

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See "Business – Our Strategies" for a detailed discussion of our future plans.

USE OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the stated range of the [REDACTED] between HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED]), we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED] after deducting the [REDACTED], fees and other estimated expenses in connection with the [REDACTED] and assuming that the [REDACTED] and the [REDACTED] are not exercised or HK\$[REDACTED] if the [REDACTED] and the [REDACTED] are exercised in full. In line with our strategies, we intend to use our [REDACTED] from the [REDACTED] for the following purposes:

- Approximately 40.0% of the net [REDACTED] or approximately HK\$[REDACTED], for our research and development, including:
 - i. Approximately 15.0% of the net [REDACTED] or approximately HK\$[REDACTED] will be used for expanding and upgrading our smart EV portfolio. We target to launch seven new BEV models by 2025 at a pace of one to three models every year, covering sedans, SUVs, and MPVs from compact to mid-to-large in size, enabling us to further penetrate into our addressable market and address the demand for a broader range of customers. For example, we launched the C01, a mid-to large-sized smart electric sedan developed on the same platform as the C11, in May 2022 with expected delivery in the third quarter of 2022. As an addition to our product offering, we also plan to launch the EREV version of these new models based on our proprietary EREV technology, concurrently or subsequently, to broaden our target audience to include customers with different needs and preferences. We plan to recruit more research and development staff to further drive our product portfolio expansion, and continue to partner with suppliers for component customization and vehicle design. We expect to develop and enhance our major vehicle platforms, which are foundation for our future models with advanced systems and software;
 - ii. Approximately 15.0% of the net [REDACTED] or approximately HK\$[REDACTED] will be used to fund our team expansion and the development of our advanced vehicle intelligence technologies, including autonomous driving system (Leapmotor Pilot) and smart cockpit system (Leapmotor OS). Specifically, we plan to continuously upgrade our software and the autonomous driving system on our current models. We expect to offer Leapmotor Pilot with the Navigation Assistance Pilot (NAP) function on city streets by 2024, which enables assisted driving in urban environments. In addition, we plan to upgrade Leapmotor OS to provide customers with a smarter and more personalized user experience. Smart vehicles and autonomous driving technologies represent the future trends of the electric vehicle industry that we believe are mission-critical to grow our customer base while offering them high-quality mobility experiences; and

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- iii. Approximately 10.0% of the net [REDACTED] or approximately HK\$[REDACTED] will be used for advancement of our electrification technologies. We plan to invest in upgrading our vehicle-centralized E/E architecture, high-voltage electric drive system, ECUs, battery packs, battery management system and integrated thermal management system.
- Approximately 25.0% of the net [REDACTED] or approximately HK\$[REDACTED], for enhancing our production capacity and capabilities, as part of our efforts to improve vertical integration and operational efficiency, including:
 - i. Approximately 15.0% of the net [REDACTED] or approximately HK\$[REDACTED] will be used to further build up our production capacity. We plan to invest in production premise to improve our mass production capabilities of vehicles and core components, such as battery system, electric drive system and electric control system. In addition, we plan to start the construction of the Hangzhou Plant in 2022 to meet the growing demand of our smart EVs.
 - ii. Approximately 10.0% of the net [REDACTED] or approximately HK\$[REDACTED] will be used to strengthen our automation and manufacturing capabilities. Leveraging our high degree of vertical integration, we will further optimize the full process of R&D, supply chain management and EV and component manufacturing, achieving the highest quality control standard, production efficiency and cost efficiency. We plan to enhance our automation systems and digitalized operation capabilities, to achieve synergies across business units. For example, we expect to use automated systems and production facilities to improve accuracy and quality control at the manufacturing end and to maximize the design effectiveness of R&D. We aim to further improve our production and supply chain efficiency.

We plan to apply all 25% of the net [REDACTED] for the new Hangzhou Plant. We plan to finance the remaining balance through internal resources or bank borrowing.

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- Approximately 25.0% of the net [REDACTED] or approximately HK\$[REDACTED], for expanding our sales and service network and establishing a stronger brand presence, including:
 - i. Approximately 10.0% of the net [REDACTED] or approximately HK\$[REDACTED] will be used to expand our sales and service network and improve our service quality. Specifically, we plan to:
 - (a) Continue to execute our direct-to-customer strategy and expand the coverage of our sales network by opening more directly operated stores, as well as collaborating with more channel partners. We will further increase the density of stores in the cities we primarily operate in, while penetrating markets where we have yet to fully establish our presence. We plan to recruit more sales and marketing staff and gear them up with our systematic training to improve their sales and service skills, for better serving our customers.

In addition, we plan to scale up our service network, further develop more and targeted online and offline services channels, expand our service team and improve our service quality. For online channels, we plan to (i) continuously upgrade our customer experience management system, and (ii) enhance features of our online portals, including the Leapmotor APP and mini programs, to enrich customer experiences. For offline channels, we plan to broaden the scope of our services to satisfy customers' needs. We will establish additional delivery and service centers in strategic locations and target cities across China; and

- (b) Offer more software with high-quality content and launch and monetize digital value-added services to curate a more engaging user base. We will introduce more content offerings including digital services in lifestyle, productivity and entertainment. For example, we plan to introduce advanced NAP features through subscription plans and offer entertainment features such as online karaoke and screencasts based on a license fee or subscription model. We will further improve our customer experience and commercial value of our software and services. We plan to establish a more engaging and thriving user-oriented online community through the Leapmotor APP. We aspire to continuously improve our service quality and provide more auxiliary vehicle services.

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- ii. Approximately 10.0% of the net [REDACTED] or approximately HK\$[REDACTED] will be used for marketing and enhancing our brand awareness. We plan to:
 - (a) Increase our investment in online marketing activities, such as (i) promotion and advertisement on automobile vertical media and social platforms, (ii) cultivating and nurturing our user community, and (iii) upgrade of our online platform. We plan to increase our market exposure to acquire new customers, and to improve our brand image; and
 - (b) Increase our investment in offline marketing activities. For example, we will place more advertisement in trafficked area, continue to participate in auto shows, and organize more offline events, such as test drives and community activities for our vehicle owners.
 - iii. Approximately 5.0% of the net [REDACTED] or approximately HK\$[REDACTED] will be used to establish our footprint in the international market. We plan to improve our global brand awareness by entering the European market. We will conduct marketing activities and build our network to develop our customer base in Europe. We expect to open our first overseas flagship store in the European market by 2023.
- Approximately 10.0% of the net [REDACTED] or approximately HK\$[REDACTED], for working capital and general corporate purposes.

To the extent that our actual net [REDACTED] from the [REDACTED] is higher or lower than our estimate above, we will increase or decrease our allocation of the net [REDACTED] for the purposes set out above on a pro rata basis.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not viable, or the occurrence of force majeure events, we will carefully evaluate the situation and may reallocate the net [REDACTED] from the [REDACTED].

To the extent that the net [REDACTED] of the [REDACTED] are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, we only intend to place such [REDACTED] in short-term interest-bearing deposits with licensed banks or authorized financial institutions in Hong Kong or China.