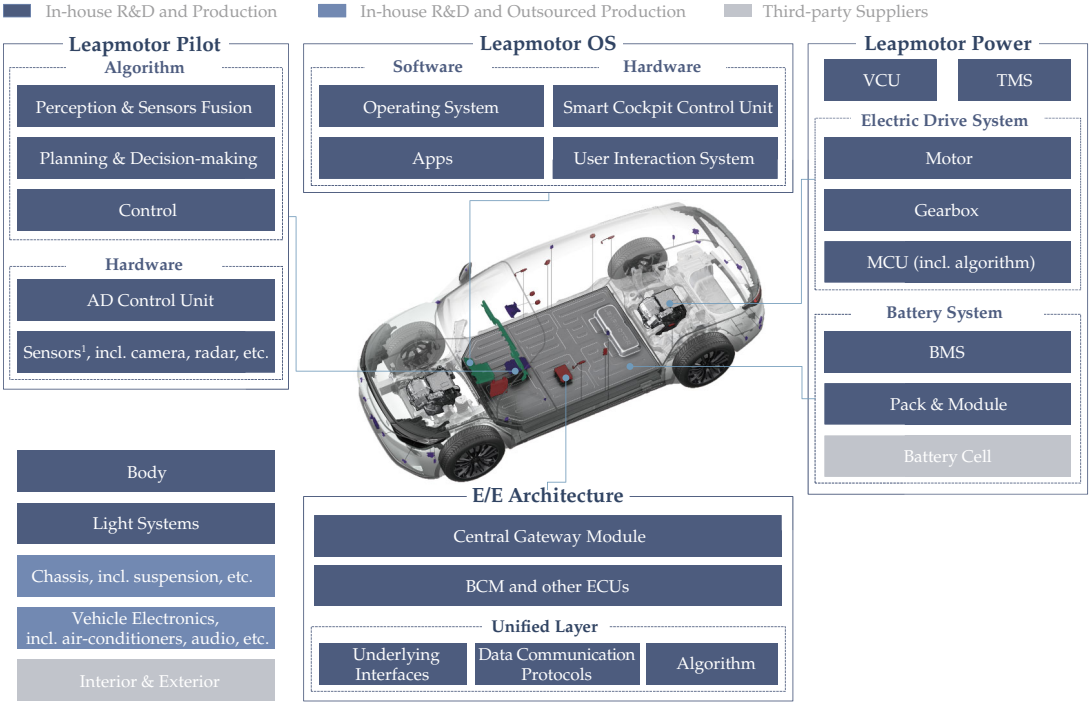
The growth in our smart EVs sales has also benefited from the rapid expansion of our sales and service network, with the number of our stores growing from 49 as of December 31, 2019, to 95 as of December 31, 2020, and further to 291 as of December 31, 2021 and 336 as of March 31, 2022. As of July 31, 2022, our sales and service network consisted of 443 stores, covering 151 cities across China. We strategically open our stores in high-traffic commercial areas, such as shopping malls, to increase our brand awareness and increase the sales conversion. In addition, we have refined the store operations by optimizing our IT system, improving management of sales leads, as well as enhancing our service quality. See "— Sales and Marketing" for details.

OUR TECHNOLOGIES

We are the only pure-play EV company, and one of the few NEV companies, based in China that internally develops all key hardware and software across the core systems and electronic components, according to Frost & Sullivan. Through unified underlying interfaces, algorithms, and data communication protocols across systems, we have designed and developed cross-platform E/E architecture, vehicle architecture, core EV systems and electronic components with a high degree of adaptability across different vehicle models.

We dedicate significant resources towards research and development. We develop our core vehicle technologies in-house to enable rapid pace of innovation. Our R&D team consisted of 1,869 members as of June 30, 2022, representing approximately 32.7% of our total number of employees. Our R&D team is led by Mr. Cao Li, who is responsible for vehicle and battery, Mr. Zhou Hongtao for autonomous driving and automotive electronics, and Mr. Wu Cun for electric drives, supported by members with expertise in E/E architecture, electric drive system, battery system, artificial intelligence, automotive engineering and information technology. Our R&D expenses amounted to RMB358.3 million, RMB289.2 million, RMB740.0 million and RMB242.5 million in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively.

The following diagram illustrates our full-range technology stack, which includes E/E architecture, battery and electric drive system, autonomous driving system and smart cockpit system:



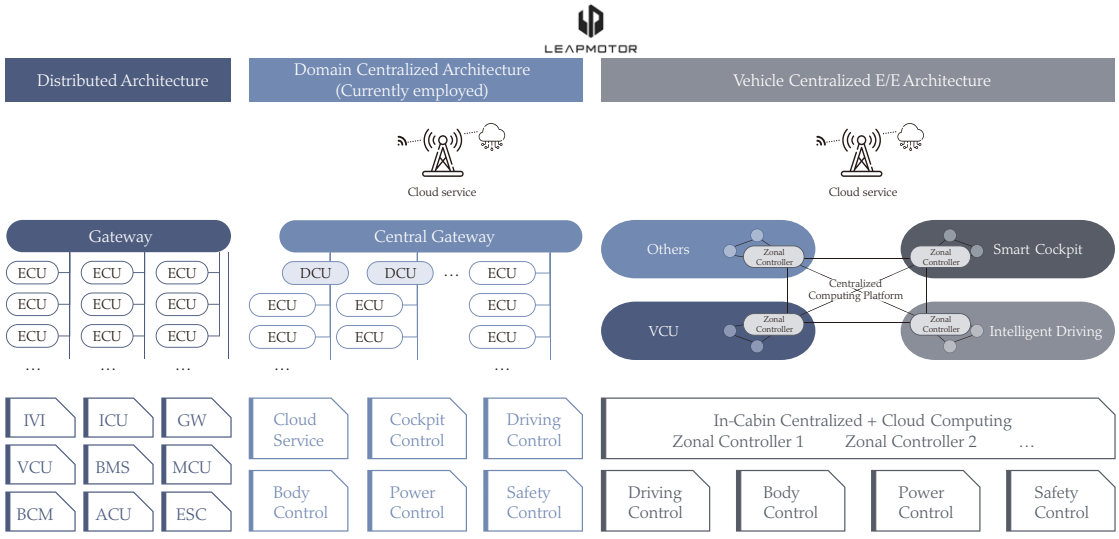
Note:

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

E/E Architecture

The E/E architecture connects the electronic component systems and controls various vehicle functions. The traditional distributed architecture uses independent ECUs with their own computing power, data processing and connectivity mode for each isolated vehicle function. To meet the growing computing power and data connectivity needs for EVs, we have developed and deployed our domain centralized architecture into our mass-produced models. We structure our E/E architecture across several systems. Each domain control unit (DCU) consolidates functions and performs control tasks of different parts and components of the vehicle. Moreover, we are currently developing the next-generation vehicle-centralized E/E architecture, which utilizes a powerful centralized vehicle computing platform that is capable of processing highly complex functions, and executes these functions through zonal controllers.

The following chart sets forth the evolution of E/E architecture and the development stage of our E/E architecture:



Note: For illustration purpose only

Our domain centralized architecture enables centralized control of three key systems, namely, autonomous driving system, smart cockpit system and vehicle control system. Benefiting from our in-house R&D capabilities, more than 85% of the ECUs of the C11 can be updated via OTA, including MCU, BMS, autonomous driving and smart cockpit. Moreover, approximately 95% of ECUs of the C11 are covered by remote intelligent diagnostic system. We have dedicated significant resources to conduct computer-simulated testing and prototyping, so as to achieve a seamless integration of software and hardware. Through standardized interfaces, unified algorithms, and data communication protocols across systems, we achieve a high degree of adaptability across our smart EV models. This allows us to develop new models within a shorter timeframe.

Our E/E architecture is highly efficient. Our proprietary design centralizes and integrates the use of control modules, which allows us to reduce computing power consumption and hardware costs. Our next-generation vehicle centralized E/E architecture will have an even higher degree of integration, more optimized layout of electrical and electronic components, efficient implementation of control strategies and smoother connectivity, in order to further improve vehicle performance while reducing costs. The new architecture is expected to support increasingly complex data and more dynamic communications, and is scalable for the development of advanced smart EV models.

Electric Drive System

We design high-performance electric drive systems for our smart EVs to achieve increased efficiency, power output and smooth vehicle control, with high safety standard. We integrate our electric motors, gearboxes and MCUs into our proprietary electric drive system, Heracles. The MCU, which is upgradeable via firmware OTA, further amalgamates the DC/DC converter, power distribution unit and on-board charger. In 2022, we began to mass-produce a more advanced oil-cooling electric drive system, Pan Gu, which features a maximum efficiency of up to 94.6%, reducing noise and energy loss in order to further improve driving range and enhance ride comfort. Pan Gu is compact and light-weight, with a power density of 2.56 kW/kg, and is the first variable architecture electric drive system in the industry that can be adapted for different in-vehicle placement requirements to achieve an optimized and flexible vehicle layout, according to Frost & Sullivan.

The table below sets forth certain features of the Pan Gu electric drive system as of the Latest Practicable Date:

Configuration	**Pan Gu**
	
Peak power (kW)	214.6
Peak torque (Nm) [(1)]	3,646.9
Rated voltage (V)	396V (compatible with 800V)
Maximum speed (rpm)	16,000
Protection standard	IP67, IP69K
Cooling solution	Oil-cooling
Maximum efficiency (%)	94.6%
Weight without oil (kg)	<85
Design life (km)	1,000,000
Silicon Carbide Power System	Compatible

Note:

(1) Peak torque is calculated as maximum motor torque multiplied by gear ratio and gearbox efficiency.

The increasing power density of electric drive systems places higher requirements for cooling capacity. In contrast to the commonly used water-cooling solutions, oil-cooling electric drive systems do not require a separate cooling jacket. Instead, the cooling oil passes through the motor and directly contacts the conductive parts, providing an optimal cooling effect. As a result, such system is smaller in size and lighter in weight, and achieves efficient cooling, which is in line with miniaturization trends of electric drives. Going forward, we are committed to developing the direct-drive oil-cooling range extender generator and high-power, high-voltage oil-cooling electric drive, both of which are expected to be in mass production in 2022 and 2024, respectively.

We pioneered in delivering the first predictive analytic drive software system, through innovative software algorithms and cloud-based AI control technology to bring a safer and smoother driving experience, according to Frost & Sullivan. For example, the intelligent predictive thermal management technology greatly improves the reliability of the electric motor and ensures a stable output of motor performance under harsh working conditions.

Our R&D capabilities in electric drive systems have been well recognized by the industry. Our C11B water-cooling electric drive system, equipped on our current C11 models, was presented with the top ten NEV electric drive systems award in the "Heart of China 2021." As of the Latest Practicable Date, we had 161 patents and patent applications related to electric drive technology, including 31 algorithm patents and patent applications. Our patents cover a wide range of areas, such as electric drive structure, control software, control hardware, motor body, gearbox, reliability, thermal management, and NVH control.

High-Voltage Platform

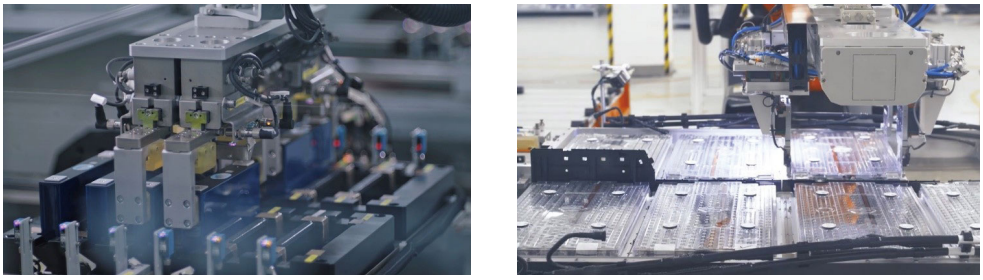
Slow charging is one of the core pain points in the current NEV industry. It is critical to increase input electric voltage to improve charging efficiency.

Compared with the widely used traditional silicon-based material within electrical circuits and power electric modules, SiC is a semiconductor material that can operate at a higher voltage and temperature. SiC-based power devices enjoy various advantages over traditional silicon-based devices in terms of energy efficiency and system compactness. The use of SiC materials will allow charging devices to withstand higher operating voltages and temperatures, while improving the power density of the whole electric drive system, saving more space and reducing the overall weight.

We are developing our proprietary high-performance, 800V electric drive system using SiC-based power devices to replace the current silicon-based solution. We plan to adopt SiC-based devices in several EV systems, including the on-board charger, the DC/DC converter, and motor controllers. When equipped with the high-voltage platform, our smart EV is expected to support 400 kW of fast-charging capability, achieving a range of more than 200 kilometers on a five-minute charge. We plan to commence mass production of our future models equipped with this system by 2024, when the public charging infrastructure is expected to be more compatible with the operating voltage of high-voltage EV models. We believe that our R&D prowess in electric drive systems will be one of our technological advantages.

Battery System

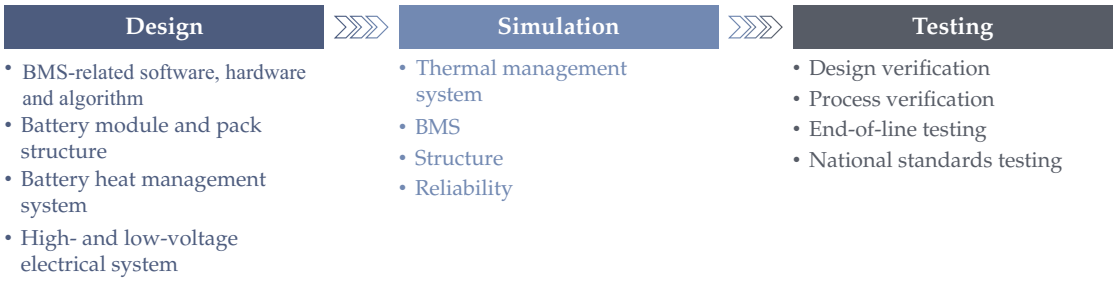
We design our battery systems in-house to enhance power performance and driving range for our smart EVs. We procure high-energy density NCM and LFP battery cells from top-tier suppliers, and pack them into battery modules using our proprietary packing techniques. With our uniquely designed battery pack structure, we seal battery cells into modules together with high-performance materials that prevent batteries from overheating by absorbing excess heat, and integrate with highly efficient thermal management components and durable battery cases. Such structure further keeps vibration of the battery system to the minimum level, enhances safety in the event of a collision, and achieves high-standard water- and dust-resistance performance. We adopt a multi-branch liquid cooling battery heat management system to control the charging and working temperature, ensuring the battery system functions at a temperature ranging from -30 to 55°C. Our battery heat management system is highly integrated with the vehicle's HVAC system and electric drive cooling system, which are jointly managed by our TMS to achieve highly efficient battery cooling or heating solutions that help reduce energy consumption and preserve battery health of our smart EVs. Leveraging our vertically integrated production capabilities, we have enhanced the overall performance of the battery system with reduced cost.



Our Proprietary Battery Module Packing Techniques

With the exception of battery cells, we independently develop all components of the battery system, including battery modules, packs, battery management system (BMS) and related algorithms. Our self-developed battery system comprises a comprehensive array of sensors and software to achieve high accuracy of temperature control and power output, which provides better safety and longer driving range of our smart EVs.

Our proprietary technologies in battery system development cover the entire process from design and simulation to product testing. As of the Latest Practicable Date, we had 169 patents and patent applications related to battery system. The following chart sets forth our battery system development process:



Battery Management System (BMS)

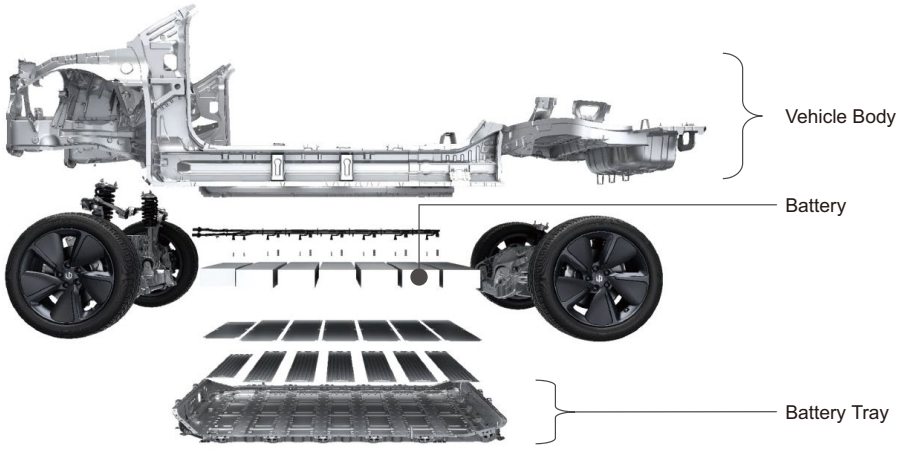
Our BMS is designed and developed in-house with strong battery state estimation capabilities that accurately calculate the remaining battery energy, and the accuracy of such calculation is essential to the safety and lifetime of the battery system, as well as to our customers' driving experience.

Our dedicated BMS development team engages in R&D activities from embedded development, algorithm training, simulation, validation and testing. Specifically, we have implemented a flexible battery diagnostic function using our self-developed intelligent detection module. The module monitors battery voltage, current and temperature with high accuracy, providing reliable dataset. Our adaptive control algorithms analyze such data in real time to monitor the battery pack status, optimize the battery cell performance, and improve safety and efficiency of the system. We have built a multi-layer protection design into BMS software to further improve the battery safety. The extensive coverage and detection of diagnostic signals allow us to accurately identify faults and quickly troubleshoot through our Unified Diagnostic Services (UDS) system. Meanwhile, the cross-platform software and algorithm are fully adaptable across EV models, improving our R&D efficiency.

Cell-to-Chassis (CTC) Integration

The battery pack is typically designed, manufactured and assembled as an independent component in EVs. The battery cells are laid out on a high-strength frame and are connected to form modules, and each module is eventually embedded into a battery pack. To improve the efficiency of battery packs, we strategically focus on reducing structural redundancy by integrating our battery module with the battery tray and the vehicle body. We have successfully applied the first generation cell-to-pack (CTP) technology to our mass-produced vehicle models, where the cells were built directly into the battery packs. Our CTC integration solution further breaks down the boundaries between battery modules, packs and vehicles. It eliminates the need for a separate battery pack, integrating battery cells with the chassis frame instead of the battery being an add-on component, so that the entire lower body chassis structure is coupled to the battery tray structure.

With the planned delivery of the C01 in the third quarter of 2022, we expect to become the world's first pure-play EV company to apply CTC technology in a mass-produced model, according to Frost & Sullivan. The CTC system equipped in the C01 increases its lightweight index by 20% and brings the following benefits:



- ***Faster acceleration:*** CTC technology reduces the number of components for the battery system by 20%. The lighter vehicle weight results in better energy efficiency with faster acceleration.

- ***Longer range:*** The lighter weight of the vehicle directly contributes to enhanced drive performance, extending the drive range as a result.

- ***Lower cost:*** The integrated structure requires fewer welding spots and battery pack components for the battery system, consequently reducing costs.

- ***Enhanced collision safety:*** The integration of the battery system and chassis leads to an increase of 25% in the torsional strength, contributing to better collision safety.

- ***More interior space for passengers:*** With fewer components, CTC technology improves the space utilization by sufficiently optimizing the battery system structure. It enables a more efficient layout for the interior space and offers greater comfort for passengers.

The CTC technology is built on highly sophisticated technical capabilities, with breakthroughs in installation accuracy, wiring and chassis sealing. While the vehicle body and the battery system have traditionally been two separate parts, our highly coordinated R&D team has leveraged our vertically integrated R&D capabilities to design and develop the system as a whole. Going forward, we plan to continuously explore evolutionary structural battery pack technologies, such as the single-piece casting solution, and continue to extend the driving range of our smart EVs.

Leapmotor Pilot — Autonomous Driving System

Our smart EVs are equipped with a self-developed Level 2 autonomous driving solution, which is optimized based on road conditions in China. We deploy a multi-sensor fusion system to achieve perception intelligence with a combination of cameras, ultrasonic radars and millimeter wave radars. Leapmotor Pilot 2.0 provides ten autonomous driving features such as automated parking, ACC, and low-speed following, supported by three cameras, one millimeter wave radar and eleven ultrasonic radars. Equipped with Leapmotor Pilot 2.0, the T03 was the first mini car model in China to have ADAS functions, according to Frost & Sullivan.

We equip the C11 and the C01 with Leapmotor Pilot 3.0, our latest proprietary autonomous driving system, which integrates 28 sensors, and more advanced computing capabilities and algorithms. It enables 360-degree vision and 23 autonomous driving features for all scenarios, including local roads, congested roads, highways and parking, delivering one of the most comprehensive suites of autonomous driving features among EV models within the same price range available in China's EV market as of the Latest Practicable Date, according to Frost & Sullivan. Going forward, we plan to introduce more autonomous driving functions. For example, in March 2022, we added several new features to Leapmotor Pilot on the C11 via OTA, including rear collision warning, door opening warning, forward start alert, adaptive cornering, and remote control of automated parking. We expect to further deliver firmware OTA upgrades in 2022 to enable NAP on expressways.

Leapmotor Pilot 3.0 offers 23 autonomous driving features in three main categories:

- ***Advanced driving assistance.*** Leapmotor Pilot 3.0 offers features that can automatically drive the vehicle under limited conditions, and provide steering, braking and acceleration support to reduce driving errors while enhancing passenger safety and convenience. Such features mainly include adaptive cruise control, highway autopilot, lane centering control and active trace control that aids driving on acute or sharp curves, among others.

- ***Automatic parking assistant.*** Leapmotor Pilot 3.0 offers automated parking and remote parking assistance. Based on the automated parking technology, we develop functions targeting common use scenarios to create more convenience for users. For example, after finding a parking space, vehicle users may activate the automated parking function through their Leapmotor APP or with a simple touch on the door handle to enable the system to park automatically.

- ***Early warning system.*** Leapmotor Pilot 3.0 offers features such as hands off steering wheel warning, blind spot view, forward collision warning, lane change warning and door opening warning. These features alert the driver to driving mistakes, helping to avoid accidents caused by inattentiveness, unintentional straying or blind spots, effectively promoting overall driving safety.

For the levels of autonomous driving features, see "Industry Overview — Future Trends of NEVs — Levels of Autonomous Driving."

Our proprietary algorithms offer high visual information processing accuracy. In June 2021, our visual processing algorithm team won the first place in the Real Time 2D Detection Challenge at the 2021 Waymo Open Dataset Challenges. Our proprietary visual algorithms can address corner cases with a high success rate and at speed, such as the recognition of small objects, semi-obstructed objects, and special-shaped vehicles.

Leapmotor OS — Smart Cockpit System

Leapmotor OS makes the ride more enjoyable with enhanced interactive experience through AI voice assistant, smart navigation and an APP store. Leapmotor OS is powered by the third-generation Qualcomm Automotive Digital Cockpit flagship platform. Our users can control and manage most of the functions through voice control, such as doors, windows, air conditioning, seats and audio system. This has transformed our vehicles from cold, lifeless machines to delightful companions.

We develop our proprietary hardware and customize the operating system as well as application software, so that Leapmotor OS can be tailored to match individual user preferences. Benefiting from the modularized design, this system can be transferred across EV models with minimal re-configuration.

- ***AI Voice Assistant.*** Our smart in-car assistant, Xiao Ling, with continuous voice instruction recognition capabilities, can control most of the in-car functions. To achieve optimal recognition, we have developed the underlying hardware to achieve optimal microphone data sampling, thus ensuring a high recognition success rate.

- ***Customized Interactive Functions.*** Leapmotor OS enables automatic configuration of 25 customizable in-car settings based on each user's preferences, such as rear-view mirrors, seat position, air conditioning and driving mode.

- ***Video Recording and Sharing.*** Leveraging our intelligent recording system, our customers can safely record and share videos in real time with just one touch.

- ***Quick Apps and Third-Party Applications.*** We are one of the first automobile manufacturers in the industry to support Quick Apps that allow users to access specific functions of an application without complete installation, according to Frost & Sullivan. The core applications that are most frequently used by our customers, such as music, navigation and video streaming, are either developed in-house or customized to ensure user friendliness. We expect to offer digital services and content in lifestyle, productivity and entertainment in the future and provide both paid and free applications.

- ***Vehicle Remote Control.*** We allow users to control their cars remotely via the Leapmotor APP, and offer a wide range of functions such as locking and unlocking the car, turning the air conditioning on and off, opening the trunk, seat heating, air conditioning timer and battery preheating. In addition, the smart charge feature in the APP enables our users to set timers, so that they may schedule charging during off-peak times, and control charging progress to protect the battery.

OTA Updates

Our technical capabilities in software and hardware integration and E/E architecture allow us to upgrade our smart EVs through flexible and efficient firmware and software OTA updates. We aim to deploy our latest smart technologies to provide customers with the most up-to-date features and the finest mobility experience. We deliver regular OTA updates throughout the entire vehicle lifecycle, from enhancements of the central control screen interface, operation menu and in-vehicle infotainment system, to major upgrades of the power system and autonomous driving system. We proactively and regularly seek feedback from our users, and deliver OTA upgrades responding to their feedback in a timely manner.

Our OTA technology allows us to introduce our latest value-added service offerings. Since its launch, the T03 has undergone five firmware OTA updates, introducing 36 new functions, such as fully-automated parking, and improved functions of the battery heating algorithms and VCUs to optimize the battery management system. For example, in July 2020, we upgraded the autonomous driving system with new features including lane-keep assistance, automatic emergency braking and ACC. Leveraging our highly-adaptable hardware design, we continuously optimize our vehicles' power performance through firmware OTAs updates. In August 2021, we upgraded the BMS to protect batteries from overheating, adjusted the VCUs to simulate the creeping motion of automatic ICE vehicles, and optimized the MCUs to provide better driving experience at low speed.

Over 85% of the ECUs on the C11 can be updated through OTA. In November 2021, one month after we began to deliver the C11, we completed its first firmware OTA update to bring new safety features, such as radar parking spot recognition and 360-degree safety distance alert, as well as improvement to the performance of the ACC system. Further firmware OTA upgrades were delivered in December 2021, unlocking new autonomous driving features, such as blind spot detection, lane change assistance and lane centering control. We have also introduced automatic heating of the steering wheel and seats, as well as automatic ventilation of the seats. At the end of March 2022, we delivered a third OTA update for the C11, bringing more ADAS functions and adding a number of new quick apps and mini programs to the vehicle infotainment system, including an upgrade of its audio performance.

VEHICLE DESIGN AND ENGINEERING

Our strong proprietary know-how in vehicle design and engineering covers the full spectrum of the vehicle development process from product positioning, interior and exterior design, chassis, E/E engineering, performance improvement, simulation, to cost analysis and optimization. Our current models are developed on S, T and C vehicle platforms, respectively. In addition, we have commenced development of our A and D vehicle platforms, and expect to expand our product portfolio to cover a wide range of sizes from the A00 Class to the C+ Class. We plan to develop seven new BEV models by 2025 based on the A, C and D vehicle platforms. Each of our vehicle platforms will have its own distinctive competencies to complement each other and targeting a specific subset within the mid- to high-end segment in China's NEV market, with unique design language, features, and differentiated price points to meet the wide range of demand of a larger customer base. These vehicle platforms are designed to be adaptable and scalable for future models and features.

Our vehicle technology stack, including chassis system, E/E architecture, battery system, electric drive system and autonomous driving system, is shared across vehicle models. By developing modularized and cross-platform hardware and software, we expect to enjoy cost efficiencies in R&D, reduce development risks, and accelerate the introduction of new yet reliable products, not only for models on the same platform but also across different platforms. Such strategy allows us to offer a wide range of vehicle models that cater to different users' preferences, and improve manufacturing scalability and efficiency.

The following table illustrates our main vehicle platforms:

	Vehicle Platform			
	T	**A**	**C**	**D**
Range of length (mm)	3,500–4,100	4,600–4,800	4,700–5,050	5,050–5,200
Wheelbase (mm)	2,400–2,500	2,700–2,850	2,850–2,950	2,950–3,100
Vehicle layout	FWD[(1)]	RWD[(2)]/4WD[(3)]	RWD[(2)]/4WD[(3)]	RWD[(2)]/4WD[(3)]

Notes:

(1) Refers to front-wheel drive.

(2) Refers to rear-wheel drive.

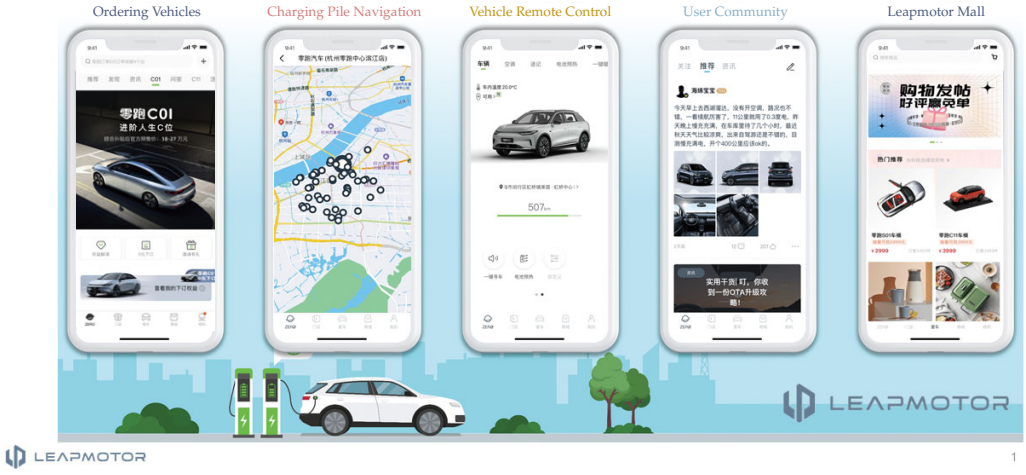
(3) Refers to four-wheel drive.

SALES AND MARKETING

Leapmotor APP

We have developed our own integrated online and offline platform to directly engage with our customers throughout the journey, from initial engagement, follow-up, transaction to after-sales services. We adopt a standardized sales information management system for all of our stores to manage the entire sales and service process, from test drive reservation to after-sales maintenance.

As of March 31, 2022, we had approximately 392,024 registered users on our Leapmotor APP. Active users accessed the APP an average of 5.48 times per day in March 2022. Our Leapmotor APP offers our users with a wide range of services and functionalities, such as:



- ***Ordering Vehicles.*** Through Leapmotor APP, customers can compare different vehicle models, locate the nearest stores, make appointments for test drives, customize their vehicle configurations and place orders.

- ***Charging Pile Navigation.*** Users can locate the nearest charging piles through the Leapmotor APP.

- ***Vehicle Remote Control.*** Using their remote control, car users can check their vehicle condition in real time to schedule charging, set the air conditioning timer, and preheat the seat and cabin. See "— Our Technologies — Leapmotor OS — Smart Cockpit System" for details.

- ***User Community.*** We have built an online user community and social network for users to share photos, videos and experiences. To better interact with our customers, we also promote offline campaigns on our APP, such as owners' club activities.

- ***Leapmotor Mall.*** We provide users with a wide range of peripheral products under our brand and have implemented a rewards program to incentivize user engagement.

Our Sales and Service Network

We market our smart EVs and interact with customers through an integrated online and offline sales and service network. Supported by our digitalized platform, we effectively manage our directly operated stores and channel partner stores for unified sales and services control to ensure service quality and customer satisfaction. According to Frost & Sullivan, channel partner is an appropriate term in the NEV industry to refer to organizations that partner with, and are authorized by, NEV manufacturers to market and manage vehicle sales. The conventional licensed distributors (or 4S dealerships) for ICE vehicles, whose scope of business includes not only vehicle sales but also repairs, maintenance and other after-sales services, are mainly located in suburban areas where rental cost is lower. On the other hand, channel partners of NEV manufacturers are only engaged in vehicle sales and deliveries to customers. Channel partner stores are typically located in high-traffic areas in order to be in closer proximity to consumers, and provide better services and greater convenience to them. We offer repairs, maintenance and other after-sales services through our service network, primarily consisting of our own service centers as well as third party service providers. We build our own sales network. Under the direct sales model, vehicle buyers can directly place orders through our Leapmotor APP by paying a deposit. We will follow up with the vehicle buyers, arrange production, shipment to the selected stores and delivery services. In addition, our channel partner strategy allows us to quickly expand market reach while minimizing our investment in sales infrastructure and maximizing our flexibility in market coverage. See "— Management of Channel Partners" for details.

In 2019, 2020, 2021 and the three months ended March 31, 2022, the revenue from our directly operated stores was RMB42.1 million, RMB94.6 million, RMB532.8 million and RMB323.9 million, respectively, representing approximately 36.0%, 15.4%, 17.4% and 16.3% of our total revenue from sales of vehicles and parts, respectively. For the same periods, the revenue from channel partner stores was RMB74.9 million, RMB521.2 million, RMB2,526.0 million and RMB1,667.9 million, respectively, representing 64.0%, 84.6%, 82.6% and 83.7% of our total revenue from sales of vehicles and parts, respectively.

Our stores are generally located in high-traffic areas, such as shopping malls. This helps us maximize brand exposure and effectively attract customers. As of July 31, 2022, our sales and service network consisted of 443 stores, covering 151 cities across China. Of these stores, 49 were directly operated stores and 394 were channel partner stores. Most of our stores are strategically located in tier 1 and tier 2 cities in China. We derived a majority of our revenue from these stores during the Track Record Period. The following table sets forth the number of our stores and its changes in the periods indicated:

	As of/Year ended December 31,			As of/ Three months ended March 31,
	2019	2020	2021	2022
Directly Operated Stores				
At the beginning of the period	–	4	6	23
Opening of new stores	4	2	17	1
Closure of stores	0	0	0	0
Net increase in the number of stores	4	2	17	1
At the end of period	4	6	23	24
Channel Partner Stores				
At the beginning of the period	–	45	89	268
Opening of new stores	47	47	191	44
Closure of stores	2	3	12	0
Net increase in the number of stores	45	44	179	44
At the end of period	45	89	268	312
Total	**49**	**95**	**291**	**336**

We started to establish our sales and service network in 2019. We continue to refine the store operations, and improve our sales leads management and test drive services. We have developed and operate a universal IT system for all of our directly operated and channel partner stores. This allows us to standardize our sales process management, as well as realize marketing collaborations across stores.

Our sales and service network has expanded quickly, with the number of our stores growing from 49 as of December 31, 2019, to 95 and 291 as of December 31, 2020 and 2021, respectively, and further to 336 as of March 31, 2022. The closure of some channel partner stores was mainly due to the optimization of our sales and service network. We expect to significantly expand the number and coverage of both directly operated and channel partner stores. We have adopted a series of measures to manage potential cannibalization between existing stores and stores to be opened. We conduct customer and market surveys to understand the actual market potential of the specific area, before setting up a directly operated or channel partner store. We then optimize the locations of stores to fully capture

the sales potential without geographic overlap. Our channel partners are not allowed to appoint a sub-channel partner and this restriction allows us to manage the geographical coverage of our stores and prevent potential cannibalization. As we strategically locate our stores primarily in tier 1 and tier 2 cities, we have identified the optimal number of locations for each region and forecast their performance on a single store basis. In addition, we plan to cover more cities to expand the addressable market and avoid potential cannibalization.

In December 2021, we officially opened centralized delivery centers in Beijing and Hangzhou, which also function as our showrooms and service centers. By standardizing and streamlining the vehicle delivery process, they offer customers a more immersive, convenient and high-quality service experience. We plan to open additional delivery centers to make such experience more widely accessible to our customers. The following are sample images of our delivery centers:

Management of Channel Partners

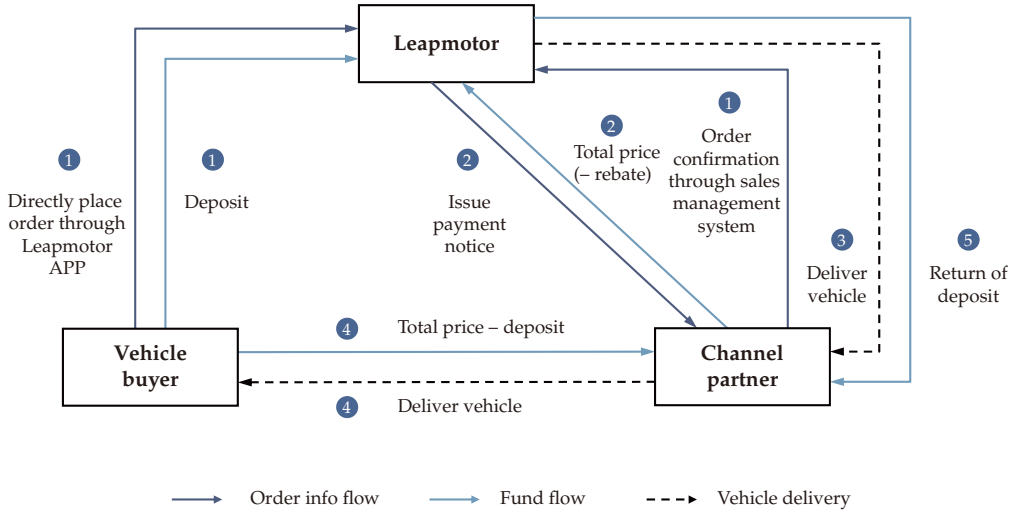
We select channel partners with proven track records in the automotive retail business. We stringently evaluate their industry credentials and background, marketing capabilities and financial condition. We designate regions on a non-exclusive basis to our channel partners to market our products. They may engage marketing agents to promote products and expand the customer base, but are not allowed to appoint a sub-channel partner. The marketing agents are mainly marketing service providers that display our vehicles and promotional materials to attract traffic to channel partner stores, and are not authorized to enter into transactions directly with, or receive funds from, vehicle buyers. Use of channel partners is in line with industry practice, according to Frost & Sullivan. To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our channel partners are Independent Third Parties.

We adopt a uniform management approach for all our directly operated stores and channel partner stores, offering a consistent brand image and customer experience. Buyers typically place orders through our Leapmotor APP and pick up vehicles from stores of their choices once the vehicle is ready. All channel partner stores are operated with the same price policy and sales process. We evaluate the operation of the stores, carry out on-site inspections and provide training for channel partners.

We enter into standard sales agreements with our channel partners. Such agreements are on normal commercial terms based on arm's-length negotiation. These agreements usually have an initial term of one year and are renewable by mutual consent. The channel partners shall sell within their respective designated regions and are not allowed to sell competing products in the Leapmotor-brand stores. We have the right to terminate the agreement under material breach of channel partners, such as relocation of stores without prior consent, or failure to fulfill sales targets. In event of termination of a channel partnership, such channel partner has to cease to operate as one of our channel partner stores. In addition, channel partners should follow our policy and criteria for storefront design, as well as train their employees to follow our guidelines. Disputes arising from sales agreements will be submitted to the courts of the jurisdictions where we are located in the event that we are unable to reach an amicable solution.

We do not set minimum purchase requirements for our channel partners. Our channel partners are required to meet annual and monthly sales targets for different EV models as agreed and specified in their agreements. We review our marketing strategies regularly, and publish sales targets and a range of rebates to our channel partners. Our channel partners are entitled to sales rebates, which are determined by factors including (i) achievement of sales targets and (ii) vehicle models sold. We may terminate the channel partnership agreement at our discretion if the monthly sales targets are not met for six consecutive months, or if the annual sales target is not met.

The following chart illustrates the transaction flow with our channel partners, from vehicle buyer's order placement to delivery of the vehicle.



Transaction process:

1. Vehicle buyer directly places order through Leapmotor APP with the channel partner store selected as the pick-up store and pays deposit directly to us. Such channel partner confirms the order through the sales management system and signs a sales agreement with the vehicle buyer.

2. After we issue a payment notice to the channel partner, the channel partner pays us the total price of the vehicle but deducts the rebate.

3. Once the vehicle is ready for delivery and payment is received from the channel partner, we arrange shipment to the channel partner store.

4. After the vehicle is delivered to the channel partner store, the vehicle buyer pays the outstanding price (i.e. total price minus the deposit) to the channel partner and picks up the vehicle at the channel partner store.

5. After the vehicle buyer picks up the vehicle, we return the deposit to the channel partner.

Our channel partners maintain minimal inventory as we adopt a make-to-order approach. They are generally not permitted to return vehicles purchased from us except for those that are defective, which is in line with the industry practice according to Frost & Sullivan. We recognize the revenue when the vehicle is delivered to the channel partners. With respect to the details of our revenue recognition policy for sales through channel partners, see "Financial Information — Critical Accounting Estimates and Judgements — Revenue Recognition."

Pricing and Government Subsidies

We aim to offer premium quality products at compelling prices. We price our vehicles considering a variety of factors, such as market positioning, government subsidy policy, competition, customer feedback and our cost base.

All of our vehicles are eligible for government subsidies, which roughly ranged from RMB10,000 to RMB20,000 per unit across our vehicle models in 2021.

We apply for and collect these government subsidies on behalf of our customers. As such, the amount of the government subsidies is deducted from original price when customers make payments. If we do not receive the subsidies due to the customer's fault, such as refusal or delay in providing application information, the customer remains responsible for these payments.

The Government subsidy scheme for NEVs is being phased out, with the subsidy amount per unit in 2020, 2021 and 2022 generally decreasing by 10%, 20% and 30%, respectively, from the previous year's subsidy amounts. See "Regulatory Overview — Favorable Policies Relating to New Energy Vehicles in China — Government Subsidies for New Energy Vehicle Purchasers" and "Risk Factors — Risks Relating to Our Business and Industry — Changes in government incentives or subsidies to support NEVs could adversely affect our business, financial condition and results of operations" for details.

Marketing

We increase our brand presence through online promotions and offline events. We utilize various news and information platforms, automotive vertical media and social media platforms for online marketing.

We are committed to increasing our product exposure and building our brand through creating content on major social media platforms. We produce high-quality videos in-house that feature our product specifications and smart technologies, and target our potential customers precisely and effectively by placing advertisements through data-driven online precision marketing. In addition, we strive to generate word-of-mouth referrals. We have established our customer referral system, and organized various customer and user engagement activities to improve customer loyalty.

We also hold offline promotion campaigns and place advertisements in high-traffic areas, such as shopping malls, airports and high-speed trains. In addition, we actively participate in major automotive industry events, such as auto shows, to demonstrate our technical prowess and to launch new models.

Customer and User Engagement

We are dedicated to continuously improve our customer experience, effectively manage and convert our sales leads, and develop trusting and intimate customer relationships. We drive customer engagement by organizing activities both online and offline, interacting with customers through various channels, and collecting timely feedback based on their user experience. We invite customers to participate in our auto shows, and multiple Leapmotor owners' clubs have been established by us or directly by users to create a dynamic user community.

We interact with our users to understand their needs and preferences on a regular basis to co-create products and services that continuously enhance user experience. For example, we have organized various test drive events for our customers to provide suggestions on vehicles and services. We then promptly fine-tune and improve certain in-car configurations and functions to best serve their needs. Ahead of its delivery, we invited users to participate in the seating improvement plan for the C11 and optimized the backseat design following their feedback. Moreover, based on users' votes, we added a brown color interior option for the C11 in April 2022. Users may also participate in testing vehicles for endurance and reliability, and other vehicle development.

We regularly hold multi-dimensional online and offline promotion events and Leapmotor Club activities to support our user growth and cultivate a vibrant user community. We promote our new product and service launches through differentiated and comprehensive marketing initiatives. Users and customers, existing and prospective, are invited to participate in these events, which are designed to be informative, engaging and entertaining. We also regularly work with key opinion customers during our product launches, and facilitate the sharing of their test drive experience online and offline. On September 28, 2021, we organized 32 offline launch events for the C11 in 27 cities for our users and prospective customers. User-generated content from these events has been

shared on major online platforms in the automobile industry, significantly contributing to our brand and product awareness. In addition, users and customers regularly organize Leapmotor Club gatherings, which are facilitated through our stores nationwide.

We believe these events further enhance our user and customer engagement, while promoting brand loyalty in the process. This results in more recurring business as well as brand advocacy by our users and customers.

CUSTOMER SERVICE

Charging Solutions

We strive to provide our customers with a convenient charging experience that gives them cost-effective access to an extensive and expanding charging network.

- ***Home Charging.*** We offer free installation of home chargers to our customers.

- ***Third Party Charging Network.*** Our customers can access public charging piles. Through the Leapmotor APP, users can easily locate the nearest charging piles and fully control the charging process through remote control. We plan to further extend our coverage to additional third-party charging networks.

We plan to partner with the industry's leading charging service providers to provide extensive and easy charging access to our users. Our users can access the nearest and best charging resources in real time through the "charging map" function on our APP. Under this arrangement, users will pay the charging fees at the standard rate. We aim to bring over 200,000 charging piles online within the year 2022, covering over 300 cities, thus meeting users' needs for intra-city commuting and long-distance highway charging. At the same time, we will upgrade the smart cockpit system by delivering new functions such as intelligent charging pile locating, route planning and one-key navigation, to respond to users' needs in a timely manner.

After-sales Services and Warranty

We place great emphasis on the satisfaction of our customers. Our products are complemented by a comprehensive set of after-sales services that are available on our Leapmotor APP and at our stores. We are committed to providing quality and digitalized after-sales services.

We mainly offer the following value-added services:

- ***Auto Insurance.*** We assist our clients in obtaining auto insurance from insurance companies.

- ***Maintenance and Repair.*** We provide a one-time free maintenance service for our vehicles. In addition to our store network, we also collaborate with Tuhu, a nationwide maintenance service provider, to offer additional choices of services to our customers.

- ***Free Roadside Assistance Service.*** We provide unlimited, free of charge professional roadside assistance service irrespective of distance for any warranty-covered vehicle quality issues.

- ***Mobility Scooter Service.*** We provide a free mobility scooter or transportation allowance in connection with any warranty-covered repair longer than five days.

- ***Emergency Rescue for Power Loss.*** We provide a free emergency rescue service for vehicle power loss.

We provide our staff with comprehensive training to deliver high quality services to our customers. We keep track of customers' feedback on our product and service quality. We have dedicated customer service personnel and service hotline, among other channels, to ensure that customers have easy access to express their views on our products and services. We are committed to timely responding to customers' feedback and concerns, and taking measures in accordance with relevant procedures. Our comprehensive after-sales services and maintenance protocol monitors, and ensures timely response to, each complaint from customers. Such protocol sends daily online prompts to the relevant store, ensuring timely response. We endeavor to process a complaint within two hours, and resolve it within 72 hours. We believe our customer service system helps improve customer satisfaction, build customer loyalty and trust, reduce similar complaints in the future, and maintain our brand image.

During the Track Record Period, we received some customer complaints regarding certain vehicle issues, and we have addressed all complaints appropriately in a timely manner. We did not receive any material claims or penalties as a result of these issues during the Track Record Period. In September 2020, we noted a software optimization issue with the vehicle's instrument panel that could affect 360-degree panoramic image viewing and instrument panel display while driving. We then voluntarily recalled 150 units of the S01 produced between June 27, 2019 and December 31, 2019. We rectified the issues through OTA updates either at stores or remotely. We also upgraded the relevant software for the S01 in production. We were not required to compensate consumers for this recall as the issues did not cause any accident or personal injury. We did not receive any claims or penalties relating to this recall.

This incident did not have any material impact on our results of operations and financial condition for the following reasons: (i) the issue involved in the recall did not cause any accident or injury, and no similar issue had occurred in the past; (ii) we did not incur any compensation paid to consumers nor were any claims or penalties received; (iii) the revenue derived from the recalled vehicles amounted to RMB12.8 million, which represented a small percentage of our total revenue during the Track Record Period; (iv) our PRC Legal Advisor is of the view that this recall was conducted in accordance with applicable PRC laws and regulations regarding vehicle recalls; and (v) after the recall occurred, in addition to performing software upgrades on the recalled vehicles, we have also upgraded the relevant software in the latest version of the S01 to ensure that similar issues no longer exist. There was no other product recall incident during the Track Record

Period save for the aforementioned S01 product recall incident published on the SAMR website. As of the Latest Practicable Date, to the best of our knowledge, we were not aware of any circumstances that may cause an imminent product recall.

In accordance with Provisions on the Liability for the Repair, Replacement and Return of Household Automotive Products (《家用汽車產品修理更換退貨責任規定》) and in line with the industry practice, we accept product returns due to material defects caused by us under situations specified in the regulations. During the Track Record Period and up to the Latest Practicable Date, there were no material product returns, product liability claims, warranty expenses or customer complaints that adversely affected our business. To the best of our knowledge, our smart EVs were not involved in any material accident caused by vehicle defects, or deficiencies in our autonomous driving system during the Track Record Period.

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

MANUFACTURING

Our production process is designed to promote high standards of quality while being able to rapidly ramp up production to satisfy customers' needs.

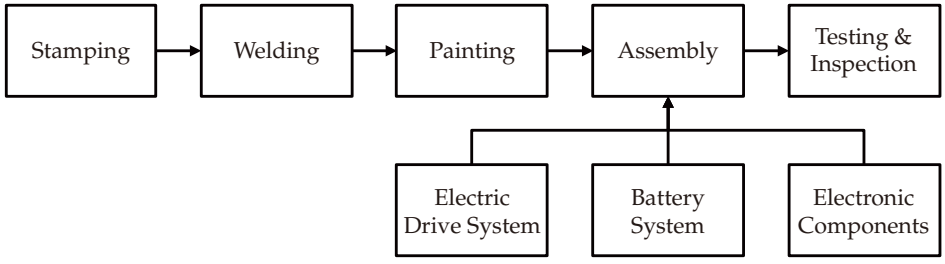
We design, develop and manufacture EVs and core electronic components, such as battery packs, electric drive systems, vehicle body and other key auto parts, which allow us to better control the quality and cost of our products. We outsource certain non-core parts, components or materials from quality suppliers to optimize our cost structure.

Our Production Process

We typically manufacture our vehicles based on customer orders. In order to maximize efficiency, reduce defect rate and ensure timely product delivery, we employ a variety of manufacturing technologies, including automated production lines and modular, intelligent and flexible production systems.

Our engineering team is committed to the continuous development of production and management technologies in component manufacturing and product assembly, with the goal of improving the digitalization level and realizing "smart factories." Many of our machines and equipment are highly automated. We also have customized production equipment to better facilitate our production and testing processes.

We have a highly integrated manufacturing facility, where we perform most of our stamping, welding and painting work in a highly automated process. We have introduced a manufacturing and assembly workshop for electronic components, in order to achieve the in-house assembly of battery systems and electric drive systems. We implement high manufacturing standards under which we integrate our production processes to maximize cost efficiency. We are committed to accelerating the speed with which we can launch new products and make continuous improvements. The following flow chart illustrates the principal steps in the in-house production of our smart EVs:



- ***Stamping:*** We use pre-engineered tonnage stamping equipment or machines to manufacture automotive parts, modules and frames. Currently, our fully-automated and programed stamping lines can handle a mixture of high-strength steel and aluminum material forming processes, with an automatic recycling procedure for scrap parts.

- ***Welding:*** We use welding robots to automate the welding of joints and adopt laser welding on the vehicle roof for enhanced body stiffness, thereby improving vehicle safety.

- ***Painting:*** We adopt state-of-the-art environmental-friendly water-based coating technology. The painting process is fully automated and computer-controlled.

- ***Assembly:*** At final assembly, the chassis, wheels, electric drive systems, lights, and braking systems are attached to the vehicle body. We have equipped our assembly lines with fully automated quality control and inspection systems.

Set forth below are examples of our core production lines and automated robotic equipment:

Stamping

Welding

Painting

Assembly

We leverage our advanced automated workshops to produce core electronic components. Specifically, the battery pack production workshop utilizes an Automated Guided Vehicle (AGV) production line that can handle diverse materials and accommodate the production of various types of battery packs installed on our different models. Set forth below are examples of our production lines for battery packs and electric drive systems:

Battery packs

Electric drive systems

Our facilities are highly digitalized and automated, allowing us to track, monitor, control and optimize the end-to-end production process in real time, from planning, procurement, testing to product warehousing.

Our Production Facilities

We currently produce the C11 and T03, and their core components, in the Jinhua Plant with effective control over the supply chain, manufacturing process and quality control. The Jinhua Plant has an annual production capacity of 200,000 units. To further expand our production capacity, we are planning a new production facility in Hangzhou, Zhejiang province.

During the Track Record Period, we initially outsourced the production of the S01 and T03 to Hangzhou Changjiang Passenger Vehicles Co., Ltd. ("**Hangzhou Changjiang**"), an automobile original equipment manufacturer. We paid Hangzhou Changjiang volume-based service fees and were responsible for the product warranty. As we had not yet obtained the vehicle manufacturing qualification at the time, such arrangement enabled us to exercise effective control over the supply chain, production process and overall quality, without material capital expenditure at the initial stage of product development. Since August 2021, all of our T03s have been produced in the Jinhua Plant, while Hangzhou Changjiang continues to produce the S01. We have been committed to in-house production of EVs, leveraging our full-suite of R&D capabilities and vertically integrated business model. Whilst the transition of our main models to in-house production did not materially change the cost structure, we believe that it has resulted in the following advantages: (i) realization of a highly integrated business model with better quality control throughout the manufacturing process; (ii) minimized risks associated with contract manufacturing, such as potential capacity constraints and late deliveries by the contracting manufacturers; and (iii) improved economies of scale with the significantly increased number of self-produced EVs. As a result, we believe that our in-house production will contribute to our long-term profitability.

Jinhua Plant

The Jinhua Plant currently occupies land area of over 367,000 square meters and has a construction area of over 220,000 square meters. The Jinhua Plant started operation in August 2021 and has an annual production capacity of 200,000 units, with a utilization rate of approximately 43% in the first quarter of 2022. Our Jinhua Plant currently produces the T03 and the C11, and will also produce the C01. The Jinhua Plant houses electronic components manufacturing facilities, vehicle manufacturing facilities, as well as R&D and vehicle testing functions. Most of our core vehicle components are self-developed and produced in the Jinhua Plant, including battery packs, electric drive systems, lights and other core electronic components.

We utilize industrial robots to highly automate our production and improve precision cost-efficiently. We have two fully-automated production lines for stamping. The stamping process uses industrial robots with maximum punching times of 15 times per minute. The welding workshop has 238 sets of industrial robots, realizing 100% automation rate for five main production lines of welding. We use laser welding for the car roof, which can substantially improve the sealing and appearance of the vehicle as well as welding efficiency. We use 52 robots to achieve fully-automatic internal and external spraying, and use 360-degree flip process for electrophoresis. We have five main lines for assembly, including two lines for interior, two lines for chassis and one for final

assembly. The core workstations are fully automated. We adopt a sophisticated manufacturing execution system (MES) to monitor the whole process, and have invested heavily in safety and environmental protection.

Hangzhou Plant

We expect to start the construction of a new plant in Qiantang New District, Hangzhou in 2022, to support our business growth and fulfill future demand. We plan to start the construction of vehicle manufacturing facilities upon receiving the relevant regulatory approvals. The new Hangzhou Plant is expected to occupy a parcel of land of over 542,000 square meters and significantly expand our production capacity. We plan to adopt fully-automated production lines and use industrial robots for in-house stamping, welding and painting. The Hangzhou Plant is expected to commence production of core components in the second half of 2023.

QUALITY CONTROL

We are committed to maintaining high product quality of our smart EVs. We have established a comprehensive quality control system for our battery, electric drive and electric control system, and vehicle production. Our quality control system allows us to uphold our product quality standards, meet our customer's requirements, minimize waste and improve production efficiency. Our quality control procedures cover the entire product life cycle, primarily including: (i) R&D activities; (ii) supply chain management; and (iii) production process.

R&D Activities

We develop our products in accordance with the requirements of relevant laws and regulations and industry practices. We conduct a series of rigorous evaluation and validation processes on prototype products to ensure product quality while controlling production costs. Our new models are tested under a variety of environmental conditions to meet the diverse needs of our users.

Supply Chain Management

We have comprehensive policies and detailed procedures in place to ensure the quality of the components and raw materials we purchase from suppliers. When selecting and evaluating suppliers, we conduct due diligence and consider a number of factors, including, but not limited to, their reputations, credentials, experience, service or product availability, price and delivery time. For those parts and components customized for our vehicles, we require suppliers to develop, test and produce in accordance with our project plan and quality control standards. Our suppliers are expected to follow our requirements for product labeling and packaging identification to ensure traceability.

We require all of our suppliers to comply with our internal supply management policies. Our designated quality control team is responsible for communicating with suppliers regarding quality standards, and will thoroughly inspect product samples to ensure that they meet all the technical requirements set forth in our product designs. We may conduct regular or ad hoc on-site inspections of suppliers and require suppliers to timely remedy quality issues upon notice.

Manufacturing Process

Our vertical integration approach enables us to exercise stringent quality control across the entire manufacturing process. We have devoted substantial resources to the automation of production in order to achieve a holistic quality control process through our MES system. Our quality control team, within our production department, is responsible for ensuring strict compliance with our specifications and instructions, therefore avoiding any production disruption or deviation from our intended procedures. In addition, once any product defect has been identified, our quality control inspectors report immediately to our quality control team, who will conduct analysis on the quality or technical issue, formulate rectification plans, and implement corrective and preventive measures accordingly.

We summarize all quality issues to create quality reports and share with relevant departments on a daily and weekly basis. In addition, we regularly organize meetings to improve and resolve the quality issues identified in the manufacturing process.

We are committed to complying with the applicable vehicle production and sales laws, regulations, and national and industrial standards. We have been accredited with vehicle quality management system certifications, such as the IATF16949:2016 relating to our innovation, orientation of core components, and ISO9001:2015 relating to the automobile production.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material sales returns, product recalls or product liability claims due to quality control issues.

BUSINESS SUSTAINABILITY

To pave the way for long-term success in the fast-growing market, we have been focusing on R&D, product development, growth in our customer base, and expansion of our sales and service network, rather than seeking short-term financial return or profitability. Due to the successful implementation of our growth strategies, we have experienced a robust business growth during the Track Record Period. Our revenue increased by 439.7% from RMB117.0 million in 2019 to RMB631.3 million in 2020, and further increased by 396.1% to RMB3,132.1 million in 2021. Our total revenue increased by 616.4% from RMB278.0 million for the three months ended March 31, 2021 to RMB1,991.8 million for the three months ended March 31, 2022. Moreover, along with business growth, we have demonstrated a clear trajectory of profitability margin improvement. Our gross margin improved from -95.7% in 2019 to -50.6% in 2020, and further to -44.3% in 2021 and -49.4% for the three months ended March 31, 2021 to -26.6% for the three months ended March 31, 2022, reflecting our improved operational efficiency with improving economies of scale.

In addition, we have a healthy cash balance to support our operations and future business expansion. As of March 31, 2022, our total cash balance was RMB5,532.4 million, including RMB4,277.1 million in cash and cash equivalents, RMB301.3 million in wealth management products and RMB954.0 million in restricted cash. Our total cash balance is sufficient to cover our net cash flows used in operating activities, providing ample liquidity for our continuing business operations. We believe that we possess sufficient working capital, including sufficient cash and liquidity assets, taking into account the financial resources available to us and the estimated net [**REDACTED**] from the [**REDACTED**].

On the other hand, we recorded gross losses, net losses and net operating cash outflow during the Track Record Period, and we currently expect such positions may continue until we achieve greater economies of scale. In the future, we aim to maintain sustainability and achieve profitability through: (i) expanding volume and revenue growth; (ii) improving gross margin; and (iii) enhancing operating leverage. With our improved profitability, we also expect our operating cash flow to improve concurrently.

Expanding Volume and Revenue Growth

We have achieved significant growth in smart EV deliveries, despite the impact of the COVID-19 pandemic. We delivered 8,050 smart EVs in 2020, representing an increase of 676.3% from 2019 and further delivered 43,748 smart EVs in 2021, representing an increase of 443.5% from 2020. Despite the resurgence of COVID-19 in China in the first quarter of 2022, we delivered 21,579 vehicles, which is an increase of 409.5% from the same period in 2021. Moreover, in March 2022, our delivery reached 10,059 units.

We expect our production and delivery volume continue to grow robustly, as we continue to launch new smart EVs models. Our continued rapid expansion and upgrade of our EV portfolio will drive delivery volume and revenue growth. We will continue to ramp up our production capacity in the next few years. See "Future Plans and Use of [**REDACTED**]" for details of our expansion plans in enhancing our production capacity and capabilities.

We had 336 stores nationwide as of March 31, 2022, and we expect to expand in 2022. We will increase our investment in building a stronger brand presence. We expect the enhanced brand recognition and sales network will promote a broader customer reach and more effective customer acquisition. We will continue to execute a direct-to-customer strategy and increase the number of directly operated stores, channel partner stores and delivery and service centers.

We also plan to expand globally. As a first step, we intend to strategically establish our international presence by entering into the European market, the second largest EV market in the world. We will conduct marketing activities and build our network to develop our customer base in Europe. We expect to open our first overseas flagship store in the European market by 2023. Following that, we plan to expand our presence into other major markets. We believe that sales to the international market will also contribute to our revenue growth in the future.

Improving Gross Margin

We have demonstrated rapid and consistent improvement in our gross margin during the Track Record Period, from -95.7% in 2019 to -50.6% in 2020 and further to -44.3% in 2021 and -49.4% for the three months ended March 31, 2021 to -26.6% for the three months ended March 31, 2022. Our gross margin has benefited from, and is expected to continue to benefit from, the following factors:

(i) ***Expansion of product portfolio and production volume.*** The average selling price of our smart EVs is expected to increase modestly as we continue to deliver new smart EV models with more premium feature offerings resulting in a change in product mix. For example, we started to deliver our third smart EV model, the C11, in October 2021 and it has a higher selling price than the T03 due to more advanced features and more high-end positioning. We recorded a higher average selling price across our portfolio in the first three months of 2022, as compared to the same period in 2021, as our product mix evolved and the number of C11s we delivered increased. Our latest smart EV model, the C01, is expected to enjoy an even higher average selling price. The increasing average selling price of our smart EVs will drive the improvement of our gross margin. In addition, our gross margin is expected to further increase following the ramp-up of production and delivery volume, which drives economies of scale. Our vehicle delivery volume increased from 1,037 units in 2019 to 43,748 units in 2021. For the three months ended March 31, our vehicle delivery volume increased from 4,235 units in 2021 to 21,579 units in 2022. As a result, our vehicle margins increased as our average manufacturing cost per vehicle significantly decreased from RMB65,838 in 2019 to RMB19,851 in 2020, and further decreased to RMB5,134 in 2021, and from RMB13,214 for the three months ended March 31, 2021 to RMB6,850 for the three months ended March 31, 2022; and

(ii) ***Digital value-added services.*** In addition to offering our full-stack advanced autonomous driving and smart cockpit functions, we will also offer digital services and content in lifestyle, productivity and entertainment. Furthermore, with our growing user community, we intend to explore providing more services tailored to a vibrant mobile lifestyle. We believe the provision of digital and other value-added services would contribute to the improvement of our gross margin.

Enhancing Operating Leverage

During the Track Record Period, we incurred significant operating expenses, including R&D expenses, selling expenses, and administrative expenses, to develop new vehicle models and enhance our brand recognition. In the near term to medium term, we will continue to invest in our R&D, product development, branding and marketing activities as well as sales and service network expansion. As we continue to scale up and our brand becomes more well-known, the operating expenses as a percentage of revenue is expected to decrease.

The following table sets forth a summary of our operating expenses in absolute amounts and as a percentage of our revenue for the periods presented:

	For the Year Ended December 31,						For the Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB in thousands, except for percentages)									
R&D expenses	358,318	306.4	289,248	45.8	740,015	23.6	92,996	33.4	242,545	12.2
Selling expenses	131,148	112.1	154,920	24.5	427,855	13.7	89,728	32.3	162,375	8.2
Administrative expenses	160,830	137.5	183,810	29.1	398,310	12.7	84,371	30.3	154,126	7.7

During the Track Record Period, our R&D expenses as a percentage of revenue decreased from 306.4% in 2019 to 45.8% in 2020, and further to 23.6% in 2021 and from 33.4% for the three months ended March 31, 2021 to 12.2% for the three months ended March 31, 2022, as we dedicated significant resources to R&D and in developing our full-suite of R&D capabilities in-house to enable a rapid pace of innovation. Looking forward, our R&D expenses in absolute amounts are expected to increase alongside the development of our smart EV technologies and the expansion of our product portfolio in the future. However, our R&D expenses as a percentage of revenue are expected to decrease as our revenue continues to grow and we develop modularized and cross-platform hardware and software that are highly adaptable across different EV models. This approach enables us to develop and apply the latest proprietary technologies to all our smart EVs with a shorter R&D cycle and achieve higher cost efficiency. The majority portion of our R&D expenses is related to employee compensation, which does not grow proportionally with sales volume or revenue and therefore can benefit from economies of scale.

Our selling expenses amounted to RMB131.1 million, RMB154.9 million, RMB427.9 million and RMB162.4 million, accounting for 112.1%, 24.5%, 13.7% and 8.2% of our revenue in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively. During the Track Record Period, our selling expenses decreased as a percentage of our revenue, primarily due to the significant increase in our revenue and the benefit from economies of scale as a result of our business growth. We expect our selling expenses in the absolute amount to increase alongside our business expansion in the future but to decrease as a percentage of revenue as the majority of selling expenses consists of advertising and marketing expenses, which will not grow proportionally with sales volume and revenue. In particular, we believe the following factors will help improve the efficiency of our selling expenses: (i) strengthened implementation of our integrated management and operations for all stores leveraging our uniform digital management platform; (ii) improved brand awareness driving more word-of-mouth marketing; (iii) wide coverage of sales and service network allowing broader customer reach and better service; and (iv) sales ramp-up in both directly operated stores and channel partner stores.

Our administrative expenses amounted to RMB160.8 million, RMB183.8 million, RMB398.3 million and RMB154.1 million, accounting for 137.5%, 29.1%, 12.7% and 7.7% of our revenue in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively. During the Track Record Period, our administrative expenses decreased as a percentage of our revenue, primarily due to the significant increase in our revenue and the benefit from economies of scale as a result of our business expansion. We expect our administrative expenses in the absolute amount to increase alongside our business expansion in the future but to decrease as a percentage of revenue as the majority of administrative expenses is related to employee compensation, which does not grow proportionally with our sales volume and revenue. We also plan to make continuous improvement to our administrative efficiency.

Enhancing Working Capital Efficiency

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

LOGISTICS AND INVENTORY MANAGEMENT

Logistics and Warehouse

We operate our warehouses in the Jinhua Plant primarily for storing certain components and raw materials. We engage third-party logistics service providers for the delivery of all finished goods from our production facilities to our stores. Raw materials and components are delivered to our production facilities directly by suppliers or through third-party logistics service providers engaged by us. To the extent possible, we have prioritized partnering with suppliers with operations in close proximity to the Jinhua Plant to minimize logistics costs.

Inventory Management

Our inventory primarily includes raw materials and finished goods. Our inventory turnover days were 131.9 days, 66.6 days and 37.6 days in 2019, 2020 and 2021, respectively. We implement strict inventory control policies to monitor our inventory levels at our production facilities and warehouses, and maintain a relatively low level of inventory as we generally adopt a make-to-order approach.

CUSTOMERS

While we generally consider individuals who purchase our vehicles as our customers, we also account for channel partners as our customers as we sell our vehicles through them. We have a large customer base and we do not rely on any single customer. Revenue generated from our largest customer for 2019, 2020, 2021 and the three months ended March 31, 2022 accounted for 6.8%, 5.1%, 2.3% and 1.7%, respectively, of our total revenue during those periods. Revenue generated from our five largest customers during the Track Record Period accounted for 27.1%, 16.2%, 9.5% and 6.1%, respectively, of our total revenue during those periods. As of the Latest Practicable Date, we had maintained business relationships with our five largest customers that have been our channel partners for one to three years.

As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or, to the knowledge of Directors had owned, more than 5% of our issued share capital) had any interest in any of our five largest customers.

SEASONALITY

Traditionally, sales are higher in the fourth quarter, which is a peak season in China for the auto industry, mainly due to nationwide auto shows and increasing vehicle purchases near year end. Sales volume for new cars typically declines in the first quarter, especially around the Chinese New Year holiday. Due to our limited operating history, the seasonal trends that we have experienced in the past may not fully apply to, or be fully indicative of, our future operating results. See "Risk Factors — Risks Relating to Our Business and Industry — Our business is subject to seasonal fluctuations."

OUR SUPPLIERS

In line with industry practice, we cooperate with reliable domestic and international suppliers. Our suppliers are selected very carefully, taking into account their price, quality, production capacity, financial conditions, delivery scheme, business scale and reputation. A localized and stable supply chain is one of our key focuses in production, and a majority of our raw materials and components are purchased in China. To ensure an accurate procurement and production plan, we also gained direct access to production data and sales data of our key suppliers. Such data includes the utilization rate of their production facilities, inventory levels, historical sales records and market trends.

We collaborate with a number of globally renowned suppliers, such as Infineon and Continental. Infineon is a reputable supplier of a wide range of semiconductor solutions, microcontrollers and power electronics modules; and Continental is one of the largest auto parts and tire manufacturers in the world. The parts and components are generally customized for our vehicles. This allows us to engage our suppliers with instant communication, tailor-made prototyping, and more importantly access to frontier technologies. Our partnership with suppliers is one of the key factors of our success. Our suppliers also intend to maintain long-term relationships with us, regarding us as a competitive and trustworthy partner in the NEV industry in China. Such strategic partnership may offer us advantages, such as favorable pricing, capacity reservation and prioritized supply.

Aside from component manufacturers, we also collaborate with R&D teams of leading technology companies and purchase certain software and IT services to enhance our Leapmotor OS and Leapmotor Pilot systems. This ensures advanced and consistent product quality in a cost-efficient manner.

Raw Materials, Parts and Components

We procure various components and raw materials, such as steel, battery cells, certain non-core electronic components, and various vehicle components such as seats and tires. We source them from both domestic and international suppliers. We have entered into cooperation with many industry-leading companies with strong technological capabilities both domestically and internationally, creating mutually beneficial relationships between our partners and us. During the Track Record Period, prices of our raw materials and components experienced certain fluctuations. We manage the impact of such fluctuations by entering into strategic agreements and pricing agreements with our suppliers, adjusting the prices based on average prices over a longer period of time and taking volatility into account. In addition, we diversify our suppliers and optimize inventory level based on production schedule. During the Track Record Period and up to the Latest Practicable Date, we did not experience quality issues with our raw materials that materially affected our operations. For supply chain management, see "— Quality Control — Supply Chain Management."

We monitor and manage our supply chain risk by obtaining components from multiple qualified sources, where practicable. In the EV industry, it is customary and more cost-efficient for an EV manufacturer to engage single-source suppliers and customize certain parts and components. Therefore, in line with such industry practice, we procure certain components from single-source suppliers, including components for the electronic stability control (ESC) system. As alternative suppliers for these components are readily available in the market, we believe that the procurement from single-source suppliers does not pose an imminent risk to our business operations. However, for the key components, such as battery cells and semiconductor chips, we implement a multi-source procurement policy, which allows us to source components from multiple domestic and international suppliers to reduce the reliance on single-source suppliers. According to Frost & Sullivan, there are alternative suppliers of key components, including battery cells and semiconductor chips, in the market. In addition, as we strive to develop and offer smart EVs with advanced smart EV technologies, we select industry leaders for the supply of battery cells and semiconductor chips. For example, we source battery cells from all top three independent domestic leading suppliers in the industry. For semiconductor chips, we source from several major suppliers in the international market, including Qualcomm and STMicroelectronics. We also entered into long-term agreements with our key suppliers to secure supply stability. Such agreements set forth the general terms of conditions, pursuant to which we place separate purchase orders. We are typically granted a credit term of 30 to 90 business days upon receipt of invoice. We sometimes make full or partial advanced payments to procure supply. Suppliers must meet our specified quality requirements and are liable for any product defect. We will continue to identify and approach qualified suppliers to expand our supplier base. We believe our continuous business expansion will enable us to negotiate and secure stable supplies on terms comparable to those of our current suppliers.

Due to the impact of the COVID-19 pandemic and the related impact on the global transportation network and upstream supply chain turmoil, we have experienced shortages of certain of our raw materials and components, such as battery cells and semiconductor chips, which affected our production schedule. However, we had not experienced any production suspension during the Track Record Period and, as of the Latest Practicable Date, such shortages in battery cells and chipsets did not result in a material adverse impact on our business operations or financial performance, as evidenced by our growth in revenue. See "Financial Information — Impact of the COVID-19 Pandemic on Our Operations and Financial Performance" for details.

Since October 2020, there has been a global shortage in the supply of semiconductor chips for automotive production. Together with the impacts of the COVID-19 pandemic, this global semiconductor chips shortage adversely affected our production schedule. We have taken a series of measures to mitigate the risk of such situation. We strategically entered into long-term agreements to procure semiconductor chips in anticipation of potential supply shortage. Our internal team forecasts the necessary inventory levels of semiconductor chips, and places orders accordingly with our suppliers in advance to secure supply to the largest extent. We maintain a safety stock inventory for semiconductor chips in anticipation of the expected increase in our vehicle production. In addition, we enter into reserve agreements with some of our suppliers of semiconductor chips, pursuant to which the suppliers agree to maintain a safety stock of inventory of the semiconductor chips that they supply to us. We have also reached an understanding with our chip suppliers that they will inform us promptly of any impending supply shortages in advance. Based on our communication with these suppliers, as well as currently available information, we are not aware of any circumstances that may materially affect the ability for our semiconductor chip suppliers to deliver within the upcoming 12 months. In addition, most of the semiconductor chips we procure are standard chips. We have adopted a "design for availability" approach to develop our key components to be compatible with semiconductor chips from multiple suppliers, with minimal costs for customization and testing to be incurred when switching between suppliers. As a result, we are able to source semiconductor chips from alternative suppliers for key components at the same time. With advance notice from the suppliers of supply shortages, we are able to increase order quantities with other suppliers to meet our production schedule. During the Track Record Period and up to the Latest Practicable Date, we did not have any material shortage of semiconductor chips. As we typically select domestic or international industry leaders as our suppliers of key components, which enables us to maintain a good business relationship with them, our Directors believe the likelihood that these suppliers' termination of relationship with us or any material adverse change to our business relationship with such suppliers is relatively low, and the supply chain risk is unlikely to have any material adverse impact on our operational and financial performance. See "Risk Factors — We rely on domestic and global suppliers to provide certain components of our smart EVs. Our suppliers may fail to deliver such components as required in terms of time, cost, quality and quantity."

Our Major Suppliers

Our major suppliers are suppliers of battery cells, automotive electronics and service providers. Purchases from our largest supplier for 2019, 2020, 2021 and the three months ended March 31, 2022 accounted for 5.4%, 21.4%, 19.1% and 16.2%, respectively, of our cost of sales during those periods. Purchases from our five largest suppliers accounted for 17.1%, 28.2%, 33.7% and 35.4%, respectively, of our cost of sales for each of the same periods. As of the Latest Practicable Date, we had generally maintained business relationships with our five largest suppliers for three years. We typically settle payments with our five largest suppliers with bank transfer or bank draft.

For the three months ended March 31, 2022

Supplier	Major products/ services purchased	Purchase amount	% of total cost of sales	Years of relationship with us	Settlement method
		(RMB'000)			
Supplier C	Lithium electronic cell	344,152	16.2%	2 years	Bank transfer/ bank draft
Supplier O	Lithium electronic cell	137,544	6.5%	2 years	Bank transfer/ bank draft
Supplier B	Lithium electronic cell	115,917	5.5%	3 years	Bank transfer/ bank draft
Supplier A	Power battery	80,010	3.8%	3 years	Bank transfer/ bank draft
Supplier P	Car seat and decoration	73,010	3.4%	2 years	Bank transfer/ bank draft
Group purchases		**2,119,023**	**100.0%**		

For the year ended December 31, 2021

Supplier	Major products/ services purchased	Purchase amount	% of total cost of sales	Years of relationship with us	Settlement method
		(RMB'000)			
Supplier A	Power battery	845,879	19.1%	3 years	Bank transfer/bank draft
Supplier B	Lithium electronic cell	255,225	5.7%	3 years	Bank transfer/bank draft
Supplier C	Lithium electronic cell	206,598	4.6%	2 years	Bank transfer/bank draft
Supplier D	Bodywork and fittings	102,376	2.3%	3 years	Bank transfer/bank draft
Supplier E	Power supply	86,974	2.0%	3 years	Bank transfer/bank draft
Group purchases		**4,438,346**	**100.0%**		

For the year ended December 31, 2020

Supplier	Major products/services purchased	Purchase amount	% of total cost of sales	Years of relationship with us	Settlement method
		(RMB'000)			
Supplier A	Power battery	239,197	21.4%	3 years	Bank transfer/bank draft
Supplier F	Lithium electronic cell	25,573	2.3%	3 years	Bank transfer/bank draft
Supplier G	Automotive electronics	17,508	1.5%	3 years	Bank transfer
Supplier H	Automotive electronics	16,596	1.5%	3 years	Bank transfer/bank draft
Supplier I	Power module	16,365	1.5%	3 years	Bank transfer
Group purchases		**1,116,370**	**100.0%**		

For the year ended December 31, 2019

Supplier	Major products/services purchased	Purchase amount	% of total cost of sales	Years of relationship with us	Settlement method
		(RMB'000)			
Supplier J	Lithium electronic cell	42,511	5.4%	3 years	Bank transfer/bank draft
Supplier K	Construction	28,649	3.6%	3 years	Bank transfer
Supplier L	Lithium electronic cell	26,857	3.4%	1 year	Bank transfer/bank draft
Supplier M	Interior and exterior decoration	19,369	2.4%	3 years	Bank transfer/bank draft
Supplier N	Machinery	18,006	2.3%	3 years	Bank transfer
Group purchases		**791,315**	**100.0%**		

As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or to the knowledge of the Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

CYBERSECURITY, DATA PRIVACY AND PERSONAL INFORMATION

We are fully committed to complying with cybersecurity and data privacy laws and protecting the security of customer's data. When customers purchase EVs, we retain their names, phone numbers and addresses. We also collect data from our smart EVs, including vehicle status, electric drive status, location information, and assisted driving information. We have designed strict data protection policies to ensure that data is collected, used, stored, transmitted and disseminated in compliance with applicable laws and prevailing industry practices.

Collection: We collect data in accordance with the applicable laws and regulations, and obtain customers' prior consent, if required. Our privacy policy and user manual provides adequate notice of the collection, processing, sharing, storage and protection of the user data, and offer information as to our contact, the types of data processed, the purposes and methods of processing, data retention period, user rights, termination of information collection, and other disclosures required by the applicable laws and regulations.

Usage: We use user data in compliance with the requirements as stipulated in the Personal Information Protection Law of the PRC based on user consent, necessity for the fulfillment of contracts, and necessity for the fulfillment of legal obligations. For the purpose of fulfilling legal obligations, we collect and submit regulatory reporting data to the national monitoring platform. For the vehicle interaction data, we collect and use the data locally in real time at the vehicle end, and do not transmit the data outside the vehicle.

Storage: We use a variety of technologies to protect the data. For instance, we de-sensitize personal information and ensure that our data used for improving our products, services and technology capabilities are without sensitive information. We carry out all data processing activities within the territory of China, and store such data in our own data center or a data center operated by a third-party service provider located within the territory of China, in accordance with the relevant laws and regulations.

Transmission: We provide certain services to our users in cooperation with third-party service providers, primarily including channel partners and after-sales service providers. To the extent necessary for the provision of the services and as permissible under the relevant rules and regulations, we may share the user data with such third-party service providers. We enter into a personal information and data protection undertaking with these service providers, or include a data protection clause in the agreement specifying the data protection obligations of the third-party service provider. We are entitled to terminate the contract in the event of a breach of this clause by the other party.

Automobile data compliance: Personal information and important data involved in the design, manufacturing, sales, use, operation and maintenance of automobiles would be deemed as automobile data pursuant to the Several Provisions on Automobile Data. See "Regulatory Overview — Regulations Relating to Internet Information and Automotive Data Security." In line with the industry practice, we collect, store, use, process, transmit and share automobile data in support of our business operations concerning, among others, automobile manufacturing, sales, operations and maintenance. We store limited amounts of important data, as broadly defined by the Several Provisions on Automobile Data, in our on-premises servers as well as in cloud storages, which are all located in China. We do not transfer automobile data, including the abovementioned important data, outside of China. The Several Provisions on Automobile Data recommends data processors to complete data processing at the vehicle-end, yet this is not a mandatory requirement. Whereas before transmitting personal information outside the vehicle, the data processors shall obtain individual consent for processing personal information or rely on other legal bases in accordance with applicable laws and regulations. Currently, to the extent that it is not feasible to complete in-vehicle data processing due to the limits of vehicle-end computing power, or where it is necessary to transmit data out of the vehicle to carry out certain functions, certain automobile data will be transmitted out of the vehicle. For example, we transmit data related to vehicle status, components and parts to our backend systems for processing outside the vehicle, so as to allow customers to remotely control and manage their vehicles. We notify our customers of such data processing through our privacy policy, and we process personal information in accordance with the applicable laws and regulations, and obtain customers' prior consent if required. Currently, we do not transmit personal information out of the vehicle without

data subjects' consent. For example, we will not transmit exterior video or image data containing license plate information out of the vehicle. If we plan to use data containing personal information to provide services to our customers, we will anonymize such data as required by applicable law when we are unable to obtain the consent of the data subject.

Our data privacy and protection measures are an integral part of our internal control system. We undertake to upgrade our system and infrastructure to ensure that our data is safeguarded and utilized under the latest technologies. We have adopted the Guideline of the Data Security Management to minimize the potential security risks, under which we have implemented comprehensive confidentiality policies and data use approval procedures. For example, we encrypt our data storage and transmission to ensure data confidentiality, and implement access control and account authority control for all data. We segregate our internal operating databases from unauthorized access, back up both our customer and operation data on a regular basis to minimize the risk of data loss, and provide our employees and channel partners with regular training to raise their data security awareness. To prevent improper use of data by our channel partners, we conduct a background review and evaluate our channel partners' qualifications before entering into cooperation. We require all channel partners to acknowledge a confidentiality clause contained in the channel partner agreements before sending user data. If any of the channel partners do not process data in accordance with legal requirements or contractual terms, we will require them to cease the breach, take effective remedial action to protect the data, and reserve the right to pursue further legal action for any damages caused.

Our dedicated information security task force is responsible for maintaining our systems and infrastructure to ensure that the storage and use of data are in compliance with the applicable laws and regulations and our internal policies. We have established an Information Security Committee consisting of members of senior management that oversees our data protection and information security. Our Information Security Working Group reports to the committee and is responsible for our day-to-day information security management and decision making on major issues. Our working group consists of three specialized teams, namely the emergency response team, the data compliance team and the audit team, which coordinate with various departments. In addition, we have established a department responsible for Telematics data security, consisting of seven department members, which is responsible for the technical architecture design of Telematics business, including cloud platform, in-vehicle terminals and Telematics security. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with data security laws or regulations. To the best of our knowledge, we are not aware of any material data leakage or security breaches during the Track Record Period. In the past, we have successfully blocked and prevented major cyber-attacks and hacking attempts, and thus these attempts did not have adverse effect on our operations. As confirmed by our legal advisor as to PRC data security law, during the Track Record Period and up to the Latest Practicable Date, we had been in compliance with applicable PRC laws and regulations with respect to privacy and personal data protection in all material aspects, and we believe we will continue to comply with such laws and regulations going forward.

COMPETITION

We compete in a large yet highly competitive market. China was the world's largest passenger vehicle market in 2021, according to Frost & Sullivan, with a sales volume amounting to approximately 20.9 million units. The penetration rate of NEVs in China's PV market increased from 2.4% in 2017 to 16.0% in 2021 and is expected to surge from 22.4% in 2022 to 50.1% in 2026, according to the same source. Meanwhile, NEVs have become increasingly desirable to mainstream consumers. The mid- to high-end segment, with the price range between RMB150,000 and RMB300,000, is expected to become the largest and fastest-growing segment in China's NEV market from 2022 onwards.

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

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

INTELLECTUAL PROPERTY

We regard our proprietary domain names, copyrights, trademarks, trade secrets, and other intellectual property, critical to our business operations and fundamental to our success and competitiveness, and we devote significant time and resources to the development and protection. We rely on a combination of patents, copyrights, trademarks, trade secret laws, and restrictions on disclosure to protect our intellectual property. As of the Latest Practicable Date, we had 1,103 registered patents and 514 patent applications, 304 trademarks, 18 registered software copyrights and four registered copyrights. As of the same date, we have registered patents for all our core technologies.

For detailed information about our material intellectual property, see "Appendix VI — Statutory and General Information — Further Information about Our Business — Intellectual Property Rights."

We implement a set of comprehensive measures to protect our intellectual property, in addition to making trademark and patent registration applications. Our employees are generally required to enter into a standard employment contract that includes a confidentiality clause and a clause acknowledging that all inventions, trade secrets, developments and other processes generated by them during their employment with us are our properties, and assigning to us any ownership rights that they may claim in those works. We will actively monitor and pursue claims against any unauthorized use of our intellectual property. In addition, we have implemented screening procedures during the recruitment process, which helps us prevent potential dispute arising from hiring former employees of competitors.

In the future, we may need to seek or renew licenses related to certain aspects of our products, processes and services. We have established an in-house legal team and an IP team, supplemented by professional external IP counsel, to assist in the registration, application and review process of patents and trademarks.

During the Track Record and as of the Latest Practicable Date, we had not been subject to any material dispute or claims for infringement upon third parties' trademarks, licenses and other intellectual property rights in China.

EMPLOYEES

As of June 30, 2022, we had 5,723 full-time employees, the majority of whom are based in Zhejiang province, China. The following table sets forth the number of our employees by function:

Function	Number of employees	% of Total
Manufacturing	2,395	38.9
Research and development	1,869	32.7
Sales and marketing	907	15.8
Supply chain management	225	3.9
General and administration	327	8.6
Total	**5,723**	**100.0**

Our success depends on our ability to attract, retain and motivate qualified personnel, and we believe that our high-quality talent pool is one of our core strengths. As of June 30, 2022, our R&D personnel account for 32.7% of the total employees. We use various methods for our recruitment, including campus recruitment, online recruitment, internal referrals and recruitment firms or agents, to satisfy our demand for different types of talents. We conduct safety awareness, quality awareness and corporate culture training for R&D and manufacturing staff, and implement a comprehensive training system for all employees. We hold various training courses conducted online and offline on a weekly basis.

As required under PRC laws and regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury, maternity, and unemployment benefit plans, under which we make contributions at specific percentages of the salaries of our employees. As advised by our PRC Legal Advisor, we were in compliance with applicable laws and regulations related to social insurance and housing provident funds in all material aspects during the Track Record Period.

Our employees have formed employee unions. We believe we maintain a good working relationship with our employees, and we had not experienced any material labor dispute or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

We consider our insurance coverage to be adequate, as we maintain all the mandatory insurance policies required by PRC laws and regulations and in accordance with the commercial practices in our industry. We also maintain an insurance policy for our fixed assets.

In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain any "key man" insurance or insurance policies covering damages to our information technology systems. During the Track Record Period, we did not make any material insurance claims in relation to our business. See "Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage strategy may not be adequate to protect us from all business risks."

ENVIRONMENTAL, SAFETY AND SOCIAL MEASURES

We seek to be a leader in fulfilling environmental, social and governance ("**ESG**") responsibilities by exploring ways to protect the environment and supporting social causes. We commercialize and produce smart EVs that emit fewer greenhouse gases and air pollutants than ICE vehicles, significantly reducing carbon emissions while enhancing user experience. We earn tradable automotive regulatory credits in the operation of our business as we design, develop and produce battery electric vehicles. The regulatory credit system is designed to incentivize more ICE automakers to produce NEVs, thereby reducing carbon emissions.

We are committed to sustainability and environmental protection as we continue to grow our revenue and expand our production facilities. We have adopted comprehensive measures to minimize any environmental impact from our business in the near, medium and long term.

We closely monitor the social impact of our operations, and adhere to stringent quality standards to continuously enhance customer satisfaction. We have been accredited with vehicle quality management system certifications, such as IATF16949:2016 and ISO9001:2015, which, among other things, attests to our efforts to reduce waste in the automobile production. In addition, we have established comprehensive after-sales service and maintenance protocols to address customer feedback and concerns in a timely manner, see "— Customer Service — After-sales Services and Warranty" for details.

We have coordinated efforts across departments, including our human resources, R&D, manufacturing, supply chain departments and sales departments, led by our senior management, to report on ESG issues to our Board. Our management is responsible for establishing, adopting and reviewing the Group's ESG-related policies, metrics and targets, as well as assessing, defining and addressing ESG-related risks at least once a year. We may from time to time engage independent professional third parties to help us make necessary improvements. In addition, we undertake to establish an ESG committee within one year of the [**REDACTED**] to assist our Board to oversee ESG governance, ensure implementation of ESG policies, monitor ESG-related performance and targets, adjust ESG strategies as appropriate and prepare the ESG report.

Our ESG policy is effectively demonstrated, and communicated in a transparent manner to our shareholders, employees, value chain partners, government and regulatory agencies, communities and other stakeholders through a series of measures. When marketing our NEVs to the mass market, we promote the value of environmental protection and resource utilization. We conduct environmental impact assessments when formulating future production and business expansion plans, and seek to minimize pollutant emissions and comply with all regulatory requirements. In addition, we have adopted a number of policies and measures to enhance occupational health and safety, and organize educational events and training for our employees. All our suppliers are required to execute anti-corruption commitments before engagement, and we regularly conduct internal trainings with our employees on anti-corruption policies.

Environmental Protection

We are subject to various environmental laws and regulations related to the manufacture of our smart EVs, including the use of hazardous materials in the manufacturing process and the operation of our Jinhua Plant. Such laws and regulations govern the use, storage, discharge and disposal of hazardous materials during the manufacturing process. See "Regulatory Overview — Regulation Relating to Environmental Protection and Work Safety" for details on PRC environmental laws and regulations that we are subject to. Complying with environmental and safety laws and regulations could impose substantial costs upon us and cause delays in building our production facilities. See "Risk Factors — Risks Relating to Our Business and Industry — We are subject to various environmental and safety laws and regulations that could impose substantial costs upon us and cause delays in building our production facilities" for details.

We seek to minimize our environmental impact through developing and integrating environmentally sustainable practices into our operations. We use rooftop solar photovoltaic panels to generate power for our production. Our photovoltaic project in the Jinhua Plant is expected to generate nearly 10 million kWh of electricity annually, reducing the consumption of 72,800 tons of standard coal, or emission of 194,500 tons of carbon dioxide, throughout its 25-year designed life span. It will also cumulatively reduce 1,458 tons of sulfur oxides and 495 tons of nitrogen oxides during the time span, effectively promoting pollution prevention and control. The photovoltaic carport included in the project construction covers an area of about 24,000 square meters, with more than 1,000 standard parking spaces, and is currently the largest photovoltaic carport

in Jinhua. We adopted the Building Integrated Photovoltaics (BIPV) system, replacing the roof of the carport with photovoltaic modules, so that the roof simultaneously serves as building envelope material and power generator.

We have established energy management measures to effectively manage the energy used by our manufacturing plants, such as electricity, natural gas, water, compressed air and photovoltaic. We include energy usage in the performance assessment to ensure that our energy saving plan and measures are effectively implemented. We recycle resources, which currently includes recycling approximately 30% of our total annual water consumption. In October 2021, we were certified as a water-saving enterprise by Jinhua City, Zhejiang province.

We use a B1B2 silane film process for pre-painting treatment, which employs materials that do not contain heavy metals such as phosphorus and zinc-nickel-manganese. This process helps reduce our wastewater discharge by approximately 20%, compared with the traditional phosphating process. In the top coating process, we use water-based materials in the automatic spraying process which contains less volatile solvent content than traditional oil-based materials, allowing us to reduce the emission level at the source. In addition, we use rotary concentrators and regenerative thermal oxidizers that destroy hazardous air pollutants, volatile organic compounds and odorous emissions created during industrial processes. The process has high purification efficiency, allowing us to reuse waste heat with the thermal efficiency up to 95%.

We require our suppliers to use recyclable packaging materials and reduce the types of packaging materials they use in order to reduce the consumption of such materials and facilitate waste recycling. In addition, we are committed to improving resource utilization of our vehicles. For example, we aim to minimize the waste of energy during the power transmission and use of batteries in our EVs, thereby reducing carbon emissions. Our self-developed battery system has achieved 83% energy efficiency. Going forward, we plan to continuously explore frontier technologies for battery energy storage and carbon reduction, and bring users a more comfortable and environmentally friendly travel experience through ongoing technological innovation.

We follow the standards of the pollutant discharge permit issued by the local environmental protection authority to discharge waste gas and strive to minimize the relevant impact. In the year ended December 31, 2021, we discharged 0.7 tons of sulfur dioxide, 3.6 tons of nitrogen oxides and 8.4 tons of volatile organic compounds (VOCs), accounting for only 32%, 34% and 42% of the amount allowed under the pollutant discharge permit, respectively. We plan to further decrease the emission of pollutants in the foreseeable future. In assessing and managing the environmental impact of our business activities, such as the release of pollutants or hazardous substances in production, we are committed to complying with the standards, metrics and targets established or issued by relevant ESG-related laws and regulations. See "Regulatory Overview — Regulation Relating to Environmental Protection and Work Safety — Environmental Protection" for details.

For our facility construction and expansion projects, we have implemented measures to ensure compliance with laws and regulations in relation to environment and occupational health and safety. Before the commencement of the projects, we will obtain third-party reports to assess the feasibility of the precautionary measures for environment and occupational health and safety. We also designate personnel to supervise the implementation of the measures on site. Upon completion of the projects, we will obtain reports from third-party assessment agencies to ensure the relevant requirements for environment and occupational health and safety are satisfied.

We have implemented company-wide policies and detailed protocols to manage pollutants. We have engaged competent assessment agencies to monitor our pollutants discharge levels and issue reports as per requirements of the pollutant discharge permit. We keep records for solid pollutants that we dispose of. We also conduct sewage treatment before discharge and engage third-party assessment agencies to issue relevant reports.

Metric and Targets

In accordance with our ESG policies, we have established a comprehensive set of key performance indicators to assess and guide our business operations. The following table presents a quantitative analysis of our environmental performance during our Track Record Period.

	For the Five Months Ended December 31,	For the Year Ended December 31,		For the seven months ended July 31,
	2019	2020	2021	2022
Electricity consumption				
Total electricity consumption in thousand kWh	810.0	1,615.4	39,856.8	40,532.3
Electricity generated by photovoltaic panels in thousand kWh	–	–	9,277.0	6,568.1
Water consumption				
Total water consumption in thousand tons	10.0	97.8	473.6	510.3
Gas consumption				
Total gas consumption in thousand cubic meters	639.8	997.6	2,827.9	2,475.0

We take environment impact into account when evaluating the future plans of production. We are committed to improving energy efficiency in our Hangzhou Plant, and expect to adopt various measures, such as energy management system and use of energy efficient robotic arms. In 2021 and the seven months ended July 31, 2022, the power generated by our rooftop solar photovoltaic panels, which is used for our production, amounted to 9.3 million kW/h and 6.6 million kW/h, respectively, satisfying 18.9% and 16.2% of the industrial electricity demand for our production during the same periods, respectively. Going forward, we plan to keep promoting the use of photovoltaic power to reduce carbon emissions from electricity use. We strive to improve water efficiency in our operations. Benefiting from our measures to promote water conservation, our Jinhua Plant was accredited by local authorities for being one of the 38 water-saving enterprises of Jinhua in 2021.

We intend to expand with a sustainable perspective, based on our projections for business expansion and taking into account relevant power and resources saving measures and manufacturing techniques and equipment that will be implemented in the future. We intend to decrease the consumption of energy and resources per vehicle unit in our daily business operations while meeting the requirement of relevant regulations and laws. Specifically, we target to reduce the water, electricity and gas consumption per vehicle produced by 8%, 5% and 5%, respectively, by 2023 compared to 2022. At the same time, we will continue to establish more comprehensive ESG-related indicators and targets as we discuss with relevant stakeholders.

Employee Care

We are committed to social responsibilities and high standard of corporate governance. We comply with various PRC laws and regulations in respect of occupational health and safety. We are committed to complying with PRC regulatory requirements, preventing and reducing hazards and risks associated with our operation, and ensuring the health and safety of our employees and communities, with an aim to improve the satisfaction rate of our employees. We have adopted and maintained a series of policies and measures to maintain a safe environment for our employees, including, among others, safety incident management policy, occupational hazard monitoring and management policy. For example, we conduct various types of training, including onboarding and on-the-job training, for both regular employees and third-party contractors. We conducted employee training and development sessions for a total of 200, 152 and 553 hours in 2019, 2020 and 2021, respectively. In 2021, our employee training covered 3,503 employee, with a training rate of 153.9% and an average training time of 12.54 hours per employees. We conducted trainings of 1,080 hours in aggregate in the first half of 2022, representing a 419.2% growth compared to 208 hours in the first half of 2021. In addition, we have adopted relevant measures to ensure the health and safety of our employees and hygiene of our work environment at our manufacturing plant in Jinhua. We have formulated an occupational health management system, engaged third-party professionals to assess the effectiveness of occupational health hazard control, as well as implementing appropriate protective measures for positions with occupational health hazards. Specifically, we conduct pre-job, on-the-job and off-the-job occupational health screenings for positions with potential exposure to dust, noise, light pollution, benzene and other hazards in the stamping, welding, painting, electric drive testing and other workshops. Meanwhile, we

provide supplemental commercial medical insurance and an annual physical examination for all regular employees. We endeavor to provide a safe work environment in light of the COVID-19 pandemic, including procurement of epidemic prevention materials, release of work-from-home plan and work resumption plan, food delivery service and regular check of our employees' health condition.

As of the Latest Practicable Date, we had not experienced any material accidents in the course of our business operation, and we were not aware of any material claims for personal or property damages in connection with health and occupational safety.

We have adopted recruitment standards and procedures to ensure equal work opportunities for our employees and potential recruitment candidates are without bias as to gender, age, race, nationality or other factors. In addition, we aim to continuously improve diversity and inclusion. As of December 31, 2021, we had 3,191 full-time employees, including 521 female employees.

We are committed to providing a friendly workplace without discrimination, harassment of all kinds and violence.

- We prohibit child labor, and we do not use any products or services provided by any suppliers that employ child labor. We also commit not to force our employees to work overtime.

- We enhance the appraisal mechanism and employee incentive schemes as long-term incentives for our employees.

- We have established a comprehensive talent development program. We develop and introduce managerial, technological and general courses, and help employees advance in their careers through diversified training modes, consisting of online platforms and offline sessions. We internally train, certify and appoint instructors and trainers in accordance with our business strategies and future plans.

- We also cultivate and nurture the overall health and well-being of our employees. We provide various welfare and benefits to our employees, such as free annual health screening, team building activities and giveaways on holidays. We purchase annual commercial insurance such as supplemental medical insurance plans for our employees, and offer discounted insurance plans for employees' spouses, children, and parents to their own purchase. We strive to promote the culture of achieving good work-life balance by organizing various recreational and sports activities to enrich the cultural life of our employees.

Fair Trade and Anti-Corruption

To protect our reputation and integrity, we have implemented an anti-bribery and anti-corruption policy to prohibit any form of fraud or corruption by our suppliers or employees during the cause of our business. Our suppliers must comply with all the

applicable laws and regulations relating to the procurement transactions in relevant countries or regions and our anti-bribery. We further require our suppliers to sign a letter of commitment for anti-corruption (the "**Letter of Commitment**"), through which they commit in writing not to engage in non-compliances, fraud, corruption or bribery during the cause of business. The Letter of Commitment prohibits our suppliers from offering our employees or their family any improper benefits, including cash or cash equivalents, lavish entertainment and meals or any other benefits. In addition, where our employees request any bribery explicitly or implicitly, our suppliers must refuse such request and report to us.

Potential Risks and Opportunities

Our business operations are subject to environmental protection laws and regulations promulgated by the PRC government. For example, government authorities require us to conduct environmental impact assessments prior to the construction of plants or production facilities to minimize the environmental impact of our business operations. Maintaining compliance with applicable environmental rules and regulations can be costly. If we violate any laws and regulations relating to the environmental protection or face any charges of negligence therein, we may be subject to potential fines and penalties. Such events could adversely affect our business brand and credibility, and our business opportunities may be adversely affected. For example, our suppliers may be reluctant to grant us longer credit terms, and our potential customers may prefer the competitors' products. Notwithstanding the above, during the Track Record Period and up to the Latest Practicable Date, our business, results of operation and financial condition had not been materially adversely impacted by any environment-related incident.

Furthermore, potential transition risks may result from the transitioning to a lower-carbon economy which entails change in climate-related regulations and policy. Tightened environmental regulations may require significant investment to be made in transforming our business and operations. On the other hand, in the face of the potential transition risks, we, as a pure-play EV company with advanced technologies and operating procedures, may be able to adapt to the new environmental regulations as well as changing consumer preference and demand in a swifter manner, thereby capturing more business opportunities.

Supervised by our Board, we actively identify and monitor the climate-related risks and opportunities over the short, medium and long term and we seek to incorporate such climate-related issues into our businesses, strategy and financial planning. For example, we continuously reduce energy consumption and reduce greenhouse gas emissions through energy-saving transformation. We have established internal environmental protection guidelines and procedures, which specify the management responsibilities and evaluation criteria for our major pollutants and emissions. We aim to minimize the use of hazardous materials, energy and other natural resources in our production activities. In addition, we monitor the emissions of major pollutants for our Jinhua Plant, and have set a target to achieve zero environmental issue, with indicators including pollutant discharge standards for wastewater, exhaust and waste treatment. We plan to work further with our suppliers to calculate and assess their carbon footprint and set reasonable carbon reduction targets.

PROPERTIES

Our corporate headquarters is located in Hangzhou, China. As of the Latest Practicable Date, we operated our business through four properties of which we own land use rights, as well as 127 leased properties in the PRC.

Owned Properties

As of the Latest Practicable Date, we owned four parcels of land with an aggregate site area of over 977,141 square meters in the PRC. We own two parcels of land of over 367,856 square meters in Jinhua, Zhejiang, with land use rights expiring in 2067, where we have constructed our Jinhua Plant. We own land use rights with respect to a parcel of land of approximately 66,667 square meters in Jinhua to further expand our production, and such land use rights expire in 2071. In addition, we own one parcel of land of approximately 542,618 square meters in Hangzhou, Zhejiang, with land use rights expiring in 2071, where we plan to construct our Hangzhou Plant.

Leased Properties

As of the Latest Practicable Date, we maintained 127 properties in the PRC, including an aggregate gross floor area of approximately 201,894.9 square meters in our headquarters primarily for corporate administration, research and development, storage, trial production and testing, as well as an aggregate gross floor area of approximately 37,232.47 square meters primarily for our directly operated stores and delivery centers across China.

As of the Latest Practicable Date, the actual usage of 31 leased properties, which are used as our offices and directly operated stores, was inconsistent with the usage for industrial purpose set out in such title certificates or relevant authorization documents. With respect to these properties, our PRC Legal Advisor is of the view that we may not be able to lease, occupy and use such leased properties if the local authorities challenge the validity of the leases, resume the land use right or require us to restore the land to its original use. Our Directors are of the view that the defects of these leased properties would not materially and adversely affect our business operations, considering that: (i) as the abovementioned leased premises are mainly used for offices and directly operated stores, we would be able to find comparable properties as alternatives at commercially acceptable terms to us, and such relocation will not have any material adverse effect on our financial condition or our results of operations; (ii) the majority of the local authorities where the relevant leased properties are located have issued certificates, confirming that they are aware of the fact that we are leasing such properties, and either confirming that we are not violating laws and regulations on natural resources management or acknowledging the actual use of such properties, and (iii) for the rest of the relevant leased properties, the lessors have undertaken to indemnify us for the loss where we have to cease the use of these leased properties due to inconsistent usage. As advised by our PRC Legal Advisor, given that the certificates issued by the relevant local authorities acknowledge the use of these properties and that the relevant lessors have undertaken to indemnify us for the potential loss, the risk is remote that we will be penalized or suffer from material loss for the use of these leased properties. We will maintain regular

communication with the local authorities, and are prepared to relocate to alternative premises upon the expiration of the lease term and in compliance with the administrative requirements.

As of the Latest Practicable Date, lessors of seven of our leased properties had not provided us with valid title certificates or building permit. As a result, the leases may not be valid and there are risks that we may not be able to continue to use such properties, according to our PRC Legal Advisor. As we have acquired relevant authorization documents evidencing the lessor's rights to lease the property to us, the defect would not materially and adversely affect our business operations.

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban Development of the PRC. As of the Latest Practicable Date, we had not yet completed the registration of 100 property lease contract we entered into in the PRC. As advised by our PRC Legal Advisor, failure to complete the lease registration will not affect the validity of the lease agreements according to PRC law, but we may have a maximum penalty of RMB10,000 imposed on us for each non-registered lease if we fail to complete the registration of any of our future lease agreements after we are requested to do so by the competent PRC government authorities. As of the Latest Practicable Date, we had not been ordered to make corrections by the competent local counterpart of Ministry of Housing and Urban Development. See "Risk Factors — Risks Relating to Our Business and Industry — Legal defects regarding some of our leased properties may adversely affect our business, financial condition and results of operations."

As of March 31, 2022, none of the properties leased or owned by us had a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report.

U.S. EXPORT CONTROL IMPLICATIONS ON TRANSACTIONS AND SHAREHOLDING RELATIONSHIPS WITH DAHUA TECHNOLOGY AND ITS SUBSIDIARIES

U.S. Export Control Laws and Regulations

The Entity List is a list of names maintained by BIS of certain foreign persons that are "reasonably believed to be involved, or to pose a significant risk of being or becoming involved in activities contrary to the national security or foreign policy interest of the United States." When a foreign person is included on the Entity List, generally, any export, re-export or transfer (in-country) of an item subject to the Export Administration Regulations ("**EAR**") to such foreign person on the Entity List requires a U.S. export license. An exporter may also violate "General Prohibition 10" in the EAR if it proceeds with a transaction with "knowledge" that a violation of the EAR has occurred or is about to occur. Moreover, a person may violate General Prohibition 10, among other provisions

in the EAR where it exports, re-exports, or transfers an item subject to the EAR to a party acting as an agent, front, or a shell company in order to facilitate transactions that would not otherwise be permissible with a company on the Entity List.

Pursuant to the EAR, certain non-U.S. made items are subject to the EAR, including a non-U.S. made item incorporating controlled U.S.-origin content in an amount exceeding the *de minimis* level as specified in the EAR, which in general is not more than 25% controlled U.S.-origin content by value.

Relationship with Dahua Technology

Dahua Technology, one of our shareholders and a connected person, was added to the Entity List in October 2019. However, as advised by our U.S. Export Control Legal Advisor, we are not subject to the U.S. export control restrictions imposed on Dahua Technology as a result of Dahua Technology's Entity List designation, as we are legally distinct entities from Dahua Technology. As noted by BIS FAQ No. 134, "[s]ubsidiaries, parent companies, and sister companies are legally distinct from listed entities [and].....[t]herefore, the licensing and other obligations imposed on a listed entity by virtue of its being listed do not per se apply to its subsidiaries, parent companies, sister companies, or other legally distinct affiliates that are not listed on the Entity List." Based on the public announcements issued by and enquiries made with Dahua Technology, our U.S. Export Control Legal Advisor has confirmed that it would be reasonable to conclude that the restrictions imposed on Dahua Technology as a result of the Entity List designation only applies to Dahua Technology. Given the BIS FAQ above, our U.S. Export Control Legal Advisor is of the view that the Entity List designation does not extend to any other legally distinct subsidiaries or affiliates of Dahua Technology.

The Entity List imposes U.S. export license requirements for exports, re-exports, or transfers (in-country) of items subject to the EAR to a designated entity. It does not restrict ownership or other financial transactions. Moreover, as noted in the above paragraph, the Entity List designation does not apply to other legally distinct subsidiaries and affiliates of Dahua Technology. Therefore, our U.S. Export Control Legal Advisor concluded that it is not a violation of the EAR for the Company to continue to hold its 20% interest in Huaruijie Technology whilst Dahua Technology holds 51% interest therein. Given that: (a) the Company does not currently sell to and does not expect to sell to Dahua Technology in the future; (b) the Company is not designated as an Entity List company by reason of Dahua Technology's designation; and (c) the scope of the Entity List restrictions as set out above and below, our Directors are of the view that Dahua Technology's designation as an Entity List company, the Group's past transactions with Dahua Technology and the Company's 20% equity interest in Huaruijie Technology do not have any material adverse impact on the Group's business operations and financial performance. Furthermore, given that: (a) the scope of the Entity List restrictions as set out above and below; and (b) none of the Company's Directors are designated on the Entity List, our Directors are of the view that Dahua Technology's designation as an Entity list company does not have any material adverse impact on the suitability of the Company's Directors.

Based on the factors set out above and the due diligence work performed by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would cast doubt on the Directors' view as set out above.

Transactions with Dahua Technology

Property Leasing

In 2021 and 2022, we leased a property from Dahua Technology to be used as a laboratory. As these are real property leases that did not involve any supply of items subject to the EAR, our U.S. Export Control Legal Advisor is of the view that these transactions would not be subject to the EAR.

Procurement

During the Track Record Period and up to the Latest Practicable Date, we reimbursed Dahua Technology for the electricity costs in respect of third party manufactured charging piles located at Dahua Technology's principal place of business. The reimbursement of electricity costs were less than RMB7,000 for each of the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, representing 0.00% of our total procurement costs for the respective periods.

Our U.S. Export Control Legal Advisor is of the view that to the extent there was a "transfer" of the charging piles to Dahua Technology, the charging piles are made in China and do not incorporate controlled U.S.-origin content in excess of the relevant *de minimis* threshold (which, pursuant to Section 734.4 of the EAR would generally be 25% controlled U.S.-origin content by value, when such non-U.S. made item is being exported to China), and accordingly would not be subject to the EAR. Further, our Export Control Legal Advisor is of the view that the reimbursement of electricity costs in this case was not a financial transaction subject to the EAR.

Sale of our C11 Vehicles

During the Track Record Period and up to the Latest Practicable Date, we sold two of our C11 vehicles and associated car accessories and services to Dahua Technology, in an aggregate amount of approximately RMB338,000. Based on the information provided by the Company, our U.S. Export Control Legal Advisor is of the view that our C11 vehicle is a non-U.S. made item that is not subject to the EAR.

Transfer of Other Assets and Reimbursement of Car Repair Costs

In April 2020, we: (a) transferred a third-party made vehicle and received reimbursements for the repair costs; and (b) sold various electronic devices including laptops, displays and computers to Dahua Technology, details of which are as follows:

(a) in relation to the transfer of the third-party made vehicle and the reimbursement of the repair costs for the vehicle — the vehicle was manufactured in China and hence was not of U.S.-origin. We are also not aware of any facts to suggest the vehicle incorporates U.S. origin controlled content in excess of the relevant *de minimis* amount. The car repair services were undertaken in China and were provided to Dahua Technology employees for their own personal vehicles; and

(b) in relation to the sale of electronic devices (including laptops, displays and computers) — we have obtained certifications from the manufacturers representing that the electronic devices are of China origin and are not subject to the EAR.

The transactions set out in paragraphs (a) and (b) above were one-off transactions and were non-recurring. The transfers and reimbursement costs amounted to approximately nil, RMB0.42 million, RMB0.12 million and nil, representing nil, 0.07%, 0.00% and nil of our total sales for each of the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively.

Based on the facts and representations as set forth above and third-party representations, our U.S. Export Control Legal Advisor is of the view that none of these transactions would violate the EAR.

Transactions with Subsidiaries of Dahua Technology

Our Group has various leases, procurement, supply and sales contracts with subsidiaries of Dahua Technology, including:

(a) a Components and Systems Supply Framework Agreement with Huaruijie Technology for the purchase by us of certain types of sensors and systems used in electric vehicles from Huaruijie Technology; and

(b) a Services Procurement Framework Agreement with Zhejiang Dahua Vision Technology Co., Ltd. (浙江大華科技有限公司) and Zhejiang Dahua Zhilian Co., Ltd. (浙江大華智聯有限公司) for the outsourcing by us of the assembly process of various items used in the EVs manufactured by our Group.

For details, please refer to the "Connected Transactions" section.

The subsidiaries of Dahua Technology with which we have procurement and supply contracts are legally distinct subsidiaries of Dahua Technology and are not listed on the Entity List. Our U.S. Export Control Legal Advisor has confirmed that we can continue to engage in the above activities, including the purchase and procurement of items or services from subsidiaries of Dahua Technology, as the activities are with separate legal entities of Dahua Technology and assuming such items or services were procured or otherwise manufactured in compliance with the EAR.

Internal Control

To identify and monitor our exposure to risks associated with sanctions and U.S. export control relevant to our business, we have adopted certain internal control measures, including:

(1) **awareness raising**: we have and will continue to provide annual training to all relevant employees (including senior management) as well as targeted training to personnel in key positions (e.g., supply chain, accounting and sales positions) regarding compliance with U.S. export controls;

(2) **screening of potential customers and suppliers**: we have established a process where we screen and identify the names of potential customers and suppliers against the Consolidated Screening List (published by the U.S. Government), which is a compilation of different U.S. Government restricted party lists, including, among others, the Entity List and Military End User List. If the names of the potential customers and suppliers match any hits on the Consolidated Screening List, we will work with our legal department and/or external counsel to determine and analyze whether to transact with these parties;

(3) **certifications and contractual arrangements**: we require third-party partners and suppliers to provide certifications in respect of U.S. export control laws and set out export control compliance clauses in contracts relevant to the provision of hardware, software or technology;

(4) **adopting the export control compliance manual and recordkeeping procedures**: we have adopted an U.S. export control compliance manual which sets out the internal procedures for the Company to ensure its compliance with the EAR, including procedures for reporting and internal review, training and recordkeeping. The manual is based on BIS' Export Compliance Guidelines and incorporates BIS' recommended eight elements for an effective export compliance program. We will review and update the manual regularly to ensure our compliance with the EAR;

(5) **supply chain due diligence**: we have been undertaking analysis to determine the classification of certain physical items, technology, and software in our possession, including those obtained from suppliers and other third parties. We will continue to work with our legal department and/or external counsel to analyze whether certain of its non-U.S. made items are subject to the EAR; and

(6) **contingency plans**: to mitigate any possible disruption on our business operations in the event third parties are prohibited from dealing with Dahua Technology and/or its subsidiaries, we have formulated contingency plans including alternative supply chain arrangements at similar terms and prices.

LICENSES, APPROVALS AND PERMITS

As of the Latest Practicable Date, as advised by our PRC Legal Advisor, we had obtained all material licenses and permits required for our business operations in the PRC, and such business licenses had remained in full effect. In addition, we have obtained the entry approval from MIIT to become a qualified automobile manufacturer, according to the Announcement of Road Power-Driven Vehicle Manufacturing Enterprises and Products released on April 30, 2021. The following table sets forth details of our other material licenses and permits:

License/Permit	Holder	Issuing Authority	Grant Dates	Expiration Date
Registration of a Consignee or Consignor of Imported or Exported Goods (海關進出口貨物收發貨人備案回執)	Our Company	Qianjiang Custom	April 29, 2016	N/A
China Foreign Trade Operator Registration Form (對外貿易經營者備案登記表)	Leapmotor (Jinhua) New Energy Vehicle Parts Technology Co., Ltd.	Jinhua Custom	September 8, 2021	N/A
Registration of a Consignee or Consignor of Imported or Exported Goods	Leapmotor (Jinhua) New Energy Vehicle Parts Technology Co., Ltd.	Jinhua Custom	October 9, 2021	N/A
China Foreign Trade Operator Registration Form	Leapmotor Automobile Co., Ltd.	Jinhua Custom	April 8, 2021	N/A
Registration of a Consignee or Consignor of Imported or Exported Goods	Leapmotor Automobile Co., Ltd.	Jinhua Custom	September 5, 2017	N/A
Pollutant Discharge Permit (排污許可證)	Leapmotor Automobile Co., Ltd.	Jinhua Municipal Bureau of Ecology and Environment	November 9, 2021	November 8, 2026
Pollutant Discharge Permit (排污許可證)	Jinhua Leapmotor New Energy Vehicle Parts Technology Co., Ltd.	Jinhua Municipal Bureau of Ecology and Environment	August 3, 2022	August 2, 2027

On December 9, 2020, Leapmotor Automobile Co., Ltd. ("**Leapmotor Automobile**"), a wholly-owned subsidiary of the Company, entered into an agreement with an Independent Third Party to acquire 100% equity interest in Fujian Xinfuda Automobile Industry Co., Ltd. ("**Fujian Xinfuda**") to enhance our vehicle manufacturing capabilities and achieve in-house vehicle production. Leapmotor Automobile then relocated the manufacturing base to Jinhua, and obtained the required entry approval from MIIT, in accordance to the Announcement of Road Power-Driven Vehicle Manufacturing Enterprises and Products released on April 30, 2021. In May 2021, we sold 100% equity interest in Fujian Xinfuda to the same seller. The consideration for the acquisition and sale of equity interest of Fujian Xinfuda were based on asset valuation of Fujian Xinfuda conducted by a third-party valuer. As advised by our PRC Legal Advisor, we have legally obtained the vehicle manufacturing qualification in accordance with the relevant PRC laws and regulations with the following bases: (i) the application for the vehicle manufacturing qualification with the MIIT was in accordance with the relevant PRC laws and regulations; and (ii) the MIIT approved our application and granted us the vehicle manufacturing qualification.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may from time to time be subject to various legal or administrative claims proceedings arising from the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention. See "Risk Factors — Risks Relating to Our Business and Industry — We may from time to time be subject to claims, disputes, lawsuits and other legal and administrative proceedings."

During the Track Record Period and up to the Latest Practicable Date, there were no legal proceedings pending or threatened against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisor, we had complied with the applicable laws and regulations in relation to our business operations in all material respects, and we were not involved in any non-compliance incidents which the Directors believe would, individually, or in aggregate, have a material adverse effect on our business as a whole. Our PRC Legal Advisor is of the view that we have obtained all required licenses and approvals for our business operations in all material respects, including EV manufacturing, during the Track Record Period.

RISK MANAGEMENT AND INTERNAL CONTROL

We are dedicated to the establishment and maintenance of a robust risk management and internal control system. We have adopted and continually improve our internal control mechanisms to ensure the compliance of our business operations. Furthermore, we conduct periodic review of the implementation of our risk management policies and internal control measures to ensure their effectiveness and sufficiency. We have been committed to promoting a compliance culture and will adopt policies and procedures on various compliance matters, including the Stock Exchange's requirements on corporate governance and environmental, social and governance matters. Our Board will be collectively responsible for the establishment and operations of mechanisms in relation to corporate governance and environmental, social and governance. Our Directors are involved in the formulation of such mechanisms and the related policies. We have adopted and implemented risk management policies in various aspects of our business operations to address various potential risks in relation to operations, compliance, information security and data privacy, intellectual property, and investment.

Business Operational Risk Management

Business operational risk refers to the risk of direct or indirect financial loss resulting from incomplete or problematic internal processes, personnel mistakes, IT system failures or external events. We have established a series of internal procedures to manage such risk. We take a comprehensive approach with regard to operational risk management and implement a mechanism with detailed and decentralized responsibilities, clear rewards and punishment systems. Our business operations, finance, information technology, and human resources departments are collectively responsible in ensuring that the compliance of our business operations conform with internal procedures. On the occurrence of a major adverse event, the matter will be escalated to our senior management and the Board of Directors may need to take appropriate measures. Through effective business operational risk management, we expect to control operational risks within a reasonable range by identifying, measuring, monitoring and containing operational risks to reduce potential losses.

Information System Risk Management

See "— Cybersecurity, Data Privacy and Personal Information."

Intellectual Property Risk Management

See "— Intellectual Property."

Anti-corruption Risk Management

Anti-corruption risk refers to the risk of use of cheating, bribery or other illegal measures for (i) the pursuit of improper personal benefits at the expense of our Group's economic interests and (ii) the pursuit of improper interests of the Group. We have established our anti-corruption risk management policies prohibiting any corruption activities by the employees, either for the pursuit of improper personal benefits or

improper interests of the Company. Our internal control department is directly responsible for the anti-corruption risk management with an anti-corruption committee established under it, comprising of designated personnel from our human resources, internal control and legal departments. We have maintained a whistle-blower mechanism encouraging the internal report of suspicious activities. We have zero-tolerance of corruption and do not accept employment or promotion of persons responsible for corruption incidents. We conduct routine internal training and require all suppliers to execute anti-corruption commitments before engagement.

Audit Committee Experience and Qualification and Board Oversight

To monitor the ongoing implementation of our risk management policies, we have established an Audit Committee to review and supervise our financial reporting process and internal control system on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The Audit Committee comprises three members, namely Wenli Huang, Yuwu Fu and Yufeng Jin. Wenli Huang is the Chairperson of the Audit Committee and an independent non-executive Director. Please refer to the section headed "Directors and Senior Management — Directors" in this document.

Our internal control department is responsible for reviewing the effectiveness of internal controls and reporting issues identified and improving our internal control system and procedures by identifying internal control failures and weaknesses on an ongoing basis. The internal audit department reports any major issues identified to the Audit Committee and Board of Directors on a timely basis.

AWARDS AND RECOGNITIONS

During the Track Record Period and up to the Latest Practicable Date, we received awards and recognition in respect of our products, technology and innovation, significant ones of which are set forth below:

Year	Award/Recognition	Awarding Institution/Authority
2021	China Top Ten Vehicle Body Best Structure Award	China Auto Safety & Bodywork Conference
2021	First Place at Real Time 2D Detection Challenge — 2021 Waymo Open Dataset Challenges	Waymo
2021	"Heart of China" Award — Top Ten New Energy Vehicle Electric Drive System	Auto Motor & Sport

Year	Award/Recognition	Awarding Institution/Authority
2021	Zhejiang Province Key Research and Development Program — High-Performance Integrated Oil-Cooling Electric Drive System Development and Application Project (高性能油冷電驅總成開發及應用項目)	Science Technology Department of Zhejiang Province
2020	Innovative Product of the Year	NetEase & ECI Awards
2019	Intelligent Automotive Sensor and Vision Recognition System Project (智能汽車傳感器與視覺識別系統項目)	National Development and Reform Commission & Ministry of Industry and Information Technology
2019	Zhejiang Province Key Research and Development Program — Automotive High Precision Sensors Development and Application Project (車載高精度傳感器件研發及應用項目)	Science Technology Department of Zhejiang Province & Zhejiang Provincial Department of Finance
2018	New Energy Vehicle Project of the National Key Research and Development Scheme — Integration and Demonstration Project for Autonomous Driving of Electric Vehicles (自動駕駛電動汽車集成與示範項目)	PRC Ministry of Science and Technology