

**APPENDIX I**

**ACCOUNTANT'S REPORT**

*The following is the text of a report set out on pages I-[1] to I-[3], received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to J.P. Morgan Securities (Far East) Limited, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited and CCB International Capital Limited pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*

**[Letterhead of PricewaterhouseCoopers]**

**[DRAFT]**

**ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZHEJIANG LEAPMOTOR TECHNOLOGY CO., LTD. AND J.P. MORGAN SECURITIES (FAR EAST) LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, CITIGROUP GLOBAL MARKETS ASIA LIMITED AND CCB INTERNATIONAL CAPITAL LIMITED**

*Introduction*

We report on the historical financial information of Zhejiang Leapmotor Technology Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-[4] to I-[113], which comprises the consolidated balance sheets as at 31 December 2019, 2020 and 2021 and 31 March 2022, the Company's balance sheets as at 31 December 2019, 2020 and 2021 and 31 March 2022, and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-[4] to I-[113] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "**Document**") in connection with the initial [REDACTED] of H Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

*Directors' responsibility for the Historical Financial Information*

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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*Reporting accountant's responsibility*

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

*Opinion*

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2019, 2020 and 2021 and 31 March 2022 and the consolidated financial position of the Group as at 31 December 2019, 2020 and 2021 and 31 March 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

*Review of stub period comparative financial information*

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended 31 March 2021 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board ("**IAASB**"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[4] have been made.

*Dividends*

We refer to Note 42 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

[PricewaterhouseCoopers]  
Certified Public Accountants  
Hong Kong, [●]

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**I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**

**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand of RMB (RMB'000) except when otherwise indicated.

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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

	Note	Year ended 31 December			Three months ended 31 March	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
Revenue	5	116,963	631,301	3,132,059	278,047	1,991,837
Cost of sales	8	(228,929)	(950,902)	(4,519,690)	(415,455)	(2,521,312)
<b>Gross loss</b>		(111,966)	(319,601)	(1,387,631)	(137,408)	(529,475)
Selling expenses	8	(131,148)	(154,920)	(427,855)	(89,728)	(162,375)
Administrative expenses	8	(160,830)	(183,810)	(398,310)	(84,371)	(154,126)
Research and development expenses	8	(358,318)	(289,248)	(740,015)	(92,996)	(242,545)
Net impairment losses on financial assets	3.1(b)	(101)	(212)	(298)	(95)	(166)
Other income	6	23,477	66,590	66,293	2,026	9,220
Other gains — net	7	7,930	11,671	19,498	4,453	7,492
<b>Operating loss</b>		(730,956)	(869,530)	(2,868,318)	(398,119)	(1,071,975)
Finance income	10	1,693	1,294	84,007	13,202	31,220
Finance costs	10	(171,868)	(230,331)	(61,658)	(11,464)	(3,389)
<b>Finance (costs)/income — net</b>	10	(170,175)	(229,037)	22,349	1,738	27,831
Share of net (loss)/profit of an associate accounted for using the equity method	36	—	(1,526)	196	(854)	1,941
<b>Loss before income tax</b>		(901,131)	(1,100,093)	(2,845,773)	(397,235)	(1,042,203)
Income tax expense	11	—	—	—	—	—
<b>Loss and total comprehensive loss for the year/period attributable to the equity holders of the Company</b>		<u>(901,131)</u>	<u>(1,100,093)</u>	<u>(2,845,773)</u>	<u>(397,235)</u>	<u>(1,042,203)</u>
<b>Loss per share attributable to the equity holders of the Company (in RMB)</b>						
Basic and diluted loss per share	12	<u>(2.45)</u>	<u>(2.99)</u>	<u>(3.03)</u>	<u>(0.57)</u>	<u>(1.03)</u>

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**CONSOLIDATED BALANCE SHEETS**

	Note	As at 31 December			As at
		2019	2020	2021	31 March
		RMB'000	RMB'000	RMB'000	2022
				RMB'000	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	15	1,472,073	1,521,665	1,929,028	2,109,523
Right-of-use assets	14	100,147	117,161	454,362	719,916
Intangible assets	16	17,897	19,853	419,867	427,150
Investment in an associate accounted for using the equity method	36	–	18,474	18,670	20,611
Long-term bank time deposits	22	–	140,107	717,103	822,646
Other non-current assets	17	–	–	32,593	207,134
		<u>1,590,117</u>	<u>1,817,260</u>	<u>3,571,623</u>	<u>4,306,980</u>
<b>Current assets</b>					
Inventories	18	165,178	182,088	749,471	1,115,473
Trade and notes receivables	19	19,048	233,229	782,250	986,031
Contract assets	5	–	–	28,497	42,767
Other current assets	20	234,094	420,849	420,518	609,723
Financial assets at fair value through profit or loss	21	181,606	76,042	1,260,078	301,349
Restricted cash	22	40,803	441,497	1,376,072	953,952
Cash and cash equivalents	22	205,690	100,806	4,337,967	4,277,140
		<u>846,419</u>	<u>1,454,511</u>	<u>8,954,853</u>	<u>8,286,435</u>
<b>Total assets</b>		<u><b>2,436,536</b></u>	<u><b>3,271,771</b></u>	<u><b>12,526,476</b></u>	<u><b>12,593,415</b></u>
<b>EQUITY</b>					
Paid-in capital	23	538,984	538,984	–	–
Share capital	24	–	–	1,011,887	1,011,887
Treasury stock	25	(1,486,084)	–	–	–
Reserves	25	1,324,592	1,604,431	10,789,743	10,862,701
Accumulated losses		<u>(1,606,518)</u>	<u>(2,706,611)</u>	<u>(4,571,414)</u>	<u>(5,613,617)</u>
<b>Total (deficits)/equity</b>		<u><b>(1,229,026)</b></u>	<u><b>(563,196)</b></u>	<u><b>7,230,216</b></u>	<u><b>6,260,971</b></u>

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	<i>Note</i>	<b>As at 31 December</b>			<b>As at</b>
					<b>31 March</b>
		<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	29	1,086,171	1,159,165	534,021	496,200
Contract liabilities	5	–	–	31,222	53,037
Lease liabilities	14	5,524	13,788	16,364	237,735
Provisions	30	1,655	6,081	55,425	99,841
Deferred income	31	128,145	239,781	329,706	395,170
Financial instruments with preferred rights at amortized cost	28	1,600,996	–	–	–
		<u>2,822,491</u>	<u>1,418,815</u>	<u>966,738</u>	<u>1,281,983</u>
<b>Current liabilities</b>					
Trade and notes payables	33	195,691	738,935	2,596,106	3,493,080
Other payables and accruals	34	427,699	376,086	825,326	767,780
Advances from customers	35	5,331	41,667	503,213	454,935
Contract liabilities	5	–	–	3,728	5,320
Borrowings	29	207,630	1,242,909	340,166	275,652
Lease liabilities	14	3,229	13,376	24,559	16,059
Derivative financial instruments	32	2,842	–	–	–
Provisions	30	649	3,179	36,424	37,635
		<u>843,071</u>	<u>2,416,152</u>	<u>4,329,522</u>	<u>5,050,461</u>
<b>Total liabilities</b>		<u><b>3,665,562</b></u>	<u><b>3,834,967</b></u>	<u><b>5,296,260</b></u>	<u><b>6,332,444</b></u>
<b>Total (deficits)/equity and liabilities</b>		<u><b>2,436,536</b></u>	<u><b>3,271,771</b></u>	<u><b>12,526,476</b></u>	<u><b>12,593,415</b></u>
<b>Net current assets/(liabilities)</b>		<u><b>3,348</b></u>	<u><b>(961,641)</b></u>	<u><b>4,625,331</b></u>	<u><b>3,235,974</b></u>
<b>Total assets less current liabilities</b>		<u><b>1,593,465</b></u>	<u><b>855,619</b></u>	<u><b>8,196,954</b></u>	<u><b>7,542,954</b></u>

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**BALANCE SHEETS OF THE COMPANY**

	Note	As at 31 December			As at
		2019	2020	2021	31 March
		RMB'000	RMB'000	RMB'000	2022
				RMB'000	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	15	91,439	129,741	308,265	366,504
Right-of-use assets	14	823	14,712	14,907	18,593
Intangible assets	16	15,261	10,740	14,392	22,650
Investments in subsidiaries	13	636,727	877,727	3,919,454	4,016,719
Investment in an associate accounted for using the equity method	36	–	18,474	18,670	20,611
Long-term bank time deposits	22	–	140,107	408,312	410,212
Other non-current assets	17	–	–	6,294	16,222
		<u>744,250</u>	<u>1,191,501</u>	<u>4,690,294</u>	<u>4,871,511</u>
<b>Current assets</b>					
Trade and notes receivables	19	707	413	732	–
Other current assets	20	630,970	1,550,517	3,383,595	3,723,102
Financial assets at fair value through profit or loss	21	127,226	50,042	1,157,560	200,163
Restricted cash	22	1,669	15,282	50,495	102,271
Cash and cash equivalents	22	185,571	85,005	3,474,263	3,627,664
		<u>946,143</u>	<u>1,701,259</u>	<u>8,066,645</u>	<u>7,653,200</u>
<b>Total assets</b>		<u><u>1,690,393</u></u>	<u><u>2,892,760</u></u>	<u><u>12,756,939</u></u>	<u><u>12,524,711</u></u>
<b>EQUITY</b>					
Paid-in capital	23	538,984	538,984	–	–
Share capital	24	–	–	1,011,887	1,011,887
Treasury stock	25	(1,486,084)	–	–	–
Reserves	25	1,324,592	1,604,431	10,789,743	10,862,701
Accumulated losses		(435,689)	(624,863)	(566,295)	(859,574)
<b>Total (deficits)/equity</b>		<u><u>(58,197)</u></u>	<u><u>1,518,552</u></u>	<u><u>11,235,335</u></u>	<u><u>11,015,014</u></u>



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	<i>Note</i>	<b>As at 31 December</b>			<b>As at</b>
					<b>31 March</b>
		<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Lease liabilities	14	–	7,386	2,007	4,569
Deferred income	31	3,065	4,778	3,380	3,104
Financial instruments with preferred rights at amortized cost	28	1,600,996	–	–	–
		<u>1,604,061</u>	<u>12,164</u>	<u>5,387</u>	<u>7,673</u>
<b>Current liabilities</b>					
Trade and notes payables	33	30,452	41,818	175,572	377,668
Other payables and accruals	34	110,882	149,195	1,327,021	1,116,609
Borrowings	29	–	1,163,980	–	–
Lease liabilities	14	353	7,051	13,624	7,747
Derivative financial instruments	32	2,842	–	–	–
		<u>144,529</u>	<u>1,362,044</u>	<u>1,516,217</u>	<u>1,502,024</u>
<b>Total liabilities</b>		<u><u>1,748,590</u></u>	<u><u>1,374,208</u></u>	<u><u>1,521,604</u></u>	<u><u>1,509,697</u></u>
<b>Total (deficits)/equity and liabilities</b>		<u><u>1,690,393</u></u>	<u><u>2,892,760</u></u>	<u><u>12,756,939</u></u>	<u><u>12,524,711</u></u>
<b>Net current assets</b>		<u><u>801,614</u></u>	<u><u>339,215</u></u>	<u><u>6,550,428</u></u>	<u><u>6,151,176</u></u>
<b>Total assets less current liabilities</b>		<u><u>1,545,864</u></u>	<u><u>1,530,716</u></u>	<u><u>11,240,722</u></u>	<u><u>11,022,687</u></u>

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**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

		Equity attributable to equity holders of the Company						
Note	Paid-in	Share capital	Treasury	Reserves	Accumulated	Total		
	capital		stock		losses			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
	As at 1 January 2019	509,545	-	(1,125,084)	989,704	(705,387)	(331,222)	
	Loss and total comprehensive loss for the year	-	-	-	-	(901,131)	(901,131)	
		509,545	-	(1,125,084)	989,704	(1,606,518)	(1,232,353)	
<b>Transactions with equity holders</b>								
	Capital contributions from equity holders	23,24	29,439	-	-	331,561	-	361,000
	Recognition of financial instruments with preferred rights at amortized cost	25	-	-	(361,000)	-	-	(361,000)
	Share-based payment	26	-	-	-	3,327	-	3,327
			29,439	-	(361,000)	334,888	-	3,327
	As at 31 December 2019	538,984	-	(1,486,084)	1,324,592	(1,606,518)	(1,229,026)	
	As at 1 January 2020	538,984	-	(1,486,084)	1,324,592	(1,606,518)	(1,229,026)	
	Loss and total comprehensive loss for the year	-	-	-	-	(1,100,093)	(1,100,093)	
		538,984	-	(1,486,084)	1,324,592	(2,706,611)	(2,329,119)	
<b>Transactions with equity holders</b>								
	Derecognition of financial instruments with preferred rights at amortized cost	25	-	-	1,486,084	237,280	-	1,723,364
	Share-based payment	26	-	-	-	42,559	-	42,559
			-	-	1,486,084	279,839	-	1,765,923
	As at 31 December 2020	538,984	-	-	1,604,431	(2,706,611)	(563,196)	

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		Attributable to equity holders of the Company					
	Note	Paid-in capital	Share capital	Treasury stock	Reserves	Accumulated losses	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2021</b>		538,984	-	-	1,604,431	(2,706,611)	(563,196)
Loss and total comprehensive loss for the year		-	-	-	-	(2,845,773)	(2,845,773)
		538,984	-	-	1,604,431	(5,552,384)	(3,408,969)
<b>Transactions with equity holders</b>							
Capital contributions from equity holders	23,24	249,819	-	-	4,091,911	-	4,341,730
Conversion into a joint stock company	24,25	(788,803)	788,803	-	(980,970)	980,970	-
Issuance of shares	24,25	-	223,084	-	5,857,416	-	6,080,500
Share-based payment	26	-	-	-	216,955	-	216,955
		(538,984)	1,011,887	-	9,185,312	980,970	10,639,185
<b>As at 31 December 2021</b>		-	1,011,887	-	10,789,743	(4,571,414)	7,230,216
<b>As at 1 January 2022</b>		-	1,011,887	-	10,789,743	(4,571,414)	7,230,216
Loss and total comprehensive loss for the period		-	-	-	-	(1,042,203)	(1,042,203)
		-	1,011,887	-	10,789,743	(5,613,617)	6,188,013
<b>Transactions with equity holders</b>							
Share-based payment	26	-	-	-	72,958	-	72,958
<b>As at 31 March 2022</b>		-	1,011,887	-	10,862,701	(5,613,617)	6,260,971
<b>(Unaudited)</b>							
<b>As at 1 January 2021</b>		538,984	-	-	1,604,431	(2,706,611)	(563,196)
Loss and total comprehensive loss for the period		-	-	-	-	(397,235)	(397,235)
		538,984	-	-	1,604,431	(3,103,846)	(960,431)
<b>Transactions with equity holders</b>							
Capital contributions from equity holders	23,24	249,819	-	-	4,091,911	-	4,341,730
Share-based payment	26	-	-	-	25,938	-	25,938
		249,819	-	-	4,117,849	-	4,367,668
<b>As at 31 March 2021</b>		788,803	-	-	5,722,280	(3,103,846)	3,407,237

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Note	Year ended 31 December			Three months ended 31 March	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
<b>Cash flows from operating activities</b>						
Net cash used in operations	37	(676,427)	(733,127)	(1,048,105)	(140,928)	(409,166)
Interest received from cash at banks	10	1,693	1,187	29,468	2,282	23,952
<b>Net cash used in operating activities</b>		<b>(674,734)</b>	<b>(731,940)</b>	<b>(1,018,637)</b>	<b>(138,646)</b>	<b>(385,214)</b>
<b>Cash flows from investing activities</b>						
Payment for investment in an associate	36	-	(20,000)	-	-	-
Proceeds from sale of property, plant and equipment		1,182	8,310	7,587	1,042	4,635
Payments for land use rights	14	-	-	(322,947)	-	-
Payments for property, plant and equipment		(407,832)	(306,209)	(691,069)	(109,948)	(427,291)
Proceeds from sale of intangible assets		98	7,962	-	-	-
Payments for intangible assets		(11,061)	(16,176)	(511,480)	(108,308)	(10,935)
Proceeds from sale of equity interest of a company	16(a)	-	-	100,000	-	-
Government grants received in relation to acquisition of non-current assets		30,080	62,627	98,925	-	70,800
Proceeds from disposals of financial assets at fair value through profit or loss	3.3(c)	1,557,267	1,249,923	3,626,202	1,761,726	1,805,331
Payments for financial assets at fair value through profit or loss	3.3(c)	(1,589,610)	(1,142,400)	(4,788,000)	(2,225,136)	(840,000)
Payments for long-term bank time deposits		-	(140,000)	(2,270,000)	(1,890,000)	(100,000)
Proceeds from long-term bank time deposits		-	-	1,710,000	200,000	-
Payment for settlement of derivative financial instruments		-	(769)	-	-	-
Interest received from long-term bank time deposits		-	-	37,543	1,716	1,725
<b>Net cash (used in)/generated from investing activities</b>		<b>(419,876)</b>	<b>(296,732)</b>	<b>(3,003,239)</b>	<b>(2,368,908)</b>	<b>504,265</b>

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	Note	Year ended 31 December			Three months ended 31 March	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
<b>Cash flows from financing activities</b>						
Proceeds from issuance of shares	24	-	-	6,080,500	-	-
Proceeds from contributions from equity holders	23	-	-	4,341,730	4,341,730	-
Proceeds from issuance of financial instruments to investors	28	361,000	-	-	-	-
Principal payments of lease liabilities		(5,129)	(11,479)	(28,021)	(8,100)	(72,898)
Proceeds from loans from equity holders	39(b)	-	799,994	340,000	340,000	-
Repayments of loans and interests to equity holders	39(b)	-	-	(1,151,322)	(1,148,851)	-
Placement of restricted cash for bank borrowings	22(b)	-	-	(610,000)	(350,000)	-
Repayments of borrowings		(28,914)	(235,874)	(791,007)	(25,799)	(101,683)
Proceeds from borrowings		444,101	470,000	138,262	-	-
Interest paid for borrowings		(80,786)	(97,683)	(58,812)	(4,910)	(1,053)
Interest paid for lease liabilities	14	(184)	(1,127)	(1,666)	(347)	(2,988)
Payments for listing expenses		-	-	(538)	-	(1,343)
<b>Net cash generated from/(used in) financing activities</b>		<b>690,088</b>	<b>923,831</b>	<b>8,259,126</b>	<b>3,143,723</b>	<b>(179,965)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(404,522)</b>	<b>(104,841)</b>	<b>4,237,250</b>	<b>636,169</b>	<b>(60,914)</b>
Cash and cash equivalents at beginning of the year/period		607,470	205,690	100,806	100,806	4,337,967
Exchange gains/(losses) on cash and cash equivalents	7	2,742	(43)	(89)	132	87
<b>Cash and cash equivalents at end of the year/period</b>	22	<b>205,690</b>	<b>100,806</b>	<b>4,337,967</b>	<b>737,107</b>	<b>4,277,140</b>

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### II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 1 GENERAL INFORMATION

Zhejiang Leapmotor Technology Co., Ltd. ("**Zhejiang Leapmotor**", or the "**Company**") was incorporated in the People's Republic of China (the "**PRC**") on 14 December 2015 as a limited liability company under the Company Law of the PRC. The address of the Company's registered office is 1st and 6th floor, No. 451, Wulianwang Street, Binjiang District, Hangzhou, Zhejiang Province, PRC.

The Company and its subsidiaries (together, "**the Group**") are principally engaged in the production, research and development and sales of new energy vehicles in the PRC. The Group commenced the delivery of its first volume manufactured electric vehicles for sale in July 2019. The Company converted into a joint stock company in April 2021.

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

##### 2.1 Basis of preparation

(i) *Compliance with IFRS*

The Historical Financial Information of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") as issued by the International Accounting Standards Board ("**IASB**").

(ii) *Historical cost convention*

The Historical Financial Information have been prepared on a historical cost basis, except for the certain financial assets and liabilities (including derivative instruments) that are measured at fair value.

(iii) *New or amended standards not yet adopted*

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for Track Record Period and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

The followings are new standards, amendments to existing standards and new interpretations that have been issued but are not effective for the Track Record Period and have not been early adopted by the Group. The Group plans to adopt these new standards, amendments to standards and annual improvements when they become effective:

<b>Standards and amendments</b>	<b>Effective for accounting periods beginning on or after</b>
IAS 1 (Amendment) 'Classification of Liabilities as Current or Non-current'	1 January 2023
IFRS 17 'Insurance Contracts'	1 January 2023
IAS 1 (Amendment) and IFRS Practice Statement 2 (Amendment) 'Disclosure of Accounting Policies'	1 January 2023

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<b>Standards and amendments</b>	<b>Effective for accounting periods beginning on or after</b>
IAS 8 (Amendment) 'Definition of Accounting Estimates'	1 January 2023
IAS 12(Amendment) 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'	1 January 2023
IFRS 10 (Amendment) and IAS 28 (Amendment) 'Sale or contribution of Assets between an Investor and its Associate or Joint Venture'	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards. According to the preliminary assessment made by the Group, no significant impact on the financial performance and positions of the Group is expected when they become effective.

**2.2 Principles of consolidation and equity accounting**

**2.2.1 Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**2.2.2 Associates**

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (Note 2.2.3), after initially being recognized at cost.

**2.2.3 Equity method of accounting**

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income ("OCI") of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

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The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

### 2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

### 2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.



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Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive loss of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

### 2.6 Foreign currency translation

#### (a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Historical Financial Information is presented in RMB, which is the functional currency of the Company and its subsidiaries and also the presentation currency of the Company.

#### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year/period end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive loss on a net basis within "other gains/(losses) — net".

### 2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Buildings	20 years
Machinery and molds	5-10 years
Vehicles	2-4 years
Electronic equipment and others	3 years
Leasehold improvements	Shorter of the lease terms or 3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains/(losses) — net" in the consolidated statements of comprehensive loss.

Construction in progress represents unfinished construction and equipment under construction or pending for installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

### 2.8 Intangible assets

#### (a) *Automotive manufacturing license*

Automotive manufacturing license ("**License**") has indefinite useful life. No useful life was determined in the contract terms when the Group acquired the License. The Group expects that the License is unlikely to be terminated based on industry experience and will continue to contribute revenue in the future. Therefore, the Group considers the useful life of such intangible assets to be indefinite. The License is not amortized, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

#### (b) *Software*

Acquired software is recognized at historical cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses. The Group's software is amortized on a straight-line basis over their estimated useful lives of 3 years.

#### (c) *Patents*

Patents are shown at fair value when acquired. Patents have a finite useful life and are carried at cost less accumulated amortization and impairment, if any. The legal validity period of the patents is 20 years, while considering the technical innovation, the estimated commercially beneficial period of the Group's patents was 5 years. As a result, amortization is calculated using the straight-line method to allocate the cost of patents over 5 years.

#### (d) *Research and development ("R&D")*

Research expenditure is recognized as an expense as incurred. Costs incurred on research and development projects are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the research and development project so that it will be available for the Group;
- management intends to complete the research and development project and use or sell it;
- there is an ability to use or sell the research and development project;
- it can be demonstrated how the research and development project will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the research and development project are available; and
- the expenditure attributable to the research and development project during its development can be reliably measured.

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Directly attributable costs which are eligible to be capitalized as part of the research and development project may include employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred.

Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

### 2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### 2.10 Financial assets

#### (a) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### (b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### (c) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "other gains/(losses) — net". Impairment losses are presented as separate line item in the consolidated statements of comprehensive loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "other gains/(losses) — net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other gains/(losses) — net" and impairment expenses are presented as separate line item in the consolidated statements of comprehensive loss.
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "other gains/(losses) — net" in the period in which it arises.

### *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in profit or loss and presented in "other gains/(losses) — net" in the consolidated statements of comprehensive loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### **(d) Impairment**

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For cash and cash equivalents, restricted cash and long-term bank time deposits, the expected credit loss risk is considered immaterial.

For trade and notes receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

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Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

### 2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheets where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

### 2.12 Trade receivables

Trade receivables are amounts due from customers for vehicles or products sold in the ordinary course of business and amounts due from government for promotion of new energy vehicles. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), it is classified as current asset. If not, it is presented as non-current asset.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 19 for further information about the Group's accounting for trade receivables and Note 3.1(b) for a description of the Group's impairment policies.

### 2.13 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivative financial instruments are recognized in profit or loss.

### 2.14 Inventories

Raw materials, spare parts and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### 2.15 Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash restricted for guaranteed deposits for bank borrowings or issuance of notes payables or other purpose are included in the restricted cash on the consolidated balance sheets.

Time deposits with initial terms of over one year were included in the long-term bank time deposits on the consolidated balance sheets.

### 2.16 Paid-in capital/ share capital

Ordinary shares are classified as equity. Financial instruments with preferred rights at amortized cost described in Note 28 are classified as liabilities.

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Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 2.17 Treasury stock

Treasury stock is recorded to reflect the carrying amount of the financial instruments with preferred rights when it is initially reclassified from equity, and will be reversed when the financial instruments with preferred rights are derecognized upon when the Group's obligations in connection with those financial instruments are discharged, canceled or have expired which will then be reclassified back to equity (Note 2.19).

### 2.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

### 2.19 Financial instruments with preferred rights at amortized cost

A contract that contains an obligation to purchase the Company's equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount. Even if the Company's obligations to purchase are conditional on the counterparty exercising a right to redeem, the financial instruments with preferred rights are recognized as financial liability initially at the present value of the redemption amount and subsequently measured at amortized cost with interest charged in finance costs.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The carrying amount of the financial instruments derecognized was credited into the equity.

### 2.20 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheets when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### 2.21 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

### 2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

#### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries and associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

#### (b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred income tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

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### 2.23 Employee benefits

#### (a) *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheets.

#### (b) *Pension obligations*

In accordance with the rules and regulations in the PRC, the employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

#### (c) *Housing funds, medical insurances and other social insurances*

The employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

#### (d) *Bonus plan*

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

#### (e) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### 2.24 Share-based payment

The Group operates an equity-settled share-based payment plan, under which the Group receives services from eligible employees as consideration for equity instruments of the Company. The fair value of the employee services received in exchange for the grant of equity instruments is recognized as an expense on the Historical Financial Information. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;



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- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period. Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognized in relation to such shares are reversed effective at the date of the forfeiture.

### 2.25 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

### 2.26 Revenue recognition

Revenue is recognized when or as the control of the goods or services is transferred to a customer. A customer is the party that contracts with the Group to purchase goods or services which are the output of the Group's ordinary activities in exchange for consideration. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the

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availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Group presents the contract on the consolidated balance sheets as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The revenue is measured at the transaction price agreed under the contract. Amounts disclosed as revenue are net of return, trade allowances and amounts collected on behalf of third parties. In those agreements where the transaction with period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year, revenue is measured at transaction prices adjusted for the time value of money. The variable consideration is estimated by applying the most likely amount method.

### **The accounting policy for the Group's principal revenue sources**

#### **(a) *Sales of vehicles and parts***

The Group manufactures and sales electric vehicles and related parts in the market, and generates revenue from sales of electric vehicles, together with a number of embedded products through a contract. The revenue for sales of the vehicles and parts is recognized at a point in time when the control of the vehicles and parts are transferred to the customer. Initial refundable deposits for intention orders received from customers prior to the signing of vehicle purchase agreements are recognized as advances from customers.

Vehicles buyers in the PRC are entitled to government subsidies when they purchase electric vehicles. For efficiency purpose and better customer service, the Group applies for and collects such government subsidies on behalf of the customers. Accordingly, customers only pay the amount after deducting government subsidies. The Group determines that the government subsidies should be considered as part of the transaction price because the subsidy is granted to the buyer of the electric vehicle and the buyer remains liable for such amount in the event the subsidies were not received by the Group due to the buyer's fault such as refusal or delay in providing application information.

The standard warranty provided by the Group, including free roadside assistance service for vehicle quality problems, mobility scooter service and etc., is accounted for as provisions, and the estimated costs are recorded as a liability when the Group transfers the control of vehicle to a customer.

#### **(b) *Sales of automotive regulatory credits***

The Group earns tradable automotive regulatory credits in the operation of vehicle business under the Measures for the Parallel Administration of the Corporate Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises issued by Ministry of Industry and Information Technology of the People's Republic of China. The Group sells these credits to other regulated entities who can use the credits to comply with the regulatory requirements.

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Payments for automotive regulatory credits are typically received at the point the control transfers to the purchasing party, or in accordance with payment terms customary to the business. The Group recognizes the sale of automotive regulatory credits as revenue at the time when the control of the regulatory credits has been transferred to the purchasing party.

(c) *Services*

The Group also provided multiple embedded services including extended one-year or lifetime warranty, vehicle internet connection service, firmware over the air ("FOTA") upgrades and free lifetime roadside assistance service stated in a series of contracts for sales of vehicles. The aforementioned services are accounted for as separate performance obligations. The Group recognizes the revenue using a straight-line method over the service period. A contract liability is recognized for payments received in which revenue has not been recognized.

### 2.27 Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The increase in the provisions due to the passage of time is recognized as interest expense.

### 2.28 Leases

The Group leases buildings and land use right as lessee. Rental contracts are typically made for fixed periods of 1 to 50 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments (if applicable):

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;

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- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each reporting period.

Right-of-use assets are measured at cost comprising the following (if applicable):

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise small items of office furniture and machinery.

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### 2.29 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 7 below.

Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10 below. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

### 2.30 Loss per share

#### (a) Basic loss per share

Basic loss per share is calculated by dividing:

- the loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year/period, adjusted for bonus elements in ordinary shares issued during the year/period and excluding treasury stock.

#### (b) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's risk management is predominantly controlled by the treasury department under policies approved by the Board of Directors of the Company (the "Board"). The Group's treasury department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### (a) Market risk

##### (i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Company and its primary subsidiaries were incorporated in Mainland China. The Company and these subsidiaries considered RMB as their functional currency.

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The Group is primarily exposed to changes in RMB/USD exchange rates. As at 31 December 2019, 2020 and 2021 and 31 March 2022, if the USD strengthened/weakened by 10% against the RMB, with all other variables held constant, loss before income tax for the year/period then ended would have been approximately RMB88,000, RMB81,000, RMB326,000 and RMB315,000 lower/higher respectively as a result of foreign exchange gains/losses on translation of USD denominated cash and cash equivalents.

(ii) *Cash flow and fair value interest rate risk*

Except for cash and cash equivalents, restricted cash and long-term bank time deposits (Note 22), the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 29. The Group did not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk for the reporting period.

As at 31 December 2019, 2020 and 2021 and 31 March 2022, if the Group's interest rates on borrowings obtained at variable rates had been higher/lower by 0.5%, loss before income tax for the year/period then ended would have been approximately RMB3,966,000, RMB4,459,000, RMB4,379,000 and RMB1,083,000 higher/lower respectively.

(iii) *Price risk*

The Group has no exposure to equity securities price risk.

(b) *Credit risk*

Credit risk arises from cash and cash equivalents, restricted cash, long-term bank time deposits, financial assets at FVPL as well as trade and notes receivables and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

*Risk management*

To manage this risk, cash and cash equivalents, restricted cash, long-term bank time deposits and financial assets at FVPL are mainly placed with state-owned or reputable financial institutions in Mainland China which are all high-credit-quality financial institutions.

To manage risk arising from trade and notes receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. Trade and notes receivables have been grouped based on shared credit risk characteristics and aging to measure the expected credit losses. Trade and notes receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade and notes receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

For other financial assets carried at amortized cost (excluding prepaid listing expenses, input Value Added Tax ("VAT") to be deducted and prepayments), management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences.

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### *Impairment of financial assets*

The Group has three types of financial assets that are subject to the expected credit loss model:

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

(i) *Cash and cash equivalents, restricted cash, long-term bank time deposits and financial assets at FVPL*

To manage risk arising from cash and cash equivalents, restricted cash, long-term bank time deposits and financial assets at FVPL, the Group only transacts with state-owned or reputable financial institutions in Mainland China. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Cash and cash equivalents, restricted cash and long-term bank time deposits are also subject to the impairment requirements of IFRS 9, while the identified impairment loss was immaterial.

(ii) *Trade and notes receivables and contract assets*

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and notes receivables and contract assets. To measure the expected credit losses, trade and notes receivables and contract assets have been grouped based on shared credit risk characteristics and aging.

The expected loss rates are based on the credit rating of counter parties and the payment profiles of sales over a period of each reporting period and probability of default of counter parties on an ongoing basis throughout each reporting period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product ("GDP") in Mainland China to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Group's trade receivables and contract assets mainly consist of receivables for government subsidies receivables for promotion of new energy vehicles which has insignificant credit risk (Note 19).

(iii) *Other receivables*

Other receivables mainly include amounts due from relate parties, refundable deposits, payments on behalf of employees and others. All of the Group's financial assets at amortized cost are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition as described in Note 20.

Trade and other receivables are written off when there is no reasonable expectation of recovery.

Impairment losses on trade and other receivables are presented as net impairment losses within operating loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

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The movement of loss allowance for trade and notes receivables, contract assets and other receivables during the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022 is as follows:

	<b>Trade and notes receivables and contract assets</b>	<b>Other receivables</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Opening loss allowance as at 1 January 2019</b>	—	—	—
Increase in loss allowance recognized in profit or loss during the year	(11)	(90)	(101)
<b>As at 31 December 2019</b>	<b>(11)</b>	<b>(90)</b>	<b>(101)</b>
<b>As at 1 January 2020</b>	(11)	(90)	(101)
Increase in loss allowance recognized in profit or loss during the year	(149)	(63)	(212)
<b>As at 31 December 2020</b>	<b>(160)</b>	<b>(153)</b>	<b>(313)</b>
<b>As at 1 January 2021</b>	(160)	(153)	(313)
(Increase)/decrease in loss allowance recognized in profit or loss during the year	(333)	35	(298)
<b>As at 31 December 2021</b>	<b>(493)</b>	<b>(118)</b>	<b>(611)</b>
<b>As at 1 January 2022</b>	(493)	(118)	(611)
(Increase)/decrease in loss allowance recognized in profit or loss during the period	(167)	1	(166)
<b>As at 31 March 2022</b>	<b>(660)</b>	<b>(117)</b>	<b>(777)</b>
(Unaudited) <b>As at 1 January 2021</b>	(160)	(153)	(313)
Increase in loss allowance recognized in profit or loss during the period	(7)	(88)	(95)
<b>As at 31 March 2021</b>	<b>(167)</b>	<b>(241)</b>	<b>(408)</b>



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(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

Maturities of financial liabilities

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 31 December 2019</b>				
Borrowings (including interest payables)	268,888	78,427	1,175,127	1,522,442
Trade and notes payables (Note 33)	195,691	–	–	195,691
Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 34)	346,505	–	–	346,505
Lease liabilities	3,542	3,412	2,324	9,278
	<u>814,626</u>	<u>81,839</u>	<u>1,177,451</u>	<u>2,073,916</u>
<b>As at 31 December 2020</b>				
Borrowings (including interest payables)	1,297,354	407,858	864,263	2,569,475
Trade and notes payables (Note 33)	738,935	–	–	738,935
Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 34)	252,211	–	–	252,211
Lease liabilities	14,226	12,995	1,062	28,283
	<u>2,302,726</u>	<u>420,853</u>	<u>865,325</u>	<u>3,588,904</u>

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	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 31 December 2021</b>				
Borrowings (including interest payables)	374,146	475,323	77,665	927,134
Trade and notes payables (Note 33)	2,596,106	–	–	2,596,106
Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 34)	635,159	–	–	635,159
Lease liabilities	25,859	11,589	5,571	43,019
	<u>3,631,270</u>	<u>486,912</u>	<u>83,236</u>	<u>4,201,418</u>
<b>As at 31 March 2022</b>				
Borrowings (including interest payables)	305,352	432,011	76,771	814,134
Trade and notes payables (Note 33)	3,493,080	–	–	3,493,080
Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 34)	584,328	–	–	584,328
Lease liabilities	17,357	75,029	194,017	286,403
	<u>4,400,117</u>	<u>507,040</u>	<u>270,788</u>	<u>5,177,945</u>

As at 31 December 2019, the financial instruments with preferred rights at amortized cost as described in Note 28 of approximately RMB1,600,996,000 were not managed by maturing date and were all reclassified to equity in 2020.

**3.2 Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, management of the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amounts of dividends paid to equity holders, return capital to equity holders, issue new shares or repurchase the Company's shares. In the opinion of the management of the Company, the Group's capital risk is low. As a result, capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Group.

**3.3 Fair value estimation**

**(a) Fair value hierarchy**

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

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- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2019, 2020 and 2021 and 31 March 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 31 December 2019</b>				
Assets				
Financial assets at FVPL (Note 21)	–	–	181,606	181,606
Liabilities				
Derivative financial instruments (Note 32)	–	2,842	–	2,842
	<u>–</u>	<u>2,842</u>	<u>–</u>	<u>2,842</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 31 December 2020</b>				
Assets				
Financial assets at FVPL (Note 21)	–	–	76,042	76,042
	<u>–</u>	<u>–</u>	<u>76,042</u>	<u>76,042</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 31 December 2021</b>				
Assets				
Financial assets at FVPL (Note 21)	–	–	1,260,078	1,260,078
	<u>–</u>	<u>–</u>	<u>1,260,078</u>	<u>1,260,078</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 31 March 2022</b>				
Assets				
Financial assets at FVPL (Note 21)	–	–	301,349	301,349
	<u>–</u>	<u>–</u>	<u>301,349</u>	<u>301,349</u>

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

**(b) Valuation techniques used to determine level 2 and level 3 fair values**

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no changes in valuation techniques during the Track Record Period.

The fair value of trade and notes receivables, other receivables, long-term bank time deposits, restricted cash, and cash and cash equivalents approximated their carrying amounts.

The fair value of trade and notes payables, other payables and accruals (excluding payroll and welfare payables and other tax payables) and current borrowings approximated their carrying amounts. The fair value of non-current borrowings was disclosed in Note 29.

**(c) Fair value measurements using significant unobservable inputs (level 3)**

The following table presents the changes in level 3 items for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022:

	<b>Financial assets at FVPL</b>
	<i>RMB'000</i>
As at 1 January 2019	141,000
Acquisitions	1,589,610
Disposals	(1,557,267)
Fair value changes	8,263
<b>As at 31 December 2019</b>	<b>181,606</b>
As at 1 January 2020	181,606
Acquisitions	1,142,400
Disposals	(1,249,923)
Fair value changes	1,959
<b>As at 31 December 2020</b>	<b>76,042</b>
As at 1 January 2021	76,042
Acquisitions	4,788,000
Disposals	(3,626,202)
Fair value changes	22,238
<b>As at 31 December 2021</b>	<b>1,260,078</b>

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	<b>Financial assets at FVPL</b>
	<u>RMB'000</u>
<b>As at 1 January 2022</b>	1,260,078
Acquisitions	840,000
Disposals	(1,805,331)
Fair value changes	<u>6,602</u>
<b>As at 31 March 2022</b>	<u><u>301,349</u></u>

More details about the financial assets at FVPL as at 31 December 2019, 2020 and 2021 and 31 March 2022 have been presented in Note 21.

(d) There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the Track Record Period.

(e) *Valuation inputs and relationships to fair value*

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

**As at 31 December 2019**

<u>Description</u>	<u>Fair value</u>	<u>Unobservable inputs</u>	<u>Range of inputs</u>	<u>Relationship of unobservable inputs to fair value</u>
	<i>RMB'000</i>			
Wealth management products	181,606	Expected rate of return	3.27%-4.50%	The higher the expected rate of return, the higher the fair value

**As at 31 December 2020**

<u>Description</u>	<u>Fair value</u>	<u>Unobservable inputs</u>	<u>Range of inputs</u>	<u>Relationship of unobservable inputs to fair value</u>
	<i>RMB'000</i>			
Wealth management products	76,042	Expected rate of return	3.13%-3.60%	The higher the expected rate of return, the higher the fair value

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**As at 31 December 2021**

<u>Description</u>	<u>Fair value</u>	<u>Unobservable inputs</u>	<u>Range of inputs</u>	<u>Relationship of unobservable inputs to fair value</u>
	<i>RMB'000</i>			
Wealth management products	1,260,078	Expected rate of return	2.30%-3.76%	The higher the expected rate of return, the higher the fair value

**As at 31 March 2022**

<u>Description</u>	<u>Fair value</u>	<u>Unobservable inputs</u>	<u>Range of inputs</u>	<u>Relationship of unobservable inputs to fair value</u>
	<i>RMB'000</i>			
Wealth management products	301,349	Expected rate of return	3.10%-3.15%	The higher the expected rate of return, the higher the fair value

As at 31 December 2019, 2020 and 2021 and 31 March 2022, if expected rate of return higher/lower by 0.5%, fair value of financial assets at FVPL would have been approximately RMB60,000, RMB9,000, RMB1,967,000 and RMB329,000 higher/lower respectively.

**(f) Valuation processes**

External valuation experts will be involved when necessary. The Group engaged an independent valuer to assist them on valuation of financial assets at FVPL.

**4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year/period are addressed below.

**(a) Recoverability of non-financial assets**

The Group tests annually whether non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to disposal. These calculations require the use of judgments and estimates.

Judgment is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to recognize impairment charge in profit or loss (Note 15).

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### (b) Fair value of financial assets at FVPL

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments. Details of the assumptions and estimates in determination of the fair value are disclosed in Note 3.3.

### (c) Recognition of share-based payment expenses

As detailed in Note 26, certain shares transfer and grant of shares under the share award schemes have resulted in share-based payments expenses.

The Group has engaged an independent valuer to determine the total fair value of the equity incentive tools granted to employees. The discounted cash flow method and back-solve method were used to determine the total equity value of the Company and then equity allocation model was adopted to determine the fair value of the equity incentive tools. Significant estimates on assumptions, such as risk-free interest rate, volatility and dividend yield are made based on management's best estimates. Further details are included in Note 26.

As the awards granted in equity-settled share-based payment plan are conditional on a Qualified [REDACTED] ("[REDACTED]"). The Group has estimated the [REDACTED]'s probability and [REDACTED] date when they calculated share-based payment expenses at each reporting period end. Since [REDACTED] condition is considered as vesting condition, the entity also needs to consider when the [REDACTED] is probable. If the service period under the service condition ends before [REDACTED], then the vesting period will end on [REDACTED] date; if the service period under the service condition ends after [REDACTED], then the vesting period will end according to the service conditions. As at 31 March 2022, the Group assessed it is probable that the performance condition (i.e., [REDACTED]) will be achieved in the future.

The Group also has to estimate the expected forfeiture rate at the end of vesting periods ("Forfeiture Rate") of the restricted shares granted in order to determine the amount of share-based payment expenses charged to profit or loss. The Forfeiture Rate of the restricted shares awarded of the Group was assessed to be 5% as at 31 December 2021 and 31 March 2022, respectively.

### (d) Write-down of inventories

The Group's management reviews the condition of inventories, as stated in Note 18 to the Historical Financial Information, at each reporting date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

### (e) Intangible asset with indefinite life

The Group evaluates intangible asset with indefinite life at each reporting period end to determine whether events and circumstances continue to support indefinite useful life. The value of intangible asset with indefinite life is not amortized but tested for impairment annually or whenever events or changes in circumstances indicate that it is more likely than not that the asset is impaired in accordance with IAS 36. The Group performs an assessment to assess all relevant events and circumstances that could affect the significant inputs used to determine the recoverable amounts of the intangible asset with indefinite life (Note 15).

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### (f) Warranty provisions

The Group provides product warranties on all new vehicles based on the contracts with its customers at the time of sale of vehicles. The Group accrues a warranty reserve for the vehicles sold by multiplying the expected unit costs for warranty services by the sales volume, which includes the best estimate of projected costs to repair or replace items under warranties. These estimates are primarily based on the estimates of the nature, frequency and average costs of future claims. These estimates are inherently uncertain given the Group's relatively short history of sales, and changes to the historical or projected warranty experience may cause material changes to the warranty provisions in the future. The portion of the warranty reserve expected to be incurred within the next 12 months is included within the accrued a warranty provision and other current liabilities while the remaining balance is included within other non-current liabilities on the consolidated balance sheets. Warranty cost is recorded as a component of cost of sales in the consolidated statements of comprehensive loss. The Group re-evaluates the adequacy of the warranty accrual on a regular basis.

### (g) Income taxes and deferred income tax

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provisions for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognizes deferred income tax assets based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilized. The recognition of deferred income tax assets mainly involves management's judgments and estimations about the timing and the amount of taxable profits of the companies who has tax losses. No deferred income tax asset has been recognized in respect of such tax losses due to the unpredictability of future taxable income and details of unrecognized tax losses have been set out in Note 11.

### (h) Recognition of revenue and allocation of transaction price

#### *Critical judgements in allocating the transaction price*

The contracts for sales of vehicles and parts include extended one-year or lifetime warranty, vehicle internet connection service, FOTA upgrades and free lifetime roadside assistance service recognized as separate performance obligations. Because the contracts include multiple performance obligations, the transaction price must be allocated to the performance obligations on a relative stand-alone selling price basis.

Management estimates the stand-alone selling price at contract inception based on the cost of the services likely to be provided and the services rendered in similar circumstances to similar customers. If a discount is granted, it is allocated to all performance obligations based on their relative stand-alone selling prices.

## 5 REVENUE AND SEGMENT INFORMATION

### (a) Description of segments and principal activities

During the Track Record Period, the Group is engaged in the production, research and development and sales of new energy vehicles in the PRC. The executive directors of the Company (i.e. the CODM) review the operating results of the business as one operating segment to make strategic decisions and resources allocation. Therefore, the Group regards that there is only one segment which is used to make strategic decisions.



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*Geographical information*

All of the Group's business and operations are conducted in Mainland China and currently, the Group's principal market, majority of revenue, operating loss and non-current assets are derived from/located in the PRC. Accordingly, no geographical segment information is presented.

**(b) Revenue during the Track Record Period**

Revenue represents the invoiced value of goods sold and rendering of embedded services, which is net of rebate and discounts.

Revenue mainly comprises sales of vehicles and parts, rendering of embedded services and sales of automotive regulatory credits. The Group commenced delivery of the first batch of volume manufactured electric vehicles in July 2019. In addition, sales of automotive regulatory credits has also constituted a part of the Group's revenue since 2020. An analysis of the Group's revenue by category for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022 is as follows:

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<b>Revenue from customers and recognized at point in time</b>					
Sales of vehicles and parts (i)	116,963	615,823	3,058,818	278,047	1,990,354
Sales of automotive regulatory credits	–	15,478	71,934	–	–
	<u>116,963</u>	<u>631,301</u>	<u>3,130,752</u>	<u>278,047</u>	<u>1,990,354</u>
<b>Revenue from customer and recognized over time</b>					
Rendering of services	–	–	1,307	–	1,483
	<u>116,963</u>	<u>631,301</u>	<u>3,132,059</u>	<u>278,047</u>	<u>1,991,837</u>

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

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**(c) Contract liabilities**

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

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
<b>Non-current</b>				
Rendering of services	-	-	31,222	53,037
<b>Current</b>				
Rendering of services	-	-	3,728	5,320
	-	-	34,950	58,357

The contract of sales of vehicles includes multiple embedded services (extended one-year or lifetime warranty, vehicle internet connection service, firmware over the air ("FOTA") upgrades and free lifetime roadside assistance service), which are separated from sales of vehicles and amortized during the service periods.

**(d) Unsatisfied performance obligations**

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Aggregate amount of the transaction price allocated to performance obligations that are partially or fully unsatisfied as at 31 December	-	-	34,950	58,357

Management expected that approximately RMB5,320,000 of the transaction price allocated to unsatisfied performance obligations as of 31 March 2022 will be recognized as revenue within one year. The remaining amount of approximately RMB53,037,000 will be recognized during the upcoming seven years from 1 April 2023 (recognizing over eight-years since the deliveries of vehicles to respective customers).

**(e) Contract assets**

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

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Contract assets	-	-	28,518	42,780
Loss allowance	-	-	(21)	(13)
	-	-	28,497	42,767

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**6 OTHER INCOME**

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Government grants	23,477	66,590	66,293	2,026	9,220

During the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022, the government grants mainly include government subsidies for the Group's research and development expenditure and interest expenses as incurred on borrowings, as well as the amortization of deferred government grants. There are no unfulfilled conditions or other contingencies attaching to the grants recognized.

**7 OTHER GAINS — NET**

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Net fair value gains on financial assets at FVPL (Note 21)	8,263	1,959	22,238	4,315	6,602
Net gains/(losses) on disposals of property, plant and equipment, intangible assets and right-of-use assets	–	10,141	(668)	(1)	133
Net foreign exchange gains/(losses)	2,742	(43)	(89)	132	87
Net fair value (losses)/gains on derivative financial instruments (Note 32)	(2,842)	2,073	–	–	–
Other items	(233)	(2,459)	(1,983)	7	670
	7,930	11,671	19,498	4,453	7,492

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**8 EXPENSES BY NATURE**

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

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Changes in inventories of finished goods	(91,166)	22,921	(233,577)	(68,892)	29,824
Raw materials and consumables used	247,525	713,895	4,164,058	380,262	2,216,856
Employee benefit expenses (Note 9)	345,053	355,555	821,999	124,865	408,648
Advertising and publicity expenses	78,381	91,170	256,267	67,908	80,895
Depreciation and amortization expenses (Notes 14, 15 and 16)	67,855	175,448	219,162	51,827	78,977
Provision for impairment of inventories	58,655	24,008	244,635	42,250	65,076
Warranty expenses (Note 30)	2,747	32,383	104,707	6,644	54,292
Freight expenses	1,009	13,409	61,989	7,067	40,737
Design and development expenses	102,599	99,624	258,669	19,475	32,205
Legal, consulting and other professional fees	17,910	12,571	82,405	29,558	19,759
Listing expenses	–	–	12,024	–	16,574
Expenses relating to short-term leases (Note 14)	6,816	1,531	3,972	1,427	4,148
Auditors' remuneration — Audit services	291	436	3,839	736	728
Others	41,550	35,929	85,721	19,423	31,639
<b>Total</b>	<b>879,225</b>	<b>1,578,880</b>	<b>6,085,870</b>	<b>682,550</b>	<b>3,080,358</b>

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**9 EMPLOYEE BENEFIT EXPENSES**

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages, salaries and bonuses	267,686	260,405	495,926	79,694	263,048
Pension obligations, housing funds, medical insurances and other social insurances (a)	59,641	41,694	80,940	15,184	60,919
Other employee benefits (b)	14,399	10,897	28,178	4,049	11,723
Share-based payment expenses (Note 26)	3,327	42,559	216,955	25,938	72,958
	<u>345,053</u>	<u>355,555</u>	<u>821,999</u>	<u>124,865</u>	<u>408,648</u>

**(a) Pension obligations, housing funds, medical insurances and other social insurances**

Full time employees of the Group in the PRC are members of a state-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs, subject to certain ceiling, as determined by local government authority to the pension obligations, housing funds, medical insurances and other social insurances to fund the benefits. The Group's liabilities in respect of benefits schemes are limited to the contribution payable in each year/period.

According to policies issued by the Ministry of Human Resources and Social Security and local municipal departments in response the impact from Coronavirus Disease 2019 (COVID-19), certain social security relief policies have been successively implemented by local authorities. As such, the social insurance expenses for the period from February to December 2020 have been reduced accordingly.

No forfeited contributions were utilized during the years end 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022 to offset the Group's contribution to the abovementioned retirement benefit schemes.

**(b) Other employee benefits**

Other employee benefits mainly include meal, traveling, transportation allowances and other allowances.

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**(c) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022 include 1, 1, 3, 1 and 3 directors respectively, whose emoluments are disclosed in the Note 40. The emoluments payable to the remaining 4, 4, 2, 4 and 2 highest paid individuals during the Track Record Period are as follows:

	Year ended 31 December			Three months ended	
	2019	2020	2021	31 March	
	RMB'000	RMB'000	RMB'000	2021	2022
				(Unaudited)	
Wages, salaries and bonuses	15,494	9,592	5,993	2,104	1,517
Pension obligations, housing funds, medical insurances and other social insurances	352	223	174	91	24
Other employee benefits	29	29	13	7	4
Share-based payment expenses	3,327	-	6,982	5,285	4,655
	<b>19,202</b>	<b>9,844</b>	<b>13,162</b>	<b>7,487</b>	<b>6,200</b>

The remaining highest paid individuals fell within the following bands:

Emolument bands	Year ended 31 December			Three months ended	
	2019	2020	2021	31 March	
				2021	2022
				(Unaudited)	
HKD1,000,001-HKD1,500,000	2	-	-	3	-
HKD1,500,001-HKD2,000,000	1	2	-	-	-
HKD2,000,001-HKD2,500,000	-	-	-	-	1
HKD3,500,001-HKD4,000,000	-	1	-	-	-
HKD4,500,001-HKD5,000,000	-	1	-	-	-
HKD5,500,001-HKD6,000,000	-	-	-	1	1
HKD7,500,001-HKD8,000,000	-	-	1	-	-
HKD8,000,001-HKD8,500,000	-	-	1	-	-
HKD17,000,001-HKD17,500,000	1	-	-	-	-

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**10 FINANCE (COSTS)/ INCOME — NET**

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Finance income:					
Interest income on cash at banks	1,693	1,187	29,468	2,282	23,952
Interest income on long-term bank time deposits	—	107	54,539	10,920	7,268
<b>Finance income</b>	<b>1,693</b>	<b>1,294</b>	<b>84,007</b>	<b>13,202</b>	<b>31,220</b>
Finance costs:					
Interest expenses on bank and other borrowings	(129,636)	(111,236)	(76,215)	(21,012)	(10,532)
Interest expenses on loans from related parties (Note 39)	—	(8,986)	(2,342)	(2,342)	—
Interest expenses on financial instruments with preferred rights at amortized cost (Note 28)	(88,143)	(122,368)	—	—	—
Interest and finance charges on lease liabilities (Note 14)	(184)	(1,127)	(1,666)	(347)	(2,988)
	(217,963)	(243,717)	(80,223)	(23,701)	(13,520)
Less: borrowing costs capitalized in property, plant and equipment	46,095	13,386	18,565	12,237	10,131
<b>Finance costs</b>	<b>(171,868)</b>	<b>(230,331)</b>	<b>(61,658)</b>	<b>(11,464)</b>	<b>(3,389)</b>
<b>Finance (costs)/income — net</b>	<b>(170,175)</b>	<b>(229,037)</b>	<b>22,349</b>	<b>1,738</b>	<b>27,831</b>

During the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022, the interest rate applicable to the Group's capitalization of borrowings costs in construction in progress was 6.31%, 6.22%, 4.77%, 5.58% and 4.74%, respectively.

**11 INCOME TAX EXPENSE**

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current income tax expense	—	—	—	—	—
Deferred income tax expense	—	—	—	—	—
<b>Income tax expense</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

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The Group's principal applicable taxes and tax rates are as follows:

The Company was entitled to a preferential income tax rate of 15% during the Track Record Period. The Company obtained its High and New Technology Enterprises ("HNTE") status in year 2018, hence is entitled to a preferential tax rate of 15% for a three-year period commencing 2018. This status is subject to a requirement that the Company re-applied for HNTE status every three years. The Company re-applies for HNTE status and the application was approved for another three-year period commencing 2021.

The Company's subsidiaries established and operated in Mainland China are subject to the PRC corporate income tax at the statutory rate of 25%.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, enterprises engaging in research and development activities are entitled to claim 175% from 2018 onwards (subsequently raised to 200% from 2021 onwards) of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (the "Super Deduction").

A reconciliation of the expected income tax calculated at the applicable corporate income tax rate and loss before income tax, with the actual corporate income tax during the Track Record Period is as follow:

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Loss before income tax	(901,131)	(1,100,093)	(2,845,773)	(397,235)	(1,042,203)
Share of net loss/(profit) of an associate accounted for using the equity method	-	1,526	(196)	854	(1,941)
	(901,131)	(1,098,567)	(2,845,969)	(396,381)	(1,044,144)
Income tax credit computed at the applicable income tax rate of 25%	(225,283)	(274,642)	(711,492)	(99,095)	(261,036)
Tax effects of:					
Preferential tax rate	10,505	18,040	66,750	11,562	28,958
Expenses not deductible for taxation purposes	16,047	26,753	41,677	3,891	12,768
Super Deduction in respect of R&D expenditures	(20,606)	(24,392)	(102,275)	(10,924)	(34,630)
Tax losses and deductible temporary differences for which no deferred income tax asset was recognized	219,337	254,241	705,340	94,566	253,940
Income tax expense	-	-	-	-	-

As at 31 December 2019, 2020 and 2021 and 31 March 2021 and 2022, the Group had unused tax losses of approximately RMB1,285,554,000, RMB2,211,866,000, RMB4,567,379,000, RMB2,623,063,000 and RMB5,630,620,000 that can be carried forward against future taxable income, respectively. No deferred income tax asset has been recognized in respect of such tax losses due to the unpredictability of future taxable income.



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The Group principally conducted its business in Mainland China, where the accumulated tax losses will normally expire within 5 years. Pursuant to the relevant regulations on extension for expiries of unused tax losses of HNTE issued in August 2018, the expiry period of the accumulated unexpired tax losses of the Company, which is qualified as HNTE, from 2018 had been extended from 5 years to 10 years. The Company re-applied for HNTE status in 2021 and the approval was obtained in November 2021.

Deductible losses that are not recognized for deferred income tax assets will expire as follows:

	As at 31 December			As at 31 March	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Expiry year					
2022	11,470	11,470	11,470	11,470	11,470
2023	45,256	45,256	45,256	45,256	45,256
2024	609,499	609,499	609,499	609,499	609,499
2025	–	829,080	829,080	829,080	829,080
2026	71,975	71,975	1,715,323	326,113	1,715,323
2027	155,596	155,596	155,596	155,596	763,520
2028	227,303	227,303	227,303	227,303	227,303
2029	164,455	164,455	164,455	164,455	164,455
2030	–	97,232	97,232	97,232	97,232
2031	–	–	712,165	157,059	712,165
2032	–	–	–	–	455,317
	<u>1,285,554</u>	<u>2,211,866</u>	<u>4,567,379</u>	<u>2,623,063</u>	<u>5,630,620</u>

**12 LOSS PER SHARE**

**(a) Basic loss per share**

Basic loss per share for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022 are calculated by dividing the loss attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the year/period.

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
				(Unaudited)	
Loss attributable to the equity holders of the Company (RMB'000)	(901,131)	(1,100,093)	(2,845,773)	(397,235)	(1,042,203)
Weighted average number of ordinary shares outstanding (thousand shares) (Note)	367,200	367,669	940,091	701,550	1,011,887
Basic loss per share (expressed in RMB per share)	<u>(2.45)</u>	<u>(2.99)</u>	<u>(3.03)</u>	<u>(0.57)</u>	<u>(1.03)</u>

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*Note:*

The financial instruments with preferred rights at amortized cost were treated as treasury stock before the termination of preferred rights as described in Note 28. Accordingly, the related capital was deducted from the paid-in capital before the termination of preferred rights for the purpose of calculating the number of ordinary shares deemed in issue.

The weighted average number of ordinary shares in issue before the Company's conversion into a joint stock company was determined assuming the paid-in capital had been fully converted into the Company's share capital at the same conversion ratio of 1:1 as upon conversion into joint stock company in April 2021. During the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022, treasury stock was excluded from the calculation of weighted average number of ordinary shares outstanding.

**(b) Diluted loss per share**

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the Track Record Period, the Group had potential ordinary shares, including financial instruments with preferred rights at amortized cost (Note 28) and restricted shares issued under the Company's share incentive plan (Note 26). As the Group incurred losses for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022 are the same as basic loss per share for the respective years/periods.

**13 SUBSIDIARIES**

**(a) Subsidiaries of the Company**

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

Name of entity	Date of incorporation	Place of incorporation and kind of legal entity	Registered share capital	Effective interest held by the Group			As of report date	Principal activities	
				As at 31 December					
				2019	2020	2021			
<i>In thousand</i>									
<b>Directly held:</b>									
Leapmotor Automobile Co., Ltd. 零跑汽车有限公司 (iii)	12 January 2017	Jinhua, China, limited liability company	RMB2,908,000	100%	100%	100%	100%	100%	Electric vehicles and components manufacturing
Zhejiang Leapmotor Automobile Sales Service Co., Ltd. 浙江零跑汽車銷售服務有限公司 (iii)	13 August 2018	Hangzhou, China, limited liability company	RMB200,000	100%	100%	100%	100%	100%	Electric vehicles and components sales and after-sales services
Leapmotor (Jinhua) New Energy Vehicle Parts Technology Co., Ltd. 金華零跑新能源汽車零部件技術有限公司 (v)	5 August 2021	Jinhua, China, limited liability company	RMB200,000	N/A	N/A	100%	100%	100%	Electric vehicles electronic components manufacturing

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Name of entity	Date of incorporation	Place of incorporation and kind of legal entity	Registered share capital	Effective interest held by the Group				As of report date	Principal activities
				As at 31 December			As at 31 March		
				2019	2020	2021	2022		
			<i>In thousand</i>						
Lingpao Automobile Trading Co., Ltd. 凌跑汽車商貿有限公司 (ii)	23 July 2020	Jinhua, China, limited liability company	RMB50,000	N/A	100%	100%	100%	100%	Electric vehicles sales and after-sales services through investing in directly operated stores
Zhejiang Youchong New Energy Technology Co., Ltd. 浙江優充新能源科技有限公司 (iv)	2 July 2018	Hangzhou, China, limited liability company	RMB8,000	100%	100%	100%	100%	100%	Electric vehicle charging operation service
Zhejiang Zhijiang Pilot Travel Technology Co., Ltd. 浙江之江領航出行科技有限公司 (i)	31 March 2021	Hangzhou, China, limited liability company	RMB800,000	N/A	N/A	100%	100%	100%	Car rental
Zhejiang Leapmotor New Energy Vehicle Parts Technology Co., Ltd. 浙江零跑新能源汽車零部件技術有限公司 (v)	31 March 2021	Hangzhou, China, limited liability company	RMB800,000	N/A	N/A	100%	100%	100%	Electric vehicles components manufacturing, research and development
Leapmotor International Trading (Shanghai) Co., Ltd 零跑國際商貿(上海)有限公司 (v)	30 September 2021	Shanghai, China, limited liability company	RMB50,000	N/A	N/A	N/A	100%	100%	New energy vehicle retail
Zhejiang Lingsheng Powertech Co., Ltd. 浙江凌昇動力科技有限公司 (i)	20 December 2021	Hangzhou, China, limited liability company	RMB200,000	N/A	N/A	100%	100%	100%	Technical service and development
Zhejiang Lingxiao Energy Technology Co., Ltd. 浙江凌曉能源科技有限公司 (i)	20 December 2021	Hangzhou, China, limited liability company	RMB150,000	N/A	N/A	100%	100%	100%	Technical service and development
<b>Indirectly held:</b>									
Leapmotor International (Hong Kong) Limited 零跑國際(香港)有限公司 (i)	17 March 2022	Hong Kong, China, limited liability company	HKD10	N/A	N/A	N/A	100%	100%	Technical service and development
Jinhua Leapmotor Automobile Sales Service Co., Ltd. 金華市凌跑汽車銷售服務有限公司 (i)	16 December 2020	Jinhua, China, limited liability company	RMB2,000	N/A	100%	100%	100%	100%	New energy vehicle retail
Wuhan Lingchao Automobile Sales Service Co., Ltd. 武漢凌超汽車銷售服務有限公司 (i)	31 August 2020	Wuhan, China, limited liability company	RMB2,000	N/A	100%	100%	100%	100%	New energy vehicle retail
Wuhan Lingrui Automobile Sales Service Co., Ltd. 武漢凌銳汽車銷售服務有限公司 (i)	6 July 2021	Wuhan, China, limited liability company	RMB2,000	N/A	N/A	100%	100%	100%	New energy vehicle retail

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Name of entity	Date of incorporation	Place of incorporation and kind of legal entity	Registered share capital	Effective interest held by the Group				As of report date	Principal activities
				As at 31 December			As at 31 March		
				2019	2020	2021	2022		
			<i>In thousand</i>						
Hangzhou Leapmotor Automobile Sales Service Co., Ltd. 杭州零跑汽車銷售服務有限公司 (i)	26 April 2019	Hangzhou, China, limited liability company	RMB30,000	100%	100%	100%	100%	100%	New energy vehicle retail
Hangzhou Lingyue Automobile Sales Service Co., Ltd. 杭州凌躍汽車銷售服務有限公司 (i)	23 February 2021	Hangzhou, China, limited liability company	RMB2,000	N/A	N/A	100%	100%	100%	New energy vehicle retail
Beijing Leapmotor Automobile Sales Service Co., Ltd. 北京凌跑汽車銷售服務有限公司 (i)	24 November 2020	Beijing, China, limited liability company	RMB50,000	N/A	100%	100%	100%	100%	New energy vehicle retail
Shanghai Leapmotor Automobile Sales Service Co., Ltd. 上海凌跑汽車銷售服務有限公司 (i)	21 December 2020	Shanghai, China, limited liability company	RMB50,000	N/A	100%	100%	100%	100%	New energy vehicle retail
Shanghai Lingchuang Automobile Sales Service Co., Ltd. 上海凌創汽車銷售服務有限公司 (i)	25 January 2021	Shanghai, China, limited liability company	RMB3,000	N/A	N/A	100%	100%	100%	New energy vehicle retail
Shanghai Lingli Automobile Sales Service Co., Ltd. 上海凌利汽車銷售服務有限公司 (i)	28 April 2021	Shanghai, China, limited liability company	RMB2,000	N/A	N/A	100%	100%	100%	New energy vehicle retail
Guangzhou Lingyue Automobile Sales Service Co., Ltd. 廣州凌悅汽車銷售服務有限公司 (i)	7 April 2021	Guangzhou, China, limited liability company	RMB2,000	N/A	N/A	100%	100%	100%	New energy vehicle retail
Guangzhou Lingxin Automobile Sales Service Co., Ltd. 廣州凌心汽車銷售服務有限公司 (i)	28 May 2021	Guangzhou, China, limited liability company	RMB2,000	N/A	N/A	100%	100%	100%	New energy vehicle retail
Foshan Lingqi Automobile Sales Service Co., Ltd. 佛山市凌祺汽車銷售服務有限公司 (i)	16 June 2021	Foshan, China, limited liability company	RMB2,000	N/A	N/A	100%	100%	100%	New energy vehicle retail
Shenzhen Leapmotor Automobile Sales Service Co., Ltd. 深圳市凌跑汽車銷售服務有限公司 (i)	24 May 2021	Shenzhen, China, limited liability company	RMB2,000	N/A	N/A	100%	100%	100%	New energy vehicle retail
Shenzhen Lingyue Automobile Sales Service Co., Ltd. 深圳市凌躍汽車銷售服務有限公司 (i)	6 July 2021	Shenzhen, China, limited liability company	RMB2,000	N/A	N/A	100%	100%	100%	New energy vehicle retail
Chengdu Lingfu Automobile Sales Service Co., Ltd. 成都凌孚汽車銷售服務有限公司 (i)	27 July 2021	Chengdu, China, limited liability company	RMB2,000	N/A	N/A	100%	100%	100%	New energy vehicle retail

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Name of entity	Date of incorporation	Place of incorporation and kind of legal entity	Registered share capital	Effective interest held by the Group					Principal activities
				As at 31 December			As at	As of	
				2019	2020	2021	31 March 2022	report date	
<i>In thousand</i>									
Tianjin Lingzhi Automobile Sales Service Co., Ltd. 天津凌志汽車銷售服務有限公司 (i)	15 December 2021	Tianjin, China, limited liability company	RMB2,000	N/A	N/A	100%	100%	100%	New energy vehicle retail
Chongqing Lingdi Automobile Sales Service Co., Ltd. 重慶凌迪汽車銷售服務有限公司 (i)	21 December 2021	Chongqing, China, limited liability company	RMB2,000	N/A	N/A	100%	100%	100%	New energy vehicle retail
Zhengzhou Lingpeng Automobile Sales Service Co., Ltd. 鄭州凌鵬汽車銷售服務有限公司 (i)	18 May 2022	Zhengzhou, China, limited liability company	RMB6,500	N/A	N/A	N/A	N/A	100%	New energy vehicle retail

\* The English name of the subsidiaries represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

(i) No audited financial statements were issued for these companies as they are either newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

(ii) No audited financial statements have been prepared for this subsidiary for the year ended 31 December 2020, as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The financial statements of this subsidiary were audited by PricewaterhouseCoopers Zhong Tian LLP for the year ended 31 December 2021.

(iii) The financial statements of the subsidiaries for the years ended 31 December 2019 and 2020 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP 立信會計師事務所(特殊普通合夥), certified public accountants registered in the PRC. The financial statements of the subsidiaries were audited by PricewaterhouseCoopers Zhong Tian LLP for the year ended 31 December 2021.

(iv) The financial statements for the year ended 31 December 2019 was audited by BDO China Shu Lun Pan Certified Public Accountants LLP 立信會計師事務所(特殊普通合夥), certified public accountants registered in the PRC. No audited financial statements have been prepared for these subsidiaries for the years ended 31 December 2020 and 2021, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

(v) These companies were newly incorporated in 2021 and the financial statements of the subsidiaries were audited by PricewaterhouseCoopers Zhong Tian LLP for the year ended 31 December 2021.

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**(b) Investments in subsidiaries — the Company**

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
Investments in subsidiaries, at costs	636,727	877,727	3,868,728	3,947,748
Deemed investment arising from share-based payment	–	–	50,726	68,971
	<u>636,727</u>	<u>877,727</u>	<u>3,919,454</u>	<u>4,016,719</u>

**14 LEASES**

**The Group**

**(a) Amounts recognized in the consolidated balance sheets of the Group**

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
<b>Right-of-use assets</b>				
Land use rights (i)	90,458	88,547	407,411	405,319
Leased buildings (ii)	9,689	28,614	46,951	314,597
	<u>100,147</u>	<u>117,161</u>	<u>454,362</u>	<u>719,916</u>
<b>Lease liabilities</b>				
Current	3,229	13,376	24,559	16,059
Non-current	5,524	13,788	16,364	237,735
	<u>8,753</u>	<u>27,164</u>	<u>40,923</u>	<u>253,794</u>

(i) In March 2017, July 2017 and August 2021, the Group acquired land use rights to build factories for manufacturing of vehicles in Jinhua and Hangzhou, Zhejiang Province, the PRC. Additions to land use rights during the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 were nil, nil, approximately RMB322,947,000 and nil respectively.

(ii) Additions to leased buildings during the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 were approximately RMB9,640,000, RMB29,890,000, RMB41,780,000 and RMB288,169,000, respectively. Decreases in leased buildings during the three months ended 31 March 2022 of approximately RMB2,311,000 was due to the early termination of lease contracts of certain leased buildings.

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(b) *Amounts recognized in profit or loss*

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<b>Depreciation charge of right-of-use assets</b>					
Land use rights	1,911	1,911	4,083	478	2,092
Leased buildings	4,853	10,965	23,443	4,753	18,212
	6,764	12,876	27,526	5,231	20,304
Interest expenses (included in finance cost) (Note 10)	184	1,127	1,666	347	2,988
Expenses relating to short-term leases (included in cost of sales, selling expenses administrative expenses and research and development expenses) (Note 8)	6,816	1,531	3,972	1,427	4,148
	<u>13,764</u>	<u>15,534</u>	<u>33,164</u>	<u>7,005</u>	<u>27,440</u>

The total cash outflows for leases of buildings during the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022 were approximately RMB5,313,000, RMB12,606,000, RMB29,687,000, RMB8,447,000 and RMB75,886,000, respectively.

(c) *The Group's leasing activities and how these are accounted for*

In addition to land use rights, the Group leases certain buildings. Rental contracts are typically made for fixed periods of one year to five years but may have extension options as described in (d) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(d) *Extension and termination options*

Extension and termination options are included in a number of leases of buildings across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

**The Company**

This note provides information for leases where the Company is a lessee.

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(a) *Amounts recognized in the balance sheets of the Company*

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
<b>Right-of-use assets</b>				
Leased buildings	823	14,712	14,907	18,593
<b>Lease liabilities</b>				
Current	353	7,051	13,624	7,747
Non-current	-	7,386	2,007	4,569
	353	14,437	15,631	12,316

Additions to leased buildings during the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 were approximately nil, RMB21,168,000, RMB11,104,000 and RMB7,985,000, respectively. Decreases in leased buildings during the three months ended 31 March 2022 of approximately RMB1,485,000 was due to the early termination of certain leased buildings.

**15 PROPERTY, PLANT AND EQUIPMENT**

**The Group**

	Buildings	Machinery and molds	Vehicles	Electronic equipment and others	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2019</b>							
Cost	-	31,669	2,439	14,886	9,402	877,873	936,269
Accumulated depreciation	-	(2,898)	(336)	(4,566)	(455)	-	(8,255)
Net book amount	-	28,771	2,103	10,320	8,947	877,873	928,014
<b>Year ended 31 December 2019</b>							
Opening net book amount	-	28,771	2,103	10,320	8,947	877,873	928,014
Additions	-	23,171	5,099	1,215	3,402	568,019	600,906
Transfers	521,542	664,166	1,694	9,234	-	(1,196,636)	-
Disposals	-	(1,091)	(73)	(18)	-	-	(1,182)
Depreciation charge (Note 8)	(10,558)	(35,878)	(1,017)	(5,704)	(2,508)	-	(55,665)
Closing net book amount	510,984	679,139	7,806	15,047	9,841	249,256	1,472,073



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	Buildings	Machinery and molds	Vehicles	Electronic equipment and others	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 31 December 2019</b>							
Cost	521,542	717,900	9,121	25,297	12,804	249,256	1,535,920
Accumulated depreciation	(10,558)	(38,761)	(1,315)	(10,250)	(2,963)	-	(63,847)
Net book amount	<u>510,984</u>	<u>679,139</u>	<u>7,806</u>	<u>15,047</u>	<u>9,841</u>	<u>249,256</u>	<u>1,472,073</u>
<b>Year ended 31 December 2020</b>							
Opening net book amount	510,984	679,139	7,806	15,047	9,841	249,256	1,472,073
Additions	-	32,674	10,133	1,244	1,982	163,519	209,552
Transfers	1,880	221,840	6,827	1,216	-	(231,763)	-
Disposals	-	(6,858)	(940)	(315)	-	-	(8,113)
Depreciation charge (Note 8)	(24,840)	(113,014)	(3,277)	(6,878)	(3,838)	-	(151,847)
Closing net book amount	<u>488,024</u>	<u>813,781</u>	<u>20,549</u>	<u>10,314</u>	<u>7,985</u>	<u>181,012</u>	<u>1,521,665</u>
<b>As at 31 December 2020</b>							
Cost	523,422	965,070	24,975	26,835	14,786	181,012	1,736,100
Accumulated depreciation	(35,398)	(151,289)	(4,426)	(16,521)	(6,801)	-	(214,435)
Net book amount	<u>488,024</u>	<u>813,781</u>	<u>20,549</u>	<u>10,314</u>	<u>7,985</u>	<u>181,012</u>	<u>1,521,665</u>
<b>Year ended 31 December 2021</b>							
Opening net book amount	488,024	813,781	20,549	10,314	7,985	181,012	1,521,665
Additions	-	28,019	12,710	6,451	5,504	543,104	595,788
Transfers	3,813	139,884	1,000	30,572	-	(175,269)	-
Disposals	-	(7,861)	(101)	(293)	-	-	(8,255)
Depreciation charge (Note 8)	(24,725)	(136,022)	(6,672)	(9,299)	(3,452)	-	(180,170)
Closing net book amount	<u>467,112</u>	<u>837,801</u>	<u>27,486</u>	<u>37,745</u>	<u>10,037</u>	<u>548,847</u>	<u>1,929,028</u>
<b>As at 31 December 2021</b>							
Cost	527,235	1,124,923	38,551	63,112	20,290	548,847	2,322,958
Accumulated depreciation	(60,123)	(287,122)	(11,065)	(25,367)	(10,253)	-	(393,930)
Net book amount	<u>467,112</u>	<u>837,801</u>	<u>27,486</u>	<u>37,745</u>	<u>10,037</u>	<u>548,847</u>	<u>1,929,028</u>
<b>Three months ended 31 March 2022</b>							
Opening net book amount	467,112	837,801	27,486	37,745	10,037	548,847	1,929,028
Additions	-	10,053	3,902	6,692	5,175	214,285	240,107
Transfers	1,868	151,516	2,279	4,625	-	(160,288)	-
Disposals	-	(2,606)	(1,239)	(583)	(163)	-	(4,591)
Depreciation charge (Note 8)	(6,270)	(41,156)	(2,732)	(3,570)	(1,293)	-	(55,021)
Closing net book amount	<u>462,710</u>	<u>955,608</u>	<u>29,696</u>	<u>44,909</u>	<u>13,756</u>	<u>602,844</u>	<u>2,109,523</u>

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	Buildings	Machinery and molds	Vehicles	Electronic equipment and others	Leasehold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 31 March 2022</b>							
Cost	529,103	1,282,860	41,906	73,613	24,694	602,844	2,555,020
Accumulated depreciation	(66,393)	(327,252)	(12,210)	(28,704)	(10,938)	-	(445,497)
Net book amount	<u>462,710</u>	<u>955,608</u>	<u>29,696</u>	<u>44,909</u>	<u>13,756</u>	<u>602,844</u>	<u>2,109,523</u>

(a) As at 31 December 2019 and 2020, the Group's buildings with carrying value of approximately RMB467,181,000, RMB436,735,000, respectively, had been pledged for the Group's borrowings of approximately RMB597,308,000 and RMB578,434,000 respectively (Note 29(a)).

(b) In December 2020, the Group had borrowings from certain finance leasing companies, in the form of sales and leaseback arrangements (Note 29(c)), whereby certain machinery and molds of the Group were sold and leased back over a 36-month lease term. The Group has the option to re-acquire the property, plant and equipment on completion of the leases at an insignificant nominal value.

During such lease term and before the exercise of the completion of the repurchase options, such property, plant and equipment are effectively pledged as security for the borrowings and are restricted under the agreements where lessors' consent must be obtained for the pledge or disposal of these assets. As at 31 December 2020, the carrying value of assets under this restriction amounted to approximately RMB243,836,000. The aforementioned borrowing was all early repaid during the year ended 31 December 2021.

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

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales	41,270	125,220	145,817	35,575	37,090
Selling expenses	705	4,956	6,171	1,524	3,356
Administrative expenses	8,054	8,611	12,123	3,008	5,537
Research and development expenses	5,636	13,060	16,059	3,916	9,038
	<u>55,665</u>	<u>151,847</u>	<u>180,170</u>	<u>44,023</u>	<u>55,021</u>

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ACCOUNTANT'S REPORT

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

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
Property, plant and equipment	1,472,073	1,521,665	1,929,028	2,109,523
Right-of-use assets	100,147	117,161	454,362	719,916
Intangible assets	17,897	19,853	419,867	427,150
	<u>1,590,117</u>	<u>1,658,679</u>	<u>2,803,257</u>	<u>3,256,589</u>

Impairment review on the property, plant and equipment, right-of-use assets and intangible assets (collectively the "long-term key operating assets") has been conducted by management of the Company as at 31 December 2019, 2020 and 2021 and 31 March 2022 according to IAS 36 "Impairment of assets". Management considered that the long-term key operating assets are all attributable to one cash generating unit ("CGU") which is the CGU for the production, research and development and sales of new energy vehicles. For the purpose of impairment review, the recoverable amount of the CGU is determined based on the higher amount of the fair value less cost of disposal ("FVLCD") and value-in-use calculations.

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the recoverable amount of aforementioned CGU was determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on business plan for the purpose of impairment reviews covering a ten-year period. The management considers the length of the forecast period is appropriate because it generally takes longer for a new electric vehicle company to reach a stable growth state, compared to companies in other industries, especially considering the fact that the new electric vehicle industry in China is an emerging industry with fast growth in the coming years and the Group is still in the initial stage of rapid growth. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. Management engaged an independent external valuer to assess the recoverable amounts of the long-term key operating assets and leveraged their extensive experiences in the automotive industry and provided forecast based on past performance and their expectation of future business plans and market developments.

Based on the results of the abovementioned assessments as conducted by management and the independent external valuer, the directors of the Company concluded that no impairment loss on the aforementioned long-term key operating assets are required to be recognized as at 31 December 2019, 2020 and 2021 and 31 March 2022.

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

Three months ended 31 March 2022	
Gross profit margin (%)	-2.9% to 18.3%
Annual revenue growth rate (%)	4.2% to 403.9%
Pre-tax discount rate (%)	24.65%
Year ended 31 December 2021	
Gross profit margin (%)	-8.1% to 18.3%
Annual revenue growth rate (%)	4.6% to 467.2%
Pre-tax discount rate (%)	24.87%

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Year ended 31 December 2020	
Gross profit margin (%)	-44.3% to 18.2%
Annual revenue growth rate (%)	4.2% to 467.2%
Pre-tax discount rate (%)	26.32%

Year ended 31 December 2019	
Gross profit margin (%)	-50.6% to 18.2%
Annual revenue growth rate (%)	4.1% to 467.2%
Pre-tax discount rate (%)	28.00%

The budgeted gross margins used in the impairment testing were determined by the management based on past performance and its expectation for market development. The expected revenue growth rate and gross profit margins are following the business projections approved by the Company's directors. Discount rates reflect market assessments of the time value and the specific risks relating to the industry.

Based on the result of the long-term key operating assets impairment testing, the estimated recoverable amount of the CGU far exceeded its carrying amount and the headroom was approximately RMB1,044,532,000, RMB4,770,608,000, RMB10,499,206,000 and RMB11,167,877,000 as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively.

If the gross profit margin for each year/period during the forecast period used in the value-in-use calculation had been 5% lower than management's estimates on 31 December 2019, 2020 and 2021 and 31 March 2022 respectively, the estimated recoverable amount shall still exceed its carrying amount by approximately RMB222,226,000, RMB3,487,268,000, RMB8,514,243,000 and RMB8,992,728,000, respectively. If the budgeted revenue growth rate for each year/period during the forecast period used in the value-in-use calculation had been 5% lower than management's estimates on 31 December 2019, 2020 and 2021 and 31 March 2022 respectively, the estimated recoverable amount shall still exceed its carrying amount by approximately RMB672,066,000, RMB4,027,082,000, RMB9,876,952,000 and RMB10,486,090,000, respectively. If the pre-tax discount rate applied to the cash flow projections had been 5% higher than management's estimates on 31 December 2019, 2020 and 2021 and 31 March 2022 respectively, the estimated recoverable amount shall still exceed its carrying amount by approximately RMB736,459,000, RMB4,280,315,000, RMB9,852,768,000 and RMB10,414,403,000, respectively.

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

**The Company**

	<b>Machinery and molds</b>	<b>Vehicles</b>	<b>Electronic equipment and others</b>	<b>Leasehold improvements</b>	<b>Construction in progress</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 1 January 2019</b>						
Cost	30,364	1,683	13,243	9,024	26,660	80,974
Accumulated depreciation	(2,860)	(274)	(4,421)	(447)	-	(8,002)
<b>Net book amount</b>	<b>27,504</b>	<b>1,409</b>	<b>8,822</b>	<b>8,577</b>	<b>26,660</b>	<b>72,972</b>

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	Machinery and molds	Vehicles	Electronic equipment and others	Leasehold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Year ended 31 December 2019</b>						
Opening net book amount	27,504	1,409	8,822	8,577	26,660	72,972
Additions	3,375	293	387	1,220	23,473	28,748
Transfers	5,980	903	7,368	-	(14,251)	-
Disposals	(14)	(39)	(18)	-	-	(71)
Depreciation charge	(2,752)	(508)	(4,709)	(2,241)	-	(10,210)
Closing net book amount	<u>34,093</u>	<u>2,058</u>	<u>11,850</u>	<u>7,556</u>	<u>35,882</u>	<u>91,439</u>
<b>As at 31 December 2019</b>						
Cost	39,694	2,833	20,962	10,244	35,882	109,615
Accumulated depreciation	(5,601)	(775)	(9,112)	(2,688)	-	(18,176)
Net book amount	<u>34,093</u>	<u>2,058</u>	<u>11,850</u>	<u>7,556</u>	<u>35,882</u>	<u>91,439</u>
<b>Year ended 31 December 2020</b>						
Opening net book amount	34,093	2,058	11,850	7,556	35,882	91,439
Additions	3,250	2,100	-	130	71,457	76,937
Transfers	4,051	251	1,168	-	(5,470)	-
Disposals	(22,289)	(53)	(2,761)	-	-	(25,103)
Depreciation charge	(4,504)	(830)	(5,837)	(2,361)	-	(13,532)
Closing net book amount	<u>14,601</u>	<u>3,526</u>	<u>4,420</u>	<u>5,325</u>	<u>101,869</u>	<u>129,741</u>
<b>As at 31 December 2020</b>						
Cost	18,318	5,132	17,190	10,374	101,869	152,883
Accumulated depreciation	(3,717)	(1,606)	(12,770)	(5,049)	-	(23,142)
Net book amount	<u>14,601</u>	<u>3,526</u>	<u>4,420</u>	<u>5,325</u>	<u>101,869</u>	<u>129,741</u>
<b>Year ended 31 December 2021</b>						
Opening net book amount	14,601	3,526	4,420	5,325	101,869	129,741
Additions	424	1,456	16,582	2,015	179,604	200,081
Transfers	77,584	-	10,945	-	(88,529)	-
Disposals	(9,539)	(32)	(598)	-	-	(10,169)
Depreciation charge	(1,589)	(1,317)	(6,056)	(2,426)	-	(11,388)
Closing net book amount	<u>81,481</u>	<u>3,633</u>	<u>25,293</u>	<u>4,914</u>	<u>192,944</u>	<u>308,265</u>
<b>As at 31 December 2021</b>						
Cost	83,791	6,458	43,339	12,389	192,944	338,921
Accumulated depreciation	(2,310)	(2,825)	(18,046)	(7,475)	-	(30,656)
Net book amount	<u>81,481</u>	<u>3,633</u>	<u>25,293</u>	<u>4,914</u>	<u>192,944</u>	<u>308,265</u>

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	<b>Machinery and molds</b>	<b>Vehicles</b>	<b>Electronic equipment and others</b>	<b>Leasehold improvements</b>	<b>Construction in progress</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Three months ended 31 March 2022</b>						
Opening net book amount	81,481	3,633	25,293	4,914	192,944	308,265
Additions	–	758	1,373	413	67,680	70,224
Transfers	105,444	–	4,553	–	(109,997)	–
Disposals	(2,578)	–	(583)	–	–	(3,161)
Depreciation charge	(5,345)	(407)	(2,382)	(690)	–	(8,824)
<b>Closing net book amount</b>	<b>179,002</b>	<b>3,984</b>	<b>28,254</b>	<b>4,637</b>	<b>150,627</b>	<b>366,504</b>
<b>As at 31 March 2022</b>						
Cost	186,156	7,216	48,632	12,802	150,627	405,433
Accumulated depreciation	(7,154)	(3,232)	(20,378)	(8,165)	–	(38,929)
<b>Net book amount</b>	<b>179,002</b>	<b>3,984</b>	<b>28,254</b>	<b>4,637</b>	<b>150,627</b>	<b>366,504</b>

**16 INTANGIBLE ASSETS**

**The Group**

	<b>Software</b>	<b>Patents</b>	<b>Automotive manufacturing license (a)</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 1 January 2019</b>				
Cost	15,250	25	–	15,275
Accumulated amortization	(2,908)	(7)	–	(2,915)
<b>Net book amount</b>	<b>12,342</b>	<b>18</b>	<b>–</b>	<b>12,360</b>
<b>Year ended 31 December 2019</b>				
Opening net book amount	12,342	18	–	12,360
Additions	11,061	–	–	11,061
Disposals	(98)	–	–	(98)
Amortization charge ( <i>Note 8</i> )	(5,421)	(5)	–	(5,426)
<b>Closing net book amount</b>	<b>17,884</b>	<b>13</b>	<b>–</b>	<b>17,897</b>
<b>As at 31 December 2019</b>				
Cost	26,162	25	–	26,187
Accumulated amortization	(8,278)	(12)	–	(8,290)
<b>Net book amount</b>	<b>17,884</b>	<b>13</b>	<b>–</b>	<b>17,897</b>

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**ACCOUNTANT'S REPORT**

	<u>Software</u>	<u>Patents</u>	<u>Automotive manufacturing license (a)</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Year ended 31 December 2020</b>				
Opening net book amount	17,884	13	–	17,897
Additions	16,176	–	–	16,176
Disposals	(3,495)	–	–	(3,495)
Amortization charge ( <i>Note 8</i> )	(10,720)	(5)	–	(10,725)
<b>Closing net book amount</b>	<b>19,845</b>	<b>8</b>	<b>–</b>	<b>19,853</b>
<b>As at 31 December 2020</b>				
Cost	38,743	25	–	38,768
Accumulated amortization	(18,898)	(17)	–	(18,915)
<b>Net book amount</b>	<b>19,845</b>	<b>8</b>	<b>–</b>	<b>19,853</b>
<b>Year ended 31 December 2021</b>				
Opening net book amount	19,845	8	–	19,853
Additions	12,650	–	398,830	411,480
Amortization charge ( <i>Note 8</i> )	(11,461)	(5)	–	(11,466)
<b>Closing net book amount</b>	<b>21,034</b>	<b>3</b>	<b>398,830</b>	<b>419,867</b>
<b>As at 31 December 2021</b>				
Cost	51,393	25	398,830	450,248
Accumulated amortization	(30,359)	(22)	–	(30,381)
<b>Net book amount</b>	<b>21,034</b>	<b>3</b>	<b>398,830</b>	<b>419,867</b>
<b>Three months ended 31 March 2022</b>				
Opening net book amount	21,034	3	398,830	419,867
Additions	10,935	–	–	10,935
Amortization charge ( <i>Note 8</i> )	(3,651)	(1)	–	(3,652)
<b>Closing net book amount</b>	<b>28,318</b>	<b>2</b>	<b>398,830</b>	<b>427,150</b>
<b>As at 31 March 2022</b>				
Cost	62,328	25	398,830	461,183
Accumulated amortization	(34,010)	(23)	–	(34,033)
<b>Net book amount</b>	<b>28,318</b>	<b>2</b>	<b>398,830</b>	<b>427,150</b>

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ACCOUNTANT'S REPORT

(a) Acquisition of the automotive manufacturing license (the "License")

On 9 December 2020, the Group entered into a share transfer agreement (the "STA") with Sanlong Group Co., Ltd 三龍集團有限公司 (the "Seller") to acquire the 100% equity interest in Fujian Xinfuda Automobile Industry Co., Ltd. 福建新福達汽車工業有限公司 (the "Acquiree") at a total cash consideration of RMB510,000,000 (the "Acquisition"). Subsequent to the Acquisition and the approval from the relevant PRC regulatory authority was granted, the Group obtained the License in April 2021. The Group then sold back its 100% equity interest in the Acquiree to the Seller at a consideration of RMB100,000,000 in May 2021, resulting in a sale of all of the Acquiree's net assets, except for the License and some necessary equipment with carrying amount of approximately RMB11 million. The net effect of this series of linked transactions outlined above is that only the License and some necessary equipment were acquired and retained by the Group.

The Group determined that it was the nominee shareholder of the Acquiree during the period from the Acquisition to the subsequent sell-back of the Acquiree after regulatory approval was obtained and the License was acquired by the Group (a period of approximately five months). During this period, the Group was not entitled to any of the economic results of the Acquiree in accordance with the STA. The directors of the Company considered that the acquisition was, in substance, an acquisition of assets (i.e., the License and the equipment acquired) that does not constitute a business.

Accordingly, the Group accounted for the acquisition of the License as an addition to intangible asset with a total cost of approximately RMB398,830,000 and the acquisition of the equipment as additions to property, plant and equipment with a total cost of approximately RMB11,170,000. The useful life of the License is assessed as indefinite as there is no limit to the valid period of the License under the relevant PRC laws and regulations. Out of the initial cash consideration of RMB510,000,000, RMB108,000,000 was paid in January 2021 and the remaining amount of RMB402,000,000 was paid in May 2021. For the repurchase consideration of RMB100,000,000 due from the Seller, the amount has been fully received by the Group prior to 31 December 2021.

(b) Amortization of intangible assets has been charged to profit or loss for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022 as follows:

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Administrative expenses	5,426	10,725	11,466	2,573	3,652

(Unaudited)

(c) Impairment tests for intangible assets

Impairment review on the License with indefinite useful life has been conducted by the management as at 31 December 2021 and 31 March 2022, respectively, in accordance with IAS 36 "Impairment of assets". Further details have been set out in Note 15(d).



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**ACCOUNTANT'S REPORT**

**The Company**

	<u>Software</u>	<u>Patents</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 1 January 2019</b>			
Cost	14,411	25	14,436
Accumulated amortization	<u>(2,861)</u>	<u>(7)</u>	<u>(2,868)</u>
<b>Net book amount</b>	<b><u>11,550</u></b>	<b><u>18</u></b>	<b><u>11,568</u></b>
<b>Year ended 31 December 2019</b>			
Opening net book amount	11,550	18	11,568
Additions	8,851	–	8,851
Disposals	(98)	–	(98)
Amortization charge	<u>(5,055)</u>	<u>(5)</u>	<u>(5,060)</u>
<b>Closing net book amount</b>	<b><u>15,248</u></b>	<b><u>13</u></b>	<b><u>15,261</u></b>
<b>As at 31 December 2019</b>			
Cost	23,113	25	23,138
Accumulated amortization	<u>(7,865)</u>	<u>(12)</u>	<u>(7,877)</u>
<b>Net book amount</b>	<b><u>15,248</u></b>	<b><u>13</u></b>	<b><u>15,261</u></b>
<b>Year ended 31 December 2020</b>			
Opening net book amount	15,248	13	15,261
Additions	5,844	–	5,844
Disposals	(3,495)	–	(3,495)
Amortization charge	<u>(6,865)</u>	<u>(5)</u>	<u>(6,870)</u>
<b>Closing net book amount</b>	<b><u>10,732</u></b>	<b><u>8</u></b>	<b><u>10,740</u></b>
<b>As at 31 December 2020</b>			
Cost	25,362	25	25,387
Accumulated amortization	<u>(14,630)</u>	<u>(17)</u>	<u>(14,647)</u>
<b>Net book amount</b>	<b><u>10,732</u></b>	<b><u>8</u></b>	<b><u>10,740</u></b>
<b>Year ended 31 December 2021</b>			
Opening net book amount	10,732	8	10,740
Additions	11,200	–	11,200
Amortization charge	<u>(7,543)</u>	<u>(5)</u>	<u>(7,548)</u>
<b>Closing net book amount</b>	<b><u>14,389</u></b>	<b><u>3</u></b>	<b><u>14,392</u></b>

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**ACCOUNTANT'S REPORT**

	<u>Software</u>	<u>Patents</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 31 December 2021</b>			
Cost	36,562	25	36,587
Accumulated amortization	<u>(22,173)</u>	<u>(22)</u>	<u>(22,195)</u>
<b>Net book amount</b>	<b><u>14,389</u></b>	<b><u>3</u></b>	<b><u>14,392</u></b>
<b>Three months ended 31 March 2022</b>			
Opening net book amount	14,389	3	14,392
Additions	10,864	–	10,864
Amortization charge	<u>(2,605)</u>	<u>(1)</u>	<u>(2,606)</u>
<b>Closing net book amount</b>	<b><u>22,648</u></b>	<b><u>2</u></b>	<b><u>22,650</u></b>
<b>As at 31 March 2022</b>			
Cost	47,426	25	47,451
Accumulated amortization	<u>(24,778)</u>	<u>(23)</u>	<u>(24,801)</u>
<b>Net book amount</b>	<b><u>22,648</u></b>	<b><u>2</u></b>	<b><u>22,650</u></b>

17 **OTHER NON-CURRENT ASSETS**

**The Group**

	<u>As at 31 December</u>			<u>As at</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>31 March</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<u>2022</u>
				<i>RMB'000</i>
Prepayment for property, plant and equipment	<u>–</u>	<u>–</u>	<u>32,593</u>	<u>207,134</u>

**The Company**

	<u>As at 31 December</u>			<u>As at</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>31 March</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<u>2022</u>
				<i>RMB'000</i>
Prepayment for property, plant and equipment	<u>–</u>	<u>–</u>	<u>6,294</u>	<u>16,222</u>

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**ACCOUNTANT'S REPORT**

**18 INVENTORIES**

	<b>As at 31 December</b>			<b>As at 31 March</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and spare parts	132,667	196,506	774,947	1,235,849
Finished goods	91,166	68,245	301,822	271,998
	223,833	264,751	1,076,769	1,507,847
Less: provisions for impairment of raw materials	(34,765)	(61,350)	(253,273)	(330,880)
Less: provisions for impairment of finished goods	(23,890)	(21,313)	(74,025)	(61,494)
	(58,655)	(82,663)	(327,298)	(392,374)
	<u>165,178</u>	<u>182,088</u>	<u>749,471</u>	<u>1,115,473</u>

Raw materials primarily consist of materials for volume production which will be transferred into production cost when incurred as well as spare parts used for after sales services.

Finished goods include vehicles ready for transit at production plants, vehicles in transit to fulfil customers' orders, new vehicles available for immediate sales at the Group's sales and servicing center locations.

During the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022, inventories recognized as cost of sales amounted to approximately RMB96,089,000, RMB664,393,000, RMB3,799,599,000, RMB273,604,000 and RMB1,929,651,000, respectively, and the provision for impairment of inventories as recognized for the respective years/periods amounted to approximately RMB58,655,000, RMB77,885,000, RMB323,165,000, RMB71,053,000 and RMB341,720,000, respectively. All these expenses and impairment charge have been included in "cost of sales" in the consolidated statements of comprehensive loss.

During the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022, the provision for impairment of inventories as utilized upon the Group's ultimate sales of the related vehicles/parts amounted to approximately nil, RMB53,877,000, RMB78,530,000, RMB28,803,000 and RMB276,644,000, respectively and there was not any reversal of over-provision recognized in profit or loss for the respective years/periods.

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**19 TRADE AND NOTES RECEIVABLES**

**The Group**

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Notes receivables (a)	807	65,552	-	11
Provisions for impairment	-	(32)	-	-
	<u>807</u>	<u>65,520</u>	<u>-</u>	<u>11</u>
Trade receivables				
Due from related parties (Note 39)	1,800	5,815	6,534	13
Government subsidies receivables for promotion of new energy vehicles	<u>16,452</u>	<u>162,022</u>	<u>776,188</u>	<u>986,654</u>
Gross trade receivables	<u>18,252</u>	<u>167,837</u>	<u>782,722</u>	<u>986,667</u>
Provisions for impairment	<u>(11)</u>	<u>(128)</u>	<u>(472)</u>	<u>(647)</u>
	<u>18,241</u>	<u>167,709</u>	<u>782,250</u>	<u>986,020</u>
Total	<u><u>19,048</u></u>	<u><u>233,229</u></u>	<u><u>782,250</u></u>	<u><u>986,031</u></u>

**(a) Notes receivables**

The balance as at 31 December 2020 primarily comprises of the notes receivable as collected by the Group under a sales and lease-back transaction as detailed in Note 29(c). The balance as at 31 March 2022 comprises of the notes receivable from a related party (Note 39(c)).

**(b) Trade receivables**

(i) As at 31 December 2019, 2020 and 2021 and 31 March 2022, government subsidies receivables for promotion of new energy vehicles of nil, nil, RMB200,000,000 and RMB400,000,000, respectively has been pledged for issuance of bank acceptance notes of the Group (Note 33).

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(ii) *Aging analysis of the trade receivables*

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the aging analysis of the trade receivables based on date of recognition is as follows:

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Up to 6 months	18,252	127,923	405,400	435,849
6 months to 1 year	-	22,213	209,485	324,611
1 to 2 years	-	17,701	150,136	205,978
2 to 3 years	-	-	17,701	20,229
	<u>18,252</u>	<u>167,837</u>	<u>782,722</u>	<u>986,667</u>

As at 31 December 2020 and 2021 and 31 March 2022, trade receivables with aging of more than one year are government subsidies receivables for promotion of new energy vehicles.

(iii) *Fair values of the trade receivables*

Due to the short-term nature of the current receivables, their carrying amounts are considered to be approximately the same as their fair values.

(iv) *Impairment and risk exposure*

Trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3.1(b) provides details about the calculation of the allowance. The loss allowance for trade receivables as at 31 December 2019, 2020 and 2021 and 31 March 2022 is determined as follows:

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the Group has no individually impaired trade receivables.

As at 31 December 2019	Up to 6 months
Expected credit loss rate	0.06%
Gross carrying amount – trade receivables (RMB'000)	<u>18,252</u>
Loss allowances (RMB'000)	<u>(11)</u>

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<u>As at 31 December 2020</u>	<u>Up to 6 months</u>	<u>6 months to 1 year</u>	<u>1 to 2 years</u>	<u>Total</u>	
Expected credit loss rate	0.07%	0.07%	0.14%	N/A	
Gross carrying amount – trade receivables (RMB'000)	<u>127,923</u>	<u>22,213</u>	<u>17,701</u>	<u>167,837</u>	
Loss allowances (RMB'000)	<u>(88)</u>	<u>(15)</u>	<u>(25)</u>	<u>(128)</u>	
<u>As at 31 December 2021</u>	<u>Up to 6 months</u>	<u>6 months to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>Total</u>
Expected credit loss rate	0.04%	0.04%	0.11%	0.22%	N/A
Gross carrying amount – trade receivables (RMB'000)	<u>405,400</u>	<u>209,485</u>	<u>150,136</u>	<u>17,701</u>	<u>782,722</u>
Loss allowances (RMB'000)	<u>(172)</u>	<u>(93)</u>	<u>(168)</u>	<u>(39)</u>	<u>(472)</u>
<u>As at 31 March 2022</u>	<u>Up to 6 months</u>	<u>6 months to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>Total</u>
Expected credit loss rate	0.05%	0.05%	0.12%	0.23%	N/A
Gross carrying amount – trade receivables (RMB'000)	<u>435,849</u>	<u>324,611</u>	<u>205,978</u>	<u>20,229</u>	<u>986,667</u>
Loss allowances (RMB'000)	<u>(208)</u>	<u>(151)</u>	<u>(241)</u>	<u>(47)</u>	<u>(647)</u>

The carrying amounts of the Group's trade and notes receivables are all denominated in RMB.

**The Company**

	<u>As at 31 December</u>			<u>As at 31 March</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trade receivables				
Due from related parties	708	413	732	–
Provisions for impairment (b)	<u>(1)</u>	<u>–*</u>	<u>–*</u>	<u>–</u>
	<u>707</u>	<u>413</u>	<u>732</u>	<u>–</u>

\* The balance represents an amount less than RMB1,000.

The carrying amounts of the Company's trade receivable are denominated in RMB.

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(a) *Aging analysis of the trade receivables*

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the aging analysis of the trade receivables based on date of revenue recognition is as follows:

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
Up to 6 months	708	413	–	–
6 months to 1 year	–	–	319	–
1 to 2 years	–	–	413	–
	<b>708</b>	<b>413</b>	<b>732</b>	<b>–</b>

(b) *Impairment and risk exposure*

Trade receivables

As at 31 December 2019, 2020 and 2021, the Company has no individually impaired trade receivables.

The loss allowance for the Company's trade receivables are summarized as below:

As at 31 December 2019	Up to 6 months
Expected credit loss rate	0.14%
Gross carrying amount – trade receivables (RMB'000)	708
Loss allowances (RMB'000)	<b>(1)</b>

As at 31 December 2020	Up to 6 months
Expected credit loss rate	0.08%
Gross carrying amount – trade receivables (RMB'000)	413
Loss allowances (RMB'000)	<b>–*</b>

As at 31 December 2021	Up to 6 months	6 months to 1 year	1 to 2 years	Total
Expected credit loss rate	–	0.04%	0.08%	N/A
Gross carrying amount – trade receivables (RMB'000)	–	319	413	732
Loss allowances (RMB'000)	<b>–</b>	<b>–*</b>	<b>–*</b>	<b>–*</b>

\* The balance represents an amount less than RMB1,000.

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**20 OTHER CURRENT ASSETS**

**The Group**

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022 RMB'000
Other receivables (a)				
– Refundable deposits (i)	3,013	3,983	8,304	10,652
– Due from related parties (Note 39)	601	5,485	5,767	174
– Payments on behalf of employees	182	128	–	126
– Others	116	29	830	880
	<u>3,912</u>	<u>9,625</u>	<u>14,901</u>	<u>11,832</u>
Provisions for impairment (ii)	<u>(90)</u>	<u>(153)</u>	<u>(118)</u>	<u>(117)</u>
	<u>3,822</u>	<u>9,472</u>	<u>14,783</u>	<u>11,715</u>
Prepayments for (b)				
– raw materials to third parties	22,214	192,661	99,760	213,404
– raw materials to related parties	–	982	–	488
– short-term lease rental expenses	994	79	1,602	5,126
– other taxes	151	151	13	–
– other operating expenses	679	605	8,405	8,161
	<u>24,038</u>	<u>194,478</u>	<u>109,780</u>	<u>227,179</u>
Prepaid listing expenses	<u>–</u>	<u>–</u>	<u>4,585</u>	<u>8,735</u>
	<u>24,038</u>	<u>194,478</u>	<u>114,365</u>	<u>235,914</u>
Input VAT to be deducted (c)	<u>206,234</u>	<u>216,899</u>	<u>291,370</u>	<u>362,094</u>
Total other current assets	<u><u>234,094</u></u>	<u><u>420,849</u></u>	<u><u>420,518</u></u>	<u><u>609,723</u></u>

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the fair values of other current assets of the Group, except for the prepayments and input VAT to be deducted which are not financial assets, approximated their carrying amounts.

The carrying amounts of the Group's other current assets are all denominated in RMB.



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(a) *Other receivables*

(i) *Refundable deposits*

Refundable deposits consist primarily of security deposits for rental of buildings.

(ii) *Impairment and risk exposure*

For other receivables, management performs periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences incorporating forward-looking information. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Expected credit loss ("ECL") model for other receivables, as summarized below:

- The other receivables that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis;
- If a significant increase in credit risk (as defined below) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis;
- If the financial instrument is credit-impaired (as defined below), the financial instrument is then moved to 'Stage 3'. The expected credit loss is measured on lifetime basis; and
- Under Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting period to the amortized cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

The loss allowance recognized in the year/period is impacted by a variety of factors, as described below:

- Transfer between stage 1, stage 2 or stage 3 due to other receivables experiencing significant increases (or decreases) of credit risk in the period, and the subsequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognized, as well as releases for other receivables derecognized in the period; and
- Other receivables derecognized and write-offs of allowance related to assets that were written off during the year/period.

The Group considers counter-parties as follows:

- 'Stage 1' — Counter-parties who have a low risk of default and a strong capacity to meet contractual cash flows;
- 'Stage 2' — Counter-parties whose repayments are past due but with reasonable expectation of recovery; and

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- 'Stage 3' — Counter-parties whose repayments are past due and with low reasonable expectation of recovery.

The following tables summarized the loss allowance for other receivables as analyzed by different stages:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at 31 December 2019 (RMB'000)	3,912	-	-	3,912
Loss allowance as at 31 December 2019 (RMB'000)	(90)	-	-	(90)
Expected credit loss rate	2.30%	-	-	N/A
Gross carrying amount as at 31 December 2020 (RMB'000)	9,625	-	-	9,625
Loss allowance as at 31 December 2020 (RMB'000)	(153)	-	-	(153)
Expected credit loss rate	1.59%	-	-	N/A
Gross carrying amount as at 31 December 2021 (RMB'000)	14,901	-	-	14,901
Loss allowance as at 31 December 2021 (RMB'000)	(118)	-	-	(118)
Expected credit loss rate	0.79%	-	-	N/A
Gross carrying amount as at 31 March 2022 (RMB'000)	11,832	-	-	11,832
Loss allowance as at 31 March 2022 (RMB'000)	(117)	-	-	(117)
Expected credit loss rate	0.99%	-	-	N/A

- (b) The prepayments represented prepayments to third parties or related parties during the Track Record Period.
- (c) Input VAT to be deducted are mainly input VAT arisen from the acquisition of property, plant and equipment, intangible assets and materials. According to Announcement of the General Administration of Taxation and Customs of the Ministry of Finance on Policies for Deepening the Reform of Value-Added Tax (Announcement of the General Administration of Taxation and Customs of the Ministry of Finance, (2019) No. 39), enterprises with value-added tax recoverable balance can, starting from 1 April 2019, apply for the refund with a percentage of 10% of the current deductible input tax.

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**The Company**

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other receivables				
– Due from subsidiaries	622,906	1,553,086	3,326,760	3,549,957
– Due from related parties	174	5,327	5,767	174
– Refundable deposits	202	208	900	1,399
– Payments on behalf of employees	182	–	–	4
– Others	–	–	225	92
	<u>623,464</u>	<u>1,558,621</u>	<u>3,333,652</u>	<u>3,551,626</u>
Provisions for impairment (i)	<u>(3,242)</u>	<u>(10,494)</u>	<u>(2,914)</u>	<u>(5,338)</u>
	<u>620,222</u>	<u>1,548,127</u>	<u>3,330,738</u>	<u>3,546,288</u>
Prepayments for				
– raw materials to subsidiaries	3,813	–	–	101,490
– raw materials to third parties	6,827	1,758	1,441	1,708
	<u>10,640</u>	<u>1,758</u>	<u>1,441</u>	<u>103,198</u>
Prepaid listing expenses	–	–	4,585	8,735
	<u>10,640</u>	<u>1,758</u>	<u>6,026</u>	<u>111,933</u>
Input VAT to be deducted	<u>108</u>	<u>632</u>	<u>46,831</u>	<u>64,881</u>
Total other current assets	<u><u>630,970</u></u>	<u><u>1,550,517</u></u>	<u><u>3,383,595</u></u>	<u><u>3,723,102</u></u>

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(i) *Impairment and risk exposure*

The following tables explain the changes in the loss allowance for the Company's other receivables as analyzed by different stages:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at 31 December 2019 (RMB'000)	623,464	-	-	623,464
Loss allowance as at 31 December 2019 (RMB'000)	(3,242)	-	-	(3,242)
<b>Expected credit loss rate</b>	<b>0.52%</b>	<b>-</b>	<b>-</b>	<b>N/A</b>
Gross carrying amount as at 31 December 2020 (RMB'000)	1,558,621	-	-	1,558,621
Loss allowance as at 31 December 2020 (RMB'000)	(10,494)	-	-	(10,494)
<b>Expected credit loss rate</b>	<b>0.67%</b>	<b>-</b>	<b>-</b>	<b>N/A</b>
Gross carrying amount as at 31 December 2021 (RMB'000)	3,333,652	-	-	3,333,652
Loss allowance as at 31 December 2021 (RMB'000)	(2,914)	-	-	(2,914)
<b>Expected credit loss rate</b>	<b>0.09%</b>	<b>-</b>	<b>-</b>	<b>N/A</b>
Gross carrying amount as at 31 March 2022 (RMB'000)	3,551,626	-	-	3,551,626
Loss allowance as at 31 March 2022 (RMB'000)	(5,338)	-	-	(5,338)
<b>Expected credit loss rate</b>	<b>0.15%</b>	<b>-</b>	<b>-</b>	<b>N/A</b>

**21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

**The Group**

(a) Classification of financial assets at FVPL

The Group classifies the followings as financial assets at FVPL:

- debt investments that do not qualify for measurement at either amortized cost or FVOCI
- equity investments that are held for trading, and
- equity investments for which the Group has not elected to recognize fair value gains and losses through OCI.

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The Group's financial assets measured at FVPL include the following:

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
Investments in wealth management products issued by banks	181,606	76,042	1,260,078	301,349

The principals and returns of the wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, the wealth management products issued by banks are measured at fair value through profit or loss.

Information about the Group's exposure to financial risk and information about the methods and assumptions used in determining fair value of these financial assets at FVPL are set out in Note 3.3(c).

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

During the year/period, the following net fair value gains were recognized in the consolidated statements of comprehensive loss:

	Year ended 31 December			Three months ended	
	2019	2020	2021	31 March	
	RMB'000	RMB'000	RMB'000	2021	2022
Net fair value gains on financial assets at FVPL recognized in other gains – net (Note 7)					
– realized	7,937	1,917	14,160	2,297	5,252
– unrealized	326	42	8,078	2,018	1,350
	8,263	1,959	22,238	4,315	6,602

**The Company**

The Company's financial assets measured at FVPL include the following:

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
Investments in wealth management products issued by banks	127,226	50,042	1,157,560	200,163

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**22 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND LONG-TERM BANK TIME DEPOSITS**

**The Group**

**(a) Cash and cash equivalents**

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at banks	246,493	682,410	6,431,142	6,053,738
Less: restricted cash (b)	(40,803)	(441,497)	(1,376,072)	(953,952)
Less: restricted long-term bank time deposits (c)	-	-	(700,000)	(700,000)
Less: unrestricted long-term bank time deposits (c)	-	(140,107)	(17,103)	(122,646)
	205,690	100,806	4,337,967	4,277,140
Cash and cash equivalents	205,690	100,806	4,337,967	4,277,140

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

**(b) Restricted cash**

As at 31 December 2019, cash at banks with amounts of RMB35,803,000 and RMB5,000,000 were restricted as guarantee deposits for issuance of bank acceptance notes and as guarantee deposits held in separate reserve account that was pledged to the bank as security deposits for project bidding, respectively.

As at 31 December 2020, cash at banks with amounts of RMB436,497,000 and RMB5,000,000 were restricted as guarantee deposits for issuance of bank acceptance notes and as guarantee deposits held in separate reserve account that was pledged to the bank as security deposits for project bidding, respectively.

As at 31 December 2021, cash at banks with amounts of RMB715,720,000 and RMB610,000,000 were restricted as guarantee deposits for issuance of bank acceptance notes and security deposits for a bank borrowing (Note 29(a)), respectively. The remaining amount of approximately RMB50,352,000 was restricted as a guarantee deposit for the contract with the Group's suppliers.

As at 31 March 2022, cash at banks with amounts of RMB279,345,000 and RMB610,000,000 were restricted as guarantee deposits for issuance of bank acceptance notes and security deposits for a bank borrowing (Note 29(a)), respectively. The remaining amounts of approximately RMB9,257,000 and RMB55,350,000 were mainly restricted as a litigation deposit and guarantee deposits for the contracts with the Group's suppliers, respectively.

**(c) Long-term bank time deposits were neither past due nor impaired. Management considered that the carrying amounts of the long-term bank time deposits approximated their fair values as at 31 December 2020 and 2021 and 31 March 2022.**

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As at 31 December 2020, the long-term bank time deposits with the principal of RMB140,000,000 and the finance income of approximately RMB107,000 are all unrestricted.

As at 31 December 2021 and 31 March 2022, the long-term bank time deposits with an amount of RMB300,000,000 was pledged to the bank as security deposits under various bank borrowing agreements (Note 29(a)), and the remaining amount of RMB200,000,000 and RMB200,000,000 were pledged to the bank for issuance of bank acceptance notes and for the contract with the Group's suppliers, respectively. As at 31 December 2021, the remaining unrestricted deposit amount of approximately RMB17,103,000 is arisen from the finance income on long-term bank time deposits. As at 31 March 2022, the remaining unrestricted deposits of approximately RMB100,000,000 and RMB22,646,000 represent the balances of the principal and the finance income of unrestricted long-term bank time deposits, respectively.

Cash and cash equivalents are denominated in:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	204,813	99,993	4,334,703	4,273,949
USD	877	813	3,264	3,151
HKD	–	–	–	40
	<u>205,690</u>	<u>100,806</u>	<u>4,337,967</u>	<u>4,277,140</u>

Restricted cash and long-term bank time deposits are all denominated in RMB.

**The Company**

**(a) Cash and cash equivalents**

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks	187,240	240,394	3,933,070	4,140,147
Less: restricted cash (b)	(1,669)	(15,282)	(50,495)	(102,271)
Less: restricted long-term bank time deposits (c)	–	–	(400,000)	(400,000)
Less: unrestricted long-term bank time deposits (c)	–	(140,107)	(8,312)	(10,212)
	<u>185,571</u>	<u>85,005</u>	<u>3,474,263</u>	<u>3,627,664</u>

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

**(b) Restricted cash**

As at 31 December 2019, 2020 and 2021 and 31 March 2022, bank balances of approximately RMB1,669,000, RMB15,282,000, RMB50,495,000 and RMB93,014,000, respectively was restricted as guarantee deposits for the Group's issuance of bank acceptance notes. As at 31 March 2022, the remaining amount of approximately RMB9,257,000 was restricted as a litigation deposit.

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- (c) Long-term bank time deposits were neither past due nor impaired. Management considered that the carrying amounts of the long-term bank time deposits approximated their fair values as at 31 December 2020 and 2021 and 31 March 2022.

As at 31 December 2020, the long-term bank time deposits with the principal of RMB140,000,000 and the finance income of approximately RMB107,000 are all unrestricted.

As at 31 December 2021, the long-term bank time deposits of RMB200,000,000 and RMB200,000,000 were pledged to the bank for issuance of bank acceptance notes and for the contract with the Group's suppliers, respectively. The remaining unrestricted deposit amount of approximately RMB8,312,000 is arisen from the finance income on long-term bank time deposits.

As at 31 March 2022, the long-term bank time deposits of RMB200,000,000 and RMB200,000,000 were pledged to the bank for issuance of bank acceptance notes and for the contract with the Group's suppliers, respectively. The remaining unrestricted deposit amount of approximately RMB10,212,000 is arisen from the finance income on long-term bank time deposits.

Cash and cash equivalents are denominated in:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	184,694	84,192	3,470,999	3,624,473
USD	877	813	3,264	3,151
HKD	–	–	–	40
	<u>185,571</u>	<u>85,005</u>	<u>3,474,263</u>	<u>3,627,664</u>

Restricted cash and long-term bank time deposits are all denominated in RMB.

**23 PAID-IN CAPITAL**

**The Group and the Company**

	Paid-in capital
	RMB'000
<b>As at 1 January 2019</b>	509,545
Capital contributions from series A-1 investors (a)	81
Capital contributions from series A-2 investor (b)	29,358
<b>As at 31 December 2019 and 2020</b>	<u>538,984</u>
<b>As at 1 January 2021</b>	538,984
Capital contributions from series B-1 equity holders (c)	143,136
Capital contributions from series B-2 equity holders (d)	64,953
Capital contributions from Guosen Securities Co., Ltd. (國信證券股份有限公司) (e)	41,730
Conversion into a joint stock company (Note 24(a))	(788,803)
<b>As at 31 December 2021 and 31 March 2022</b>	<u>–</u>



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- (a) On 16 November 2018, the Company entered into an investment agreement with series A-1 investors, pursuant to which total capital of RMB761,000,000 was contributed into the Company. The proceeds of RMB760,000,000 were received by the Company in December 2018. The remaining proceeds of RMB1,000,000 were received by the Company in July 2019, with RMB81,000 (approximately 0.01% of total paid-in capital before the Company's conversion into a joint stock company (Note 24(a))) and RMB919,000 credited to the Company's paid-in capital and capital reserves, respectively. Certain preferred rights upon capital contribution were granted to series A-1 investors (Note 28).
- (b) On 1 August 2019, the Company entered into an investment agreement with series A-2 investor, pursuant to which total capital of RMB360,000,000 was contributed into the Company with RMB29,358,000 (approximately 3.7% of total paid-in capital before the Company's conversion into a joint stock company (Note 24(a))) and RMB330,642,000 credited to the Company's paid-in capital and capital reserves, respectively. Certain preferred rights upon capital contribution were granted to series A-2 investor (Note 28).
- (c) On 5 January 2021, the Company entered into capital contribution agreement with series B-1 investors, pursuant to which total capital of RMB2,957,800,000 was contributed into the Company with approximately RMB143,136,000 (approximately 18.1% of total paid-in capital before the Company's conversion into a joint stock company (Note 24(a))) and RMB2,814,664,000 credited to the Company's paid-in capital and capital reserves, respectively (Note 25). No preferred rights upon capital contribution were granted to series B-1 investors.
- (d) On 25 January 2021, the Company entered into capital contribution agreement with series B-2 investors, pursuant to which total capital of RMB1,342,200,000 was contributed to the Company with approximately RMB64,953,000 (approximately 8.2% of total paid-in capital before the Company's conversion into a joint stock company (Note 24(a))) and RMB1,277,247,000 credited to the Company's paid-in capital and capital reserves, respectively (Note 25). No preferred rights upon capital contribution were granted to series B-2 investors.
- (e) In accordance with the resolution of the Board of Directors of the Company dated 30 January 2021, Guosen Securities Co., Ltd. ("**Guosen Securities**", the platform set up for the Company's Share Incentive Plans (the "**Share Incentive Plans**") (Note 26) contributed the capital contribution into the Company with approximately RMB41,730,000 credited to the Company's paid-in-capital.

**24 SHARE CAPITAL**

**The Group and the Company**

A summary of movements in the Company's authorized, issued and fully paid share capital is as follows:

	Number of shares	Share capital
		RMB'000
<b>As at 1 January 2021</b>	–	–
Conversion into a joint stock limited company (a)	788,802,584	788,803
Issuance of shares (b) (c)	223,084,375	223,084
<b>As at 31 December 2021 and 31 March 2022</b>	1,011,886,959	1,011,887

- (a) In April 2021, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as at the conversion date were converted into approximately 788,803,000 ordinary shares at RMB1 each. The excess of net assets converted over nominal value of the ordinary shares was credited to the Company's share premium (Note 25).

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- (b) In August 2021, the Company entered into an investment agreement with series C-1 investors, pursuant to which the series C-1 investors subscribed 165,850,328 shares of the Company with total consideration of RMB4,520,500,000, was contributed to the Company with approximately RMB165,850,000 and RMB4,354,650,000 credited to the Company's share capital and share premium, respectively (Note 25).
- (c) In November 2021, the Company entered into an investment agreement with series C-2 investors, pursuant to which the series C-2 investors subscribed 57,234,047 shares of the Company with total consideration of RMB1,560,000,000, was contributed to the Company with approximately RMB57,234,000 and RMB1,502,766,000 credited to the Company's share capital and share premium respectively (Note 25).

**25 TREASURY STOCK AND RESERVES**

The following table shows a breakdown of the balance sheet line items "treasury stock" and "reserves" and their movements during the respective years/period. A description of the nature and purpose of each reserve is provided below the table.

**The Group and the Company**

	Reserves				Total
	Treasury stock	Share premium	Capital reserves	Share-based payment reserves	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at 1 January 2019</b>	(1,125,084)	–	982,740	6,964	989,704
Capital contributions from series A-1 investors	–	–	919	–	919
Capital contributions from series A-2 investor	–	–	330,642	–	330,642
Recognition of financial instruments with preferred rights at amortized cost (a)	(361,000)	–	–	–	–
Share-based payment (Note 26)	–	–	–	3,327	3,327
<b>As at 31 December 2019</b>	<u>(1,486,084)</u>	<u>–</u>	<u>1,314,301</u>	<u>10,291</u>	<u>1,324,592</u>
<b>As at 1 January 2020</b>	(1,486,084)	–	1,314,301	10,291	1,324,592
Derecognition of financial instruments with preferred rights at amortized cost (b)	1,486,084	–	237,280	–	237,280
Share-based payment (Note 26)	–	–	–	42,559	42,559
<b>As at 31 December 2020</b>	<u>–</u>	<u>–</u>	<u>1,551,581</u>	<u>52,850</u>	<u>1,604,431</u>

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	Reserves				Total
	Treasury stock	Share premium	Capital reserves	Share-based payment reserves	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2021	-	-	1,551,581	52,850	1,604,431
Capital contributions from equity holders (Note 23(c) and 23(d))	-	-	4,091,911	-	4,091,911
Conversion into a joint stock company (Note 24(a))	-	4,662,552	(5,643,492)	-	(980,970)
Issuance of shares (Notes 24(b) and 24(c))	-	5,857,416	-	-	5,857,416
Share-based payment (Note 26)	-	-	-	216,955	216,955
<b>As at 31 December 2021</b>	<b>-</b>	<b>10,519,938</b>	<b>-</b>	<b>269,805</b>	<b>10,789,743</b>
As at 1 January 2022	-	10,519,938	-	269,805	10,789,743
Share-based payment (Note 26)	-	-	-	72,958	72,958
<b>As at 31 March 2022</b>	<b>-</b>	<b>10,519,938</b>	<b>-</b>	<b>342,763</b>	<b>10,862,701</b>

- (a) The Group recorded treasury stock to reflect the carrying amount of the financial instruments with preferred rights at the date of issuance of series A-1 financing and series A-2 financing. Further details are described in Note 28(a).
- (b) On 31 December 2020, upon termination of the preferred rights of the Series Pre A Investors and Series A Investors, all the treasury stock was derecognized and the difference between the derecognition of the financial instruments with preferred rights and the treasury stock was credited to the capital reserves. Further details are described in Note 28(b).

26 SHARE-BASED PAYMENT

(a) Share transfer among shareholders

- (i) The Company relies on an independent valuer to assess and determine the fair value of the share transfer among shareholders. The difference between the fair value per share/unit capital of the Company and the cash considerations is recognized in profit or loss with a corresponding increase in equity.

On 5 December 2017, in accordance with the resolution of the Board of Directors of the Company, Mr. Zhu Jiangming (朱江明) and Mr. Li Ke (李柯) entered into the share transfer agreement with Mr. Geng Yongping (耿永平) and Wanzai Mingzhao Consulting Service Center L.P. (萬載明昭諮詢服務中心(有限合夥)) ("Wanzai Mingzhao") respectively. Pursuant to the share transfer agreement, Mr. Zhu Jiangming transferred 3,600,000 shares of the Company with fair value of approximately RMB1.70 per unit capital to Mr. Geng Yongping at cash considerations of RMB1.00 per unit capital. Mr. Li Ke transferred 3,600,000 shares of the Company to Wanzai Mingzhao at cash considerations of RMB1.00 per unit capital. Approximately RMB5,040,000 of share-based payment expenses were recognized in administrative expenses for the year ended 31 December 2017 and credited to the equity.

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On 30 June 2018, in accordance with the resolution of the Board of Directors of the Company, one of the Company's equity holder Wanzai Mingzhao granted 7,200,000 shares to the Company's employee Mr. Zhao Gang (趙剛) with service condition of certain years and at a unit capital of RMB1.00. The fair value of the share at the grant date was approximately RMB2.32 per unit capital. The share-based payment expenses with an amount of approximately RMB1,924,000 and RMB3,327,000 respectively were recognized in selling expenses and other reserves for the year ended 31 December 2018 and 2019 respectively. In April 2020, Mr. Zhao Gang resigned. Approximately RMB3,930,000 was credited to selling expenses and debited to other reserves for the unvested shares for the year ended 31 December 2020.

When Mr. Zhao Gang resigned in April 2020, he entered into an agreement with Mr. Zhu Jiangming, the 6,200,000 unvested shares were transferred to Mr. Zhu Jiangming, with no vesting condition and at a unit capital of RMB1.00. The fair value of the shares at transaction date was approximately RMB8.50 per unit capital. Approximately RMB46,489,000 of share-based payment expenses were recognized in equity and administrative expenses for the year ended 31 December 2020.

The discount cash flow method and back-solve method were used to determine the underlying equity fair value of the Company and the fair value of the shares granted or shares transfer among shareholders. The key assumptions into the model other than the underlying equity fair value of the Company at the date of grant were as follows:

### Key assumptions

Risk-free interest rate	2.54% - 3.90%
Volatility	45.01% - 45.68%
Dividend yield	0%

#### (b) Share award schemes

On 31 January 2021, the establishment of the Company's Share Incentive Plans was approved by shareholders of the Company. Certain eligible employees of the Group (the "Incentive targets") were granted with the shares of No.1 Guosen Securities Leapmotor Technology Employee Stock Ownership — Asset Management Plan ("Guosen Securities") and Ningbo Jinghang Enterprise Management L.P. (寧波景航企業管理合夥企業(有限合夥)) ("Ningbo Jinghang"), as rewards for their services and in exchange for their full-time devotion and professional expertise. The two companies were set up for the purpose of holding shares of the Company on behalf of the Incentive targets.

57,723,164 shares with a grant price of RMB1.40 per unit capital and 12,806,500 shares with a grant price of RMB1.27 per unit capital of the Company were granted to the Incentive targets in 2021 through Guosen Securities and Ningbo Jinghang, respectively. All the shares granted are vested on the third anniversary from the date of fulfilling the service and performance conditions ("[REDACTED] condition") as prescribed in the Share Incentive Plans. If an employee ceased to be employed by the Group within this period, the awarded shares would be forfeited, and forfeited shares would be purchased back by Mr. Zhu Jiangming at the price that the employees initially purchased the shares, and would be reallocated in the subsequent grants, if any, at the discretion of the Group. 2,078,950 shares were forfeited and 302,800 shares were granted and reallocated during the year ended 31 December 2021 while 3,040,450 shares were forfeited during the three months ended 31 March 2022.

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

As at 1 January 2021	–
Granted	70,832,464
Forfeited	<u>(2,078,950)</u>
<b>As at 31 December 2021</b>	<b><u>68,753,514</u></b>
As at 1 January 2022	68,753,514
Forfeited	<u>(3,040,450)</u>
<b>As at 31 March 2022</b>	<b><u>65,713,064</u></b>

The fair value of each awarded restricted shares was calculated based on the most recent transaction price of the Company's shares at the grant date.

**(c) Expenses arising from share-based payment transactions**

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

	Year ended 31 December			Three months ended	
	2019	2020	2021	31 March	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Share-based payment expenses	<u>3,327</u>	<u>42,559</u>	<u>216,955</u>	<u>25,938</u>	<u>72,958</u>

**27 FINANCIAL INSTRUMENTS BY CATEGORY**

The Group holds the following financial instruments:

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
<b>Financial assets</b>				
Financial assets at amortized cost:				
– Trade and notes receivables (Note 19)	19,048	233,229	782,250	986,031
– Other receivables (Note 20)	3,822	9,472	14,783	11,715
– Cash and cash equivalents (Note 22)	205,690	100,806	4,337,967	4,277,140
– Restricted cash (Note 22)	40,803	441,497	1,376,072	953,952
– Long-term bank time deposits (Note 22)	–	140,107	717,103	822,646
Financial assets at FVPL (Note 21)	<u>181,606</u>	<u>76,042</u>	<u>1,260,078</u>	<u>301,349</u>
	<u>450,969</u>	<u>1,001,153</u>	<u>8,488,253</u>	<u>7,352,833</u>

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	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
<b>Financial liabilities</b>				
Liabilities at amortized cost:				
– Borrowings (Note 29)	1,293,801	2,402,074	874,187	771,852
– Trade and notes payables (Note 33)	195,691	738,935	2,596,106	3,493,080
– Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 34)	346,505	252,211	635,159	584,328
– Lease liabilities (Note 14)	8,753	27,164	40,923	253,794
– Financial instruments with preferred rights at amortized cost (Note 28)	1,600,996	–	–	–
Derivative financial instruments (Note 32)	2,842	–	–	–
	<u>3,448,588</u>	<u>3,420,384</u>	<u>4,146,375</u>	<u>5,103,054</u>

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at end of the reporting period is the carrying amount of each class of financial assets mentioned above.

**28 FINANCIAL INSTRUMENTS WITH PREFERRED RIGHTS AT AMORTIZED COST**

**The Group and the Company**

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Financial instruments with preferred rights at amortized cost	1,600,996	–	–	–
	<u>1,600,996</u>	<u>–</u>	<u>–</u>	<u>–</u>

The financial instruments with preferred rights represent the paid-in capital of the Company with redemption rights held by certain investors. The Group recognized the financial instruments with preferred rights as financial liabilities considering that all triggering events for the key redemption rights that could be exercised by the Series Pre A Investors and Series A Investors (more details about the preferred rights are set out below or in the later part of this note), are out of the control of the Company and these financial instruments do not meet the definition of equity for the Company. The financial liabilities were initially measured at fair value and subsequently measured at amortized cost. The fair value for initial recognition represented the present value of the amount expected to be paid to the investors upon redemption which was assumed at the dates of issuance of the financial instruments. Interests from the financial instruments were charged to finance cost.

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The movements of financial instruments with preferred rights at amortized cost for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 were as follows:

	<b>Financial instruments with preferred rights at amortized cost</b>
	<i>RMB'000</i>
<b>As at 1 January 2019 (a)</b>	1,151,853
Recognition of financial instruments with preferred rights at amortized cost (a)	361,000
Charged to finance costs	88,143
<b>As at 31 December 2019</b>	<b>1,600,996</b>
<b>As at 1 January 2020</b>	1,600,996
Charged to finance costs	122,368
Derecognition of financial instruments with preferred rights at amortized cost (b)	(1,723,364)
<b>As at 31 December 2020 and 2021 and 31 March 2022</b>	<b>–</b>

(a) **Series Pre A financing and Series A financing**

*Series Pre A financing*

On 29 December 2017, the Company entered into an investment agreement with a series Pre A-1 investor, pursuant to which the Company issued and allotted approximately 37,431,000 shares, representing approximately 8.56% of the equity interests of the Company, to the series Pre A-1 investor, at a consideration of RMB170,000,000. Series Pre A-1 investor was granted certain preferred rights upon capital contribution. The proceeds of RMB170,000,000 were received by the Company in January 2018. Upon the Company's shares with preferred rights were issued to the series Pre A-1 investor, the Company had initially recognized the related financial instruments with preferred rights at their fair values of RMB170,000,000 (representing the present value of the estimated amount to be paid out by the Company if the series Pre A-1 investor exercises its preferred rights) in 2018. The Company applied an effective interest rate of 7.64% to derive the present value of the issued financial instruments. The financial instruments with preferred rights were subsequently measured at amortized costs.

On 8 February 2018, the Company entered into an investment agreement with certain series Pre A-2 investors, pursuant to which the Company issued and allotted approximately 42,936,000 shares, representing approximately 8.78% of the equity interests of the Company, to series Pre A-2 investors, at a consideration of RMB195,000,000. Series Pre A-2 investors were granted certain preferred rights upon capital contribution. The proceeds of RMB195,000,000 were received by the Company in March 2018. Upon the Company's shares with preferred rights were issued to the series Pre A-2 investors, the Company had initially recognized the related financial instruments with preferred rights at their fair value of RMB195,000,000 (representing the present value of the estimated amount to be paid out by the Company if the series Pre A-2 investors exercises their preferred rights) in 2018. The Company applied an effective interest rate of 7.64% to derive the present value of the issued financial instruments. The financial instruments with preferred rights were subsequently measured at amortized costs.

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### *Series A financing*

On 16 November 2018, the Company entered into an investment agreement with certain series A-1 investors, pursuant to which the Company issued and allotted approximately 62,059,000 shares, representing approximately 11.30% of the equity interests of the Company, to series A-1 investors, at a consideration of RMB761,000,000. Series A-1 investors were granted certain preferred rights upon capital contribution. The proceeds of RMB760,000,000 were received by the Company in December 2018 and the remaining RMB1,000,000 were received by the Company in July 2019. Upon the Company's shares with preferred rights were issued to the series A-1 investors, the Company had initially recognized the related financial instruments with preferred rights at their fair values of RMB760,000,000 and RMB1,000,000 (representing the present value of the estimated amount to be paid out by the Company if the series A-1 investors exercises their preferred rights) in 2018 and 2019, respectively. The Company applied an effective interest rate of 7.64% to derive the present value of the issued financial instruments. The financial instruments with preferred rights were subsequently measured at amortized costs.

On 1 August 2019, the Company entered into an investment agreement with a series A-2 investor, pursuant to which the Company issued and allotted approximately 29,358,000 shares, representing approximately 5.10% of the equity interests of the Company, to series A-2 investor at a consideration of RMB360,000,000. Series A-2 investor was granted certain preferred rights upon capital contribution. The proceeds were received by the Company in December 2019. Upon the Company's shares with preferred rights were issued to the series A-2 investor, the Company had initially recognized the related financial instruments with preferred rights at their fair value of approximately RMB360,000,000 (representing the present value of the estimated amount to be paid out by the Company if the series A-2 investor exercises its preferred rights) in 2019. The Company applied an effective interest rate of 7.64% to derive the present value of the issued financial instruments. The financial instruments with preferred rights were subsequently measured at amortized costs.

Series Pre A-1 investor and series Pre A-2 investors are collectively referred as "Series Pre A Investors". Series A-1 investors and series A-2 investor are collectively referred as "Series A Investors".

In accordance with Series Pre A investment agreements and Series A investment agreements, Series Pre A Investors and Series A Investors had been granted with certain preferred rights (the "Preferred Rights") upon capital contribution. These Preferred Rights mainly included the followings:

### *Redemption right*

Series Pre A Investors and Series A Investors have a right to require the Company to redeem their investment if (i) the Company failed to [REDACTED] before a certain date; (ii) during the period from the issuance date to before the Company's [REDACTED], the Company and its existing shareholders have committed a major breach to the agreements.

The redemption amount of Series Pre A Investors and Series A Investors is calculated as the higher of (i) the original investment principal from Series Pre A Investors and Series A Investors, plus an annual simple rate of 10% of the original investment principal for a period of time commencing from the delivery date to the actual payments date of the settlement (calculated as 365 days in a calendar year); and (ii) the net assets shown in the Company's audited consolidated financial statements for the latest period multiplied by the corresponding investor's share percentage to the total issued share capital.



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The redemption rights held by Series Pre A Investors and Series A Investors upon no successful [REDACTED] within a specified period and other contingent events would constitute as a Company's obligation to repurchase its own equity instruments under the situations which are beyond the Company's and the investors' control. The financial liability in connection with the obligation is therefore recognized initially at fair value (representing the present value of the aforementioned redemption amount based on the most likely scenario among all the possible situations), and subsequently measured at amortized cost using the effective interest method.

### *Anti-dilution right*

If the Company increases its paid-in capital at a price lower than the price paid by Series Pre A Investors and Series A Investors on a per paid-in capital basis, Series Pre A Investors and Series A Investors have a right to require (i) the Company to issue new paid-in capital for nil consideration (or lowest price allowed by law) to Series Pre A Investors and Series A Investors; or (ii) existing shareholders to transfer the equity interests of the Company directly or indirectly held to Series Pre A Investors and Series A Investors for nil consideration (or lowest price allowed by law), so that the total amount paid by Series Pre A Investors and Series A Investors divided by the total amount of paid-in capital obtained is equal to the price per paid-in capital in the new issuance.

The directors of the Company considered that the fair value of the anti-dilution right was immaterial and therefore no derivative liability was recognized by the Company.

### *Liquidation preferences*

In the event of any liquidation, dissolution or winding up of the Company, Series Pre A Investors and Series A Investors shall be entitled to receive the liquidation preference amount, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of ordinary shares of the Company.

The liquidation preference amount of Series Pre A Investors and Series A Investors is calculated as the 120% of the original investment principal from Series Pre A Investors and Series A Investors respectively ("**Liquidation Preference Cap**"). If the amount of distributable assets of the Company is less than the total Liquidation Preference Cap, Series Pre A Investors and Series A Investors shall be entitled the amount based on the percentage of each investor's share.

### **(b) Termination of Preferred Rights**

The Company charged approximately RMB26,769,000, RMB88,143,000 and RMB122,368,000 to finance cost in profit or loss during the years ended 31 December 2018, 2019 and 2020, respectively. On 31 December 2020, the Company entered into a termination agreement to terminate the abovementioned Preferred Rights with Series Pre A Investors and Series A Investors. Pursuant to the termination agreement, the financial instruments with preferred rights at amortized cost of approximately RMB1,723,364,000 and the treasury stock of approximately RMB1,486,084,000 were derecognized accordingly. The difference of approximately RMB237,280,000, was credited to capital reserves (Note 25).

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**29 BORROWINGS**

**The Group**

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Borrowings included in non-current liabilities:</b>				
Bank borrowings, secured (a)	856,171	799,165	534,021	496,200
Other borrowings, unsecured (b)	230,000	200,000	–	–
Other borrowings, secured (c)	–	160,000	–	–
	<u>1,086,171</u>	<u>1,159,165</u>	<u>534,021</u>	<u>496,200</u>
<b>Borrowings included in current liabilities:</b>				
Bank borrowings, unsecured and unguaranteed (d)	–	55,000	–	–
Bank borrowings, secured (e)	–	300,000	–	–
Loans from related parties (f)	–	799,994	–	–
Current portion of long-term borrowings (a)(c)	204,875	76,007	338,406	274,544
Interest payables	2,755	11,908	1,760	1,108
	<u>207,630</u>	<u>1,242,909</u>	<u>340,166</u>	<u>275,652</u>
<b>Total borrowings</b>	<u>1,293,801</u>	<u>2,402,074</u>	<u>874,187</u>	<u>771,852</u>

**The Company**

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Borrowings included in current liabilities:</b>				
Loans from related parties (f)	–	799,994	–	–
Bank borrowings, unsecured and unguaranteed (d)	–	55,000	–	–
Bank borrowings, secured (e)	–	300,000	–	–
Interest payables	–	8,986	–	–
	<u>–</u>	<u>1,163,980</u>	<u>–</u>	<u>–</u>
<b>Total borrowings</b>	<u>–</u>	<u>1,163,980</u>	<u>–</u>	<u>–</u>

- (a) As at 31 December 2019, 2020 and 2021 and 31 March 2022, the Group has the long-term bank borrowings with the total amount of approximately RMB1,061,046,000, RMB855,172,000, RMB872,427,000 and RMB770,744,000, respectively. Borrowings of approximately RMB204,875,000, RMB56,007,000, RMB338,406,000 and RMB274,544,000, respectively will be due within one year from the respective balance sheet date.

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As at 31 December 2019 and 2020, the Group's long-term bank borrowings bear interests at floating interest rates ranging from 5.22% to 7.01% per annum and were secured by the pledge of the shares of Zhejiang Dahua Technology Co., Ltd. (浙江大華技術股份有限公司) ("Dahua Technology") held by the Mr. Fu Liquan (傅利泉) and Mr. Zhu Jiangming. In addition, as at 31 December 2019 and 2020, borrowings of approximately RMB597,308,000 and RMB578,434,000, were secured by the pledge of the Group's property, plant and equipment with carrying value of approximately RMB467,181,000, RMB436,735,000, respectively.

In March 2021, the Group entered into a supplemental agreement with the lending bank such that: i) the Group's long-term bank time deposits with an amount of RMB300,000,000 (Note 22(c)) and restricted cash with an amount of RMB610,000,000 (Note 22(b)) were used to secure the aforementioned borrowings; ii) the pledge of shares of Dahua Technology held by the Mr. Fu Liquan and Mr. Zhu Jiangming and the Group's pledged property, plant and equipment were released accordingly; and iii) the floating interest rates of the aforementioned borrowings decreased to the level ranging from 4.60% to 4.85% per annum. The supplemental agreement remained in force as at 31 December 2021 and 31 March 2022.

- (b) As at 31 December 2019 and 2020, the Group had a long-term borrowing from the Jinhua government with the amount of RMB230,000,000 and RMB200,000,000 respectively. The borrowings bore an effective interest rate of 8.5% per annum. The borrowing was all early repaid prior to 31 December 2021.
- (c) As at 31 December 2020, the Group had a three-years borrowing with a total amount of RMB180,000,000 with a certain finance leasing company, obtained through sales and leaseback arrangements, whereby certain property, plant and equipment of the Group were sold and leased back over a 36-month lease term. The Group has the option to re-acquire the property, plant and equipment upon the completion of the leases at an insignificant nominal value. During such lease term and before the exercise of the completion repurchase options, such property, plant and equipment were effectively pledged as security for the borrowings and were restricted under the agreements where lessors' consent must be obtained for the pledge or disposal of these assets. The long-term borrowing has an effective interest rate of 5.4% per annum and was pledged by the property, plant and equipment with the carrying amount of approximately RMB243,836,000 (Note 15(b)). The net cash proceeds the Group received from the borrowing was RMB115,000,000 (after deduction of a notes receivable issued by a bank with the amount of RMB65,000,000 (Note 19(a))). The borrowing was all early repaid prior to 31 December 2021.
- (d) As at 31 December 2020, the effective interest rate of the short-term unsecured and unguaranteed borrowing from a PRC bank with the amount of RMB55,000,000 was 2.67% per annum.
- (e) As at 31 December 2020, the Company had secured short-term borrowings from a PRC bank with amounts totaling RMB300,000,000 and an effective interest of 2.64% per annum. The aforementioned borrowings were secured by pledge of the shares of Dahua Technology held by the Mr. Fu Liquan and Mr. Zhu Jiangming. The borrowings and related interest were all repaid in June 2021 and the pledge of secured shares of Dahua Technology held by the Mr. Fu Liquan and Mr. Zhu Jiangming were released accordingly.
- (f) The borrowings from related parties were unsecured and unguaranteed with an interest rate of 5.5% per annum and for a term of one year ending 9 December 2021. The related parties had rights to demand repayment with a notice of 30 days in advance. The borrowings and interest expenses were all early repaid prior to 31 December 2021.
- (g) Other disclosures

The Group's borrowings are all denominated in RMB.

During the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022, the Group had not been in violation of any of the covenants nor subject to material financial covenants pursuant to the applicable borrowing agreements that the Group entered with the lenders.

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The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity date, whichever is earlier, were as follows:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 6 months	193,036	1,200,133	240,723	172,090
Between 6 and 12 months	11,839	30,868	97,683	102,454
Between 1 and 2 years	56,007	355,143	459,087	421,266
Between 2 and 5 years	1,030,164	804,022	74,934	74,934
	<u>1,291,046</u>	<u>2,390,166</u>	<u>872,427</u>	<u>770,744</u>

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

The fair values of non-current borrowings as at 31 December 2019, 2020 and 2021 and 31 March 2022 were disclosed as follows:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current borrowings	<u>1,237,406</u>	<u>1,234,000</u>	<u>537,015</u>	<u>501,875</u>

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the Group has the following undrawn bank facilities:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
RMB facilities	<u>–</u>	<u>4,719</u>	<u>234,726</u>	<u>364,674</u>

**30 PROVISIONS**

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current Service warranties	1,655	6,081	55,425	99,841
Current Service warranties	<u>649</u>	<u>3,179</u>	<u>36,424</u>	<u>37,635</u>
	<u>2,304</u>	<u>9,260</u>	<u>91,849</u>	<u>137,476</u>

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Service warranties are made for estimated warranty claims for certain years or mileage, whichever reached first, in respect of products that were sold and still under warranty period at the end of each reporting period. These claims are expected to be settled in future years. The Group provides warranties for certain vehicle products and undertakes the obligation to repair or replace items that fail to perform satisfactorily. The amount of provisions for product warranties is estimated based on the sales volume and industry experience of the level of repairs and returns. The estimation is reviewed on an ongoing basis and is revised when appropriate.

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

	<b>Service warranties</b>
	<i>RMB'000</i>
As at 1 January 2019	–
Provisions for the year	2,747
Amounts utilized during the year	(443)
<b>As at 31 December 2019</b>	<b>2,304</b>
As at 1 January 2020	2,304
Provisions for the year	32,383
Amounts utilized during the year	(25,427)
<b>As at 31 December 2020</b>	<b>9,260</b>
As at 1 January 2021	9,260
Provisions for the year	104,707
Amounts utilized during the year	(22,118)
<b>As at 31 December 2021</b>	<b>91,849</b>
As at 1 January 2022	91,849
Provisions for the year	54,292
Amounts utilized during the period	(8,665)
<b>As at 31 March 2022</b>	<b>137,476</b>

**31 DEFERRED INCOME**

The Group

	<b>As at 31 December</b>			<b>As at</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>31 March</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>2022</b>
				<i>RMB'000</i>
Government grants	128,145	239,781	329,706	395,170

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During the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022, the Group received government grants with total amount of approximately RMB36,155,000, RMB116,475,000, RMB99,420,000 and RMB70,800,000 respectively, mainly for subsidizing the Group's purchases of property, plant and equipment, and addition of right-of-use assets. These government grants were recorded as deferred income and credited to profit or loss on a straight-line basis over the useful lives of the related property, plant and equipment and right-of-use assets.

**The Company**

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
Government grants	3,065	4,778	3,380	3,104

**32 DERIVATIVE FINANCIAL INSTRUMENTS**

**The Group and the Company**

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
Foreign exchange forward contracts	2,842	-	-	-

As at 31 December 2019, the Company entered into five foreign exchange forward contracts with total principal amounts of USD22,000,000. The forward contracts were all settled during the period from 20 January 2020 to 26 March 2020.

Amount recognized in profit or loss is set out below:

	Year ended 31 December			Three months ended	
	2019	2020	2021	31 March	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fair value (losses)/gains-net (Note 7)				(Unaudited)	
- realized	-	2,073	-	-	-
- unrealized	(2,842)	-	-	-	-
	(2,842)	2,073	-	-	-

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**33 TRADE AND NOTES PAYABLES**

**The Group**

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
– Payables for materials	155,514	280,038	1,245,389	2,051,272
Notes payables (a)				
– Payables for materials	40,177	458,897	1,350,717	1,441,808
	<u>195,691</u>	<u>738,935</u>	<u>2,596,106</u>	<u>3,493,080</u>

- (a) The notes payables have maturity terms ranging from 6 to 9 months and the issuance of these notes payables are guaranteed by certain restricted cash (Note 22(b)), certain long-term bank time deposits (Note 22(c)) and government subsidies receivables for promotion of new energy vehicles (Note 19).
- (b) The carrying amounts of trade payables approximate their fair values due to their short-term maturity in nature.
- (c) The aging analysis of the trade payables based on purchase date at the end of each Track Record Period is as follows:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 6 months	146,772	233,723	1,194,983	2,019,375
6 months to 1 year	7,011	3,236	31,502	20,524
1 to 2 years	1,731	41,946	8,918	6,118
2 to 3 years	–	1,133	9,986	5,255
	<u>155,514</u>	<u>280,038</u>	<u>1,245,389</u>	<u>2,051,272</u>

**The Company**

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
– Payables for materials	30,452	11,255	30,358	43,389
Notes payables				
– Payables for materials	–	30,563	145,214	334,279
	<u>30,452</u>	<u>41,818</u>	<u>175,572</u>	<u>377,668</u>

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The aging analysis of the Company's trade payables based on purchase date at the end of each Track Record Period is as follows:

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
Up to 6 months	29,202	9,839	29,961	42,613
6 months to 1 year	530	876	114	550
1 to 2 years	720	251	106	3
2 to 3 years	-	289	-	94
Over 3 years	-	-	177	129
	<u>30,452</u>	<u>11,255</u>	<u>30,358</u>	<u>43,389</u>

**34 OTHER PAYABLES AND ACCRUALS**

**The Group**

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
Accrued expenses				
- Advertising and publicity expenses	13,209	15,875	114,335	153,277
- Rebate payables	21,013	18,115	132,642	64,815
- Freight expenses	812	2,156	26,602	28,736
Payroll and welfare payables	79,726	114,911	178,259	169,715
Payables for design and development services	25,787	24,730	145,244	103,604
Payables for purchases of property, plant and equipment	263,540	166,883	104,195	91,552
Deposit from suppliers and distributors	16,237	23,256	63,286	84,673
Payables for listing expenses	-	-	12,591	25,001
Other taxes payables	1,468	8,964	11,908	13,737
Others	5,907	1,196	36,264	32,670
	<u>427,699</u>	<u>376,086</u>	<u>825,326</u>	<u>767,780</u>



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**The Company**

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
Amounts due to subsidiaries	8,607	33,568	1,155,190	974,980
Payroll and welfare payables	69,942	94,052	123,292	88,361
Payables for listing expenses	-	-	12,591	25,001
Payables for design and development services	22,574	13,382	20,028	19,602
Deposit from suppliers	275	1,090	5,740	4,580
Other taxes payables	987	875	1,684	1,360
Payables for purchases of property, plant and equipment	8,196	4,973	6,797	1,025
Others	301	1,255	1,699	1,700
	<u>110,882</u>	<u>149,195</u>	<u>1,327,021</u>	<u>1,116,609</u>

**35 ADVANCES FROM CUSTOMERS**

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
Advances from customers	<u>5,331</u>	<u>41,667</u>	<u>503,213</u>	<u>454,935</u>

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

**36 INVESTMENT IN AN ASSOCIATE ACCOUNTED FOR USING THE EQUITY METHOD**

**The Group and the Company**

	Year ended 31 December			Three months ended
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
<b>Investment in an associate</b>				
At beginning of the year/period	-	-	18,474	18,670
Additions	-	20,000	-	-
Share of net (loss)/profit of associate accounted for using the equity method	-	(1,526)	196	1,941
At end of the year/period	<u>-</u>	<u>18,474</u>	<u>18,670</u>	<u>20,611</u>

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Set out below are the details of the associate of the Group as at 31 December 2020 and 2021 and 31 March 2022. The entity set out below has share capital consisting solely of ordinary shares, which are held directly by the Company. The country of incorporation is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of incorporation and kind of legal entity	% of ownership interest			Principal activities
		As at 31 December		As at	
		2020	2021	31 March 2022	
Zhejiang Huaruijie Technology Co., Ltd 浙江華銳捷技術有限公司	PRC, limited liability company	20%	20%	20%	Technology development services

On 4 March 2020, the Company and one of the Company's equity holders co-founded Zhejiang Huaruijie Technology Co., Ltd. 浙江華銳捷技術有限公司 (the "Associate"). The paid-in capital of the Associate is RMB100,000,000. The Company owns 20% equity interest of the Associate and has significant influence on the Associate through its representative in the board of directors of the Associate.

**(a) Summarized financial information for the Associate**

The tables below provide summarized financial information for the Associate. The information disclosed reflects the amounts presented in the financial statements of the Associate and not the Company's share of those amounts.

**Summarized balance sheets**

	As at 31 December		As at
	2020	2021	31 March
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Current assets			
– Cash and cash equivalents	48,953	72,826	64,942
– Other current assets	108,685	237,045	258,879
Total current assets	157,638	309,871	323,821
Total non-current assets	110,488	99,686	97,260
Total current liabilities	(175,758)	(316,207)	(318,028)
Net assets	92,368	93,350	103,053

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**(b) Reconciliation to carrying amounts:**

	As at 31 December		As at
	2020	2021	31 March
	RMB'000	RMB'000	2022
			RMB'000
Opening net assets as at 1 January	–	92,368	93,350
Capital contribution from equity holders	100,000	–	–
(Loss)/profit and total comprehensive loss/(income) for the year/period	(7,632)	982	9,703
Closing net assets	92,368	93,350	103,053
Group's share in %	20%	20%	20%
Group's share in RMB	18,474	18,670	20,611
Carrying amount	18,474	18,670	20,611

	Year ended 31 December		Three months ended 31 March	
	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Revenue	118,852	265,604	25,784	95,590
(Loss)/profit and total comprehensive (loss)/income	(7,632)	982	(4,271)	9,703
Group's share in %	20%	20%	20%	20%
Group's share of net (loss)/profit of an associate accounted for using the equity method	(1,526)	196	(854)	1,941

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**37 CASH FLOW INFORMATION**

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

	Year ended 31 December			Three months ended	
	2019	2020	2021	31 March	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
<b>Loss before income tax</b>	(901,131)	(1,100,093)	(2,845,773)	(397,235)	(1,042,203)
Adjustments for:					
Net impairment losses on financial assets (Note 3.1)	101	212	298	95	166
Provisions for warranty (Note 8)	2,747	32,383	104,707	6,644	54,292
Depreciation of property, plant and equipment (Note 15)	55,665	151,847	180,170	44,023	55,021
Depreciation of right-of-use assets (Note 14)	6,764	12,876	27,526	5,231	20,304
Amortization of intangible assets (Note 16)	5,426	10,725	11,466	2,573	3,652
Net (gains)/losses on disposals of property, plant and equipment, intangible assets and right-of-use assets (Note 7)	-	(10,141)	668	1	(133)
Provisions for impairment of inventories (Note 8)	58,655	24,008	244,635	42,250	65,076
Share-based payment expenses (Note 26)	3,327	42,559	216,955	25,938	72,958
Net fair value losses/(gains) on derivative financial instruments (Note 7)	2,842	(2,073)	-	-	-
Net fair value gains on financial assets at FVPL (Note 7)	(8,263)	(1,959)	(22,238)	(4,315)	(6,602)
Finance cost/(income) — net (Note 10)	170,175	229,037	(22,349)	(1,738)	(27,831)
Share of net loss/(profit) from an associate (Note 36(b))	-	1,526	(196)	854	(1,941)
Amortization of government grants	(5,818)	(4,839)	(9,495)	(883)	(5,336)
Net foreign exchange differences (Note 7)	(2,742)	43	89	(132)	(87)
<b>Operating loss before changes in working capital:</b>	<b>(612,252)</b>	<b>(613,889)</b>	<b>(2,113,537)</b>	<b>(276,694)</b>	<b>(812,664)</b>
Increase in inventories	(223,532)	(40,918)	(812,018)	(135,857)	(431,078)
Increase in trade and notes receivables	(19,059)	(149,330)	(614,333)	(58,425)	(203,956)
(Increase)/decrease in other current assets	(52,950)	(181,341)	710	(421,990)	(188,833)
(Increase)/decrease in restricted cash	(34,923)	(400,694)	(324,575)	68,510	422,120
Increase in contract assets	-	-	(28,518)	-	(14,262)
Increase/(decrease) in advances from customers	5,327	36,336	461,546	141,261	(48,278)
Increase in trade and notes payables	170,782	543,244	1,857,365	419,934	896,974
Increase/(decrease) in other payables and accruals	84,548	45,044	511,928	127,001	(43,931)
Increase in contract liabilities	-	-	34,950	-	23,407
Increase in deferred income	6,075	53,848	495	-	-
Decrease in provisions	(443)	(25,427)	(22,118)	(4,668)	(8,665)
<b>Net cash used in operations</b>	<b>(676,427)</b>	<b>(733,127)</b>	<b>(1,048,105)</b>	<b>(140,928)</b>	<b>(409,166)</b>

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**(b) Major non-cash investing and financing activities**

Major non-cash investing and financing activities disclosed in other notes are:

- additions to right-of-use assets in respect of leased buildings – Note 14
- recognition and derecognition of financial instruments with preferred rights at amortized cost – Note 28
- notes receivable collected by the Group under a sales lease-back transaction recognized as a long-term borrowing – Note 29(c)

**(c) Net (debt)/cash**

	As at 31 December			As at 31 March	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Cash and cash equivalents (Note 22)	205,690	100,806	4,337,967	737,107	4,277,140
Financial assets at fair value through profit or loss (Note 21)	181,606	76,042	1,260,078	543,767	301,349
Financial instruments with preferred rights at amortized cost (Note 28)	(1,600,996)	–	–	–	–
Derivative financial instruments (Note 32)	(2,842)	–	–	–	–
Lease liabilities (Note 14)	(8,753)	(27,164)	(40,923)	(32,801)	(253,794)
Borrowings (Note 29)	(1,293,801)	(2,402,074)	(874,187)	(1,573,631)	(771,852)
<b>Net (debt)/cash</b>	<b>(2,519,096)</b>	<b>(2,252,390)</b>	<b>4,682,935</b>	<b>(325,558)</b>	<b>3,552,843</b>

**(d) Reconciliation of liabilities from financing activities**

	Financial instruments with preferred rights at amortized cost	Lease liabilities	Borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2019	1,151,853	4,242	875,859	2,031,954
Cash flows	361,000	(5,313)	334,401	690,088
New leases	–	9,640	–	9,640
Interest expenses	88,143	184	83,541	171,868
<b>As at 31 December 2019</b>	<b>1,600,996</b>	<b>8,753</b>	<b>1,293,801</b>	<b>2,903,550</b>

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	Financial instruments with preferred rights at amortized cost	Lease liabilities	Borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020	1,600,996	8,753	1,293,801	2,903,550
Cash flows	–	(12,606)	936,437	923,831
New leases	–	29,890	–	29,890
Interest expenses	122,368	1,127	106,836	230,331
Non-cash increase in borrowing resulted from by way of the receipt of a note receivable (the "Note") (Note 29(c))	–	–	65,000	65,000
Derecognition of financial instruments with preferred rights at amortized cost (Note 28)	(1,723,364)	–	–	(1,723,364)
<b>As at 31 December 2020</b>	<b>–</b>	<b>27,164</b>	<b>2,402,074</b>	<b>2,429,238</b>
As at 1 January 2021	–	27,164	2,402,074	2,429,238
Cash flows	–	(29,687)	(1,522,879)	(1,552,566)
New leases	–	41,780	–	41,780
Interest expenses	–	1,666	59,992	61,658
Other movement (Note)	–	–	(65,000)	(65,000)
<b>As at 31 December 2021</b>	<b>–</b>	<b>40,923</b>	<b>874,187</b>	<b>915,110</b>
As at 1 January 2022	–	40,923	874,187	915,110
Cash flows	–	(75,886)	(102,736)	(178,622)
New leases	–	288,169	–	288,169
Termination of leases	–	(2,400)	–	(2,400)
Interest expenses	–	2,988	401	3,389
<b>As at 31 March 2022</b>	<b>–</b>	<b>253,794</b>	<b>771,852</b>	<b>1,025,646</b>
<i>(Unaudited)</i>				
As at 1 January 2021	–	27,164	2,402,074	2,429,238
Cash flows	–	(8,447)	(839,560)	(848,007)
New leases	–	13,737	–	13,737
Interest expenses	–	347	11,117	11,464
<b>As at 31 March 2021</b>	<b>–</b>	<b>32,801</b>	<b>1,573,631</b>	<b>1,606,432</b>

*Note:* The Group has received cash of RMB65 million upon the maturity of the Note in June 2021 and the cash proceed was then used by the Group to repay part of its borrowings (Note 29(c)). The related cash receipt and cash payment were presented on a net basis in the table above when illustrating the net cash flow movement of the Group's borrowings. Other movement as presented in the table above is to reflect the cash receipt upon the maturity of the note will not increase the Group's borrowings as the related borrowing had already been recognized in the prior year as a non-cash transaction.

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**38 CAPITAL COMMITMENTS**

Significant capital expenditure contracted for at the end of the Track Record Period but not recognized as liabilities is as follows:

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
Property, plant and equipment	439,241	668,382	1,063,609	1,913,709

**39 RELATED PARTY TRANSACTIONS**

There was no controlling shareholder or ultimate controlling shareholder of the Company. As at the date of this report, Mr. Zhu Jiangming, Mr. Fu Liquan, Ms. Liu Yunzhen (劉雲珍) (spouse of Mr. Zhu Jiangming), Ms. Chen Ailing (陳愛玲) (spouse of Mr. Fu Liquan), by virtue of the acting-in-concert arrangement among them, were collectively and ultimately interested in approximately 31.01% of the total share capital of the Company. These four individuals and the companies established or controlled by them, including Hangzhou Xintu Technology Co., Ltd. (杭州芯圖科技有限公司), Ningbo Hualing Venture Capital L.P. (寧波華綾創業投資合夥企業(有限合夥)), Ningbo Huayang Venture Capital L.P. (寧波華陽創業投資合夥企業(有限合夥)), Ningbo Jinghang, Ningbo Gulin Equity Investment L.P. (寧波顧麟股權投資合夥企業(有限合夥)) and Wanzai Mingzhao, were collectively referred to as the Single Largest Group of Shareholders of the Company.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

- (a) Save as disclosed in Note 29(a), the directors of the Company are of the view that the following parties/companies were related parties that had transaction or balances with the Group:

Name of related parties	Relationship with the Group
Mr. Zhu Jiangming	A member of the Single Largest Group of Shareholders
Mr. Fu Liquan	A member of the Single Largest Group of Shareholders
Ms. Liu Yunzhen	A member of the Single Largest Group of Shareholders
Ms. Chen Ailing	A member of the Single Largest Group of Shareholders
Ningbo Huayang Venture Capital L.P.	A member of the Single Largest Group of Shareholders
Ningbo Jinghang	A member of the Single Largest Group of Shareholders
Ningbo Gulin Equity Investment L.P.	A member of the Single Largest Group of Shareholders
Wanzai Mingzhao	A member of the Single Largest Group of Shareholders

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<b>Name of related parties</b>	<b>Relationship with the Group</b>
Ningbo Hualing Venture Capital L.P.	A member of the Single Largest Group of Shareholders
Hangzhou Xintu Technology Co., Ltd.	A member of the Single Largest Group of Shareholders
Dahua Technology	A substantial shareholder of the Company
Zhejiang Huaruijie Technology Co., Ltd.	Associate, Dahua Technology's subsidiary
Zhejiang Dahua Vision Technology Co., Ltd. 浙江大華科技有限公司	Dahua Technology's subsidiary
Zhejiang Huatu Microchip Technology Co., Ltd. 浙江華圖微芯技術有限公司	Dahua Technology's subsidiary
Zhejiang Dahua Zhilian Co., Ltd. 浙江大華智聯有限公司	Dahua Technology's subsidiary
Zhejiang Dahua Security Service Co., Ltd. 浙江大華保安服務有限公司	Dahua Technology's subsidiary
Zhejiang Huaray Technology Co., Ltd. 浙江華睿科技股份有限公司	Dahua Technology's subsidiary
Hangzhou XiaoHua Technology Co., Ltd. 杭州小華科技有限公司	Dahua Technology's subsidiary
Shanghai Huashang Chengyue Information Technology Service Co., Ltd. 上海華尚成悅資訊技術服務有限公司	Dahua Technology's subsidiary
Zhejiang Huaxiao Technology Co., Ltd 浙江華消科技有限公司	Dahua Technology's subsidiary
Guizhou Dahua Information Technology Co., Ltd 貴州大華資訊技術有限責任公司	Dahua Technology's subsidiary
Henan Dahua Zhilian Information Technology Co., Ltd 河南大華智聯資訊技術有限公司	Dahua Technology's subsidiary

**(b) Transactions with related parties**

**The Group**

	<b>Year ended 31 December</b>			<b>Three months ended 31 March</b>	
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Sales of vehicles and parts</b>					
Dahua Technology and its subsidiaries	2,789	24,873	893	255	169
<b>Rendering of services</b>					
Dahua Technology and its subsidiaries	-	-	-	-	292



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	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<b>Sales of property, plant and equipment/intangible assets</b>					
Dahua Technology and its subsidiaries	–	10,340	790	674	169
<b>Purchases of raw materials</b>					
Dahua Technology and its subsidiaries	7	5,772	67,461	5,185	52,267
<b>Purchases of the assembly services</b>					
Dahua Technology and its subsidiaries	6,355	6,380	23,591	1,849	12,123
<b>Purchases of services</b>					
Dahua Technology and its subsidiaries	1,258	12,298	5,444	–	–
<b>Purchases of property, plant and equipment/ intangible assets</b>					
Dahua Technology and its subsidiaries	–	1,770	5,472	3,274	–
<b>Addition to right-of-use assets resulted from lease of buildings</b>					
Members of the Single Largest Group of Shareholders	–	21,168	4,470	3,582	–
Dahua Technology and its subsidiaries	–	–	2,073	2,073	–
	–	21,168	6,543	5,655	–
<b>Interest expenses of lease liabilities paid to</b>					
Members of the Single Largest Group of Shareholders	41	740	527	144	53
Dahua Technology and its subsidiaries	–	–	69	21	3
	41	740	596	165	56
<b>Proceeds from borrowings from</b>					
Members of the Single Largest Group of Shareholders	–	799,994	340,000	340,000	–

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	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<b>Interest expenses of borrowings</b>					
Members of the Single Largest Group of Shareholders	-	8,986	2,342	2,342	-
<b>Repayments of loans and interests to</b>					
Members of the Single Largest Group of Shareholders	-	-	1,151,322	1,148,851	-

In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of the business and at terms negotiated and agreed between the Group and the respective parties.

**Key management compensation**

Key management includes directors, supervisors and senior managements. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages, salaries and bonuses	6,946	12,573	20,571	3,161	5,811
Pension obligations, housing funds, medical insurances and other social insurances	611	397	889	167	172
Other employee benefits	50	50	71	14	20
Share-based payment expenses	-	46,489	75,293	8,460	22,825
	7,607	59,509	96,824	11,802	28,828

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(c) **Balances with related parties**

*Trade balances*

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
<b>Other receivables</b>				
Dahua Technology and its subsidiaries	601	5,485	5,767	174

As at 31 December 2019, 2020 and 2021, other receivables from related parties of the Group were mainly arising from sales of property, plant and equipment and intangible assets to the related parties. The receivables were interest-free and had been settled in January 2022. As at 31 March 2022, the amount of other receivables was a security deposit for rental.

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
<b>Trade receivables (including notes receivables)</b>				
Dahua Technology and its subsidiaries	1,800	5,815	6,534	24
<b>Prepayments</b>				
Dahua Technology and its subsidiaries	–	982	~	488
<b>Trade payables</b>				
Dahua Technology and its subsidiaries	10,016	20,227	89,392	120,755
<b>Advances from customers</b>				
Dahua Technology and its subsidiaries	–	811	949	570

The carrying value of the above trade balances approximate their fair value as at 31 December 2019, 2020 and 2021 and 31 March 2022, respectively.

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
<b>Lease liabilities</b>				
Members of the Single Largest Group of Shareholders	–	14,353	9,684	4,220
Dahua Technology and its subsidiaries	–	–	1,062	94
	–	14,353	10,746	4,314

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*Non-trade balances*

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
<b>Other payables</b>				
Dahua Technology and its subsidiaries	-	6	-	-
<b>Borrowings (including interest payables)</b>				
Members of the Single Largest Group of Shareholders	-	808,980	-	-

Borrowings from related parties of the Group bore interest at rate of 5.5% per annum and for one year term ended 9 December 2021 (Note 29(f)). The amounts had been all settled in 2021.

The carrying value of the non-trade balances above approximated their fair value as at 31 December 2020.

**40 BENEFITS AND INTERESTS OF DIRECTORS**

**(a) Directors and supervisors**

Details of the emoluments paid or payable to the directors and supervisors for the Track Record Period are set out as follows:

	Fees	Wages and salaries	Discretionary bonuses	Share-based payment	Social security costs, housing benefits and employee welfare	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Year ended</b>						
<b>31 December 2019</b>						
Name of directors:						
Mr. Zhu Jiangming (i)	-	-	-	-	-	-
Mr. Fu Liquan (ii)	-	-	-	-	-	-
Mr. Wu Liqiang (吳利強) (iii)	-	-	-	-	-	-
Mr. Xu Wei (許煒) (iv)	-	1,452	462	-	96	2,010
Mr. Li Ke (v)	-	-	-	-	-	-
Mr. Zhang Jie (張傑) (vi)	-	-	-	-	-	-
Mr. Xiang Xiaoxiao (項曉驍) (vii)	-	-	-	-	-	-
	-	1,452	462	-	96	2,010
Name of supervisor:						
Mr. Wu Yefeng (吳燁鋒) (ix)	-	-	-	-	-	-

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	Fees	Wages and salaries	Discretionary bonuses	Share-based payment	Social security costs, housing benefits and employee welfare	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Year ended</b>						
<b>31 December 2020</b>						
Name of directors:						
Mr. Zhu Jiangming (i)	-	-	-	46,489	-	46,489
Mr. Fu Liqun (ii)	-	-	-	-	-	-
Mr. Wu Liqiang (iii)	-	-	-	-	-	-
Mr. Xu Wei (iv)	-	-	-	-	-	-
Mr. Li Ke (v)	-	-	-	-	-	-
Mr. Zhang Jie (vi)	-	-	-	-	-	-
Mr. Xiang Xiaoxiao (vii)	-	-	-	-	-	-
	-	-	-	46,489	-	46,489
Name of supervisor:						
Mr. Wu Yefeng (ix)	-	-	-	-	-	-
<b>Year ended</b>						
<b>31 December 2021</b>						
Name of directors:						
Mr. Zhu Jiangming (i)	-	1,667	-	7,795	84	9,546
Mr. Fu Liqun (ii)	-	-	-	-	-	-
Mr. Wu Liqiang (iii)	-	-	-	-	-	-
Mr. Xu Wei (iv)	-	-	-	11,377	-	11,377
Mr. Li Ke (v)	-	-	-	-	-	-
Mr. Zhang Jie (vi)	-	-	-	-	-	-
Mr. Xiang Xiaoxiao (vii)	-	-	-	-	-	-
Mr. Wu Baojun (吳保軍) (viii)	-	3,435	960	34,625	103	39,123
Mr. Cao Li (曹力) (x)	-	-	-	-	-	-
Mr. Jin Yufeng (金宇峰) (xi)	-	-	-	-	-	-
Mr. Fu Yuwu (付于武) (xii)	-	-	-	-	-	-
Mr. Wan Jiale (萬家樂) (xiii)	-	-	-	-	-	-
Mr. Huang Wenli (黃文禮) (xiv)	-	-	-	-	-	-
	-	5,102	960	53,797	187	60,046

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	Fees	Wages and salaries	Discretionary bonuses	Share-based payment	Social security costs, housing benefits and employee welfare	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Name of supervisor:						
Mr. Wu Yefeng <i>(ix)</i>	-	-	-	-	-	-
Mr. Mo Chengrui (莫承锐) <i>(xv)</i>	-	694	2,084	1,971	123	4,872
Ms. Yao Tianzhi (姚甜芝) <i>(xvi)</i>	-	170	420	240	36	866
	-	864	2,504	2,211	159	5,738

	Fees	Wages and salaries	Discretionary bonuses	Share-based payment	Social security costs, housing benefits and employee welfare	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Three months ended</b>						
<b>31 March 2022</b>						
Name of directors:						
Mr. Zhu Jiangming <i>(i)</i>	-	501	-	2,256	19	2,776
Mr. Wu Baojun <i>(viii)</i>	-	901	420	10,020	20	11,361
Mr. Cao Li <i>(x)</i>	-	238	238	2,007	20	2,503
Mr. Jin Yufeng <i>(xi)</i>	30	-	-	-	-	30
Mr. Fu Yuwu <i>(xii)</i>	30	-	-	-	-	30
Mr. Wan Jiale <i>(xiii)</i>	30	-	-	-	-	30
Mr. Huang Wenli <i>(xiv)</i>	30	-	-	-	-	30
	120	1,640	658	14,283	59	16,760

Name of supervisor:						
Mr. Wu Yefeng <i>(ix)</i>	-	-	-	-	-	-
Mr. Mo Chengrui <i>(xv)</i>	-	196	84	570	20	870
Ms. Yao Tianzhi <i>(xvi)</i>	-	56	9	69	9	143
	-	252	93	639	29	1,013

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	Fees	Wages and salaries	Discretionary bonuses	Share-based payment	Social security costs, housing benefits and employee welfare	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>(Unaudited)</i>						
<b>Three months ended</b>						
<b>31 March 2021</b>						
Name of directors:						
Mr. Zhu Jiangming <i>(i)</i>	-	167	-	902	9	1,078
Mr. Fu Liqun <i>(ii)</i>	-	-	-	-	-	-
Mr. Xu Wei <i>(iv)</i>	-	-	-	1,317	-	1,317
Mr. Li Ke <i>(v)</i>	-	-	-	-	-	-
Mr. Zhang Jie <i>(vi)</i>	-	-	-	-	-	-
Mr. Xiang Xiaoxiao <i>(vii)</i>	-	-	-	-	-	-
	-	167	-	2,219	9	2,395
Name of supervisor:						
Mr. Wu Yefeng <i>(ix)</i>	-	-	-	-	-	-
	-	-	-	-	-	-

- (i) Mr. Zhu Jiangming was appointed as the director of the Company on 20 December 2015.
- (ii) Mr. Fu Liqun was appointed as the director of the Company on 20 December 2015 and resigned from the Company's director on 20 December 2021.
- (iii) Mr. Wu Liqiang was appointed as the director of the Company on 20 December 2015 and resigned from the Company's director on 26 May 2020.
- (iv) Mr. Xu Wei was appointed as the director of the Company on 18 November 2018 and resigned from the Company's director on 6 April 2021.
- (v) Mr. Li Ke was appointed as the director of the Company on 5 December 2017 and resigned from the Company's director on 26 May 2020.
- (vi) Mr. Zhang Jie was appointed as the director of the Company on 18 November 2018 and resigned from the Company's director on 20 December 2021.
- (vii) Mr. Xiang Xiaoxiao was appointed as the director of the Company on 29 December 2017 and resigned from the Company's director on 20 December 2021.
- (viii) Mr. Wu Baojun was appointed as the director of the Company on 6 April 2021.
- (ix) Mr. Wu Yefeng was designated as a supervisor on 29 December 2017.
- (x) Mr. Cao Li was designated as the director of the Company on 20 December 2021.
- (xi) Mr. Jin Yufeng was designated as the director of the Company on 20 December 2021.
- (xii) Mr. Fu Yuwu was designated as an independent non-executive director of the Company on 20 December 2021.

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- (xiii) Mr. Wan Jiale was designated as an independent non-executive director of the Company on 20 December 2021.
- (xiv) Mr. Huang Wenli was designated as an independent non-executive director of the Company on 20 December 2021.
- (xv) Mr. Mo Chengrui was designated as a supervisor on 6 April 2021.
- (xvi) Ms. Yao Tianzhi was designated as a supervisor on 6 April 2021.

**(b) Directors and supervisors' retirement benefits**

None of the directors or supervisors received any retirement benefits during the Track Record Period.

**(c) Directors and supervisors' termination benefits**

None of the directors or supervisors received any termination benefits during the Track Record Period.

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

During the Track Record Period, the Company did not pay consideration to any third parties for making available directors or supervisors' services.

**(e) Information about loans, quasi-loans and other dealings in favor of directors, supervisors and bodies corporate controlled by or entities connected with directors**

There were no loans, quasi-loans and other dealings in favor of directors, supervisors or controlled bodies corporate by and connected entities with such directors or supervisors during the Track Record Period.

**(f) Directors and supervisors' material interests in transactions, arrangements or contracts**

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years/periods or at any time during the Track Record Period.

**41 CONTINGENCIES**

As at 31 December 2019, 2020 and 2021 and 31 March 2022, there were no significant contingency items for the Group and the Company.

**42 DIVIDEND**

No dividend has been paid or declared by the Company or the subsidiaries of the Company during each of the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022.



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### 43 SUBSEQUENT EVENTS

- (a) As a result of the latest outbreak of COVID-19, and Omicron Variant (the "COVID-19" pandemic) in 2022, a series of precautionary and control measures have been and continued to be implemented in China. The Group's sales in Shanghai were temporarily suspended due to the restrictive pandemic measures. The Group's sales in other cities and other operating activities were not materially impacted as the Group's production and operations were centrally located in the Zhejiang Province. As of the date of this report, management of the Company are not aware of any material adverse impact on the Group's financial position and performance subsequent to the Track Record Period resulted from the pandemic controls and measures. The management will continue to pay close attention on the development of the pandemic and dedicate resources to effecting any necessary measures on a timely manner to minimize the unfavorable impact, if any, on the Group's businesses and operations in subsequent periods.
- (b) On 22 June 2022, the pre-[REDACTED] share option scheme was adopted by the Company. 50,594,348 shares options of the Company with an exercise price of RMB27.26 per share were granted to the certain eligible employees of the Group subsequently on 5 August 2022, which will be vested in tranches during 4 years from the date of the [REDACTED] of the Company upon satisfaction of the vesting conditions.

Other than the events as disclosed above, there are no other material subsequent events undertaken by or impacted on the Company or the Group subsequent to 31 March 2022 and up the date of this report.

### III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies comprising the Group in respect of any period subsequent to 31 March 2022 and up to the date of this report. No dividend or distribution has been declared, made or paid by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 March 2022.