THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Zhejiang Leapmotor Technology Co., Ltd., you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

LEAPMOTOR

ZHEJIANG LEAPMOTOR TECHNOLOGY CO., LTD.
浙江零跑科技股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 9863)

(1) CONTINUING CONNECTED TRANSACTION IN RELATION TO THE EXCLUSIVE LICENSE AGREEMENT AND THE SALES OF GOODS FRAMEWORK AGREEMENT;
(2) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION AND THE PROCEDURAL RULE;
(3) PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTORS; AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

紅日資本有限公司
RED SUN CAPITAL LIMITED

A notice convening the EGM of Zhejiang Leapmotor Technology Co., Ltd. to be held at Meeting Room, 12/F, Xintu Building, No. 451 Wulianwang Street, Binjiang District, Hangzhou, Zhejiang Province, China on Wednesday, November 15, 2023 at 3:00 p.m. is set out on pages 119 to 120 of this circular. A form of proxy for use at the EGM is also enclosed, and published on the websites of Hong Kong Exchange and Clearing Limited (www.hkexnews.hk) and the Company (https://www.leapmotor.com).

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's H Share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H Shareholders) or the Company's registered office in the PRC at 1/F, No. 451 Wulianwang Street, Binjiang District, Hangzhou, Zhejiang Province, China (for Domestic Shareholders), as soon as possible, but in any event not less than 24 hours before the time appointed for holding the meeting (i.e. not later than 3:00 p.m. on Tuesday, November 14, 2023) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish, and in such event, the form of proxy that you have completed and returned will be deemed to be revoked.

Reference to time and dates in this circular are to Hong Kong time and dates.

October 31, 2023

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Articles" or "Articles of Association"	the articles of association of the Company currently in force
"Benchmark Price"	refers to the sum of the bill of materials, production expenses (including labour costs, depreciation and materials), quality warranty costs, sharing of research & development costs and transportation costs of the relevant product
"Board"	the board of Directors
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Company"	Zhejiang Leapmotor Technology Co., Ltd. (浙江零跑科技股份有限公司), a limited liability company established under the laws of the PRC on 24 December 2015 and converted into a joint stock limited liability company in the PRC on 30 April 2021 (stock code: 9863)
"Components and Parts"	the components and parts required solely for the manufacture of Locally Manufactured LPM Products, including but not limited to body parts of the vehicles, chassis, vehicle electronics, in car software, electric drive system, battery systems, light systems
"Dahua Technology"	Zhejiang Dahua Technology Co., Ltd. (浙江大華技術股份有限公司), a joint stock company established under the laws of the PRC, whose shares are listed on the Shenzhen Stock Exchange (stock code: 002236), and a Shareholder and connected person of the Company
"DH SPA"	the sales and purchase agreement between Stellantis and Dahua Technology dated October 26, 2023 with regard to the sales and purchase of 45,000,000 Domestic Shares and 45,000,000 H Shares of the Company held by Dahua Technology
"Director(s)"	the director(s) of the Company
"Domestic Shares"	ordinary share(s) issued by the Company, with a nominal value of RMB1.00 each, which is/are subscribed for or credited as paid in Renminbi

"EGM"	the extraordinary general meeting of the Company to be held at Meeting Room, 12/F, Xintu Building, No. 451 Wulianwang Street, Binjiang District, Hangzhou, Zhejiang Province, China on Wednesday, November 15, 2023 at 3:00 p.m., or any adjournment thereof
"EREVs"	extended-range electric vehicles
"EV" or "electric vehicle"	the battery electric vehicles used for the carriage of passengers
"Excluded LPM Products"	any LPM Products which the Company and Stellantis have agreed can be manufactured by the Company for sale and distribution in the Territories by a third party
"Exclusive License Agreement "	the license agreement in agreed form and annexed to the JV Formation Agreement, which is to be entered into between the Company and the JV Company at JV Formation Closing, granting the JV Company an exclusive license of the intellectual property and other rights required to enable the JV Company to (a) sell and distribute LPM Products, Post-sale Services Parts and the Locally Manufactured LPM Products in the Territories, and (b) manufacture and sell Locally Manufactured LPM Product and the Locally Manufactured Post-sale Services Parts, and manufacture the Components and Parts in the Territories, and (c) provide services and ancillary activities related to the foregoing
"Founder Group"	collectively, Mr. Zhu, Mr. Fu, Ms. Liu, Ms. Chen, Hangzhou Xintu, Ningbo Hualing, Ningbo Huayang and Wanzai Mingzhao
"Group"	the Company and its subsidiaries from time to time
"H Shares"	overseas listed foreign Share(s) issued or to be issued by the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Stock Exchange
"Hangzhou Xintu"	Hangzhou Xintu Technology Co., Ltd. (杭州芯圖科技有限公司), a limited liability company established under the laws of the PRC and a member of the Single Largest Group of Shareholders

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	a committee of the Board comprising all the independent non-executive Directors
"Independent Financial Adviser"	Red Sun Capital Limited, the independent financial adviser appointed by the Company
"Independent Shareholders"	the Shareholders who are not required to abstain from voting at the EGM for the Sales of Goods Framework Agreement and the continuing connected transactions thereunder and the Proposed Annual Caps
"Independent Third Party(ies)"	any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
"JV Company"	a joint venture company to be incorporated in the Netherlands and formed by the Company and Stellantis pursuant to the JV Formation Agreement
"JV Formation Agreement"	the agreement dated October 26, 2023 entered into between the Company and Stellantis in relation to, inter alias, the establishment of the JV Company
"JV Formation Closing"	the completion of the subscription of shares in the JV Company by the Company and Stellantis
"JV Group"	the JV Company, together with its subsidiaries from time to time
"Latest Practicable Date"	October 27, 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)

"Local Manufacturing Partner"	an entity affiliated to or contracted by the JV Company to manufacture Locally Manufactured LPM Products and Locally Manufactured Post-sale Services Parts, which may include Stellantis and its affiliates or third-party manufacturers
"Locally Manufactured LPM Products"	any model of whole vehicle that is wholly or partially manufactured by the JV Company or by a Local Manufacturing Partner in one or more Territories for sale and distribution in the Territories under an LPM Brand from time to time
"Locally Manufactured Post-sale Services Parts"	spare parts that are wholly or partially manufactured by the JV Company or by a Local Manufacturing Partner in one or more Territories solely for the post-sale servicing of LPM Products or Locally Manufactured LPM Products
"LPM Brand"	means any and all brands and trade marks, whether existing or future, that alone or in combination identify and promote products as originating from the Company, including but not limited to Leapmotor, Leapmotor logos, translations or transliterations of "Leapmotor", and sub-brands and product brands and other names developed and owned by the Company capable of distinguishing the products from the Company from those of other persons, businesses or entities
"LPM Products"	any model of whole vehicle that is manufactured, assembled, distributed or produced by or on behalf of the Company with an LPM Brand from time to time, other than Excluded LPM Products
"Manufacturing License Fee"	the license fee charged by the Company to the JV Group in relation to the manufacture of the Locally Manufactured LPM Products
"Mr. Fu"	Mr. Fu Liquan (傅利泉), a member of the Single Largest Group of Shareholders and the spouse of Ms. Chen
"Mr. Zhu"	Mr. Zhu Jiangming (朱江明), the chairperson of the Board, an executive Director and chief executive officer of our Company, a member of the Single Largest Group of Shareholders and the spouse of Ms. Liu

"Ms. Chen"	Ms. Chen Ailing (陳愛玲), the spouse of Mr. Fu and a member of the Single Largest Group of Shareholders
"Ms. Liu"	Ms. Liu Yunzhen (劉雲珍), the spouse of Mr. Zhu and a member of the Single Largest Group of Shareholders
"NEV(s)"	new energy passenger vehicles, comprising of battery electrics vehicles and plug-in hybrid electric vehicles (including EREV)
"Ningbo Gulin"	Ningbo Gulin Equity Investment L.P. (寧波顧麟股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on December 29, 2017 and a member of the Single Largest Group of Shareholders
"Ningbo Hualing"	Ningbo Hualing Venture Capital L.P. (寧波華綾創業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on January 22, 2018 and a member of the Single Largest Group of Shareholders
"Ningbo Huayang"	Ningbo Huayang Venture Capital L.P. (寧波華暘創業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 7, 2017 and a member of the Single Largest Group of Shareholders
"Ningbo Jinghang"	Ningbo Jinghang Enterprise Management L.P. (寧波景航企業管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on September 11, 2017 and a member of the Single Largest Group of Shareholders
"Nomination and ESG Committee"	the Nomination and Environmental, Social and Corporate Governance (ESG) Committee of the Board
"NYSE"	the New York Stock Exchange
"Post-sale Services Parts"	spare parts produced by or on behalf of the Company solely for the purpose of after-sales services of LPM Products in the Territories, including but not limited to batteries, electronic accessories, body parts of the vehicles, chassis, light systems, electrical instruments, cameras, interior and exterior ornaments

"PRC"	the People's Republic of China, but for the purposes of this circular only (unless otherwise indicated) excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"Procedural Rule"	the rules of procedure for the board of Directors adopted by the Company, as amended from time to time
"Prospectus"	the Company's prospectus issued on September 20, 2022
"RMB"	Renminbi, the lawful currency of the PRC
"Sales of Goods Framework Agreement"	the agreement in agreed form and annexed to the JV Formation Agreement, which is to be entered into between the Company and the JV Company at JV Formation Closing, pursuant to which the Company may, from time to time, sell (i) the LPM Products to the JV Group for distribution in the Territories, (ii) the Components and Parts as required from time to time, for manufacturing of Locally Manufactured LPM Products and (iii) the Post-sale Services Parts as required for the after-sale services from time to time
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
"Share(s)"	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, comprising Domestic Share(s) and H Share(s)
"Shareholder(s)"	holder(s) of Share(s)
"Single Largest Group of Shareholders"	collectively Mr. Zhu, Mr. Fu, Ms. Liu, Ms. Chen, Hangzhou Xintu, Ningbo Hualing, Ningbo Huayang, Ningbo Jinghang, Ningbo Gulin and Wanzai Mingzhao
"Stellantis"	Stellantis N.V., a public limited company incorporated and organised under the laws of the Netherlands and is listed on the NYSE, the regulated market of Euronext in Paris and the regulated market of Euronext in Milan
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Subscription"	the subscription of 194,260,030 H Shares to be allotted and issued to Stellantis pursuant to the terms of the Subscription Agreement
"Subscription Agreement"	the agreement dated October 26, 2023 entered into between the Company and Stellantis in relation to the Subscription
"Subscription Price"	the price of HK$43.8 per Share
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong, as amended from time to time
"Territory(ies)"	means all countries other than: (i). Greater China (comprising the PRC, Hong Kong, Macau and Taiwan); (ii). Such other countries where Stellantis does not have the capability, infrastructure or relationships to enable a distribution of the LPM Products, which as at the date of the JV Formation Agreement, are acknowledged to be Brunei, Laos, Myanmar, Cambodia and East Timor; and (iii). such other countries as may be agreed between the Company and Stellantis from time to time
"Transfer Price"	has the meaning as set out in the paragraph headed "(B) The Sales of Goods Framework Agreement – Sales of goods in relation to the sales and distribution of LPM Products and Post-sale Services Parts – (a) sales of LPM Products" in this circular
"Wanzai Mingzhao"	Wanzai Mingzhao Consulting Service Center L.P. (萬載明昭諮詢服務中心(有限合夥)), a limited partnership established under the laws of the PRC on November 28, 2017 and a member of the Single Largest Group of Shareholders
"%"	per cent

ZHEJIANG LEAPMOTOR TECHNOLOGY CO., LTD.
浙江零跑科技股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 9863)

Executive Directors:
Mr. Zhu Jiangming (朱江明)
(Chairperson and Chief Executive Officer)
Mr. Wu Baojun (吳保軍)
Mr. Cao Li (曹力)

Non-executive Director:
Mr. Jin Yufeng (金宇峰)

Independent Non-executive Directors:
Mr. Fu Yuwu (付于武)
Dr. Huang Wenli (黃文禮)
Ms. Drina C Yue (萬家樂)

Registered Office, headquarters and principal place of business in the PRC:
1/F, No. 451 Wulianwang Street
Binjiang District, Hangzhou
Zhejiang Province, China

Principal Place of Business in Hong Kong:
5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong

October 31, 2023

To the Shareholders

Dear Sir/Madam,

(1) CONTINUING CONNECTED TRANSACTION IN RELATION TO THE EXCLUSIVE LICENSE AGREEMENT AND THE SALES OF GOODS FRAMEWORK AGREEMENT; (2) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION AND THE PROCEDURAL RULE; (3) PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTORS; AND (4) NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

Reference is made to the announcement of the Company dated October 26, 2023 (the "**Announcement**") in relation to, among others, (i) the Exclusive License Agreement and the Sales of Goods Framework Agreement and the respective transactions contemplated thereunder (together, the "**Continuing Connected Transactions**"); (ii) the proposed amendments to the Articles of Association and the Procedural Rule; and (iii) the proposed appointment of non-executive Directors.

The purposes of this circular are to provide (1) further details of the continuing connected transactions contemplated under the Exclusive License Agreement and the Sales of Goods Framework Agreement; (2) a letter from the Independent Board Committee to the Independent Shareholders containing its view in respect of the fairness and reasonableness of the Sales of Goods Framework Agreement and the continuing connected transactions thereunder; (3) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its view on the continuing connected transactions contemplated under the Exclusive License Agreement and the Sales of Goods Framework Agreement (including the Proposed Annual Caps) and the reasons why the Exclusive License Agreement and the Sales of Goods Framework Agreement require a duration longer than three years and that it is consistent with the normal business practice adopted for similar type of transactions, pursuant to Rule 14A.52 of the Listing Rules; and (4) further details of the proposed amendments to the Articles of Association and the Procedural Rule and the proposed appointment of non-executive Directors; and (5) to give you notice of the EGM.

2. CONTINUING CONNECTED TRANSACTION IN RELATION TO THE EXCLUSIVE LICENSE AGREEMENT AND THE SALES OF GOODS FRAMEWORK AGREEMENT

Pursuant to the JV Formation Agreement, upon establishment of the JV Company at the closing of the JV Formation Agreement, the Company and the JV Company shall enter into the Exclusive License Agreement and the Sales of Goods Framework Agreement in the agreed form as set out in the JV Formation Agreement.

The principal terms of the Exclusive License Agreement and the Sales of Goods Framework Agreement as agreed between the Company and Stellantis are set out below:

(A) The Exclusive License Agreement

Date:	To be signed upon establishment of the JV Company at the closing of the JV Formation Agreement
Parties:	The Company and the JV Company
Term:	The Exclusive License Agreement shall take effect on the date of execution, and shall remain in force until the 28th anniversary of the date of the Exclusive License Agreement unless otherwise mutually agreed between the Company and the JV Company (the "**License Term**"). Commencing from 1 July 2037, the parties shall have a six-month period to review and discuss in good faith whether to continue with the Exclusive License Agreement, and unless both parties decide not to continue with the Exclusive License Agreement after 1 January 2038, the Exclusive License Agreement shall automatically continue until the end of the License Term.

Exclusivity:	The exclusivity of the license shall be subject to the applicable term of exclusivity as set out in the JV Formation Agreement. If both the Company and Stellantis decided that the exclusivity arrangement does not continue, the license granted shall automatically become non-exclusive.
Transaction:	The Company shall grant the JV Company an exclusive license of the intellectual property and other rights required to enable the JV Company to (a) sell and distribute LPM Products, Post-sale Services Parts and the Locally Manufactured LPM Products in the Territories, and (b) manufacture and sell Locally Manufactured LPM Product and the Locally Manufactured Post-sale Services Parts, and manufacture the Components and Parts in the Territories, and (c) provide services and ancillary activities related to the foregoing.
Pricing policy:	There is no license fee arrangement under the Exclusive License Agreement and all of the fee arrangements (including in respect of intellectual property rights) in relation to the sales of the LPM Products and the Locally Manufactured LPM Products and manufacturing of the Locally Manufactured LPM Product, the Components and Parts and the Locally Manufactured Post-sale Services Parts are reflected and included in the pricing policies in the Sales of Goods Framework Agreement as set out below.

(B) The Sales of Goods Framework Agreement

Date:	To be signed upon establishment of the JV Company at the closing of the JV Formation Agreement
Parties:	The Company and the JV Company
Term:	For a term of 28 years from the date of the execution of the Sales of Goods Framework Agreement (the "**Effective Date**") to the 28th anniversary of the Effective Date (the "**Term**"). Commencing from 1 July 2037, the Company and the JV Company shall have a six-month period to review and discuss in good faith whether to continue with the Sales of Goods Framework Agreement, and unless both LPM and the JV Company decide not to continue with the Sales of Goods Framework Agreement after 1 January 2038, the Sales of Goods Framework Agreement shall automatically continue until the end of the Term.

Transaction: The Company will from time to time, sell (i) the LPM Products to the JV Group for distribution in the Territories, (ii) the Components and Parts, as required from time to time, for manufacturing of Locally Manufactured LPM Products and (iii) the Post-sale Services Parts, as required for the after-sale services from time to time.

Payment term: The payment terms will be agreed between the parties in underlying agreements to be entered into between the members of the Group and the JV Group pursuant to the Sales of Goods Framework Agreement from time to time.

Pricing policy:

Sales of goods in relation to the sales and distribution of LPM Products and Post-sale Services Parts

(a) Sale of LPM Products

The LPM Products will be sold at the ***Transfer Price***, which is calculated as: ***Benchmark Price*** x (1+ ***Reference Margin***)

- ***Reference Margin*** refers to a certain margin on top of the Benchmark Price of LPM Products.

At the initial introduction stage (i.e. commencing on the date of the Sales of Goods Framework Agreement and ending on the fourth (4th) anniversary of the date of the Sales of Goods Framework Agreement): the Reference Margin will be zero.

Although there is a high popularity of the LPM Products in the PRC, the Company has limited experience in distribution of its products outside of the PRC. Therefore, the Company believes that setting the Reference Margin at zero for the initial introduction stage will allow an incubation period for the JV Company (i) to establish the Company's brand and existence in the Territories and (ii) to increase its competitiveness by having a price advantage in the Territories during such incubation period. Nevertheless, as set out above, the Benchmark Price already covers a broader range of expenses as compared to that of the cost of sales balance which shall ensure that the Company will at least achieve a positive gross margin from the sales, which is not less favourable to the Company than the gross margin recorded by the Company from its sales in the PRC during the year ended December 31, 2022 and the six months ended June 30, 2023.

Stage 2 (i.e. commencing after the fourth (4th) anniversary of the date of the Sales of Goods Framework Agreement and ending on the seventh (7th) anniversary of the date of the Sales of Goods Framework Agreement): the Reference Margin will be 2-5%, which is determined by taking reference from the public financial and operational data of the comparable EV manufacturers. The parties shall agree on the Reference Margin based on arm's length negotiation and may agree to such Reference Margin which may vary with the aforesaid percentage, which in any event will be no less than 2%. The exact Reference Margin upon entering the individual agreement will be determined in accordance with the CCT Pricing Mechanism.

Since the EV market is highly competitive with cyclical and volatile market demand and prices, the Company believes that such flexibility in the pricing policy should be retained so that the Reference Margin could be timely adjusted as commercially desirable taking into account the then market condition. In addition, it is also common in the Territories to set a margin which could vary from one period to another depending on changing economic and market conditions. A fixed margin, especially during the growth period of a business may not be reflective of a fair and reasonable pricing term, and could potentially be subject to challenge by the tax authorities in the Territories.

Stage 3 (i.e. commencing after the seventh (7th) anniversary of the date of the Sales of Goods Framework Agreement): the Reference Margin will be a reasonable percentage which will be determined in accordance with the CCT Pricing Mechanism. It is currently contemplated that the Reference Margin will be no less than 2% subject to relevant factors at that time such as the end product sales prices on the market, competitive factors, cost of production, the Company's marketing strategy, the JV Company's operations, as well as general economic environment and market conditions.

(b)	Sale of Post-sale Services Parts	The selling price of the Post-sale Services Parts will be determined on a cost-plus basis, with a margin to be agreed by the parties on arm's length basis in accordance with the CCT Pricing Mechanism, but such margin shall in no event be less favourable to the Company than the Stage 2 pricing policy of the sales of the LPM Products, taking into account the Company's then prevailing sales practice in China, the then general practice in the relevant Territories and the market conditions. The costs of the components shall include bill of materials (BOM), manufacturing costs (including labour cost, materials and depreciation), sharing of R&D costs and procurement costs, etc.

Sales of goods and license fee in relation to Locally Manufactured LPM Products

(a)	Sale of Components and Parts	All the Components and Parts will be sold at Benchmark Price plus a margin to be agreed by the parties on arm's length basis in accordance with the CCT Pricing Mechanism, and such margin shall in no event be less favourable to the Company than the Stage 2 pricing policy of the sales of the LPM Products, taking into account the Company's then prevailing sales price (if any) in China and the then market condition in the Territories.
(b)	Manufacturing License Fee	For the first model of Locally Manufactured LPM Products, the Manufacturing License Fee will be 2% of the ***Reference Amount***. The Reference Amount shall be determined between the Company and the JV Company which shall in no event be less than the ex-factory price of the Locally Manufactured LPM Products, provided that such ex-factory price shall be determined taking into account factors including the sales price and other associated costs of the Locally Manufactured LPM Products, and for the avoidance of doubt excluding costs already paid by the JV Company to the Company through the purchase of Components and Parts from the Company. The rate of 2% is determined by taking reference from the license fee charged for out-licensing the use of its intellectual property rights or technology know-how in the automobile industry.

For all subsequent models of Locally Manufactured LPM Products, the Manufacturing License Fee in a specific Territory will be in the range of 2-5% of the Reference Amount in respect of such Locally Manufactured LPM Products. The parties shall agree on the Manufacturing License Fee based on arm's length negotiation and may agree to such Manufacturing License Fee which may vary within the aforesaid percentage limits, depending on the then market condition, the relevant Territory concerned and the vehicle models to be manufactured. The rate of 2-5% is determined by taking reference from the license fee charged for out-licensing the use of its intellectual property rights or technology know-how in the automobile industry. The exact Manufacturing License Fee upon entering the individual agreement will be determined in accordance with the CCT Pricing Mechanism, and is currently contemplated to be no less than 2%. The Manufacturing License Fee has taken into account all license fees payable to the Company in the scenario where the JV Company manufacture any Components and Parts locally.

The Company considers that by setting a lower rate of Manufacturing License Fee for the first model of Locally Manufactured LPM Products can allow the JV Company to enjoy a price advantage and increase its competitiveness in the market during the incubation period as explained in the pricing policy of the initial introduction stage for the sale of LPM Products. In addition, the JV Company is expected to commit comparatively more time and resources for the manufacturing of the first model of Locally Manufactured LPM Products before the manufacturing process streamlines over time.

CCT Pricing Mechanism:

In order to ensure that the relevant margin(s) to be set under individual agreements is fair and reasonable, the Company shall adopt the following price formation mechanism ("**CCT Pricing Mechanism**"):

1. ***Regular Benchmarking Analysis***

The Company shall conduct a regular benchmarking analysis with the JV Company. The management team of the Company shall, with the assistance of the business and marketing team of the Company, collect and review the publicly available financial and operational data (including gross margin) of no less than three comparable listed automobile manufacturers for the trailing 12 months immediately preceding a pricing determination window, which refers to an annual review and a review under the circumstances when the purchase order from the JV Company involves purchase of new EV models that have not been launched in the Territory, purchase of EVs for launching in a new region within the Territories (each a "**Pricing Determination Window**"). Such comparable automobile manufacturers will be selected based on one or more of the following criteria: (i) primary scope of business which should focus in the manufacturing and sales of EV, (ii) comparable amount of revenue from EV sales, (iii) comparable pricing policy and similar customers base measured by disposable income.

After the review of such benchmarking data, both parties shall negotiate on the final margin to be set in the individual agreements and ensure it falls within the range of such benchmarking data, and taking into account all relevant factors at that time of the individual agreements such as the vehicle models to be sold, the end product sales prices on the market, competitive landscape, cost of production, the Company's marketing strategy, JV Company's operations, as well as general economic environment and market conditions.

2. ***Review by independent non-executive Directors***

The independent non-executive Directors, when conducting their annual review of the continuing connected transactions, should also review and assess the appropriateness of the relevant margin levels applicable to the transactions under the Sales of Goods Framework Agreement in such financial year. The Company shall ensure that the independent non-executive Directors has access to sufficient resources and information, including, if necessary, access to independent industry expert's advice, to review and assess the appropriateness of the relevant margin level.

Proposed Annual Caps for the Sales of Goods Framework Agreement

(A) Rationale behind the Proposed Annual Caps:

The Company does not expect (i) any sale of the LPM Products, Post-sale Services Parts, or Components and Parts to the JV Company, nor (ii) manufacturing of Locally Manufactured LPM Products in the Territories for the year ending December 31, 2023. Hence, a cap for the transaction amounts under the Sales of Goods Framework Agreement is not set for the year ending December 31, 2023.

As the term of the Sales of Goods Framework Agreement is for a duration of 28 years from the Effective Date, the Company and the JV Company will negotiate the annual caps of the annual transaction amount under the Sales of Goods Framework Agreement for 2038 and onwards closer to the end of 2037. The Company shall comply with the requirements under Chapter 14A of the Listing Rules in respect of the annual caps for the transactions contemplated under the Sales of Goods Framework Agreement. The Company will only continue with the transactions contemplated under the Sales of Goods Framework Agreement after the Independent Shareholders' approval is obtained for such annual caps.

Under the JV Formation Agreement, the JV Company will have the exclusive right to distribute the LPM Products and Locally Manufactured LPM Products in the Territories. The LPM Products to be distributed by the JV Company will either be (A) whole vehicles manufactured by the Company and exported to the JV Company to distribute in the Territories (in which case the Company will charge the sale of the LPM Products to the JV Company) or (B) Locally Manufactured LPM Products manufactured by the JV Company or a Local Manufacturing Partner in the Territories using partly or wholly the Components and Parts exported by the Company to the JV Company (in which case the Company will charge the sale of such Components and Parts to the JV Company as well as receiving the Manufacturing License Fee from the JV Company) and/or Components and Parts locally manufactured by the JV Company ((A) and (B) together as "**Both Supply Scenarios**"). In Both Supply Scenarios, the Company will also sell the Post-sale Services Parts to support the after-sales services provided by the JV Company following the sale of the LPM Products and Locally Manufactured LPM Products.

The LPM Products to be exported by the Company and the Locally Manufactured LPM Products are substitutes of each other. In deciding whether the LPM Products to be distributed in the Territories will be sourced from the Company or locally manufactured by the JV Company, the Company and Stellantis will take into account factors such as production time, costs, regulatory, tax, import or export restraints, cost efficiency, etc. Therefore, the portion of LPM Products to be exported by the Company and the Locally Manufactured LPM Products will not be determined until during the course of transactions between the Company and JV Company. In view of the foregoing, the Company has set the Proposed Annual Caps (as defined below) that envisage Both Supply Scenarios by including the following:

1. *Sales of LPM Products/Sales of Components and Parts:*

As explained in the above paragraphs, the sale of (i) LPM Products and (ii) Components and Parts are substitutes of each other. For the same amount of vehicles to be distributed by the JV Company in the Territories, based on the pricing policies set out in the sub-paragraph headed "(B) – The Sales of Goods Framework Agreement" above, the amount payable by the JV Company to the Company for the sales of LPM Products will be higher than the amount payable by the JV Company to the Company for the sales of Components and Parts.

Accordingly, the Company has only included the estimated sales of LPM Products for the purpose of setting the Proposed Annual Caps, such that under either circumstance, the transaction amount will not exceed the Proposed Annual Caps.

2. *Sales of Post-sale Services Parts*

For the same amount of vehicles to be distributed by the JV Company in the Territories, the amount payable by the JV Company to the Company for the sales of the Post-sale Services Parts under Both Supply Scenarios is expected to be the same.

3. *Manufacturing License Fee*

Manufacturing License Fee is only payable by the JV Company to the Company when the vehicles to be distributed by the JV Company in the Territories involve Locally Manufactured LPM Products.

(B) The Proposed Annual Caps

It is expected that the annual aggregate transaction amount under the Sales of Goods Framework Agreement for 2024 to 2037 will not exceed the following caps (the "**Proposed Annual Caps**"):

	For the year ending 31 December						
	2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
	(RMB 'million)						
Annual caps for:							
Sales of LPM Products/ Sales of Components and Parts	2,228	10,463	23,400	40,886	46,631	62,970	68,879
Sales of Post-sale Services Parts	29	165	469	972	1,442	1,956	2,320
Manufacturing License Fee	82	479	1,123	1,995	2,279	3,068	3,362
Total Annual Cap	**2,339**	**11,107**	**24,992**	**43,853**	**50,352**	**67,994**	**74,561**

	For the year ending 31 December						
	2031	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**
	(RMB 'million)						
Annual caps for:							
Sales of LPM Products/ Sales of Components and Parts	75,845	82,778	96,934	100,270	102,276	114,195	124,491
Sales of Post-sale Services Parts	2,700	2,958	3,322	3,640	3,893	4,118	4,433
Manufacturing License Fee	3,709	4,054	4,760	4,925	5,024	5,571	6,083
Total Annual Cap	**82,254**	**89,790**	**105,016**	**108,835**	**111,193**	**123,884**	**135,007**

(C) Calculation of the Proposed Annual Caps

The Proposed Annual Caps are derived from (i) the estimated volume of whole vehicles to be distributed or manufactured by the JV Company as set out in the paragraph headed "(D) Estimated sales volume of LPM Products or Locally Manufactured LPM Products to be distributed or manufactured by the JV Company in the Territories" below; and (ii) the estimated transaction volume for different transactions as detailed below:

1.1. Sales of LPM Products

(a) for the initial introduction stage (currently contemplated to be 2024-2027), the estimated sales volume of the LPM Products to be distributed by the JV Company in the Territories for each year, multiplied by the Transfer Price, which represents the Benchmark Price of the LPM Products multiplied by (1 + zero Reference Margin);

(b) for Stage 2 (currently contemplated to be 2028-2030), the estimated sales volume of the LPM Products to be distributed by the JV Company in the Territories for each year, multiplied by the Transfer Price, which represents the Benchmark Price of the LPM Products multiplied by (1 + 5% (being the upper end of the agreed range of Reference Margin)); and

(c) for Stage 3 (currently contemplated to be 2031-2037), the estimated sales volume of the LPM Products to be distributed by the JV Company in the Territories for each year, multiplied by the Transfer Price, which represents the Benchmark Price of the LPM Products multiplied by (1 + 5% (for the purpose of calculating the Proposed Annual Caps, it is assumed to be the upper end of the agreed range of Reference Margin at Stage 2; the actual Reference Margin will be determined by the CCT Pricing Mechanism. It is currently contemplated that the Reference Margin will be no less than 2% subject to relevant factors at that time)).

1.2. Sales of Components and Parts

(a) The assumption that all the Components and Parts required for the manufacturing of Locally Manufactured LPM Products (which for the avoidance of doubt, does not include any assembly and labelling services) will be supplied by the Company to the JV Company; and

(b) the estimated sales volume of the LPM Products to be manufactured by the JV Company in the Territories for each year, multiplied by the Benchmark Price of Components and Parts, and multiplied by (1+ margin), which:

(i). for the purpose of calculating the Proposed Annual Caps, the Benchmark Price of Components and Parts is assumed to be the Benchmark Price of LPM Products multiplied by the ***BOM Ratio*** (being the ratio of bill of materials compared to the Benchmark Price of LPM Products);

(ii). the BOM Ratio, for the purpose of calculating the Proposed Annual Caps, is assumed to be 91%, which is estimated based on the average ratio of bill of materials of the Company's current models of whole vehicles compared to the Benchmark Price of LPM Products; and

(iii). the margin, for the purpose of calculating the Proposed Annual Caps, is assumed to be 2%, which is in line with the pricing policy of the sales of Components and Parts that sets out that margin shall be not less favourable to the Company than the Stage 2 pricing policy of the sales of the LPM Products, i.e. being not less than a Reference Margin of 2%. The actual margin will be determined by the CCT Pricing Mechanism.

2. *Sales of Post-sale Services Parts*

The estimated sales of the Post-sale Services Parts from the Company to the JV Company for each year during 2024 to 2037 is assumed to be around 1.3% of the aggregate sales of the LPM Products of the same year and the two preceding years.

Such assumption is derived from the Company's historical sales amount of its post sales service parts compared to the historical whole vehicle sales amount of the Group from 2020 to 2022. For the three financial years ended December 31, 2022, the Company's ratio of sales amount of post sales service parts compared to the sales amount of whole vehicles of the same year and the two preceding years was approximately 1.6%, 1.1% and 1.1%, respectively, amounting to an average ratio of 1.3%. The Company is of the view that such ratio is appropriate in estimating the sales of the Post-sale Services Parts given the demand for post-sale services parts shall increase proportionately with the sales of the whole vehicles.

3. *Manufacturing License Fee*

The estimated sales volume of the LPM Products to be manufactured by the JV Company in the Territories for each year, multiplied by the Manufacturing License Fee, which:

(a) for first model of Locally Manufactured LPM Products, the Reference Amount is multiplied by 2%. For the purpose of calculating the Proposed Annual Caps, the Reference Amount is assumed to be the ex-factory price of Locally Manufactured LPM Products; and

(b) for the subsequent models of Locally Manufactured LPM Products, the Reference Amount is multiplied by 5%, (being the upper end of the agreed range of Manufacturing License Fee). For the purpose of calculating the Proposed Annual Caps, the Reference Amount is assumed to be the ex-factory price of Locally Manufactured LPM Products.

(D) Estimated sales volume of LPM Products or Locally Manufactured LPM Products to be distributed or manufactured by the JV Company in the Territories

Set out below is the estimated sales volume of LPM Products to be distributed or manufactured by the JV Company in the Territories for 2024 to 2037.

For the financial year ending 31 December	**Estimated sales volume** *(unit)*	**For the financial year ending 31 December**	**Estimated sales volume** *(unit)*
2024	20,800	2031	477,595
2025	86,560	2032	509,770
2026	182,020	2033	579,720
2027	279,250	2034	586,390
2028	299,710	2035	586,390
2029	406,635	2036	648,953
2030	436,365	2037	693,548

(E) Assumptions underlying the sales volume of the LPM Products or Locally Manufactured LPM Products to be distributed or manufactured by the JV Company in the Territories

In estimating the sales volume of the LPM Products, the following assumptions have been made:

(1) Persistent growth of the global EV market

One of the key assumptions is that the global EV market will continue to demonstrate notable growth of EV sales during 2024 to 2037. Based on the information published on the website of the International Energy Agency (IEA), the EV sales volume increased rapidly from around 6.6 million units in 2021, to over 10 million units in 2022 and is expected to reach 14 million units by the end of 2023, demonstrating an average annual growth rate of over 45%. In addition, Europe was the second largest EV market in the world in terms of sales in 2022. The main drivers behind such rapid growth include (i) favourable government policies such as the agreement reached by the European parliament and the European countries in October 2022 which agreed that from 2035 all new car models to be launched could not emit carbon dioxide; (ii) technology advancement such as the reduction of charging time, improvement in driving range and increasing infrastructure of charging facilities; and (iii) consumers' perceptions of EV quality and safety in general.

Based on the foregoing market data and on the assumption that the above main drivers of the EV market persist, in setting the Proposed Annual Caps, it is estimated that (i) battery electric vehicle (BEV) sales mix in Europe will be close to 100% by 2035; (ii) global BEV sales mix will reach around 60-70% by 2030; (iii) the European EV market is expected to maintain its 25% market share by 2030.

(2) Maintenance of Stellantis's status in the EV market in the Territories

Stellantis has been a leading player in the EV market in the Territories. In particular, in 2022, it has recorded (i) a 20% market share and second ranking in battery electric vehicles sales in the EU30 market, (ii) a 23% market share in South America, and (iii) a 12% and 11% market share in the Middle East & Africa market and the North America market, respectively.

In setting the Proposed Annual Caps, it is assumed that Stellantis will continue to maintain its leading market position in the Territories, in particular, reaching over 23% market share in Europe and over 13% market share in North America by 2030, in accordance with its targets set in the strategic plan "Dare Forward 2030" launched in 2022. It is also forecasted that the aforementioned market share of Stellantis will be maintained up to 2037.

(3) Access by the JV Company to the points of sales (POS) of Stellantis in the Territories

As of the date of this circular, Stellantis has a total of over 10,500 POS in the Territories, of which over 5,500 POS are located in the Enlarged Europe region, over 500 are located in the Middle East and Africa, over 4,500 are located in South America and North America.

It is assumed that the JV Company will gradually increase its access to the POS in the Territories, taking into account the strategic approach in establishment of the distribution network as detailed in the paragraph headed "(F) Other qualitative factors considered by the Company – (1) Strengths and Strategies in Distribution of the JV Company" below. It is assumed that the level of access to POS by the JV Company in 2037 will reach:

- approximately 20% to 30% in the Enlarged Europe region;
- approximately 20% to 30% in the Middle East and Africa; and
- approximately 10% to 20% in South America and North America;

of the respective number of POS of Stellantis in the region as of the date of this circular.

(4) Sales efficiency

Given the time and effort needed to introduce and establish the Company's brand in the Territories, a relatively conservative assumption has been made as to the sales efficiency to be achieved by the JV Company by 2037. It is assumed that the sales efficiency of the JV Company will be around half of the 2022 *benchmark level of the sales efficiency* in the respective region, which refers to the sales efficiency of a high-performing Stellantis brand in the respective region.

(5) New EV models or new generation to be launched

It is assumed that new EV models and new generation of existing EV models will be launched almost every year during 2024 to 2037, taking into account the strategic product launch plan as detailed in the paragraph headed "(F) Other qualitative factors considered by the Company – (2) Strengths and Strategies in Marketing" below. It is estimated that the JV Company will launch a total of 11 EV models in the Territories during 2024 to 2037, including five models at mass-market price range, four models at mid-market price range, and two models at premium price range. It is assumed that such product launch will boost the sales of the corresponding year as explained in the paragraphs below headed "(F) Other qualitative factors considered by the Company – (2) Strengths and Strategies in Marketing" and "(F) Other qualitative factors considered by the Company – (3) Expected increase in sales upon introduction of new brand and launch of new models in the market".

(F) Other qualitative factors considered by the Company:

The Company has also considered the following factors when setting the Proposed Annual Caps:

(1) Strengths and Strategies in Distribution of the JV Company

Extensive distribution network: Stellantis has a strong global presence and extensive service and distribution network globally which the JV Company can leverage on. Stellantis has established a large number of POS in Europe (including France, Italy, Germany, UK and Spain), as well as America, Middle East and Africa. With such extensive distribution network, Stellantis achieved a number of business milestones in 2022, including a sales volume of over 5.8 million vehicles globally and attaining market leading positions in various regions in the Territories. For details, please refer to the paragraph headed "(E) Assumptions underlying the sales volume of the LPM Products or Locally Manufactured LPM Products to be distributed or manufactured by the JV Company in the Territories" above.

Strategic selection of POS for the Company's EVs: The JV Company will adopt a systematic approach in selecting POS for the Company's EV based on analysis of sales data. The JV Company will (i) identify suitable POS candidates for the Company's EVs based on analysis of the historical NEV model sales distribution density for the past 1-3 years in each POS candidates, and (ii) among such POS candidates, the historical new model launch sales ramp-up rates of such POS will be considered to establish average sales efficiency performance in context of competitive benchmarking.

Increasing sales efficiency: Stellantis has demonstrated a high sales efficiency per POS historically. The Company expects that with continuous investment in brand development and increased brand awareness in the Territories, as well as continuous launch of new models to capture market demand, the sales efficiency shall increase accordingly. It is estimated that (i) the unit sold per POS in Europe and Middle East & Africa shall increase by around 2-3 times in 2037 as compared with 2024, (ii) the unit sold per POS in South America and North America shall increase by around 1-2 times in 2037 as compared with 2024.

In light of the strong distribution capabilities of Stellantis detailed above, the Company expects that the JV Company will be able to substantially boost the sales volume of the Company's EVs in the Territories during the term of the Sales of Goods Framework Agreement.

(2) *Strengths and Strategies in Marketing*

Marketing effort and capabilities: It is currently contemplated that both online and offline marketing channels will be used for the Company's EVs with the estimated cost of marketing activity remaining within a consistent range as a percentage of net revenue of 5 to 9% during the period from 2024 to 2029 and then 2 to 5% in the period 2030 to 2037.

Product launch plan: Based on the marketing know-how of Stellantis in the Territories, different markets demonstrate different demands for NEVs products. For example, BEVs are more popular in the Europe and North America markets given they demonstrate a relatively stronger purchasing power with more government incentives and charging facility development to promote demand of BEV. Accordingly, the JV Company will adopt a strategic product launch plan, distributing different types of EVs of the Company in different regions to accommodate the different consumer tastes and preferences in the Territories. The JV Company also expects to launch new models in different segments to address consumer demand.

Product Positioning and Price advantage: In addition to the capabilities of Stellantis set out above, the Company also expects that the Company's EVs, with a competitive unit price as compared with EVs produced by other OEMs with a longer heritage, shall have a positioning differentiation in the Territories against the other EVs of other brands under Stellantis, leading to a high demand of its EVs in the Territories once launched.

In light of the marketing strategies detailed above, the Company expects that the brand awareness and recognition of its EVs shall rise rapidly in the Territories, driving a substantial increase in sales volume.

(3) *Expected increase in sales upon introduction of new brand and launch of new models in the market*

It is expected that the sales of the Company's EVs in the Territories shall demonstrate a rapid increase during the initial period after launch of its brand in the Territories. It is estimated that the sales of the Company's EV will demonstrate a 370%, 124% and 75% year-on-year increase in 2025, 2026 and 2027, respectively due to the effort in marketing and the price advantage as set out above. The boost in sales is in line with the fact that EVs shall have both product lifecycle and sales cycle of around 7 years. A launch of new models with new technology offered will allow the JV Company to capture the increasing demand of EVs in the Territories driven by the continuous effort in brand marketing and development as well as the demand accumulated from the past product lifecycle.

(4) Expected increase in production cost

The Company expects that the production cost of the LPM Products as well as the Components and Parts will demonstrate a steadily increasing trend. The components of Benchmark Price includes bill of materials, quality warranty costs, transportation costs and R&D costs, which are subject to inflation. An inflation rate of 2% per annum has been applied to the Transfer Price of the LPM Products during 2024 to 2037. Such inflation rate is estimated based on the consumer price index of the PRC in the past 10 years published by the National Bureau of Statistics, with an average of around 2.1% per annum.

(5) Continuous growth in popularity of the Company's EV

As disclosed in the Prospectus and the Company's 2022 annual report, (i) the Company's revenue soared from RMB117.0 million in 2019, to RMB631.3 million in 2020, RMB3,132.1 million in 2021 and further to RMB12,384.6 million in 2022, (ii) the market share of the Company in the China NEV market increased from 1.6% in 2021 to 2.2% in 2022; and (iii) the rapid increase in sales volume from 2019 to 2022 as detailed in the sub-paragraph headed "(3) Expected increase in sales upon introduction of new brand and launch of new models in the market" above. The rapid growth of the Company demonstrates the popularity and increasing demand of the Company's EVs.

(G) Further explanation on certain Proposed Annual Caps

While the average year-on-year growth rate of the Proposed Annual Caps is less than 40%, the Proposed Annual Caps of certain years (namely 2025, 2026, 2029, 2033 to 2036) demonstrated a relatively more significant or lenient growth as compared with the preceding year. Set out below are further explanation for the Proposed Annual Caps for 2025, 2026, 2029, 2033 to 2036:

- **2025**: the Company expects that three new EV models will be launched in 2025 in the Enlarged Europe region, where two are from the mass-market price range and one is from the mid-market price range, and such launch is expected to boost the sales of whole vehicles by approximately 316% as compared with the preceding year;

- **2026**: the Company expects that three new EV models will be launched in 2026 in the Enlarged Europe region, where one is from the mass-market price range and two are from the premium price range, and such launch is expected to boost the sales of whole vehicles by approximately 110% as compared with the preceding year;

- **2029**: two new EV models from the mid-market price range and one new generation of an existing EV model from the mass-market price range will be launched in 2029 in the Enlarged Europe region and such launch is expected to boost the sales of whole vehicles by approximately 35% as compared with the preceding year;

- **2033**: one new generation of an existing EV model from the premium price range and one new EV model from the mass-market price range will be launched in 2033 in the Enlarged Europe region, and such launch is expected to boost the sales of whole vehicles by approximately 14% as compared with the preceding year;

- **2034 and 2035**: the sales of whole vehicles in 2034 and 2035 are expected to show a more lenient growth as compared with the previous years since the Company currently does not expect any new EV model or new generation model to be launched in the Enlarged Europe region those years; and

- **2036**: three new generations of existing EV model (one from the mass-market price range and two from the mid-market price range) will be launched in 2036 in the Enlarged Europe region, and such launch is expected to boost the sales of whole vehicles by approximately 11% as compared with the preceding year.

The above trend of growth in the Proposed Annual Caps are generally in line with the JV Company's product launch plan and the assumption that the launch of new EV models and new generations will boost the sales in the year of launch as detailed in the paragraphs above headed "(E) Assumptions underlying the sales volume of the LPM Products or Locally Manufactured LPM Products to be distributed or manufactured by the JV Company in the Territories – (5) New EV models or new generation to be launched". The above has focused on the analysis from the perspective of product launch plan in the Enlarged Europe region only as it is expected the sales from the Enlarged Europe region shall constitute a significant portion of the sales in the Territories and the product offering in the Enlarge Europe region is expected to be more comprehensive than the other regions in the Territories.

3. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Company's strategy of overseas expansion

The Group is a smart EV company based in China primarily focusing on the mid- to high-end segment of China's NEV market. As disclosed in the Prospectus, one of the Company's strategies is to expand globally and establish its international presence by entering into the European market. The Company's long-term strategy is to expand its presence into other major EV markets with a view to become a global EV company. The strategic cooperation with Stellantis will assist the Company to achieve such goals. Stellantis has a strong global presence carrying a wide range of automobile brands. It has an extensive service and distribution network which the Company can leverage upon. The Exclusive License Agreement and the Sales of Goods Framework Agreement form an integral part of the strategic cooperation between the Company and Stellantis, which enable the Company's vehicles to be distributed in the Territories.

Stellantis has launched a long-term strategic plan, 'Dare Forward 2030', which aims to transform Stellantis into a sustainable mobility tech company, in line with its decarbonization strategy. In connection with the foregoing, by 2030, Stellantis will have a portfolio of over 75 BEV models, reaching 100% BEV sales mix for passenger car in Europe (EU27 excluding Malta, Iceland, Norway, Switzerland and UK assuming conducive public policies) and 50% BEV sales mix for passenger car and light-duty truck market in the United States. In addition, the Company's smart EVs could enjoy the established sales and marketing systems, distribution network for vehicles and parts, ancillary services to customers such as charging and after-sale services in the Territories. As such, the Company believes its smart EVs are in line with Stellantis's plan and can enjoy synergies in Stellantis's ecosystem.

In light of the above, the Directors are of the view that (i) the terms of the Continuing Connected Transactions are on normal commercial terms, are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and (ii) the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mutually beneficial relationship with Stellantis and the JV Company

The Board is of the view that the Sales of Goods Framework Agreement will create a mutually beneficial relationship between the Company, Stellantis and the JV Company for the following reasons:

1. while the Company enjoys the broadening of revenue base from the expansion of its international presence through the JV Company with Stellantis, the Company also plays a vital and indispensable role in the JV Company's business by providing either LPM Products or Components and Parts to the JV Company, also adding to the EV products portfolio of Stellantis. Such collaboration is expected to attract new consumers for Stellantis and create new demand in the Territories, which both the Company and Stellantis can mutually benefit from;

2. while overseas business expansion and the establishment of its international presence are key strategies of the Company, the Company will also continue to develop its business in the PRC and hence the expected annual revenue contribution from the Sales of Goods Framework Agreement is expected to be below 30%;

3. according to the terms of the Exclusive License Agreement and the JV Formation Agreement, the exclusivity of the license granted to the JV Company is subject to the exclusivity review by the Company and Stellantis during a six-month period commencing from July 1, 2037. As such, the Company shall be able to manage the reliance risk (if any at all) on Stellantis.

The Company will also adopt the following measures to prevent undue reliance (if any at all) on Stellantis and the JV Company:

1. *Continued development of its business in the PRC.* The Company has a proven track record of success in the PRC as detailed in the paragraph headed "(F) Other qualitative factors considered by the Company – (5) Continuous growth in popularity of the Company's EV" above. The Company expects that its business will remain competitive in the PRC market by adopting various strategies which aim to strengthen its market competitiveness, including but not limited to expansion of smart EV portfolio, enhancement of vertical integration, investments in advanced intelligence and technology.

2. *Expansion of its production capacity in the PRC.* As disclosed in the Prospectus, the Company has allocated 25% of its net proceeds from listing for enhancement of its production capacity and capabilities and all of such proceeds will be used to open a new production facility in Hangzhou, Zhejiang. The Hangzhou production facilities are expected to commence production in 2025.

3. *Governance arrangements of the JV Company.* The governance arrangements of the JV Company shall have check and balance between the Company and Stellantis (both at shareholders level and at board level) to reflect the relatively balanced shareholding structure (i.e. 49%:51%). The Company and the directors appointed by it to the JV Company shall be vested the rights to decide on major corporate matters of the JV Company.

Based on the above, the Directors are of the view the Exclusive License Agreement and the Sales of Goods Framework Agreement will not lead to material reliance by the Company on the JV Company.

4. INTERNAL CONTROL MEASURES

As a general principle, the price and terms of the individual sale contract in respect of the Sales of Goods Framework Agreement will be determined in the ordinary course of business, on normal commercial terms or better, negotiated on arm's length basis, on similar basis as the Group transacts business with other Independent Third Parties and shall be on terms which are no less favourable to the Group than those offered to other Independent Third Parties.

To ensure that all the continuing connected transactions are conducted on normal commercial terms or better and in accordance with the pricing policies of the Group and will not be prejudicial to the interests of the Company and the Shareholders as a whole, the terms of the individual agreement will be entered in accordance with the Sales of Goods Framework Agreement, on normal commercial terms and no less favourable than those offered to independent third parties, and the Proposed Annual Caps under the Sales of Goods Framework Agreement will not exceed the Proposed Annual Caps, the Group has adopted the following internal control measures:

(i) for each Pricing Determination Window, the Company will conduct benchmark pricing analysis in accordance with the CCT Pricing Mechanism;

(ii) the Group has approved internal guidelines which provide that if the value of any proposed connected transaction is expected to exceed certain thresholds, the relevant staff must report the proposed transactions to the head of the relevant business unit in order for the Company to commence the necessary additional assessment and approval procedures and ensure that the Company will comply with the applicable requirements under Chapter 14A of the Listing Rules;

(iii) the Company will provide information and supporting documents to the independent non-executive Directors and the auditors in order for them to conduct an annual review of the Continuing Connected Transactions entered into by the Company. In accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board, are not in accordance with the pricing policies of our Group in all material respects, are not entered into in accordance with the relevant agreements governing the transactions in all material respects or have exceeded the cap; and

(iv) when considering any renewal or revisions to the Exclusive License Agreement and the Sales of Goods Framework Agreement, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at board meetings or shareholders' general meetings (as the case may be). If the independent Directors' or independent Shareholders' approvals cannot be obtained, the Company will not continue the transactions under the Exclusive License Agreement and the Sales of Goods Framework Agreement to the extent that they constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules.

Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the Continuing Connected Transactions have been and will be conducted on normal commercial terms or better and not prejudicial to the interests of the Company and the Shareholders as a whole.

5. LISTING RULES IMPLICATIONS

Stellantis and the JV Company as connected persons of the Company

Reference is made to the Announcement. On October 26, 2023, the Company entered into the Subscription Agreement with Stellantis, pursuant to which, Stellantis has conditionally agreed to subscribe for 194,260,030 H Shares at the Subscription Price of HK$43.8 per Share. The Subscription Price represents a premium to the closing price per H Share as quoted on the Stock Exchange on October 25, 2023 (being the date on which the terms of the issue were fixed), HK$36.80. The Company also entered into the JV Formation Agreement with Stellantis on the same date. Reference is also made to the announcement by Dahua Technology dated October 26, 2023 in relation to the DH SPA, where Stellantis agreed to purchase 45,000,000 H Shares and 45,000,000 Domestic Shares from Dahua Technology.

The Exclusive License Agreement and the Sales of Goods Framework Agreement will be entered into at the JV Formation Closing, which is expected to be after the completion of the Subscription. Therefore, at the time of JV Formation Closing, Stellantis shall hold approximately 14.53% of the then issued share capital of the Company pursuant to the Subscription Agreement. Accordingly, each of Stellantis and the JV Company shall be a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As such, each of the Exclusive License Agreement, the Sales of Goods Framework Agreement and the transactions contemplated thereunder constitutes continuing connected transaction of the Company.

Since the highest applicable percentage ratio of the Exclusive License Agreement is below 0.1%, it will be exempt pursuant to Rule 14A.76 of the Listing Rules from the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules.

Since the highest applicable percentage ratio calculated in respect of the Proposed Annual Caps for the transaction amount under the Sales of Goods Framework Agreement exceed 5%, it is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board confirms that none of the Directors has any material interest in the Continuing Connected Transactions and none of the Directors has abstained from voting on the Board resolutions approving each of the Sales of Goods Framework Agreement and the Exclusive License Agreement and the continuing connected transactions thereunder.

Implications under Rule 14A.52 of the Listing Rules

As required by Rule 14A.52 of the Listing Rules, the Company has engaged the Independent Financial Adviser to provide independent advice in respect of each of the

Exclusive License Agreement and the Sales of Goods Framework Agreement having a term exceeding three years and to confirm that it is normal business practice for agreements of these types to be a duration longer than three years. The Independent Financial Adviser (the opinion of which has been included in this circular) is of the view that the period of each of the Sales of Goods Framework Agreement and the Exclusive License Agreement exceeding three years is normal business practice for agreements of this type in accordance with Rule 14A.52 of the Listing Rules. For details, please refer to the section headed "Letter from the Independent Financial Adviser – 3.1 Our analysis on the term of the Sales of Goods Framework Agreement and Exclusive License Agreement being in excess of three years" set out on pages 53 to 59 of this circular.

Public float

Upon completion of the Subscription, the Company shall continue to satisfy the public float requirement under the Listing Rules with a public float of approximately 51.75%. The below table sets out the detailed shareholding structure of the Company (i) as at the date of the Announcement, and (ii) immediately after completion of the Subscription.

	As at the date of the Announcement				**Immediately after completion of the Subscription**			
	Number of Shares (including H Shares and Domestic Shares)	*Approximate % of Shares out of total issued Shares*[1]	*Number of H Shares only*	*Approximate % of H Shares out of total issued Shares*[1]	*Number of Shares (including H Shares and Domestic Shares)*	*Approximate % of Shares out of total issued Shares*[1]	*Number of H Shares only*	*Approximate % of H Shares out of total issued Shares*[1]
The Single Largest Group of Shareholders								
Mr. Zhu[2]	92,596,398	8.10%	37,038,559	3.24%	92,596,398	6.93%	37,038,559	2.77%
Mr. Fu[3]	91,200,000	7.98%	18,240,000	1.60%	91,200,000	6.82%	18,240,000	1.36%
Hangzhou Xintu	4,077,472	0.36%	4,077,472	0.36%	4,077,472	0.30%	4,077,472	0.30%
Ningbo Hualing[3]	56,547,741	4.95%	56,547,741	4.95%	56,547,741	4.23%	56,547,741	4.23%
Ningbo Huayang	24,000,000	2.10%	24,000,000	2.10%	24,000,000	1.80%	24,000,000	1.80%
Ningbo Jinghang	12,806,500	1.12%	12,806,500	1.12%	12,806,500	0.96%	12,806,500	0.96%
Ningbo Gulin	21,761,266	1.90%	21,761,266	1.90%	21,761,266	1.63%	21,761,266	1.63%
Wanzai Mingzhao	10,800,000	0.95%	10,800,000	0.95%	10,800,000	0.81%	10,800,000	0.81%
Sub-total	**313,789,377**	**27.46%**	**185,271,538**	**16.21%**	**313,789,377**	**23.47%**	**185,271,538**	**13.86%**
Other connected person								
Dahua Technology	90,000,000	7.88%	45,000,000	3.94%	90,000,000	6.73%	45,000,000[4]	3.37%[4]
Other existing Shareholders (which are counted towards public float)	738,916,682	64.66%	691,882,347	60.55%	738,916,682	55.27%	691,882,347	51.75%
Stellantis	–	–	–	–	194,260,030	14.53%	194,260,030[4]	14.53%[4]
Total H Shares			**922,153,885**	**80.70%**			**1,116,413,915**	**83.50%**
Total Shares	**1,142,706,059**	**100%**	**1,142,706,059**	**100.00%**	**1,336,966,089**	**100%**	**1,336,966,089**	**100.00%**

Notes:

(1) The percentages in the table represent the percentages of the respective total number of Shares (including both H Shares and Domestic Shares) as at the date of the Announcement and immediately after completion of the Subscription. The aggregate of the percentage figures in the above table may not add up to the sub-total or total percentage figures due to rounding of the percentage figures to two decimal places.

(2) Ms. Liu, a member of the Single Largest Group of Shareholders, is the spouse of Mr. Zhu, and is deemed to be interested in the Shares of our Company held by Mr. Zhu.

(3) Ms. Chen, a member of the Single Largest Group of Shareholders, is the spouse of Mr. Fu and the general partner of Ningbo Hualing. Therefore, Ms. Chen is deemed to be interested in the Shares of our Company held by Mr. Fu and Ningbo Hualing.

(4) Upon completion of the DH SPA, Stellantis would also hold all of the 45,000,000 H Shares and 45,000,000 Domestic Shares held by Dahua Technology as at the date of the Announcement, and Dahua Technology would no longer hold any H Shares. The public float of the Company both immediately after completion of the Subscription and immediately after completion of the Subscription and the DH SPA shall be the same (assuming there being no other change in the share capital of the Company between the date of the Latest Practicable Date and completion of the Subscription and the DH SPA).

6. INFORMATION ON THE PARTIES INVOLVED

The Company is a NEV company based in China that possesses full-suite R&D capabilities in NEV's core technologies. The Company designs, develops, manufactures and sells NEVs, and at the same time develops and produces EIC core components and provides vehicle internet solutions based on cloud computing. With an aim to maximize user value, it strives to provide products and services which deliver superior experience beyond expectation.

Stellantis N.V. (NYSE/MTA/Euronext Paris: Stellantis) is one of the world's leading automakers and a mobility provider. Its storied and iconic brands embody the passion of their visionary founders and today's customers in their innovative products and services. Powered by diversity, lead the way the world moves – aspiring to become the greatest sustainable mobility tech company, not the biggest, while creating added value for all stakeholders as well as the communities in which it operates.

7. PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION AND THE PROCEDURAL RULE AND PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Reference is made to the circular of the Company dated September 20, 2023 and poll results announcement of the first extraordinary general meeting of the Company dated October 11, 2023. The Board is authorized to make any amendments to the Articles of Association in relation to issue of Shares and registered capital as it duly thinks necessary. Upon completion of the Subscription, the Board proposes to make conforming amendments to Articles 6 and 20 of the Articles of Association in respect of the number of Shares and registered capital of the Company. The Board also proposes to amend Article 126 of the Articles of Association such that the Board comprises 9 Directors (including 3 independent non-executive Directors). In addition to the foregoing, the Board proposes to amend the Articles of Association in accordance with the regulatory requirements in the PRC. Details of the amendments to the Articles of Association are set out in Appendix II to this circular.

According to the Articles of Association and the relevant laws and regulations, the foregoing amendments to the Articles of Association will take effect subject to the approval of the Shareholders by way of a special resolution at the EGM. The Articles of Association are prepared in Chinese with no official English version. Any English translation is for reference only. In the event of any inconsistency, the Chinese version shall prevail.

In view of the amendment to Article 126 of the Articles of Association, the Board proposes to amend the Procedural Rule. Details of the proposed amendments to the Procedural Rule are set out in Appendix III to this circular. The amendments to the Procedural Rule are subject to the approval of the Shareholders by way of a special resolution at the EGM. The Company shall be authorised to make corresponding adjustments to the Procedural Rule in accordance with the final articles of association to be adopted by the Company. The Procedural Rule is prepared in Chinese with no official English version. Any English translation is for reference only. In the event of any inconsistency, the Chinese version shall prevail.

The Board proposes to appoint Mr. Grégoire Olivier and Mr. Douglas Ostermann as non-executive Directors. The Nomination and ESG Committee of the Company has resolved to proposed Mr. Grégoire Olivier and Mr. Douglas Ostermann as non-executive Directors subject to shareholders' approval at the EGM. The appointment of Mr. Grégoire Olivier and Mr. Douglas Ostermann will be effective upon the completion of the Subscription until the expiry of the term of the current first session of the Board and may be re-elected for successive reappointments in accordance with the Articles of Association.

The Nomination and ESG Committee has reviewed and considered the experience, skills and knowledge of Mr. Grégoire Olivier and Mr. Douglas Ostermann having regard to the principles as set out in the board diversity policy of the Company and considered the benefits of all aspects of diversity, including gender, age, cultural and educational background policy of the Company, and recommended to the Board that the ordinary resolution on the appointment of Director be proposed for Shareholders' approval at the EGM.

The biography of Mr. Grégoire Olivier is as follows:

Mr. Grégoire Olivier, aged 63, is a member of the Stellantis Global Executive Committee and the chief operating officer of Stellantis China. Mr. Olivier has held a variety of operational and managerial responsibilities in the industrial sector for more than twenty years before joining PSA Group in 2006.

In 1984, he started as a civil servant in the French Ministry of Industry, and was appointed as an advisor to the French Prime Minister, covering Industry and Environment, in 1990. After holding various positions at Pechiney and Alcatel, he was appointed as the Chairman of the Sagem Management Board in 2001.

In 2006, he joined PSA and was appointed as the chairman and chief executive officer of Faurecia. In 2007, he was appointed as the executive vice president for automobile programs and strategy and a member of the managing board of PSA Group. In September 2010, he was dispatched to China and was appointed as the executive vice-president, China and ASEAN, of PSA Group. In September 2016, he was appointed as the executive vice president of mobility services, and became general secretary of PSA in February 2018. In February 2021, he came back to Shanghai to become the executive vice president China of Stellantis.

In 2015, he was awarded the "Magnolia Silver Award" by the Shanghai Municipal People's Government.

Mr. Olivier is a graduate of Ecole Polytechnique (France), holds an engineering degree from Ecole des Mines de Paris and an MBA from the University of Chicago.

The biography of Mr. Douglas Ostermann is as follows:

Mr. Douglas Ostermann, aged 55, is the chief financial officer and head of strategy for Stellantis China. Mr. Ostermann has held a variety of operational and managerial responsibilities in the industrial sector for more than twenty years before joining FCA Group in 2016.

In 1990, he started in product planning at General Motors and went on to hold various positions in marketing, advertising, brand management and sales in the United States and later at Adam Opel in Russelsheim, Germany. After returning to the United States, he held various positions at the New York Treasurer's Office at General Motors through early 2004.

In 2004, he joined Archer Daniels Midland Company, working as the regional treasurer for Europe, Africa and the Middle East, before being appointed as the assistant treasurer. In 2012, he was appointed as the group treasurer and corporate officer.

In 2016, he joined Fiat Chrysler Automobiles as the group treasurer and later headed global business development before holding his current position.

Mr. Douglas Ostermann holds a Bachelor of Science and an MBA from Washington University in St. Louis.

Save as disclosed above, neither Mr. Grégoire Olivier nor Mr. Douglas Ostermann has held any other directorship in any listed public companies in Hong Kong or overseas in the last three years nor any other positions with the Company and its subsidiaries. Neither Mr. Grégoire Olivier nor Mr. Douglas Ostermann has any relationship with any Director, senior management, substantial Shareholder or controlling shareholder of the Company.

As at the Latest Practicable Date, Mr. Grégoire Olivier and Mr. Douglas Ostermann, respectively, has no interest in the shares of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Neither Mr. Grégoire Olivier nor Mr. Douglas Ostermann receive any remuneration for acting as a non-executive Director of the Company.

Save as disclosed above, there are no other matters concerning Mr. Grégoire Olivier's and Mr. Douglas Ostermann's respective appointment as a non-executive Director that need to be brought to the attention of the Shareholders nor any information required to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.

8. EGM AND PROXY ARRANGEMENT

The notice of the EGM is set out on pages 119 to 120 of this circular. At the EGM, resolutions will be proposed to approve (a) the Sales of Goods Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps; (b) the proposed amendment of Articles of Association and the Procedural Rule; (c) the proposed appointment of Mr. Grégoire Olivier and Mr. Douglas Ostermann as non-executive Directors. The Founder Group has provided voting undertaking to Stellantis to vote for the aforesaid resolutions. As at the Latest Practicable Date, to the best of the knowledge of the Directors and having made all reasonable enquiries, no Shareholder has any material interest in the foregoing resolutions save as Dahua Technology, who would be required to abstain from voting.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the resolution to be proposed at the EGM will be put to vote by way of poll. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

For the purpose of determining the identity of the holders of H Shares entitled to attend and vote at the EGM, the register of members of the Company will be closed from Friday, November 10, 2023 to Wednesday, November 15, 2023, both dates inclusive, during which period no transfer of H Shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of H Shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, November 9, 2023 (Hong Kong time), being the last registration date.

The form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (https://www.leapmotor.com). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarized copy of that power of attorney or authority, at the Company's H Share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H Shareholders) or the Company's registered office at 1/F, No. 451 Wulianwang Street, Binjiang District, Hangzhou, Zhejiang Province, China (for Domestic Shareholders) as soon as possible but in any event not less than 24 hours before the time appointed for the EGM or any adjournment thereof. Completion and delivery of the forms of proxy will not preclude you from attending and voting at the EGM if you so wish.

9. RECOMMENDATION

The Directors (including independent non-executive Directors whose recommendations in respect of the Sales of Goods Framework Agreement are contained in the section headed "Letter from the Independent Board Committee") are of the opinion that the resolutions to be proposed at the EGM are in the interests of the Company and the Shareholders as a whole and so recommend the Shareholders to vote in favour of such resolutions.

10. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular, including but not limited to (i) the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Sales of Goods Framework Agreement, the continuing connected transactions thereunder and the Proposed Annual Caps; and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice in respect of the Continuing Connected Transactions.

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

ZHEJIANG LEAPMOTOR TECHNOLOGY CO., LTD.
浙江零跑科技股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 9863)

October 31, 2023

To the Independent Shareholders,

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE SALES OF GOODS FRAMEWORK AGREEMENT

We refer to the circular of the Company dated October 31, 2023 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you (i) whether the terms of the Sales of Goods Framework Agreement, the continuing connected transactions thereunder and the Proposed Annual Caps are fair and reasonable; (ii) whether the Sales of Goods Framework Agreement, the continuing connected transactions thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group; (iii) whether the Sales of Goods Framework Agreement and the continuing connected transactions thereunder are in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in respect of the relevant resolution to be proposed at the EGM.

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to, among others, whether the terms of the Sales of Goods Framework Agreement, the continuing connected transactions thereunder and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms are in the interests of the Company and the Shareholders as a whole. Details of the Independent Financial Adviser's advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 40 to 104 of the Circular.

We wish to draw your attention to the letter from the Board set out on pages 8 to 37 of the Circular and the additional information set out in the appendix of the Circular.

Having taken into account (i) the terms and conditions of the Sales of Goods Framework Agreement and the continuing connected transactions thereunder; and (ii) the advice and recommendations of the Independent Financial Adviser as set out from pages 40 to 104 of the Circular, we are of the opinion that the terms of the Sales of Goods Framework Agreement, the continuing connected transactions thereunder and the Proposed Annual Caps are in the ordinary and usual course of businesses of the Group, on normal commercial terms or better, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Sales of Goods Framework Agreement, the continuing connected transactions thereunder and the Proposed Annual Caps.

Yours faithfully,
Independent Board Committee
Zhejiang Leapmotor Technology Co., Ltd.

Mr. Fu Yuwu	**Dr. Huang Wenli**	**Ms. Drina C Yue**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

he following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and Independent Shareholders in respect of the Continuing Connected Transactions (including the Proposed Annual Caps) for inclusion in this circular.

紅日資本有限公司
RED SUN CAPITAL LIMITED

Room 310, Floor 3
China Insurance Group Building
141 Des Voeux Road Central
Central, Hong Kong

Tel: (852) 2857 9208
Fax: (852) 2857 9100

31 October 2023

To: The Independent Board Committee and the Independent Shareholders of
Zhejiang Leapmotor Technology Co., Ltd.

Dear Sirs or Madams,

CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE SALES OF GOODS FRAMEWORK AGREEMENT
AND
THE EXCLUSIVE LICENSE AGREEMENT

I. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sales of Goods Framework Agreement and the transactions contemplated thereunder (the "**Continuing Connected Transactions**") and the corresponding proposed annual caps for the period commencing from 1 January 2024 and ending on 31 December 2037 (the "**Proposed Annual Caps**"), and the term of the Sales of Goods Framework Agreement and the Exclusive License Agreement being longer than three years.

As set out in the Letter from the Board (defined hereafter), it is contemplated that there will be no license fee arrangement under the Exclusive License Agreement and all of the relevant fee arrangements (including in respect of intellectual property rights) will be reflected and included in the pricing policies in the Sales of Goods Framework Agreement. For this reason, annual caps are not required or set for the continuing connected transactions contemplated under the Exclusive License Agreement.

Further details of the Sales of Goods Framework Agreement and the respective transactions contemplated thereunder together with the Proposed Annual Caps are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 31 October 2023 (the "**Circular**") of which this letter forms part.

This letter contains our advice to the Independent Board Committee and the Independent Shareholders in respect of the terms and conditions of the arrangements under the Sales of Goods Framework Agreement (including the Proposed Annual Caps), and the fact that the proposed term of the Sales of Goods Framework Agreement and the Exclusive License Agreement is longer than three years, respectively. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Pursuant to the subscription agreement entered into between the Company and Stellantis on 26 October 2023, the Company has conditionally agreed to allot and issue 194,260,030 H Shares to Stellantis under its general mandate at HK$43.8 per Share (the "**Subscription**"). Stellantis will become a substantial shareholder of the Company, being interested in approximately 14.53% of the total issued share capital of the Company upon completion of the subscription of Shares by Stellantis. Hence, Stellantis will be a connected person of the Company upon completion of the Subscription. As the joint venture company to be incorporated will be owned as to 51% by Stellantis and 49% by the Company upon its establishment (i.e. the JV Company), the JV Company will be a consolidated subsidiary of Stellantis, and hence a connected person of the Company. Accordingly, the transactions contemplated under the Sales of Goods Framework Agreement and the Exclusive License Agreement shall constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio calculated in respect of the Proposed Annual Caps exceeds 5%, the Continuing Connected Transactions are subject to the reporting, announcement, and Independent Shareholders' approval requirements, and annual review by the independent non-executive Directors and the auditors of the Company under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Stellantis and their respective associates are not holder(s) of the Shares. Nonetheless, any Shares held by Stellantis or their respective associates on the date of the EGM will abstain from voting on the resolution in relation to the Sales of Goods Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps, to be passed at the EGM.

Save as disclosed above, based on the Letter from the Board, none of the Shareholders has material interests in the Sales of Goods Framework Agreement and are required to abstain from voting on the relevant resolution at the EGM.

II. THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Fu Yuwu, Dr. Huang Wenli and Ms. Drina C Yue, has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on, among other things, whether the Continuing Connected Transactions (together with the Proposed Annual Caps) are in the ordinary and usual course of business, on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Our appointment has been approved by the Independent Board Committee. Our role as the Independent Financial Adviser is to give our recommendation to the Independent Board Committee and the Independent Shareholders as to (i) whether the Continuing Connected Transactions (together with the Proposed Annual Caps) are conducted in the ordinary and usual course of business, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the Sales of Goods Framework Agreement and transactions to be contemplated thereunder, including the Proposed Annual Caps, at the EGM.

III. OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, Stellantis, director, subsidiary, holding company or substantial shareholder of Stellantis or any other parties that could reasonably be regarded as relevant in assessing our independence. In the previous two years from the date of the Circular, Red Sun Capital Limited has not acted as an independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company for any transaction. Apart from normal professional fees paid or payable to us in connection with this appointment and the engagement as stated above as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant in assessing our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

IV. BASIS OF OUR ADVICE

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management (for which they are solely and wholly responsible), were true, accurate and complete at the time they were made and continue to be so as at the Latest Practicable Date.

The Directors jointly and severally accept full responsibility for the accuracy of the statements, information and representations contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been reasonably arrived at after due and careful consideration and there are no other material facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information in order to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading.

We consider that we have performed all necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion.

We have not, however, for the purpose of this exercise, conducted any independent verification, investigation or audit into the information provided by the Directors and the Management, business or affairs or future prospects of the Company, Stellantis and their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

This letter is issued for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Continuing Connected Transactions (together with the Proposed Annual Caps) and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

V. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions (including the Proposed Annual Caps), we have taken into consideration the following principal factors and reasons:

1. Information of the Group

1.1. Background information of the Group

The principal activities of the Group consisted of design, develop, manufacture and sell of new energy vehicles ("**NEVs**"), and at the same time the Group develops and produces EIC core components smart cockpit and intelligent driving and provides vehicle internet solutions based on cloud computing.

The H Shares of the Company were listed on the Main Board of the Stock Exchange on 29 September 2022.

1.2. Historical financial performance of the Group

With a view to provide background information on the historical financial performance of the Group, we set out the following financial information of the Group as extracted and summarised from the Group's published annual report for the year ended 31 December 2022 (the "**2022 Annual Report**"), interim report for the six months ended 30 June 2023 (the "**2023 Interim Report**") and the unaudited financial results for the three months ended 30 September 2023 (the "**2023Q3 Results Announcement**").

Summary of consolidated statement of profit or loss

	Year ended 31 December		Nine months ended 30 September	
	2022	**2021**	**2023**	**2022**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	12,384.6	3,132.1	11,468.6	9,369.3
Cost of sales	(14,295.9)	(4,519.7)	(11,743.1)	(11,072.0)
Gross loss	(1,911.3)	(1,387.6)	(274.5)	(1,702.7)
– Research and development expenses	(1,410.6)	(740.0)	(1,297.2)	(930.4)
– Selling expenses	(1,113.6)	(427.9)	(1,261.8)	(789.6)
– Administrative expenses	(842.1)	(398.3)	(606.2)	(526.1)
Loss for the year/period attributable to the equity holders of the Company	(5,108.9)	(2,845.8)	(3,261.8)	(3,783.9)

*Financial performance for the nine months ended 30 September 2023 ("**9M2023**") compared to the nine months ended 30 September 2022 ("**9M2022**")*

As set out in the 2023 Interim Report and the 2023Q3 Results Announcement, the Group recorded revenue of approximately RMB11,468.6 million for 9M2023, representing an increase of approximately 22.4% from approximately RMB9,369.3 million for 9M2022 which was mainly attributable to the higher average selling price, in particular, for the sales of electric vehicles and parts, across the Group's portfolio as its product mix evolves. Cost of sales increased from approximately RMB11,072.0 million for 9M2022 to approximately RMB11,743.1 million to 9M2023 due to increase in sales volume and structure of models for sale.

The gross loss of the Group decreased from approximately RMB1,702.7 million for 9M2022 to approximately RMB274.5 million for 9M2023 and the negative gross margin decreased from approximately 18.2% for 9M2022 to approximately 2.4% for 9M2023. The year-over-year improvement was mainly attributable to the higher average selling price and product sales mix during 9M2023.

Loss attributable to equity holders of the Company amounted to approximately RMB3,261.8 million for 9M2023, compared with approximately RMB3,783.9 million for 9M2022.

*Financial performance for the year ended 31 December 2022 ("**FY2022**") and 31 December 2021 ("**FY2021**")*

As set out in the 2022 Annual Report, the Group recorded revenue of approximately RMB12,384.6 million for FY2022, representing an increase of approximately RMB9,252.5 million or 295.4% compared to approximately RMB3,132.1 million for FY2021, which was primarily attributable to the increase in the sales volume of NEVs and parts and the higher average selling price across the Group's portfolio as product mix evolves. The cost of sales of the Group increased from approximately RMB4,519.7 million for FY2021 to approximately RMB14,295.9 million for FY2022, representing an increase of approximately 216.3%, which was primarily attributable to the increase in the cost of raw materials and consumables resulting from the increased sales volume of NEVs.

Gross loss of the Group increased by approximately 37.7% from approximately RMB1,387.6 million for FY2021 to approximately RMB1,911.3 million for FY2022. However, the negative gross margin of the Group improved from approximately 44.3% for FY2021 to approximately 15.4% for FY2022 which primarily due to the increase in the average selling price and the decrease in average manufacturing cost per electric vehicle as a percentage of the average selling price, as product mix evolved.

1.3. Information on the Stellantis group

According to the latest published annual report of Stellantis[1] for the year ended 31 December 2022 (the "**Stellantis 2022 Annual Report**") and the latest published interim report of Stellantis[2] for the six months ended 30 June 2023 (the "**Stellantis 2023 Interim Report**"), Stellantis group is principally engaged in, among others, the manufacturing, distributing and selling of vehicles in the North America, Enlarged Europe (defined hereafter), Middle East and Africa, South America and Asia Pacific regions.

Set out below is a summary of the Stellantis's operating results (i) for the financial years ended 31 December 2021 and 2022, extracted from the Stellantis 2022 Annual Report; and (ii) for the six months ended 30 June 2022 and 2023, extracted from the Stellantis 2023 Interim Report:

1 Stellantis 2022 Annual Report (source: www.stellantis.com/content/dam/stellantis-corporate/investors/financial-reports/Stellantis-NV-20221231-Annual-Report.pdf)

2 Stellantis 2023 Interim Report (source: www.stellantis.com/content/dam/stellantis-corporate/investors/financial-reports/Stellantis-NV-20230630-Semi-Annual-Report.pdf)

	For the year ended 31 December		For the six months ended 30 June	
	2022	**2021**	**2023**	**2022**
	EUR'million	*EUR'million*	*EUR'million*	*EUR'million*
Net revenues *(Note 1)*	179,592	149,419	98,368	87,999
Revenues from shipments of vehicles and sales of other goods:	173,718	144,559	95,350	85,223
– North America region	84,239	66,618	45,302	41,854
– Enlarged Europe region *(Note 2)*	60,769	56,315	33,556	30,073
– South America region	15,178	10,191	7,393	7,037
– Middle East and Africa region	6,399	5,088	4,665	3,021

Notes:

(1) Based on the Stellantis 2022 Annual Report, net revenues of Stellantis group primarily comprised of (i) shipments of vehicles and sales of other goods; (ii) other services provided; (iii) Construction contract revenues; and (iv) lease instalments from assets sold with a buy-back commitment.

(2) Enlarged Europe region included 27 countries in the European Union, such as France, Italy, Germany and Spain, and other European countries like the United Kingdom (the "**U.K.**").

As set out in the Stellantis 2023 Interim Report, Stellantis recorded net revenues of approximately EUR98.4 billion for the six months ended 30 June 2023, representing an increase of approximately 11.8% compared with its revenue of approximately EUR88.0 billion for the six months ended 30 June 2022. It is also noted that the Stellantis group generated most of its revenue from shipments of vehicles and sales of other goods during the six months ended 30 June 2023, which amounted to approximately EUR85.2 billion and EUR95.4 billion for the six months ended 30 June 2022 and 2023, representing approximately 96.8% and 96.9% of the net revenues for the six months ended 30 June 2022 and 2023, respectively.

As set out above, Stellantis recorded net revenues of approximately EUR179.6 billion for the year ended 31 December 2022, representing an increase of approximately 20.2% compared with its revenue of approximately EUR149.4 billion for the year ended 31 December 2021. Based on the Stellantis 2022 Annual Report, the Stellantis group generated most of its revenue from shipments of vehicles and sales of other goods, which amounted to approximately EUR144.6 billion and EUR173.7 billion for the year ended 31 December 2021 and 2022, representing approximately 96.7% and 96.7% of the net revenues for the year ended 31 December 2021 and 2022, respectively.

The largest geographic segment of the Stellantis group in respect of its revenue from shipments of vehicles and sales of other goods, were the North America region, the enlarged Europe[3] (the "**Enlarged Europe**") region and the South America region, representing approximately 48.5%, 35.0% and 8.7% of the Stellantis group's relevant revenue for the year ended 31 December 2022, respectively.

1.4. Background information of the major overseas electric vehicles industry

Based on information published in the website of the International Energy Agency[4] (the "**IEA**") (*http://iea.org*), over 10 million electric vehicles were sold worldwide in 2022 compared to approximately 6.6 million electric vehicles sold in 2021. In 2021, consumer spending on electric vehicle purchase was estimated by the IEA to be in the region of USD250 billion.

The increase in the volume of electric vehicles sold globally continued into 2023 with over 2.3 million electric vehicles sold in the first quarter of 2023 globally, such is around 25% more than the corresponding period in 2022. The IEA further projected that the sales of electric vehicles could reach 14 million by the end of 2023.

According to information published by the IEA, a majority of electric vehicle sales were concentrated in three markets, namely the PRC, Europe and the United States, with more than half of all electric vehicles worldwide being in the PRC in the first quarter of 2023. Europe and the United States are the second and third largest electric vehicle markets, both experienced notable growth with electric vehicle sales in 2022.

One of the drivers behind the recent growth in sales of electric vehicles have been government policies, in particular, those related to the reduction in carbon emissions and climate-change related laws and regulations. It is expected that relevant government policies will continue to be one of the main drivers for the global development of the electric vehicle industry as a whole in the foreseeable future.

3 Based on the Stellantis 2022 Annual Report, the Enlarged Europe region included the 27 countries within the European Union (excluding Malta), Iceland, Norway, Switzerland and U.K. as well as Eurasia (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Moldova, Russia, Ukraine, Uzbekistan) and other countries in Europe (Albania, Bosnia, Kosovo, Malta, Montenegro, North Macedonia and Serbia).

4 International Energy Agency is a global energy authority within the Organisation for Economic Co-operation and Development (OECD) framework, the governing board is the decision-making body of the IEA, which composed of energy ministers or their senior representatives from each IEA member country. IEA member countries included various countries in Europe, North America and Asia Pacific.

1.5. Reasons for and benefits of the Sales of Goods Framework Agreement

The following has been based on information as set out in the Letter from the Board and as discussed with the Management, given expanding into the international markets and establishing international presence by entering into the European market are an important part of the Group's overall development plan. The strategic cooperation with Stellantis will assist the Company to achieve such goals. Stellantis has a strong global presence carrying a wide range of automobile brands. It has an extensive service and distribution network which the Company can leverage upon.

Stellantis has a long history in manufacturing and sales of vehicles in Europe and the U.S. With Stellantis's global presence, service network and scale advantage, it would be beneficial for the development of the Group's overseas business to cooperate with Stellantis on a long-term basis. The Group will be able to leverage of the local knowledge possessed by the Stellantis group given its established presence in the subject countries and geographical regions, the Stellantis group's existing sales network and expertise as well as the consumer confidence that is associated with the Stellantis brand name.

It is also noted that the term of the Sales of Goods Framework Agreement enables the parties to plan initial and subsequent product roll-outs as well as their investments for the development of the business over the long term without the uncertainties arising from related regulatory requirements. Please also refer to the section headed "3. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS" in the Letter from the Board in respect of further reasons for entering into the Sales of Goods Framework Agreement.

Given that (i) the principal activities of the Group consisted of design, develop, manufacture and sell of NEVs and that the Continuing Connected Transactions are a furtherance of the Group's core business; (ii) it is one of the Group's strategies to expand its international presence; (iii) the Stellantis group is a well-established corporation in the automobile industry with notable international presence across the North America, Enlarged Europe, South America and Middle East and Africa regions; (iv) the Continuing Connected Transactions (together with the Proposed Annual Caps), if approved, would facilitate the transactions under the Sales of Goods Framework Agreement during the relevant period; and (v) the Group has the right but not the obligation to transact with the JV Company under the Sales of Goods Framework Agreement and at terms determined in accordance with the relevant pricing policies, we concur with the Directors' view that the Continuing Connected Transactions are in the interests of the Company and the Independent Shareholders as a whole.

2. Background and principal terms of the Sales of Goods Framework Agreement and the Exclusive License Agreement

On 26 October 2023, the Company entered into, among others, the Subscription Agreement for the Subscription, the JV Formation Agreement, the Exclusive License Agreement and the Sales of Goods Framework Agreement.

Pursuant to the Exclusive License Agreement, the Company shall grant the JV Company an exclusive license of the intellectual property and other rights required to enable the JV Company to (i) sell and distribute LPM Products, Post-sale Services Parts and the Locally Manufactured LPM Products in the Territories, i.e. all countries other than (a) Greater China (comprising the PRC, Hong Kong, Macau and Taiwan); (b) such other countries where Stellantis does not have the capability, infrastructure or relationships to enable a distribution of the LPM Products; which as at the Latest Practicable Date, are acknowledged to be Brunei, Laos, Myanmar, Cambodia and East Timor; and (c) such other countries as may be agreed between the Company and Stellantis from time to time; and (ii) manufacture and sell Locally Manufactured LPM Products and the Locally Manufactured Post-sale Services Parts, and manufacture the Components and Parts in the Territories; and (iii) services and ancillary activities related to the foregoing. The principal terms of the Exclusive License Agreement have been set out under paragraph headed "2. CONTINUING CONNECTED TRANSACTION IN RELATION TO THE EXCLUSIVE LICENSE AGREEMENT AND THE SALES OF GOODS FRAMEWORK AGREEMENT – (A) The Exclusive License Agreement" in the Letter from the Board.

Pursuant to the Sales of Goods Framework Agreement, the Company may, from time to time, sell (i) the LPM Products to the JV Group for distribution in the Territories; (ii) the Components and Parts, as required from time to time, for manufacturing of Locally Manufactured LPM Products; and (iii) the Post-sale Services Parts, as required for the after-sale services from time to time. The principal terms of the Sales of Goods Framework Agreement have been set out under paragraph headed "2. CONTINUING CONNECTED TRANSACTION IN RELATION TO THE EXCLUSIVE LICENSE AGREEMENT AND THE SALES OF GOODS FRAMEWORK AGREEMENT – (B) The Sales of Goods Framework Agreement" in the Letter from the Board.

(i) Sales of goods in relation to the sales and distribution of LPM Products and Post-sale Services Parts

The Company will sell LPM Products and the Post-sale Services Parts to the JV Company. The pricing policies as set out in the Letter from the Board are summarised below:

Sale of LPM Products:	The LPM Products will be sold at the Transfer Price, which is calculated as: *Benchmark Price x (1+ Reference Margin)* Reference Margin refers to a certain margin on top of the Benchmark Price of LPM Products; ***At the initial introduction stage*** (i.e. commencing on the date of the Sales of Goods Framework Agreement and ending on the fourth (4th) anniversary of the date of the Sales of Goods Framework Agreement): the Reference Margin will be zero. ***Stage 2*** (i.e. commencing after the fourth (4th) anniversary of the date of the Sales of Goods Framework Agreement and ending on the seventh (7th) anniversary of the date of the Sales of Goods Framework Agreement): the Reference Margin will be 2-5%, which is determined by taking reference from the public financial and operational data of the comparable EV manufacturers. The parties shall agree on the Reference Margin based on arm's length negotiation and may agree to such Reference Margin which may vary with the aforesaid percentage, which in any event will be no less than 2%. The exact Reference Margin upon entering the individual agreement will be determined in accordance with the CCT Pricing Mechanism. Since the EV market is highly competitive with cyclical and volatile market demand and prices, the Company believes that such flexibility in the pricing policy should be retained so that the Reference Margin could be timely adjusted as commercially desirable taking into account the then market condition. In addition, it is also common in the Territories to set a margin which could vary from one period to another depending on changing economic and market conditions. A fixed margin, especially during the growth period of a business may not be reflective of a fair and reasonable pricing term, and could potentially be subject to challenge by the tax authorities in the Territories.

Stage 3 (i.e. commencing after the seventh (7th) anniversary of the date of the Sales of Goods Framework Agreement): the Reference Margin will be a reasonable percentage which will be determined in accordance with the CCT Pricing Mechanism. It is currently contemplated that the Reference Margin will be no less than 2% subject to relevant factors at that time such as the end product sales prices on the market, competitive factors, cost of production, the Company's marketing strategy, the JV Company's operations, as well as general economic environment and market conditions.

Sale of Post-sale Services Parts:	The selling price of the Post-sale Services Parts will be determined on a cost-plus basis, with a margin to be agreed by the parties on arm's length basis in accordance with the CCT Pricing Mechanism, but such margin shall in no event be less favourable to the Company than the Stage 2 pricing policy of the sales of the LPM Products, taking into account the Company's then prevailing sales practice in China, the then general practice in the relevant Territories and the market conditions.

(ii) Sales of goods and license fee in relation to Locally Manufactured LPM Products

In addition, the Company will sell Components and Parts to the JV Company to enable the JV Company to manufacture Locally Manufactured LPM Products and will charge the JV Company a Manufacturing License Fee. The pricing policies, which have been extracted from the Letter from the Board, are summarised as follows:

Sale of Components and Parts:	All the Components and Parts will be sold at Benchmark Price plus a margin to be agreed by the parties on arm's length basis in accordance with the CCT Pricing Mechanism, and such margin shall in no event be less favourable to the Company than the Stage 2 pricing policy of the sales of the LPM Products, taking into account the Company's then prevailing sales price (if any) in China and the then market condition in the Territories.

Manufacturing License Fee:	For the first model of Locally Manufactured LPM Products, the Manufacturing License Fee will be 2% of the Reference Amount. The Reference Amount shall be determined between the Company and the JV Company which shall in no event be less than the ex-factory price of the Locally Manufactured LPM Products, provided that such ex-factory price shall be determined taking into account factors including the sales price and other associated costs of the Locally Manufactured LPM Products, and for the avoidance of doubt excluding costs already paid by the JV Company to the Company through the purchase of Components and Parts from the Company. For all subsequent models of Locally Manufactured LPM Products, the Manufacturing License Fee in a specific Territory will be in the range of 2-5% of the Reference Amount in respect of such Locally Manufactured LPM Products. The parties shall agree on the Manufacturing License Fee based on arm's length negotiation and may agree to such Manufacturing License Fee which may vary within the aforesaid percentage limits, depending on the then market condition, the relevant Territory concerned and the vehicle models to be manufactured. The exact Manufacturing License Fee upon entering the individual agreement will be determined in accordance with the CCT Pricing Mechanism, and is currently contemplated to be no less than 2%. The Manufacturing License Fee has taken into account all license fees payable to the Company in the scenario where the JV Company manufacture any Components and Parts locally.

(iii) CCT Pricing Mechanism

In order to ensure that the relevant margin(s) to be set under individual agreements is fair and reasonable, the Company shall adopt the following price formation mechanism ("**CCT Pricing Mechanism**"):

(a) Regular Benchmarking Analysis

The Company shall conduct a regular benchmarking analysis with the JV Company. The management team of the Company shall, with the assistance of the business and marketing team of the Company, collect and review the publicly available financial and operational data (including gross margin) of no less than three comparable listed automobile manufacturers for the trailing 12 months immediately preceding a pricing determination window, which refers to an annual review and a review under the circumstances when the purchase order from the JV Company involves purchase of new EV models that have not been launched in the Territory, purchase of EVs for launching in a new region within the Territories (each a "**Pricing Determination Window**"). Such comparable automobile manufacturers will be selected based on one or more of the following criteria: (aa) primary scope of business which should focus in the manufacturing and sales of EV; (bb) comparable amount of revenue from EV sales; and (cc) comparable pricing policy and similar customers base measured by disposable income.

After the review of such benchmarking data, both parties shall negotiate on the final margin to be set in the individual agreements and ensure it falls within the range of such benchmarking data, and taking into account all relevant factors at that time of the individual agreements such as the vehicle models to be sold, the end product sales prices on the market, competitive landscape, cost of production, the Company's marketing strategy, JV Company's operations, as well as general economic environment and market conditions.

(b) Review by independent non-executive Directors

The independent non-executive Directors, when conducting their annual review of the continuing connected transactions, should also review and assess the appropriateness of the relevant margin levels applicable to the transactions under the Sales of Goods Framework Agreement in such financial year. The Company shall ensure that the independent non-executive Directors has access to sufficient resources and information, including, if necessary, access to independent industry expert's advice, to review and assess the appropriateness of the relevant margin level.

3. Our analysis on the principal terms of the Sales of Goods Framework Agreement and Exclusive License Agreement

3.1. Our analysis on the term of the Sales of Goods Framework Agreement and Exclusive License Agreement being in excess of three years

We note from the Letter from the Board that the respective term of the Sales of Goods Framework Agreement and the Exclusive License Agreement (the "**Subject Agreements**") is for a period of 28 years.

Given the respective term of the Subject Agreements is more than three years, pursuant to Rule 14A.52 of the Listing Rules, as the independent financial adviser, we have set out our explanation the reasons for the long period of the term of the Subject Agreements and to confirm that it is normal business practice for agreements of this type to be of such duration. In this connection, we have considered the following reasons and factors based on the information provided by the Management as well as the publicly available information:

(i) the Company is a NEV company based in the PRC that possesses full-suite research and development capabilities in NEV's core technologies. The Company designs, develops, manufactures and sells NEVs, and at the same time develops and produces EIC core components smart cockpit and intelligent driving and provides vehicle internet solutions based on cloud computing;

(ii) the JV Company, which shall be owned as to 51% by Stellantis and 49% by the Company, will be a non-wholly owned subsidiary of Stellantis upon its establishment. Stellantis is an international automaker and mobility provider which is engaged in designing, engineering, manufacturing, distributing and selling vehicles, components and production systems, with a portfolio of automotive brands, including, Maserati, Alfa Romeo, Jeep, Chrysler, Citroën, Fiat, Opel, Peugeot and Vauxhall, and sales networks across North America, Enlarged Europe, Middle East and Africa, South America and the Asia Pacific regions;

(iii) the grant of exclusive license to the JV Company is to facilitate the transactions contemplated under the Sales of Goods Framework Agreement. Please refer to the Letter from the Board and the section headed "1.5. Reasons for and benefits of the Sales of Goods Framework Agreement" in this letter for the reasons for the Sales of Goods Framework Agreement, and the Company will also gain access to the Commercial Benefits (defined hereafter). As set out in the Letter from the Board, the relevant value of the intellectual property and other rights of the Company has already been taken into account when setting the pricing policies in the Sales of Goods Framework Agreement.

Furthermore, in relation to (aa) the distribution of LPM Products in the Territories, the Company considered that the grant of license is incidental to and complementary with the sales of LPM Products in the Territories, and that the economic benefits associated thereto are to be generated from the sales of the LPM Products by the JV Company in the Territories, hence the Company considers it appropriate to cover the value of such license in the pricing policy of the sales of the LPM Products; and (bb) the Locally Manufactured LPM Products, the value of such is and will be covered under the Manufacturing License Fee in the Sales of Goods Framework Agreement, our corresponding assessment of which is set out under section headed "3.2 Our analysis on the principal terms of the Sales of Goods Framework Agreement and the Exclusive License Agreement" in this letter below;

(iv) the duration of the Subject Agreements would enable the Group to carry out long term strategic planning and broaden the Group's revenue base by, including, selling the LPM Products to the JV Company. At the same time, the JV Company would be able to leverage of Stellantis group's established international sales network and channels worldwide to sell and distribute the LPM Products and/or Locally Manufactured LPM Products in the Territories, which will be beneficial to the Group's growth and brand building on the international stage in the long-term;

(v) we considered that strict compliance with the three-year requirements in respect of the term under the Subject Agreements will be impractical as it will take time for the Leapmotor brand to gradually gain market recognition and acceptance (i.e. the initial introduction stage) in the Territories, such being overseas countries which the Group's brand had little market exposure previously, and that the brand building of the Group, including the LPM Products, in the respective overseas markets as well as the market penetration period will take additional time thereafter. Given the above factors and the resources to be committed by the JV Company to develop the overseas markets, it would be commercially impractical for the parties to agree to a term of three years or less. Moreover, considering the expected life cycle of an automobile product, a period of 14 years shall cover the length of the initial start-up phase and the growth phase of the JV Company, which in turn would enable the JV Company to introduce and establish the Leapmotor brand in the respective Territories, implement its business plan and generate steady revenue stream;

(vi) we have also considered (a) the product development phase, which typically involve various stages including, among others, product research and planning, concept design, engineering design, product and system development, powertrain engineering, prototyping, testing and validation, and mass production planning (the "**Product Development Cycle**"); and (b) the product commercialisation phase, including, among others, product introduction and launching, mass production, sales and distribution, marketing, covering the entire product life cycle (the "**Product Life Cycle**"). We have obtained and reviewed relevant information in respect of the above Product Development

Cycle and Product Life Cycle from the Management for the EVs under the Leapmotor brand. Based on the above, we noted that the Product Development Cycle and the Product Life Cycle of the existing EV models of Leapmotor, in aggregate, ranges from approximately six years to eight years.

With a view to support that our findings above is a normal business practice, we have conducted further market research, (a) for Product Development Cycle in the automobile industry, based on our market research[5], it is typically in the region of three to five years; and (b) for Product Life Cycle in the automobile industry, based on our market research[6], it is typically five years or more (i.e. the period of (a) and (b) described above in aggregate ranged from eight years or more), which is further supported by our observation of the length of time vehicle models remained in the market for sales prior to being replaced. Based on the above, we consider our findings on the Product Development Cycle and Product Life Cycle (i.e. the period of (a) and (b) from our market research described above ranged from eight years or more), in aggregate, supports that the estimated six years to eight years period of the existing Leapmotor EV models' Product Development Cycle and Product Life Cycle to be reasonable.

Given it would take time and financial resources for (a) the Leapmotor product and/or brand to establish its reputation, presence and break into the overseas markets across geographical regions, including the Enlarged Europe region, the North America region as well as other regions as a new entrant; (b) planning and

5 (i) publication by McKinsey & Company titled "A road map for Europe's automotive industry" in August 2023, which sets out, among others, the length of the development cycle of European manufacturers lasting up to four years (source: www.mckinsey.com/industries/automotive-and-assembly/our-insights/aroad-map-for-europes-automotive-industry); and (ii) page 9 of the Federal Chamber of Automotive Industries response to fuel efficiency standard-cleaner and cheaper-to-run cars for Australia consultation paper May 2023, which sets out, among others, international best practice of vehicle product development typically requires a minimum of three to five years lead time (source: www.infrastructure.gov.au/sites/default/files/documents/ccca-federal-chamber-of-automotive-industries.pdf)

6 (i) page 6 of "Ford Motor Company - Climate Change 2023", which sets out, among others, the medium-term horizon (5-10 years) allows for a complete product cycle plan rotation where consumer preferences and regulatory requirements are known, and time is available to consider alternatives for orderly implementation. (source: corporate.ford.com/content/dam/corporate/us/en-us/documents/reports/ford-cdp-climate-report.pdf); (ii) the website of U.S. Mercedes-Benz sets out that Mercedes-Benz intends to have a carbon-neutral vehicle lineup within the next 20 years - a mere three product cycles (source: www.mbusa.com/en/future-vehicles/vision-eqs) (iii) Page 9 of the Federal Chamber of Automotive Industries response to fuel efficiency standard - cleaner and cheaper-to-run cars for Australia consultation paper May 2023, which sets out, among others, vehicle models generally remain in the market for in excess of five years for passenger cars (source: www.infrastructure.gov.au/sites/default/files/documents/ccca-federal-chamber-of-automotive-industries.pdf); and (iv) publication by McKinsey & Company titled "Expanding electric-vehicle adoption despite early growing pains" in August 2019, which sets out, among others, auto industry has five-year product cycles (source: www.mckinsey.com/industries/automotive-and-assembly/our-insights/expanding-electric-vehicle-adoption-despite-early-growing-pains)

implementing delivery, warehousing, logistics and connectivity solutions; (c) establishing the necessary supporting functions, including setup of local offices and information systems; (d) the scale of operations to build up in the respective geographic regions; and (e) the expected initial commitment of the relevant parties, in particular, the JV Company. The abovementioned factors are taken into account when considering the duration of the Subject Agreements and that such duration is of a normal business practice;

(vii) we have also taken into consideration the typical life span of a vehicle. Given most of the vehicles under the Sales of Goods Framework Agreement are expected to be sold in the Enlarged European region and the North America region, we have conducted market research and noted that (a) according to the 2023/2024 guide on the Automobile Industry issued by the European Automobile Manufacturers' Association[7], the average age of cars in the European Union ("**EU**") is approximately 12.0 years old; and (b) based on information in relation to the average age of automobiles in operation in the U.S.[8] published by the Bureau of Transportation Statistics under the U.S. Department of Transportation, the average age of passenger cars in the U.S. is approximately 13.1 years old. As the average age of cars in the EU and the U.S. is approximately 12.0 years old and 13.1 years old respectively and that the Company is expected to sell Components and Parts to the JV Company for the post-sale services and maintenance of the EVs throughout the lifespan of the vehicle, it is essential for the cooperation to be of a long-term nature with the consideration of the average age of the cars in such overseas markets.

On this basis, given (a) our market research on the automobile industry product development cycle and product life cycle of eight years or more, in aggregate, as set out under (iv) above supports that the length of the Product Development Cycle and the Product Life Cycle estimated by the Management in the range of approximately six years to eight years, in aggregate, to be reasonable; and (b) that the average age of cars in Europe and the U.S. is approximately 12.0 years old and 13.1 years old respectively, the period covering both (a) and (b) above, being a period of approximately 18 years to 21 years (the "**Time Period**"), are fundamental to (a) the Group, given an EV would need to go

[7] The Automobile Industry Pocket Guide 2023/2024 by the European Automobile Manufacturers' Association (source: www.acea.auto/files/ACEA_Pocket_Guide_2023-2024.pdf#page=88)

[8] Information on the average age of automobiles and trucks in operation in the United States (source: www.bts.gov/content/average-age-automobiles-and-trucks-operation-united-states)

through the Product Development Cycle from the conceptual stage, through the design stage, feasibility stage and engineering stage before it can be mass produced and then introduced to the market (i.e. the commencement of the Product Life Cycle); and (b) the end-customers of the EVs, as the EVs would require replacement of components and parts for the repair and maintenance during its life span, and the Company is expected to sell Components and Parts to the JV Company for post-sale services and maintenance of these EVs, therefore for the cooperation between the Group and the Stellantis group via the JV Company to be commercially viable to the parties, in particular, when compared against the length of the Time Period, the duration of the Subject Agreements is reasonable and under normal business practice. Furthermore, commencing from 1 July 2037, the Company and the JV Company shall have a six-month period to review and discuss in good faith whether to continue with the Subject Agreements, please refer to the Letter from the Board for further details; and

(viii) the Continuing Connected Transactions are a furtherance of the Group's core business and, if approved at the EGM, such would facilitate the Continuing Connected Transactions to be conducted in an effective and efficient manner without the need for the Company to seek Shareholders' approval on the entering into subsequent framework agreement(s) in every three years and/or on transaction-by-transaction basis, otherwise the compliance of the relevant disclosure and other regulatory requirements may be unduly burdensome for the Stellantis group, the shares of which are listed on three different exchanges, namely, the New York Stock Exchange, Euronext Milan and Euronext Paris, as well as the Group.

Summary of findings and opinion

Having considered the above factors, in particular, our analysis and findings that it would make commercial sense for both parties to enter into the Subject Agreements with the proposed term, which is more than three years, given (i) it is in the interests of the Company to explore overseas markets and seize the opportunity to work together with the Stellantis group by setting up the JV Company, thereby enabling the Group to leverage of, among others, (a) the local knowledge possessed by the Stellantis group given its established presence in the subject Territories; (b) the Stellantis group's existing sales network; and (c) local expertise as well as the consumer confidence that is associated with the Stellantis brand name, furthermore, the Group is not required to incur significant cash outflow for, among others, expanding its presence through building sales network into the Territories; (ii) it would take time and resources for (a) a product and/or a brand to establish its presence and break into overseas markets across geographical regions, including the Enlarged Europe region, the North America region, the Middle East and Africa region and the South America region as a new entrant; (b) planning and implementing delivery, warehousing, logistics and connectivity solutions; (c) establishing the necessary supporting functions, including setup of local offices and information systems; and (d) the scale of operations to build up in the respective geographic regions, and given the expected initial commitment of the relevant parties, in particular, the JV Company; and (iii) given the length of the Product Development Cycle and the Product Life Cycle, which is supported by our market research and analysis, the significant time and resources to be invested and that the average age of cars in Europe and the U.S. is approximately 12.0 years old and 13.1 years old respectively, which the Company is expected to sell components and parts to the JV Company for the post-sale services and maintenance of the EVs throughout the lifespan of the vehicle, we are of the view that (i) the duration of the Subject Agreements exceeds three years is reasonable; and (ii) it is normal business practice for agreements of this type to be of such duration.

3.2. *Our analysis on the principal terms of the Sales of Goods Framework Agreement and the Exclusive License Agreement*

The pricing policies for the sales of goods in relation to the sales and distribution of LPM Products have been categorised into three stages, a summary of which is set out below. In addition, we have also assessed the pricing policies for (i) the sale of Post-sale Services Parts; (ii) the sale of Components and Parts; and (iii) the Manufacturing License Fee.

Pricing policies for the sales of LPM Products:

Pursuant to the Sales of Goods Framework Agreement, the LPM Products will be sold at the Transfer Price, being:

the Benchmark Price x (1 + Reference Margin),

At the initial introduction stage (i.e. commencing on the date of the Sales of Goods Framework Agreement and ending on the fourth (4th) anniversary of the date of the Sales of Goods Framework Agreement):

the Reference Margin will be zero
(the "**Initial Stage Pricing Policy**")

Stage 2 (i.e. commencing after the fourth (4th) anniversary of the date of the Sales of Goods Framework Agreement and ending on the seventh (7th) anniversary of the date of the Sales of Goods Framework Agreement):

the Reference Margin will be 2% – 5%
(the "**Stage 2 Pricing Policy**")

Stage 3 (i.e. commencing after the seventh (7th) anniversary of the date of the Sales of Goods Framework Agreement):

the Reference Margin will be a reasonable percentage which will be determined by the CCT Pricing Mechanism. It is currently contemplated that the Reference Margin will be no less than 2% subject to relevant factors at that time such as the end product sales prices on the market, competitive factors, cost of production, the Company's marketing strategy, the JV Company's operations, as well as general economic environment and market conditions (the "**Stage 3 Pricing Policy**").

Pricing policies for the sales of Post-sale Services Parts:

The selling price of the components will be determined on a cost-plus basis, with a margin to be agreed by the parties on arm's length basis in accordance with the CCT Pricing Mechanism, but such margin shall in no event be less favourable to the Company than the Stage 2 pricing policy of the sales of the LPM Products. (the "**Post-sale Services Parts Pricing Policy**").

Pricing policies for the sales of Components and Parts in relation to Locally Manufactured LPM Products:

All the Components and Parts will be sold at Benchmark Price plus a margin to be agreed by the parties on arm's length basis in accordance with the CCT Pricing Mechanism, and such margin shall in no event be less favourable to the Company than the Stage 2 pricing policy of the sales of the LPM Products, taking into account the Company's then prevailing sales price (if any) in China and the then market condition in the Territories. (the "**Components and Parts Pricing Policy**").

Pricing policies for the manufacturing license fee in relation to Locally Manufactured LPM Products:

For the first model of Locally Manufactured LPM Products, the Manufacturing License Fee will be 2% of the reference amount (the "**Initial Model Manufacturing License Fee**"). The reference amount shall be determined between the Company and the JV Company which shall in no event be less than the ex-factory price of the Locally Manufactured LPM Products, provided that such ex-factory price shall be determined taking into account factors including the sales price and other associated costs of the Locally Manufactured LPM Products, and for the avoidance of doubt excluding costs already paid by the JV Company to the Company through the purchase of Components and Parts from the Company (the "**Reference Amount**").

For all subsequent models of Locally Manufactured LPM Products, the Manufacturing License Fee in a specific Territory will be in the range of 2% – 5% of the Reference Amount in respect of such Locally Manufactured LPM Products (the "**Subsequent Models Manufacturing License Fee**"). The parties shall agree on the Manufacturing License Fee based on arm's length negotiation and may agree to such Manufacturing License Fee which may vary within the aforesaid percentage limits, depending on the then market condition, the relevant Territory concerned and the vehicle models to be manufactured. The rate of 2-5% is determined by taking reference from the license fee charged for out-licensing the use of its intellectual property rights or technology know-how in the automobile industry. The exact Manufacturing License Fee upon entering the individual agreement will be determined in accordance with the CCT Pricing Mechanism, and is currently contemplated to be no less than 2%.The Manufacturing License Fee has taken into account all license fees payable to the Company in the scenario where the JV Company manufacture any Components and Parts locally (the "**Manufacturing License Fee Pricing Policy**").

Further details on the respective pricing policies are set out under section headed "2. CONTINUING CONNECTED TRANSACTION IN RELATION TO THE EXCLUSIVE LICENSE AGREEMENT AND THE SALES OF GOODS FRAMEWORK AGREEMENT – (B) The Sales of Goods Framework Agreement" in the Letter from the Board.

(i) Our analysis on the Initial Stage Pricing Policy for the sales of LPM Products

We understand from the Management that the Company considered the initial introduction stage (i.e. commencing on the date of the Sales of Goods Framework Agreement and ending on the fourth (4th) anniversary of the date of the Sales of Goods Framework Agreement, being 2024-2027) to be the initial introduction stage of the JV Company for the Group's overseas expansion plan.

The Group has an operating history of around eight years since its establishment in the PRC. Despite the Group's historical rapid business expansion and its recent listing on the Main Board in September 2022 (the "**Listing**"), its primary market is the PRC domestic market and had limited international exposure up to the Latest Practicable Date. The Management is therefore of the view that the Group's development in the Territories is at its infancy stage.

Furthermore, it is considered that competition between existing domestic and foreign EV manufacturers in the PRC has been intense in the recent past and based on the 2022 Annual Report and the 2023 Interim Report, the Group recorded gross margin of approximately -15.4% for the year ended 31 December 2022 and approximately -5.9% for the six months ended 30 June 2023, respectively. Based on the 2022 Annual Report, the 2023 Interim Report and as advised by the Management, the fluctuation in gross loss margin recorded by the Group was primarily attributable to, where applicable, the relevant market demand of the Group's products and better market conditions at the material time are considered to be one of the main factors leading to a product sales mix that comprised of a larger portion of higher priced products, which in turn led to a higher average selling price during the first six months of 2023 ("**2023H1**") compared to FY2022, the availability of related PRC automotive regulatory credits at the material time had contributed towards the gross margin in the past, the improvement in the gross margin was also affected by the Group's costs to its channel partners and the average manufacturing costs per EV as a percentage of the average selling price.

In this connection, with a view to improve the Group's long term financial performance and further develop the business of the Group and broaden its revenue base, one of the Group's strategies is to expand its international presence (the "**Overseas Expansion**") through the establishment of the JV Company with Stellantis.

Based on published information of Stellantis group, Stellantis is listed on the New York Stock Exchange, Euronext Milan and Euronext Paris. Stellantis is an international automaker and mobility provider which is engaged in designing, engineering, manufacturing, distributing and selling vehicles, components and production systems worldwide with a portfolio of automotive brands, including, Maserati, Alfa Romeo, Jeep, Chrysler, Citroën, Fiat, Opel, Peugeot and Vauxhall, and sales networks across North America, Enlarged Europe, Middle East and Africa, South America and Asia Pacific regions.

The Management considered that Stellantis's international presence can contribute significantly towards the Overseas Expansion of the Group through, among others, (a) Stellantis group's established international sales network and channels; (b) its expertise and experience in the growing international EV market; and (c) its reputable brand name and brand image on the international stage.

It was announced in September 2023 that the European Union is launching an anti-subsidy investigation into China's state support for makers of electric vehicles. However, the progress of such investigation has not been publicly announced by the European Union and therefore is unknown to the public as at the Latest Practicable Date. Although such investigation may pose a risk to the Overseas Expansion in the future, it remains uncertain as to when such investigation will be completed and what measures (if any) may be proposed by the European Union as a result. Since proposed measures will also be subject to, further debates and discussions among the relevant stakeholders and/or governing bodies, potential appeal of decisions, enactment of law and/or implementation of policies, and the resultant action to be taken by the European Union and the corresponding effects to the Group's Overseas Expansion, if any, are not foreseeable as at the Latest Practicable Date.

Despite the aforesaid potential risk in the future, noting that it is important to consider the factors at present, we concur with the Management that the Overseas Expansion of the Group is in the interests to the Independent Shareholders as a whole, given that (a) the PRC domestic EV market is highly competitive as evidenced by the reductions in retail price of EVs announced by several EV manufacturers in 2023; (b) the Group recorded a negative gross margin for each of FY2022 and 2023H1; (c) by exploring the overseas markets, the Group can potentially increase its scale significantly, which should in term improve its economy of scales and bargaining power over its suppliers; (d) the Overseas Expansion will also enable the Group to broaden and diversify its income base and sources; (e) by seizing the opportunity to work together with the Stellantis group, being an established sizeable international listed group, through the setup of the JV Company, and in particular by having a 49% equity interest in the JV

Company, the Group will be able to leverage the Commercial Benefits (defined hereafter) and achieve a more advantageous and competitive position compared to other PRC-based EV manufacturers in relation to entering the European and other overseas markets; and (f) the ability to produce Locally Manufactured LPM Products in the Territories will provide the Group with the benefit of offering a diversified supply-chain to its customers.

With a view to facilitate the Overseas Expansion, the Company shall, among others, sell its LPM Products to the JV Company. In turn, the JV Company shall market and sell such LPM Products in the Territories through the sales network and channels of the Stellantis group. The Management expects that the sales of the LPM Products to be manufactured by the Group under the Leapmotor brand pursuant to the Sales of Goods Framework Agreement across different overseas countries and regions (i.e. the Territories) to increase over time, and such will support the building of the Leapmotor brand as it will gradually gain market recognition and acceptance in the Territories. In this connection, the Company will sell LPM Products to the JV Company at the Transfer Price, which is equivalent to the Benchmark Price, as the Reference Margin is zero, during the initial introduction stage.

In addition, we noted from information provided by the Management and/or Stellantis, the JV Company shall obtain the requisite licenses and/or permits for the import and sales of LPM Products under the Leapmotor brand in the subject Territories as well as gain access to 1,200 point-of-sales (the "**PoS**") of the Stellantis group in countries across the Enlarged Europe region, including, France, Italy, Germany, U.K., Spain, the North America region, the South America region and the Middle East and Africa region, by the end of the initial introduction stage, which only represent a portion of its existing PoS. The fact that the Group, through the JV Company, will benefit from the established sales network of the Stellantis group as the JV Company will be granted access to selected PoS of the Stellantis group in the Territories as well as other intangible commercial benefits, such as local knowledge possessed by the Stellantis group given its established presence in the subject Territories, the local expertise as well as the consumer confidence that is associated with the Stellantis brand name, all of which are beneficial to the Group as a whole. On this basis, we have considered the aforesaid factors when assessing the fairness and reasonableness of the Initial Stage Pricing Policy.

In this connection, save for the initial capital investment and any additional subsequent investment(s) to be made by the Company to the JV Company as one of its equity shareholders, the Sales of Goods Framework Agreement would enable the Company to gain access and expand into various overseas markets without committing significant additional financial resources as well as be entitled to 49% of the profits to be derived by the JV Company so long as the Company maintains its 49% equity interest in the JV Company.

Having considered the above factors, in particular, the operational and financial resources to be committed by the JV Company and/or Stellantis group during this period, including but not limited to, the resources to execute the Business Plan (defined hereafter), details of which are set out under section headed "Our analysis on the Proposed Annual Caps" in this letter below, in respect of areas including, where applicable, (a) strategy planning for the determination of the PoS to be made available to the JV Company for the sales of the EVs; (b) planning and implementing delivery, warehousing, logistics and connectivity solutions; (c) marketing and promotion of the Leapmotor brand EVs as the Leapmotor brand and its EVs are both new to the potential consumers in the respective Territories; (d) establishing the necessary supporting functions, including setup of local offices and information systems; (e) training the sales staff at the respective PoS on the necessary information of the Leapmotor brand EVs to enable them to provide the required sales services; and (f) ongoing monitoring of the sales and other related data of the respective PoS by the JV Company and, where necessary, adjusting the sales and marketing strategy, we considered that it is reasonable for the Initial Stage Pricing Policy during the initial introduction stage to be more competitive than the Stage 2 Pricing Policy and the Stage 3 Pricing Policy.

(ii) Our analysis and work performed on the Initial Stage Pricing Policy, including the Benchmark Price

Pursuant to the Sales of Goods Framework Agreement, under the Initial Stage Pricing Policy, the Company shall sell the LPM Products to the JV Company at the Transfer Price, which is equivalent to the Benchmark Price. The Benchmark Price is the sum of bill of materials, production expenses (including labour costs, depreciation and materials), quality warranty costs, sharing of research and development costs and transportation costs of the relevant product.

With a view to assess the reasonableness of the Transfer Price under the Initial Stage Pricing Policy, we have performed the following work and analysis.

We have obtained a breakdown of the Group's cost of sales balance for the year ended 31 December 2022 from the Management. Based on such information, the Group's cost of sales balance for the year ended 31 December 2022 primarily comprised of (a) raw materials and consumables used; (b) relevant employee expenses; (c) warranty expenses; and (d) others, such as depreciation, amortisation and freight expenses. We noted that the research and development expenses did not form part of the gross profit calculations, being revenue less cost of sales, which is in line with the existing presentation of the consolidated financial statements of the Group.

Based on our work performed and as confirmed with the Management, the Benchmark Price would cover a broader range of expenses compared to that of the cost of sales balance and would therefore be comparatively higher in monetary value than the cost of sales balance. On this basis, barring unforeseen circumstances, by selling the LPM Products at the Benchmark Price to the JV Company during the initial introduction stage under the Sales of Goods Framework Agreement, the Group shall generate a positive gross margin which will be higher and better than current vehicle sales (as further detailed in this letter below) as well as the Group's gross margin for the years ended 31 December 2021 and 2022, and the six months ended 30 June 2023, respectively.

In addition, given the PRC EV industry is highly competitive as evidenced by the reductions in retail price of EVs announced by several EV manufacturers in 2023, it is in the interests of the Company to explore overseas markets and seize the opportunity to work together with the Stellantis group by setting up the JV Company, thereby enabling the Group to leverage of, among others, (a) the local knowledge possessed by the Stellantis group given its established presence in the subject Territories; (b) the Stellantis group's existing sales network; and (c) local expertise as well as the consumer confidence that is associated with the Stellantis brand name, furthermore, the Group is not required to incur significant cash outflow for, among others, expanding its presence through building sales network into the Territories (together the "**Commercial Benefits**").

In this connection, we have reviewed (a) the financial information as set out in the consolidated financial statements of the Group and calculated the historical gross margin of the Group; and (b) the calculations of the historical gross margin of 18 sampled EV sales transactions (the "**Sampled EV Transactions**"), entered into between the Group and independent third party within the initial stage timeframe (i.e. within the first four years from the launch of such EV models) and was transacted recently. With a view to ensure transactions throughout the period were reviewed, twelve samples of which were from the year ended 31 December 2022 and the remaining six samples were from the first half of 2023. The Sampled EV Transactions were selected on a random basis covering a range of EV models with different EV sales prices from less than RMB100,000 to in the region of RMB200,000, thereby representing a range of EVs with different price points ensuring that the Sampled EV Transactions to be representative. Furthermore, these Sampled EV Transactions were carried out with different independent third parties with a view to ensure such transactions are reflective of the Group's general situation. We considered the Sampled EV Transactions to be representative and sufficient for the purpose of our analysis.

Based on the above, we noted that the gross margin of the Group for the year ended 31 December 2022 and the six months period ended 30 June 2023 ranged approximately -15.4% to -5.9%, and that 14 out of the 18 Sampled EV Transactions also recorded a negative gross margin and the other four Sampled EV Transactions with positive margin were related to the first nine months of 2022. On this basis, the expected positive gross margin to be generated by the Group from the sales of LPM Products to the JV Company at the Benchmark Price under the Initial Stage Pricing Policy will be no less favourable than the gross margin recorded by the Group from (a) the year ended 31 December 2022 and the six months period ended 30 June 2023; and (b) the Sampled EV transactions entered into with independent third parties. In addition, the Continuing Connected Transactions facilitate the Group's strategy in relation to Overseas Expansion without the need for the Group to incur significant cash outflow for, among others, expanding its presence through building sales network into the Territories, which included, the Enlarged Europe region and the North America region, both being significant EV markets. Furthermore, the Company can also take advantage of the Commercial Benefits by working together with the Stellantis group via the establishment of the JV Company.

Having considered, among others, (a) the prevailing financial performance of the Group, to improve the Group's long term financial performance and further develop the business of the Group and broaden its revenue base, one of the Group's strategies is to proceed with the Overseas Expansion to expand its international presence; (b) Stellantis group is a well-established and reputable multi-national corporation with an established overseas sales network; (c) the Commercial Benefits to the Group in working with the Stellantis group; and (d) our work and analysis, among others, on the Sampled EV Transactions, we are of the view that the basis of the Initial Stage Pricing Policy is fair and reasonable.

(iii) Our analysis and work performed on the Stage 2 Pricing Policy for LPM Products

Pursuant to the Stage 2 Pricing Policy under the Sales of Goods Framework Agreement, the Transfer Price of the LPM Products is the Benchmark Price multiple by (1 + the Reference Margin). The Reference Margin will be 2% – 5%, which is determined by taking reference from the public financial and operational data of the comparable EV manufacturers. It is also noted that the parties shall agree on the Reference Margin based on arm's length negotiation and may agree to such Reference Margin which may vary with the aforesaid percentage, which in any event will be no less than 2%. The exact Reference Margin upon entering the individual agreement will be determined in accordance with the CCT Pricing Mechanism.

The Management will ensure the fairness and reasonableness of the transactions under the Sales of Goods Framework Agreement through the CCT Pricing Mechanism, which we have assessed under section headed "(iv) Our analysis and work performed on the Stage 3 Pricing Policy for LPM Products and the Post-sale Services Parts Pricing Policy" in this letter below.

Since the EV market is highly competitive with cyclical and volatile market demand and prices, the Company believes that such flexibility in the pricing policy should be retained so that the Reference Margin could be timely adjusted as commercially desirable taking into account the then market condition.

Furthermore, the exact Reference Margin upon entering the individual agreement will be determined in accordance with the CCT Pricing Mechanism, which involve, among others, regular benchmarking analysis and review by independent non-executive Directors.

In any event, the Group has the right but not the obligation to provide the relevant products to the JV Company at terms determined in accordance with the relevant pricing policies which is safeguarded by the CCT Pricing Mechanism. The Board confirmed that they will not proceed with transactions under the Sales of Goods Framework Agreement should they consider the subject transactions not to be on a fair and reasonable basis.

In assessing the fairness and reasonableness of the Stage 2 Pricing Policy, we have set out our detailed analysis and work performed on Stage 2 Pricing Policy for LPM Products below.

We considered that the sales of LPM Products will be larger in scale in the respective markets during Stage 2 compared to the initial introduction stage. In assessing the reasonableness of the Stage 2 Pricing Policy, we have reviewed, where applicable, quarterly and interim results announcements and annual reports published by the Main Board listed companies which derived a revenue, on a trailing twelve months basis ("**TTM**"), closer to the level of the Proposed Annual Caps (2028 to 2030), which is estimated based on EV sales amount to be generated by the Group to the JV Company in the Territories, from their EV business as this would enable us to identify listed companies engaging in similar businesses and of a similar scale and size of the Group's estimated sales level to the Territories during Stage 2, thus of a comparable nature for the purpose of our analysis. Furthermore, it is noted that the PRC EV industry has experienced reductions in retail price of EVs announced by several EV manufacturers in 2023. As such, the more recent the period of which the gross margin is related to, the more reflective it is of the prevailing gross margin of the subject PRC EV Manufacturers (defined hereafter). To this end, we have considered the aforesaid factors when determining the selection criteria.

Having considered the nature of the Continuing Connected Transactions, namely, the sale of the LPM Products, Post-sale Services Parts or Components and Parts by the Company to the JV Company, we have set out the following selection criteria (the "**Criteria**"), namely (a) derived not less than 90% of its revenue from sales of electric vehicles[9] and provision of related ancillary services, on a TTM basis; (b) revenue of not less than RMB20.0 billion and not more than RMB80.0 billion generated from sales of electric vehicles and provision of related ancillary services on a TTM basis given the reasons as set out under the preceding paragraph; and (c) the shares of which are listed on the Stock Exchange.

Based on the Criteria and on a best effort basis, we have identified three Main Board listed companies, namely, Li Auto Inc. (stock code: 2015), NIO Inc. (stock code: 9866) and XPeng Inc. (stock code: 9868), together the "**PRC EV Manufacturers**". Despite a small sample size, having considered the PRC industry landscape for EV manufacturers is dominated by a limited number of market participants in the PRC given the sizable initial capital expenditure required as well as the entry barrier of technological know-how, we are of the view that the PRC EV Manufacturers are sufficient and representative for the purpose of our analysis.

[9] Electric vehicles include battery electric vehicles, plug-in hybrid electric vehicles and hybrid electric vehicles but excludes two-wheeled electric vehicles.

Given the rapid development of the PRC EV market, we considered that the financial performance of the most recent published quarterly and/or half yearly results to be a better reflection of the recent market dynamics, and thus more relevant and appropriate for the purpose of our analysis. However, for information purposes, we have also set out the gross margin of the PRC EV Manufacturers on a trailing twelve months basis. Based on our review of the annual report for the year ended 31 December 2022, the quarterly results announcements for the first quarter of 2023 ("**2023Q1**") and interim results for the second quarter of 2023 ("**2023Q2**"), six months ended 31 December 2022 ("**2022H2**") and 2023H1 (each respectively a "**Period**", together the "**Review Period**") of the PRC EV Manufacturers, we noted that the following:

Company name *(stock code)*	**Year of establishment** *(number of years since establishment)*	**Revenue** *(TTM)* *(RMB'million)*
Li Auto Inc. (*2015*)	2015 (*8 years*)	74,432
NIO Inc. (*9866*)	2014 (*9 years*)	48,513
XPeng Inc. (*9868*)	2015 (*8 years*)	21,060

Company name *(stock code)*	**2023Q1 gross profit margin**	**2023Q2 gross profit/ (loss) margin**	**2023H1 gross profit/ (loss) margin**	**TTM basis (2022H2 and 2023H1) gross profit margin**
Li Auto Inc. (*2015*)	20.4%	21.8%	21.2%	19.9%
NIO Inc. (*9866*)	1.5%	1.0%	1.3%	5.4%
XPeng Inc. (*9868*)	1.7%	(4.0%)	(1.4%)	5.9%

Note: The information set forth in the table is based on publicly available information as at the Latest Practicable Date.

For Li Auto Inc., based on information as set out in its website (*www.lixiang.com/*), it has a niche focus on the family sport utility vehicle ("**SUV**") market, which is generally at the higher-end of the PRC EV market in terms of pricing. Such product focus and market positioning are different from that of the Company, NIO Inc. and Xpeng Inc., all of which offers a wider range of EV models, such as hatchback and sedan, in addition to SUVs. On this basis, we considered Li Auto Inc. not to be directly comparable for the purpose of this analysis.

For the remaining two out of the three PRC EV Manufacturers, namely NIO Inc. and XPeng Inc., each of them recorded a gross margin of less than 2% during the period of 2023Q1 and 2023Q2. Furthermore, for 2023H1, XPeng Inc. recorded a negative gross margin. On a TTM basis, the gross margin range of NIO Inc. and Xpeng Inc. was from approximately 5.4% to 5.9%. Given the financial performance of the most recent published quarterly and/or half yearly results better reflect the prevailing market dynamics, in particular, given the PRC EV industry has experienced reductions in retail price of EVs announced by several EV manufacturers in 2023, thus recent periods are considered to be more relevant and appropriate for the purpose of our analysis than the financial performance on a TTM basis.

Having considered the above factors and analysis, the gross margin to be derived by the Group under the Stage 2 Pricing Policy is not less favourable than the gross margin recorded by (a) the identified listed companies based on the findings of our market research as set out above; and (b) the Group for the year ended 31 December 2022 and the six months ended 30 June 2022, respectively.

With reference to our work performed and analysis under sub-section headed "(ii) Our analysis and work performed on the Initial Stage Pricing Policy, including the Benchmark Price" in this letter above, the monetary value of the Benchmark Price shall exceed the corresponding cost of sales of the subject transaction.

On this basis, the Management confirmed that the Group should generate a gross profit margin in excess of 2% to 5% by selling the LPM Products at the Benchmark Price plus the Reference Margin of 2% to 5% under the Stage 2 Pricing Policy. Having considered, among others, (a) the Group will generate a comparatively higher gross margin under the Stage 2 Pricing Policy compared to the Initial Stage Pricing Policy; (b) the gross margin to be derived by the Group under the Stage 2 Pricing Policy is higher than the Group's gross margin for each of the years ended 31 December 2021 and 2022, three months ended 31 March 2023 and six months ended 30 June 2023; (c) the gross margin to be derived by the Group under the Stage 2 Pricing Policy is higher than two out of three PRC EV Manufacturers during the Periods in 2023H1 and within the range of gross margin recorded by the PRC EV Manufacturers during the Review Period; (d) the Management will ensure the fairness and reasonableness of the transactions under the Sales of Goods Framework Agreement through the CCT Pricing Mechanism, which we have assessed under section headed "(iv) Our analysis and work performed on the Stage 3 Pricing Policy for LPM Products and the Post-sale Services Parts Pricing Policy" in this letter below; and (e) in any event, the Group has the right but not the obligation to provide the relevant products to the JV Company at terms safeguarded by the CCT Pricing Mechanism. As such, we considered that the basis of the Stage 2

Pricing Policy, namely, the Transfer Price of the LPM Products being the Benchmark Price multiple by (1 + Reference Margin of 2% to 5%), is fair and reasonable.

(iv) Our analysis and work performed on the Stage 3 Pricing Policy for LPM Products and the Post-sale Services Parts Pricing Policy

Pursuant to the Stage 3 Pricing Policy and the Post-sale Services Parts Pricing Policy under the Sales of Goods Framework Agreement, (a) the Reference Margin for Stage 3 will be a reasonable percentage which will be determined in accordance with the CCT Pricing Mechanism. It is currently contemplated that the Reference Margin will be no less than 2% subject to relevant factors at that time such as the end product sales prices on the market, competitive factors, cost of production, the Company's marketing strategy, the JV Company's operations, as well as general economic environment and market conditions; and (b) the selling price of Post-sale Services Parts will be determined on a cost-plus basis, with a margin to be agreed by the parties on arm's length basis in accordance with the CCT Pricing Mechanism, but such margin shall in no event be less favourable to the Company than the Stage 2 Pricing Policy of the sales of the LPM Products. On this basis, pursuant to the Stage 3 Pricing Policy, subject to relevant factors at that time and the Post-sale Services Parts Pricing Policy, the respective pricing policies shall be no less favourable than the Stage 2 Pricing Policy and/or the corresponding Reference Margin range, which we have analysed and concluded to be fair and reasonable in this letter above.

Nonetheless, to further evaluate the reasonableness of the above, we have discussed with the Management and noted that the Company shall adopt the CCT Pricing Mechanism as set out under paragraph headed "CCT Pricing Mechanism" in the Letter from the Board, which includes (a) regular benchmarking analysis; and (b) review by independent non-executive Directors. In this connection, we noted that benchmarking analysis under the CCT Pricing Mechanism would involve the Company, for each pricing determination window as required by JV Company's purchase schedule, to collect and review publicly available financial and operational data (including gross margin) of no less than three comparable listed automobile manufacturers (the "**Comparison Mechanism**") for the trailing 12 months immediately preceding such pricing determination window.

After which, pursuant to the CCT Pricing Mechanism, both parties shall negotiate on the final margin to be set in the individual agreements and ensure it falls within the range of such benchmarking data, and taking into account all relevant factors at that time of the individual agreements such as the vehicle models to be sold, the end product sales prices on the market, competitive landscape, cost of production, the Company's marketing strategy, JV Company's operations, as well as general economic environment and market conditions. In any event, the Stage 3 Pricing Policy and the Post-sale Services Parts Pricing Policy shall be no less favourable than the Stage 2 Pricing Policy. The Management considered that the implementation of such internal control procedures shall ensure the basis of the relevant sales price to be fair and reasonable.

In relation to the Comparison Mechanism, we have obtained internal documents from the Management demonstrating that for transactions with independent third party distributor in 2023 the Company has, where applicable, (a) performed price determination procedures, whereby the Company compare no less than three comparable automobile manufacturers within the trailing 12 months immediately preceding a pricing determination; and (b) conduct a review in relation to price determination involving a new EV model/generation launched, as part of the Group's EV price determination process.

In connection with the Continuing Connected Transactions, we understand from the Management that (i) after considering, among others, the benchmarking data as referred to under the CCT Pricing Mechanism; and (ii) take into account all relevant factors at that time of the subject individual agreements, such as the vehicle models to be sold, the end product sales prices on the market, competitive landscape, cost of production, the Company's marketing strategy, JV Company's operations, as well as general economic environment and market conditions, both parties shall negotiate on the final margin to be set in the individual agreements. On this basis, the Company will negotiate a margin with a view to ensure the transactions are conducted on a fair and reasonable manner. We noted that the above is in line with existing pricing determination / review procedures carried out by the Group for transactions with independent third parties with a view to ensure that the pricing of such transactions is fair and reasonable. As such, we considered that the effective implementation of the above, which would take into account the relevant factors at the material time, should be able to timely reflect the then market price thereby ensuring that the Continuing Connected Transactions are conducted in a fair and reasonableness manner. The Board confirmed that they will not proceed with transactions under the Sales of Goods Framework Agreement should they consider the subject transactions not to be on a fair and reasonable basis.

Given our work performed and analysis, the CCT Pricing Mechanism shall ensure that the terms under the Continuing Connected Transaction shall be not less favourable than terms of comparable transactions with independent third parties. The regular benchmarking analysis under the CCT Pricing Mechanism comprised of (a) the

Comparison Mechanism; and (b) the Pricing Determination Window mechanism and we are of the view that the effective implementation of the CCT Pricing Mechanism shall ensure that the Continuing Connected Transactions under the Stage 3 Pricing Policy and the Post-sale Services Parts Pricing Policy to be conducted in a fair and reasonable manner.

(v) Our analysis and work performed on the Components and Parts Pricing Policy and the Manufacturing License Fee Pricing Policy

For Locally Manufactured LPM Products that are manufactured by the JV Company in the Territories, the Company will charge the JV Company in accordance to the Components and Parts Pricing Policy and the Manufacturing License Fee Pricing Policy.

Pursuant to the Components and Parts Pricing Policy and the Manufacturing License Fee Pricing Policy:

(a) Sale of Components and Parts: all the Components and Parts will be sold at Benchmark Price plus a margin to be agreed by the parties on arm's length basis in accordance with the CCT Pricing Mechanism, and such margin shall in no event be less favourable to the Company than the Stage 2 Pricing Policy of the sales of the LPM Products. In this connection, as analysed under sub-section headed "(iii) Our analysis and work performed on the Stage 2 Pricing Policy for LPM Products" in this letter above and our conclusion that the Stage 2 Pricing Policy is fair and reasonable. Furthermore, our analysis on the CCT Pricing Mechanism, in particular, the Comparison Mechanism as set out under the section headed "(iv) Our analysis and work performed on the Stage 3 Pricing Policy for LPM Products and the Post-sale Services Parts Pricing Policy" in this letter above. We are of the view that the effective implementation of the CCT Pricing Mechanism, of which the Comparison Mechanism forms part, shall ensure that the Continuing Connected Transactions under the Components and Parts Pricing Policy to be conducted in a fair and reasonable manner.

(b) Manufacturing License Fee: (aa) Initial Model Manufacturing License Fee of 2% of the agreed reference amount for the first model of Locally Manufactured LPM Product; or (bb) Subsequent Models Manufacturing License Fee of 2%–5% of the agreed reference amount for all subsequent models of Locally Manufactured LPM Products. When compared with the subsequent locally manufactured models, the JV Company will generally need to commit comparatively more time and resources for the manufacturing of a first locally manufactured model before the relevant manufacturing processes become more efficient and streamlined over time, and where applicable, if the subject model of EV has not been previously introduced to the subject local market, the JV Company will also need to commit a comparatively greater level of resources to create awareness among potential customers and to generate sales for the subject first model of Locally Manufactured LPM Product.

We have obtained from the Management the associated costs incurred by the Group during the introduction of the first model of its EV utilising the Group's manufacturing platform, including, selling expenses, advertising expenses and other marketing expenses, and compared such associated costs incurred by the Group during the introduction of the other EV model in subsequent period utilising the same manufacturing platform to ensure such are comparable in nature. Based on the aforesaid comparison, the associated costs incurred by the Group for the aforesaid first model is higher than the associated costs incurred by the Group during the introduction of the other EV model on a comparable basis.

In this connection, we consider that it is reasonable for the Initial Model Manufacturing License Fee to be lower than the Subsequent Models Manufacturing License Fee to reflect the aforesaid additional time and resources to be incurred by the JV Company in association with the first model of Locally Manufactured LPM Products compared to subsequent models. Furthermore, it should be noted that we have analysed and concluded that the pricing policies for the Sales of LPM Products are on a fair and reasonable basis in this letter above, and that the sales of goods in relation to Locally Manufactured LPM Products shall generate revenue for the Group in the form of (aa) sales of Components and Parts; and (bb) Initial Model Manufacturing License Fee and/or Subsequent Models Manufacturing License Fee, where applicable, pursuant to the terms of the Sales of Goods Framework Agreement, in which case, the aggregate gross margin to be derived by the Group would not be less favourable than the sales of LPM Products by the Group.

Having considered, among others, (a) the sales of goods in relation to Locally Manufactured LPM Products shall generate revenue for the Group in the form of (aa) sales of Components and Parts; and (bb) Initial Model Manufacturing License Fee and/or Subsequent Models Manufacturing License Fee, where applicable, which shall broaden the revenue base of the Group; (b) the subject transactions shall contribute a positive gross margin based on our analysis and as confirmed by the Management, such being not less favourable than (aa) the gross margin of the Group for the year ended 31 December 2022, the three months ended 31 March 2023 and the six months ended 30 June 2023, which ranged approximately -15.4% to -5.9%; (bb) our work performed and analysis on the Sampled EV Transactions; (c) such pricing policies is for Locally Manufactured LPM Products to be manufactured by the JV Company, therefore the relevant operational risks and related capital expenditure would be borne by the JV Company; (d) this is an alternate avenue to facilitate the sale and distribution of Leapmotor brand EVs in the Territories; (e) the Components and Parts Pricing Policy and the Manufacturing License Fee Pricing Policy facilitates the Continuing Connected Transactions, being part of the Group's strategy in relation to Overseas Expansion without the need for the Group to incur significant cash outflow for, among others, expanding its presence through building sales network into the Territories, which included, the Enlarged Europe region and the North America region, both being significant EV markets; and (f) the Company will be able to take advantage of the Commercial Benefits by working together with the Stellantis group by setting up the JV Company, we considered such pricing policies in connection with the sales of goods in relation to Locally Manufactured LPM Products to be fair and reasonable.

(vi) Summary

Having considered the above factors and analysis, in particular, (a) the Company shall sell LPM Products to the JV Company or Components and Parts to the JV Company to enable the JV Company to manufacture Locally Manufactured LPM Products, in accordance with the pricing policies under the Sales of Goods Framework Agreement, which are considered to be not less favourable than the gross margin recorded by the Group from sales of EV transactions with independent third parties based on our analysis in this section; (b) the Stellantis group is a well-established corporation in the automobile industry with notable international presence across the Enlarged Europe, North America, South America and Middle East and Africa regions; (c) the Company will be able to, through the JV Company, leverage of the Stellantis group's expertise and knowledge to facilitate the Overseas Expansion, being part of the Group's overall strategy; (d) it would typically take time and resources for a product and/or a brand to establish its presence and break into an overseas market as a new entrant; and (e) the Sales of Goods Framework Agreement would enable the Company to gain access and expand into various overseas markets, and as the Company shall be interested in 49% equity interest in the JV Company, the Company will be entitled to the corresponding share of the JV Company's profits, we are of the view that the pricing policies under the Sales of Goods Framework Agreement to be fair and reasonable.

4. Basis for determining the Proposed Annual Caps

Under the JV Formation Agreement, the JV Company will have the exclusive right to distribute the LPM Products and Locally Manufactured LPM Products in the Territories. The LPM Products to be distributed by the JV Company will either be (A) whole vehicles manufactured by the Company and exported to the JV Company to distribute in the Territories (in which case the Company will charge the sale of the LPM Products to the JV Company) or (B) Locally Manufactured LPM Products manufactured by or on behalf of the JV Company in the Territories using partly or wholly the Components and Parts exported by the Company to the JV Company (in which case the Company will charge the sale of such Components and Parts to the JV Company as well as receiving the Manufacturing License Fee from the JV Company) and/or Components and Parts locally manufactured by the JV Company ((A) and (B) together as "**Both Supply Scenarios**"). In Both Supply Scenarios, the Company will also sell the Post-sale Services Parts to support the after-sale services provided by the JV Company following the sale of the LPM Products and Locally Manufactured LPM Products.

As set out in the Letter from the Board, the LPM Products to be exported by the Company and the Locally Manufactured LPM Products are substitutes of each other. In deciding whether the LPM Products to be distributed in the Territories will be sourced from the Company or locally manufactured by the JV Company, the Company and Stellantis will take into account factors such as production time, costs, regulatory, tax, import or export restraints, cost efficiency, etc. Therefore, the portion of LPM Products to be exported by the Company and the Locally Manufactured LPM Products will not be determined until during the course of transactions between the Company and JV Company. In view of the foregoing, the Company has set the Proposed Annual Caps (as defined below) that envisage Both Supply Scenarios by including the following):

Sales of LPM Products/Sales of Components and Parts:

As explained in the above paragraphs, the sale of (i) LPM Products and (ii) Components and Parts are substitutes of each other. For the same amount of vehicles to be distributed by the JV Company in the Territories, based on the pricing policies set out in the sub-paragraph headed "2. CONTINUING CONNECTED TRANSACTION IN RELATION TO THE EXCLUSIVE LICENSE AGREEMENT AND THE SALES OF GOODS FRAMEWORK AGREEMENT – (B) – The Sales of Goods Framework Agreement" in the Letter from the Board, the amount payable by the JV Company to the Company for the sales of LPM Products will be higher than the amount payable by the JV Company to the Company for the sales of Components and Parts.

Accordingly, the Company has only included the estimated sales of LPM Products for the purpose of setting the Proposed Annual Caps, such that under either circumstance, the transaction amount will not exceed the Proposed Annual Caps.

Sales of Post-sale Services Parts

For the same amount of vehicles to be distributed by the JV Company in the Territories, the amount payable by the JV Company to the Company for the sales of the Post-sale Services Parts under Both Supply Scenarios is expected to be the same.

Manufacturing License Fee

Manufacturing License Fee is only payable by the JV Company to the Company when the vehicles to be distributed by the JV Company in the Territories involve Locally Manufactured LPM Products.

The Proposed Annual Caps

It is expected that the annual aggregate transaction amount under the Sales of Goods Framework Agreement for 2024 to 2037, will not exceed the following caps (i.e. the Proposed Annual Caps):

	For the year ending 31 December						
	2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
	(RMB'million)						
Annual caps for:							
Sales of LPM Products/Sales of Components and Parts	2,228	10,463	23,400	40,886	46,631	62,970	68,879
Sales of Post-sale Services Parts	29	165	469	972	1,442	1,956	2,320
Manufacturing License Fee	82	479	1,123	1,995	2,279	3,068	3,362
Total Annual Cap	**2,339**	**11,107**	**24,992**	**43,853**	**50,352**	**67,994**	**74,561**

	For the year ending 31 December						
	2031	2032	2033	2034	2035	2036	2037
	(RMB'million)						
Annual caps for:							
Sales of LPM Products/Sales of Components and Parts	75,845	82,778	96,934	100,270	102,276	114,195	124,491
Sales of Post-sale Services Parts	2,700	2,958	3,322	3,640	3,893	4,118	4,433
Manufacturing License Fee	3,709	4,054	4,760	4,925	5,024	5,571	6,083
Total Annual Cap	**82,254**	**89,790**	**105,016**	**108,835**	**111,193**	**123,884**	**135,007**

We noted from the Letter from the Board, Stellantis is an independent third party to the Company prior to the completion of the Subscription. On this basis, there had been no relevant historical annual caps or continuing connected transactions with the Stellantis group since the Listing and up to the Latest Practicable Date.

As set out in the Letter from the Board, the Proposed Annual Caps were determined after taken into account the following factors:

(i) the estimated volume of whole vehicles to be distributed or manufactured by the JV Company as set out in the paragraph headed "(D) Estimated sales volume of LPM Products or Locally Manufactured LPM Products to be distributed or manufactured by the JV Company in the Territories" in the Letter from the Board;

(ii) for the sales of LPM Products: (a) for the initial introduction stage (currently contemplated to be 2024-2027), the estimated sales volume of the LPM Products to be distributed by the JV Company in the Territories for each year, multiplied by the Transfer Price, which represents the Benchmark Price of the LPM Products multiplied by (1 + zero Reference Margin); (b) for Stage 2 (currently contemplated to be 2028-2030), the estimated sales volume of the LPM Products to be distributed by the JV Company in the Territories for each year, multiplied by the Transfer Price, which represents the Benchmark Price of the LPM Products multiplied by (1 + 5% (being the upper end of the agreed range of Reference Margin)); and (c) for Stage 3 (currently contemplated to be 2031-2037), the estimated sales volume of the LPM Products to be distributed by the JV Company in the Territories for each year, multiplied by the Transfer Price, which represents the Benchmark

Price of the LPM Products multiplied by (1 + 5% (for the purpose of calculating the Proposed Annual Caps, it is assumed to be the upper end of the agreed range of Reference Margin at Stage 2; the actual Reference Margin will be determined by the CCT Pricing Mechanism. It is currently contemplated that the Reference Margin will be no less than 2% subject to relevant factors at that time));

(iii) for the sales of Components and Parts: the assumption that all the Components and Parts required for the manufacturing of Locally Manufactured LPM Products (which for the avoidance of doubt, does not include any assembly and labelling services) will be supplied by the Company to the JV Company.

The estimated sales volume of the LPM Products to be manufactured by the JV Company in the Territories for each year, multiplied by the Benchmark Price of Components and Parts, and multiplied by (1+ margin), please refer to the section headed "1.2 Sales of Components and Parts" in the Letter from the Board for further details;

(iv) for the sales of Post-sale Services Parts: the estimated sales of the Post-sale Services Parts from the Company to the JV Company for each year during 2024 to 2037 is assumed to be around 1.3% of the aggregate sales of the LPM Products of the same year and the two preceding years; and

(v) for Manufacturing License Fee: the estimated sales volume of the LPM Products to be manufactured by the JV Company in the Territories for each year, multiplied by Manufacturing License Fee, which: (a) for first model of Locally Manufactured LPM Products, the Reference Amount is multiplied by 2%. For the purpose of calculating the Proposed Annual Caps, the Reference Amount is assumed to be the ex-factory price of Locally Manufactured LPM Products; and (b) for the subsequent models of Locally Manufactured LPM Products, the Reference Amount is multiplied by 5%, (being the upper end of the agreed range of Manufacturing License Fee). For the purpose of calculating the Proposed Annual Caps, the Reference Amount is assumed to be the ex-factory price of Locally Manufactured LPM Products.

Our analysis on the Proposed Annual Caps

In order to assess the fairness and reasonableness of the Proposed Annual Caps, we have reviewed and discussed the information provided by the Management, in particular, the estimated sales volume for countries/regions in the Territories and the estimated sales price of the different models of the LPM Products. For illustration purposes, based on the Letter from the Board, we have set out the estimated sales volume of LPM Products or Locally Manufactured LPM Products to be distributed by the JV Company in the Territories for 2024 to 2037.

For the financial year ending 31 December	Estimated sales volume *(unit)*	For the financial year ending 31 December	Estimated sales volume *(unit)*
2024	20,800	2031	477,595
2025	86,560	2032	509,770
2026	182,020	2033	579,720
2027	279,250	2034	586,390
2028	299,710	2035	586,390
2029	406,635	2036	648,953
2030	436,365	2037	693,548

Based on information provided by the Stellantis group and the Company, the basis of the Proposed Annual Caps were determined with reference to, among others, the proposed business plan of the JV Company (the "**Business Plan**"), which takes into account factors, such as (i) the sale and marketing strategy of the JV Company; (ii) the prevailing market landscape of the demand for EVs of the respective geographical regions, namely the Enlarged Europe region, the North America region, the South America region and the Middle East and Africa region; (iii) market positioning of the LPM Products under the "Leapmotor" brand; (iv) timing of the introduction of the LPM Products, which shall comprise of eleven EV models under the "Leapmotor" brand, into the selected country(ies) in the respective geographical regions; (v) the number and locations of the Stellantis's PoS in the respective geographical regions; (vi) the number of PoS assigned in the respective countries which will sell LPM Products for each of the years over the duration of the Sales of Goods Framework Agreement will be based on a systematic approach; (vii) the development of the sales and distribution network of the Stellantis group; (viii) the sales efficiency data of the PoS with a view to estimate the market receptiveness of the LPM Products using history sales record of the subject PoS in terms of vehicle model sales, their price range and sales level; and (ix) the historical sales pattern of the subject geographical locations/regions to estimate the growth trend of a new brand and the subsequent introduction of new EV models.

Proposed Annual Caps

Our analysis on the 2024 Annual Cap, 2025 Annual Cap, 2026 Annual Cap and 2027 Annual Cap

We have obtained and reviewed the schedule prepared by the Management setting out the basis of the Proposed Annual Caps (the "**Annual Cap Schedule**") and set out our analysis on the 2024 Annual Cap, 2025 Annual Cap, 2026 Annual Cap and 2027 Annual Cap below:

(i) based on the Annual Cap Schedule, the 2024 Annual Cap was primarily based on the estimated sales of two EV models, one from each of the mass-market price range and the mid-market price range, the subject Transfer Price of which ranged from not less than RMB84,000 to not more than RMB140,000, in the Enlarged Europe region, in particular, from France, Italy, Germany, U.K. and Spain. In addition, we have reviewed the Stellantis 2022 Annual Report and based on information provided by the Stellantis group, the Stellantis group currently has several thousand PoS in the Enlarged Europe region, the JV Company is expected to gain access to over 130 of PoS of the Stellantis group for the sales of the LPM Products during the year ending 31 December 2024.

When assessing the reasonableness of the price of the three existing EV models, which are included under the 2024 Annual Cap, 2025 Annual Cap, 2026 Annual Cap and 2027 Annual Cap, we have reviewed their respective published retail price of the aforesaid three comparable EV models under the Leapmotor brand as set out in their website (*www.leapmotor.com/home.html*), selected on the basis that the subject EV models are expected to be sold in the Territories and therefore shall contribute towards the annual cap amounts during the years ending 31 December 2024 to 2027. The price range of these three EV models ranged from less than RMB100,000 to in the region of RMB200,000 which is in line with the pricing point of the comparable EV models applied in estimating the 2024 Annual Cap, 2025 Annual Cap, 2026 Annual Cap and 2027 Annual Cap.

Having considered that the Benchmark Price, which primarily comprised of the bill of materials, production expenses (including labour costs, depreciation and materials), quality warranty costs, sharing of research and development costs and transportation costs of the relevant product, is a major component of the Proposed Annual Caps, for EV models which are not yet available for sales, we have obtained and reviewed the relevant cost breakdown of these various EV models under the Benchmark Price in connection with the 2024 Annual Cap, 2025 Annual Cap, 2026 Annual Cap and 2027 Annual Cap and compared such against the cost breakdown of the existing EV models of a comparable nature with a view to assess the cost breakdown of the Benchmark Price under the subject annual caps for reasonableness. Based on our comparison above, the cost breakdown of various EV models under the Benchmark Price in connection with the 2024 Annual Cap, 2025 Annual Cap, 2026 Annual Cap and 2027 Annual Cap are in line with the cost breakdown of the existing EV models of a comparable nature, and thus to be of a reasonable basis. Based on our work performed, we are of the view that the basis of the sales price of the EV model applied to determine the subject annual caps to be reasonable.

In connection with the estimated EV sales volume, we reviewed the Stellantis 2022 Annual Report and noted that the Stellantis group recorded approximately 5.8 million vehicle sales (the "**Stellantis 2022 Vehicle Sales**"), of which approximately 2.6 million vehicle sales were in the Enlarged Europe region during FY2022.

Based on our review of the PoS, vehicle sales, shipment volume and sales efficiency data of the respective geographical regions (i.e. Enlarged Europe region, North America region, South America region and Middle East and Africa region) provided by Stellantis or based on its annual / interim publications (where applicable) for the years ended 31 December 2021 (i.e. FY2021) and 31 December 2022 (i.e. FY2022) and six months ended 30 June 2023 (i.e. 2023H1), we noted that the fluctuation of the 2023H1 overall sales efficiency (on an annualised basis) of the aforesaid geographical regions fluctuated less than a region of 15%, therefore we consider that such is broadly in line with FY2021 and FY2022. In any case, the overall sales efficiency data were broadly stable and based on our review, the 2023H1 overall sales efficiency (on an annualised basis) did not demonstrate a downward trend over the aforesaid review period as a whole. For illustrative purposes only, based on the Stellantis 2022 Vehicle Sales and the number of its PoS in the Enlarged Europe region, the estimated annual vehicle sales per PoS was in the region of 500 vehicle sales per PoS (the "**Estimated Enlarged Europe Vehicle Sales Efficiency**").

In general, total vehicle sales and the vehicle sales per PoS figure, in this case, the Estimated Enlarged Europe Vehicle Sales Efficiency is a useful benchmark to assess the sales efficiency and the track record of the PoS in the subject geographic region. Given the Stellantis group will grant JV Company access to its PoS, which in turn enable the JV Company to conduct its sales of the LPM Products in the subject geographic region, the historical sales efficiency and the track record per PoS are useful consideration factors to assess the fairness and reasonableness of the Proposed Annual Caps, which is estimated based on vehicles sales in the subject geographic regions. With a view to assess the reasonableness of the sales efficiency data applied to the estimate the Proposed Annual Caps, we have compared the Estimated Enlarged Europe Vehicle Sales Efficiency against the sales efficiency data applied to the estimate the Proposed Annual Caps and we noted that the respective sales efficiency applied to estimate the 2024 Annual Cap, 2025 Annual Cap, 2026 Annual Cap and 2027 Annual Cap, is notably lower than the Estimated Enlarged Europe Vehicle Sales Efficiency given that the Stellantis group is already established in the Enlarged Europe region, while Leapmotor will be a new entrant in the Enlarged Europe region and will require time for the Leapmotor brand to break into the subject region through brand introduction to the local markets, demonstrate and build its track record, sales and marketing activities to increase market exposure and consumer knowledge. Based on our work performed, we considered that the sales efficiency applied to calculate the 2024 Annual Cap, 2025 Annual Cap, 2026 Annual Cap and 2027 Annual Cap to be on a reasonable basis.

In this connection, having considered (a) our work performed on the estimated price range for the EV models applied in calculating the 2024 Annual Cap; and (b) the estimated EV sales volume under the 2024 Annual Cap only represent a reasonable percentage compared to the Estimated Enlarged Europe Vehicle Sales Efficiency and that the JV Company is expected to gain access to over 130 PoS of the Stellantis group in the Enlarged Europe region. Based on our analysis above, the sales efficiency applied is low compared to the sales efficiency of the Stellantis group and thus a reasonable sales efficiency has been applied when determining the 2024 Annual Cap, we considered the basis and assumptions under the 2024 Annual Cap to be fair and reasonable;

(ii) the 2025 Annual Cap was primarily based on (a) the estimated sales of five EV models, three from the mass-market price range and two from the mid-market price range, in the Enlarged Europe region, which made up around 85% of the 2025 Annual Cap in terms of vehicle sales volume; and (b) the estimated sales of two EV models from the mid-market price range in the South America region and the Middle East and Africa region, which made up the remaining 15% of the 2025 Annual Cap in terms of vehicle sales volume. The Transfer Price of the aforesaid EVs ranged from not less than RMB85,000 to not more than RMB150,000. It is noted that the year-on-year growth rate to 2025 Annual Cap is significant primarily attributable to the small base effect of the 2024 Annual Cap, which distorted the aforesaid growth rate and thus we did not consider such growth rate to a relevant assessment benchmark. In this connection, we have conducted the following detailed analysis.

Based on our review of the Stellantis 2022 Annual Report and information provided by the Stellantis group, the JV Company is expected to gain access to (a) over 400 PoS out of the existing PoS of the Stellantis group established in the Enlarged Europe region during the year ending 31 December 2025; and (b) not less than 50 PoS in the South America region and the Middle East and Africa region combined, which represent only a small proportion of the existing number of PoS in the aforesaid two regions. Based on the Stellantis 2022 Vehicle Sales, approximately 2.6 million vehicle sales, 0.8 million vehicle sales and 0.4 million vehicle sales were recorded in the Enlarged Europe region, the South America region and the Middle East and Africa region during FY2022, respectively. For illustrative purposes only, based on (a) the Stellantis 2022 Vehicle Sales and the number of its PoS in the South America region, the estimated annual vehicle sales per PoS is in the region of 500 vehicle sales per PoS (the "**Estimated South America Vehicle Sales Efficiency**"); and (b) the Stellantis 2022 Vehicle Sales and the number of its PoS in the Middle East and Africa region, the estimated annual vehicle sales per PoS is in the region of 800 vehicle sales per PoS (the "**Estimated ME&A Vehicle Sales Efficiency**"). For the Estimated Enlarged Europe Vehicle Sales Efficiency, please refer to information as set out under (i) in this section above.

In this connection, having considered (a) our work performed on the estimated price range for the EV models applied in calculating the 2025 Annual Cap; and (b) the respective estimated EV sales volume in the Enlarged Europe region, the South America region and the Middle East and Africa region under the 2025 Annual Cap represent a reasonable percentage compared to (aa) the Estimated Enlarged Europe Vehicle Sales Efficiency and over 400 PoS in the subject region; and (bb) the Estimated South America Vehicle Sales Efficiency, the Estimated ME&A Vehicle Sales Efficiency and over 50 PoS in the South America region and the Middle East and Africa region combined, and we noted that the respective sales efficiency applied to estimate the 2025 Annual Cap is notably lower than the Estimated Enlarged Europe Vehicle Sales Efficiency, the Estimated South America Vehicle Sales Efficiency and the Estimated ME&A Vehicle Sales Efficiency given that the Stellantis group is already established in the abovementioned geographical regions, while Leapmotor will be a new entrant in the subject geographical regions and therefore will require time for the Leapmotor brand to break into the subject regions through brand introduction to the local markets, demonstrate and build its track record, sales and marketing activities to increase market exposure and consumer knowledge. On this basis, the sales efficiency applied is low compared to the sales efficiency of the Stellantis group and thus a reasonable sales efficiency has been applied when determining the 2025 Annual Cap, we considered the basis and assumptions under the 2025 Annual Cap to be fair and reasonable;

(iii) the 2026 Annual Cap was primarily based on (a) the estimated sales of eight EV models, four from the mass-market price range, two from the mid-market price range and two from the premium price range, in the Enlarged Europe region, in particular, France, Italy, Germany, U.K. and Spain, which made up around 75% of the 2026 Annual Cap in terms of sales volume; and (b) the estimated sales of one EV model from the mid-market price range in the North America region, two EV models from the mid-market price range and one EV model from the premium price range in the South America region and the Middle East and Africa region, which made up around 9%, 7% and 9% of the 2026 Annual Cap in terms of vehicle sales volume. The Transfer Price of the aforesaid EVs ranged from in the region of RMB90,000 to not more than RMB200,000. It is also noted that, similar to the 2025 Annual Cap, the year-on-year growth rate to 2026 Annual Cap is significant primarily attributable to the small base effect of the 2025 Annual Cap, which distorted the aforesaid growth rate and thus we did not consider such growth rate to a relevant assessment benchmark. In this connection, we have conducted the following detailed analysis.

The JV Company is expected to gain access to over 700 PoS of the Stellantis group in the Enlarged Europe region as well as not less than 80 PoS in the North America region, and not less than 50 PoS in each of the South America region and the Middle East and Africa region.

It is also noted that (a) the Stellantis group's vehicle sales of approximately 2.6 million vehicle sales, 1.8 million vehicle sales, 0.8 million vehicle sales and 0.4 million vehicle sales in the Enlarged Europe region, North America region, South America region and the Middle East and Africa region during FY2022, respectively; and (b) the number of its PoS in the North America region, for illustration purposes, the estimated annual vehicle sales per PoS is in the region of 700 vehicle sales per PoS (the "**Estimated North America Vehicle Sales Efficiency**"). For the Estimated Enlarged Europe Vehicle Sales Efficiency, the Estimated South America Vehicle Sales Efficiency and the Estimated ME&A Vehicle Sales Efficiency, please refer to information as set out under (i) and (ii) in this section above.

In this connection, having considered (a) our work performed on the estimated price range of the EV models applied in calculating the 2026 Annual Cap; and (b) the respective estimated EV sales volume in the Enlarged Europe region, the South America region, the Middle East and Africa region and the North America region under the 2026 Annual Cap represent a reasonable percentage compared to (aa) the Estimated Enlarged Europe Vehicle Sales Efficiency and based on over 700 PoS in the Enlarged Europe region; (bb) the Estimated North America Vehicle Sales Efficiency and over 80 PoS in the North America region; and (cc) the Estimated South America Vehicle Sales Efficiency, the Estimated ME&A Vehicle Sales Efficiency and based on over 50 PoS in each of the South America region and the Middle East and Africa region, and we noted that the respective sales efficiency applied to estimate the 2026 Annual Cap is notably lower than the Estimated Enlarged Europe Vehicle Sales Efficiency, the Estimated South America Vehicle Sales Efficiency, the Estimated ME&A Vehicle Sales Efficiency and the Estimated North America Vehicle Sales Efficiency, given that the Stellantis group is already established in the abovementioned regions, while Leapmotor will still be a relatively new entrant in the subject geographical regions and therefore will require time for the Leapmotor brand to break into the subject regions through brand introduction to the local markets, demonstrate and build its track record, sales and marketing activities to increase market exposure and consumer knowledge. On this basis, the sales efficiency applied is low compared to the sales efficiency of the Stellantis group and thus a reasonable sales efficiency has been applied when determining the 2026 Annual Cap, we considered the basis and assumptions under the 2026 Annual Cap to be fair and reasonable;

(iv) the 2027 Annual Cap was primarily based on (a) the estimated sales of eight EV models, four from the mass-market price range, two from the mid-market price range and two from the premium price range, in the Enlarged Europe region, in particular, France, Italy, Germany, U.K. and Spain, which made up around 60% of the 2027 Annual Cap in terms of vehicle sales volume; (b) the estimated sales of one EV model from the mid-market price range and two EV models from the premium price range in the North America region, which made up around 23% of the 2027 Annual Cap in terms of vehicle sales volume; and (c) the estimated sales of four EV models, of which two models are from the mid-market price range and the other two models are from the premium price range in the South America region and the Middle East and Africa region, which combined to make up around 17% of the 2027 Annual Cap in terms of vehicle sales volume. The Transfer Price of the aforesaid EVs ranged from in the region of RMB90,000 to in the region of RMB200,000.

The JV Company is expected to gain access to (a) over 800 of PoS of the Stellantis group in the Enlarged Europe region; (b) over 230 PoS in the North America region; (c) over 90 PoS in the South America region; and (d) not less than 80 PoS in the Middle East and Africa region, respectively.

In this connection, having considered (a) our work performed on the estimated price range of the EV models applied in calculating the 2027 Annual Cap; and (b) the respective estimated EV sales volume in the Enlarged Europe region, the South America region, the Middle East and Africa region and the North America region under the 2027 Annual Cap represent a reasonable percentage compared to (aa) the Estimated Enlarged Europe Vehicle Sales Efficiency and over 800 PoS in the Enlarged Europe region; (bb) the Estimated North America Vehicle Sales Efficiency and over 230 PoS in the North America region; and (cc) the Estimated South America Vehicle Sales Efficiency, the Estimated ME&A Vehicle Sales Efficiency and over 80 PoS in each of the South America region and the Middle East and Africa region, and we noted that the respective sales efficiency applied to estimate the 2027 Annual Cap is notably lower than the Estimated Enlarged Europe Vehicle Sales Efficiency, the Estimated South America Vehicle Sales Efficiency, the Estimated ME&A Vehicle Sales Efficiency and the Estimated North America Vehicle Sales Efficiency, given that the Stellantis group is already established in the abovementioned regions, while Leapmotor will still be a relatively new entrant in the subject geographical regions and therefore will require time for the Leapmotor brand to break into the subject regions through brand introduction to the local markets, demonstrate and build its track record, sales and marketing activities to increase market exposure and consumer knowledge. On this basis, the sales efficiency applied is low compared to the sales efficiency of the Stellantis group and thus a reasonable sales efficiency has been applied when determining the 2027 Annual Cap, we considered the basis and assumptions under the 2027 Annual Cap to be fair and reasonable;

(v) based on publication by Stellantis in relation to its long-term strategic plan "Dare Forward 2030"[10], which aims to transform Stellantis into a sustainable mobility tech company and attain carbon net zero by 2038, Stellantis has set targets, including, global battery electric vehicles sales of five million units in 2030, reaching 100% of passenger car battery electric vehicles sales mix in Europe and 50% passenger cars and light-duty trucks in the United States (the "**Stellantis Long-term Targets**");

(vi) with a view to further support our analysis on the reasonableness of the respective annual caps above, in particular, from the perspective of the Group's existing production capacity to fulfil the estimated sales volume of the Proposed Annual Caps in the near future as well as the Group's historical track record in the expansion of its production capacity, which demonstrated the Group's abilities to plan, execute and expand its production capacity as and when required based on the growth in demand in the past, we have also considered the Group's NEVs production capacity. In this connection, the Management advised that, subject to the progress of the Group's expansion plan at the material time and barring unforeseen circumstances, the Group's NEVs production capacity will increase notably attributable to the planned expansion of its Jinhua production facilities during the year ending 31 December 2024 and that the Hangzhou production facilities are expected to commence production during the year ending 31 December 2025. Based on the above information as well as those set out in the Annual Cap Schedule, the estimated vehicle sales volume under each of the 2024 Annual Cap, the 2025 Annual Cap, the 2026 Annual Cap and the 2027 Annual Cap would represent approximately 5.0%, 11.1%, 16.0% and 18.6% of the Group's planned NEVs production capacity at the relevant time, subject to the completion of the planned expansion of the Jinhua production facilities in 2024, the expected increase in production capacity attributable to the completion of the new production facility in Hangzhou in 2025, which shall utilise part of the net proceeds from the initial public offering of the Group, and the possible subsequent construction and/or expansion of production facilities.

The Management is expected to further increase the Group's overall production capacity by constructing new production facility(ies) and/or expanding current production facility(ies),

10 Stellantis's long-term strategic plan (source: (i) www.stellantis.com/content/dam/stellantis-corporate/investors/ events/strategic-plan-2030/2022_03_01_Strategic_Plan.pdf; and (ii) www.stellantis.com/content/dam/stellantis-corporate/news/press-releases/2022/march/01-03-2022/14-00/en/20220301_Stellantis_StrategicPlan_Plan_Overview_EN.pdf)

when required, as evidenced by the construction of the Jinhua production facilities and with reference to the subsequent planned expansion to the Jinhua production facilities and the planned construction of the new production facility in Hangzhou;

(vii) with a view to assess the basis of the estimated sale price of the LPM Products in connection the 2024 Annual Cap, 2025 Annual Cap, 2026 Annual Cap and 2027 Annual Cap (i.e. during the initial introduction stage), we have obtained and reviewed the Annual Cap Schedule and understood that the Management estimated the Transfer Price (i.e. being equivalent to the Benchmark Price under the Initial Stage Pricing Policy) of the respective EV models based on the sum of the bill of materials, production expenses (including labour costs, depreciation and materials), quality warranty costs, sharing of research and development costs and transportation costs, and applied such Transfer Price, which ranged from in the region of RMB85,000 to in the region of RMB200,000, as a basis to determine the 2024 Annual Cap, 2025 Annual Cap, 2026 Annual Cap and 2027 Annual Cap;

(viii) an inflation rate of 2% per annum has been applied to the Transfer Price (in 2024 nominal value) to calculate the Transfer Price for the corresponding years subsequent to 2024 with a view to take into account inflation, such has been estimated based on the consumer price index of China in the past years. In this connection, we have reviewed and compared the inflation rate of 2% applied to the Transfer Price against the consumer price index (居民消費價格指數) of the PRC for the past five years (2018–2022) published by the National Bureau of Statistics, the average of which was approximately 2.1%, and we considered the inflation rate of 2% applied to the Transfer Price to be reasonable;

(ix) the expected sales of the Post-sale Services Parts of each year under the 2024 Annual Cap, 2025 Annual Cap, 2026 Annual Cap and 2027 Annual Cap has been estimated to be approximately 1.3% of the aggregate sales of the LPM Products of the same year and the two preceding years (the "**Historical Ratio**"), which ranged from in the region of RMB30 million (2024 Annual Cap) to not more than RMB1,000 million (2027 Annual Cap). In turn, such make up approximately 1.2% (2024 Annual Cap) to 2.2% (2027 Annual Cap) of the subject annual cap. In this connection, we have obtained and reviewed the schedule from the Management setting out the calculations of the Historical Ratio of 1.3% with reference to the historical sales amount of post-sale services parts and historical whole vehicle sales amount of the Group, and where applicable, we have checked the relevant amount against the published financial statements of the Group. Furthermore, we have also reviewed and re-performed the subject calculations based on the relevant data for the year 2022, 2021 and 2020 (i.e. the subject financial year and the two preceding financial years) and assessed the reasonableness of its basis; and

(x) the Manufacturing License Fee of each year under the 2024 Annual Cap, 2025 Annual Cap, 2026 Annual Cap and 2027 Annual Cap has been estimated to be (a) 2% of the Reference Price for the first model of the Locally Manufactured LPM Product; and (b) 5% of the Reference Price (being the upper end of the agreed range of license fee rate) for all subsequent models of Locally Manufactured LPM Products, which is in line with the Manufacturing License Fee pricing policy. Our work performed in this connection was re-preforming the relevant calculations.

Having considered, among others, (i) the key drivers behind the sales volume of the respective geographical regions, the sales and marketing strategy and other consideration factors as set out in the Business Plan; (ii) the JV Company is expected to gain access to an increased number of PoS, from over 130 PoS in 2024 to over 800 PoS in 2027, throughout the Enlarged Europe region during the relevant period; (iii) the EV models made available for sale by the JV Company in the Enlarged Europe region is expected to increase from two EV models in 2024 to five EV models in 2025 and further to eight EV models in 2026 and 2027; (iv) the planned expansion into the South America region and the Middle East and Africa region during the year ending 31 December 2025 and the planned expansion into the North America region during the year ending 31 December 2026, and the JV Company will be granted access to over 400 PoS of the Stellantis group, in aggregate, by 2027 in the aforesaid three geographical regions; (v) the historical sales volume per PoS at the respective geographic regions; (vi) the Sales of Goods Framework Agreement facilitates sell and distribute of whole vehicles in the Territories by the JV Company, which is in line with Stellantis's long-term strategic plan "Dare Forward 2030" and the Stellantis Long-term Targets set out thereunder; (vii) we noted from the report titled "Global EV Outlook 2023"[11] published by IEA (the "**Global EV Outlook Report**"), which sets out, among others, Europe is the second largest electric car market in the world in terms of sales in 2022, which recorded a year-on-year increase in electric car sales by over 15% in 2022, and the IEA also expects that Europe to remain as the second large electric car market in the world in terms of sales, and maintain its 25% share of the world's electric car market by 2030, while the U.S. is expected to doubles its market share to around 20% by 2030 based on the prevailing policies, legislation and targets in place. In arriving at our opinion, we have considered the global EV market data and the estimated demand contained in the Global EV Outlook Report, which sets out that the global demand for EV, in particular, for the U.S. and the European region, is expected to continue into 2030. On this basis, from a macro level, the information sets out in the Global

11 "Global EV Outlook 2023" published by the IEA in April 2023 (source: www.iea.org/reports/global-ev-outlook-2023/executive-summary)

EV Outlook Report supports our assessment that the estimated EV sales volume, forming the basis of the 2024 Annual Cap, 2025 Annual Cap, 2026 Annual Cap and 2027 Annual Cap, are reasonable; (viii) the sales price of the LPM Products was estimated with reference to the Benchmark Price as per the Initial Stage Pricing Policy; and (ix) our work performed and analysis in respect of the subject annual caps, including the estimated sales volume and the Transfer Price, we are of the view that the basis of the 2024 Annual Cap, the 2025 Annual Cap, the 2026 Annual Cap and the 2027 Annual Cap are fair and reasonable, respectively.

Our analysis on the 2028 Annual Cap, the 2029 Annual Cap and the 2030 Annual Cap

Our analysis on the 2028 Annual Cap, 2029 Annual Cap and 2030 Annual Cap are as follows:

(i) the 2028 Annual Cap, the 2029 Annual Cap and the 2030 Annual Cap were primarily based on (a) the estimated sales of eight EV models, four from the mass-market price range, two from the mid-market price range and two from the premium price range, in the Enlarged Europe region, in particular, France, Italy, Germany, U.K. and Spain, which made up around 55% of the 2028 Annual Cap in terms of vehicle sales volume. Furthermore, the number of EV models to be sold to the JV Company will increase from eight to 10 during 2029 attributable to the introduction of two new mid-market price range EV models in the Enlarged Europe region. For the 2030 Annual Cap, the number of EV models to be sold to the JV Company shall remain at 10 EV models in the Enlarged Europe region. The Enlarged Europe region is estimated to make up around 67% of each of the 2029 Annual Cap and the 2030 Annual Cap in terms of vehicle sales volume; (b) the estimated sales of three EV models, one from the mid-market price range and two from the premium price range in the North America region, which made up around 21% of the 2028 Annual Cap, 16% of the 2029 Annual Cap and 15% of the 2030 Annual Cap, in terms of vehicle sales volume, respectively; (c) the estimated sales of five EV models, of which three models were from the mid-market price range and the remaining two models were from the premium price range, in the Middle East and Africa region, which made up around 12% of the 2028 Annual Cap, 9% of the 2029 Annual Cap and 9% of the 2030 Annual Cap, respectively; and (d) the estimated sales of six EV models, of which four models were from the mid-market price range and the remaining two models were from the premium price range in the South America region, which made up around 11% of the 2028 Annual Cap, 8% of the 2029 Annual Cap and 9% of the 2030 Annual Cap, in terms of vehicle sales volume, respectively;

(ii) Stellantis group is expected to grant the JV Company access to over 800 PoS of the Stellantis group in the Enlarged Europe region by 2028, which shall increase to over 910 PoS of the Stellantis group in the Enlarged Europe region in 2029 and 2030, respectively, around 240 PoS in the North America region for 2028, 2029 and 2030, around 150 PoS in the South America region for 2028 and 2029 and further to around 160 PoS in the South America region for 2030 and not less than 80 PoS in the Middle East and Africa region for 2028, which shall increase to around 90 PoS in the Middle East and Africa region for 2029 and 2030, respectively. In total, the JV Company is expected to have access to not less than 1,270 PoS in 2028, not less than 1,390 PoS in 2029 and not less than 1,400 PoS in 2030, which respectively represent less than 15% of the Stellantis group's existing aggregated number of PoS in the subject regions.

Given the aforesaid growth drivers varied from year-on-year as set out under (i) and (ii) above, the year-on-year growth rate under each of the 2028 Annual Cap, 2029 Annual Cap and 2030 Annual Cap was different depended on, among others, the number of EV models introduced at the subject geographical regions as well as the number of PoS at the relevant time;

(iii) having considered (a) the estimated price range of EV models applied in calculating the 2028 Annual Cap, the 2029 Annual Cap and the 2030 Annual Cap and our related work performed; and (b) our comparison of the respective estimated EV sales volume in the Enlarged Europe region, the South America region, the Middle East and Africa region and the North America region under the 2028 Annual Cap, the 2029 Annual Cap and the 2030 Annual Cap against, where relevant, (aa) the Estimated Enlarged Europe Vehicle Sales Efficiency; (bb) the Estimated North America Vehicle Sales Efficiency; (cc) the Estimated South America Vehicle Sales Efficiency; (dd) the Estimated ME&A Vehicle Sales Efficiency; and (ee) the expected number of PoS in each of the respective region at the material time, indicated that a reasonable sales efficiency has been applied when determining the 2028 Annual Cap, 2029 Annual Cap and 2030 Annual Cap, we considered the basis and assumptions under the 2028 Annual Cap, 2029 Annual Cap and 2030 Annual Cap to be fair and reasonable;

(iv) the Sales of Goods Framework Agreement facilitates sell and distribute of whole vehicles in the Territories by the JV Company, which is in line with Stellantis's long-term strategic plan "Dare Forward 2030" and the Stellantis Long-term Targets set out thereunder;

(v) based on the Global EV Outlook Report, the IEA expects that Europe to remain as the second large electric car market in the world in terms of sales, and maintain its 25% share of the world's electric car market by 2030, while the U.S. is expected to doubles its market share to around 20% by 2030 based on the prevailing policies, legislations and targets in place. On this basis, from a macro level, the information relating to the global demand for EV as set out in the Global EV Outlook Report, in particular, for the U.S. and the European region, is expected to continue into 2030, which supports our assessment that the estimated EV sales volume, which formed a basis of the 2028 Annual Cap, 2029 Annual Cap and 2030 Annual Cap, are reasonable;

(vi) for the 2028 Annual Cap, the 2029 Annual Cap and the 2030 Annual Cap, as per the Annual Cap Schedule, the estimated Transfer Price of the LPM Products was based on the Benchmark Price plus a margin of 5%, which is in line with the Stage 2 Pricing Policy. The Transfer Price of the subject EVs ranged from not less than RMB95,000 to in the region of RMB220,000;

(vii) an inflation rate of 2% per annum has been applied to the Transfer Price (in 2024 nominal value) to calculate the Transfer Price for the corresponding years subsequent to 2024 with a view to take into account inflation, such assumption is consistent with the basis of the annual cap during the initial introduction stage. In this connection, we have reviewed and compared the aforesaid inflation rate of 2% applied to the Transfer Price against the consumer price index (居民消費價格指數) of the PRC for the past five years (2018–2022) published by the National Bureau of Statistics, with an average of approximately 2.1%. On this basis, we considered it to be reasonable;

(viii) the expected sales of the Post-sale Services Parts of each year under the 2028 Annual Cap, 2029 Annual Cap and 2030 Annual Cap has estimated to be approximately 1.3% of the aggregate sales of the LPM Products of the same year and the two preceding years, which is estimated to be in the region of RMB1,440 million (2028 Annual Cap), not more than RMB2,000 million (2029 Annual Cap) and RMB2,320 million (2030 Annual Cap), which made up approximately 3.0% of the 2028 Annual Cap and 2029 Annual Cap, and approximately 3.1% of the 2030 Annual Cap, respectively. The basis of the aforesaid percentage of 1.3% is estimated with reference to the Group's historical sales of Post-sale Services Parts compared to its historical vehicle sales amount. As part of our work performed, we have reviewed and assessed the reasonableness of the subject percentage of 1.3% by comparing such percentage against the Group's revenue from the sales of Post-sale Services Parts as a percentage ratio of its total revenue for the year ended 31 December 2022, the results of which is in line with the subject percentage of 1.3%; and

(ix) the Manufacturing License Fee of each year under the 2028 Annual Cap, 2029 Annual Cap and 2030 Annual Cap has been estimated to be (a) 2% of the Reference Price for the first model of the Locally Manufactured LPM Product; and (b) 5% of the Reference Price (being the upper end of the agreed range of license fee rate) for all subsequent models of Locally Manufactured LPM Products, which is in line with the Manufacturing License Fee pricing policy. Our work performed in this connection was re-preforming the relevant calculations.

Having considered the factors and our analysis as set out above, we are of the view that the respective basis of the 2028 Annual Cap, the 2029 Annual Cap and the 2030 Annual Cap is reasonable.

Our analysis on the 2031 Annual Cap, 2032 Annual Cap and 2033 Annual Cap

The following sets out our analysis on the 2031 Annual Cap, 2032 Annual Cap and 2033 Annual Cap, based on the Annual Cap Schedule, the year-on-year growth in annual cap amount during the period commencing from 1 January 2031 and ending on 31 December 2033 (the "**2031-2033 Period**"), ranged from approximately 9.2% (under the 2032 Annual Cap) to 17.0% (under the 2033 Annual Cap), with an average year-on-year increase of approximately 13.1% (the "**2031–2033 Average Annual Cap Amount Growth Rate**").

In assessing whether the 2031–2033 Average Annual Cap Amount Growth of approximately 13.1% during the 2031-2033 Period is fair and reasonable, we have considered, among other factors,

(i) given the Annual Cap Schedule is based on various factors including the sale and market strategy of the JV Company, the number of PoS to be made available by the Stellantis group to the JV Company for the sales of the LPM Products in the respective geographical regions, timing of the introduction of the different vehicle models into the Territories, the year-on-year growth in the annual caps varied during the 2031-2033 Period, which ranged from approximately 9.2% (under the 2032 Annual Cap) to approximately 17.0% (under the 2033 Annual Cap). In this connection, we have set out more in-depth analysis on the 2033 Annual Cap, being at the high-end of the year-on-year growth rate range of approximately 17.0%. We noted that such growth rate is primarily attributable to (a) the expected roll-out of one new mass-market price range EV model and one premium price range new-generation EV model with updated technology during the year ending 31 December 2033 (the "**FY2033**") in the Enlarged Europe region which is estimated to increase the sales volume of the LPM Products in the Enlarged Europe region by over 12%; (b) the expected roll-out of two premium price range new-generation EV models with updated technology during FY2033 in the North America region which is estimated to increase the sales volume of the LPM Products in the North America region by over 25%; and (c) the expected roll-out of one premium price range new-generation EV model with updated technology during FY2033 in the South America region and the Middle East and Africa region, which is estimated to increase the sales volume of the LPM Products in the subject region by around 7% and 9%, respectively. Based on our aforesaid work performed, we considered the relevant assumptions behind the aforesaid growth rates to be of a reasonable basis.

On this basis, having considered the underlying drivers in relation to the year-on-year growth rate of approximately 17.0%, being at the high-end of the range, we concur with the Management that the basis of 2033 Annual Cap is reasonable;

(ii) it is noted that over 65% and 13% of the sales volume of the LPM Products from the Group to the JV Company in each of the years during the 2031-2033 Period is attributable to the Enlarged Europe region and the North America region, respectively. To this end, we have conducted further market research and noted that the IEA expects that Europe to remain as the second large electric car market in the world in terms of sales, and maintain its 25% share of the world's electric car market by 2030, while the U.S. is expected to doubles its market share to around 20% by 2030 based on the prevailing policies, legislation and targets in place. In this connection, we concur with the Management's view that the consumer demand during the 2031-2033 Period will be from a combination of (aa) the replacement needs of the then dated EV models; and (bb) consumers switching from traditional fuel-powered vehicles to EVs, which shall continue to drive the demand growth of the LPM Products;

(iii) we also noted from the website of the European Commission that relevant agreement, policies and plan are in place, including but not limited to, the Paris Agreement[12] and the European Commission's 2030 Climate Target Plan, set to reduce greenhouse gas emissions by at least 55% by 2030 and climate neutral by 2050[13], which led to the European Commission adopting a series of legislative proposals, such as the "Fit for 55" legislative package that included regulations setting new CO_2 emission standards for cars and vans which require a 55% reduction in average emissions from new cars from 2030 and reduction by 100% from 2035[14] (i.e. all new cars registered from 2035 will be emission-free), thereby supporting the continuous growth for the EV markets in the Enlarged Europe region;

12 The Paris Agreement is a binding international treaty on climate change. It was adopted by 196 parties at the UN Climate Change Conference in Paris, France, on 12 December 2015 (source: unfccc.int/process-and-meetings/the-paris-agreement)

13 Publication from the website of the European Commission (source: climate.ec.europa.eu/eu-action/european-green-deal/2030-climate-target-plan_en)

14 Publication from the website of the European Commission (source: climate.ec.europa.eu/eu-action/european-green-deal/delivering-european-green-deal/co2-emission-performance-standards-cars-and-vans_en)

(iv) the U.S. also has various policies and goals in this connection, including the Inflation Reduction Act, which adds and expands tax credits for purchases of new and used EVs and the U.S. Federal Government has also set a goal to make half of all new vehicles sold in the U.S. in 2030 zero-emissions vehicles[15], which shall support the continuous growth for the EV markets in the North America region;

(v) in addition to our analysis on the basis and growth rate of the 2033 Annual Cap as set out under (i) above, we have also set out our analysis on the 2031 Annual Cap and 2032 Annual Cap in this paragraph. We noted that the estimated year-on-year growth in sales volume of LPM Products to the JV Company was approximately 9.4% under the 2031 Annual Cap and 6.7% under the 2032 Annual Cap, with an average of approximately 8.1%. Based on data published by the IEA[16], during the past five year period from 2018 to 2022, the global EV sales increased from approximately 2.1 million (2018) to approximately 10.2 million (2022), representing a compounded annual growth rate of approximately 48.5% (the "**2018-2022 EV Sales CAGR**"). IEA also expects that global EV sales in 2023 will represent a year-on-year increase of 35% (the "**2023 EV Sales Growth Rate**"). In this connection, when compared against the 2018-2022 EV Sales CAGR of approximately 48.5% and the 2023 EV Sales Growth Rate of 35%, the year-on-year increase in LPM Products sales volume of approximately 9.4% under the 2031 Annual Cap and 6.7% under the 2032 Annual Cap is considered to be moderate, respectively;

(vi) in relation to the 2031-2033 Average Cap Amount Growth of approximately 13.1% based on the 2031 Annual Cap, 2032 Annual Cap and 2033 Annual Cap, we have considered such is notably lower than both the 2018–2022 EV Sales CAGR and the 2023 EV Sales Growth Rate as set out under (v) in this section above, as well as the fact that the Management has incorporated an inflation rate of 2% per annum when determining the Proposed Annual Caps during the 2031-2033 Period, which implies that the nominal average annual growth rate in sales amount before inflation during the aforesaid period will be in the region of around 10%;

15 Publication by the White House in April 2023 (source: www.whitehouse.gov/briefing-room/statements-releases/2023/04/17/fact-sheet-biden-harris-administration-announces-new-private-and-public-sector-investments-for-affordable-electric-vehicles/)

16 Global EV sales volume (2010 2022) from website of IEA (source: www.iea.org/data-and-statistics/data-tools/global-ev-data-explorer?gclid=CjwKCAjwkeqkBhAnEiwA5U-uM2HmLHpSnU3OJLt9SxqeA6yFs2KeCtySYRHluIecTaoOU3usUTHo4RoCKfcQAvD_BwE)

(vii) the Manufacturing License Fee of each year under the 2031 Annual Cap, 2032 Annual Cap and 2033 Annual Cap has been estimated to be (a) 2% of the Reference Price for the first model of the Locally Manufactured LPM Product; and (b) 5% of the Reference Price (being the upper end of the agreed range of license fee rate) for all subsequent models of Locally Manufactured LPM Products, which is in line with the Manufacturing License Fee pricing policy. Our work performed in this connection was re-preforming the relevant calculations; and

(viii) furthermore, we have also considered (a) our work performed on the estimated price range of the EV models applied in calculating the 2031 Annual Cap, the 2032 Annual Cap and the 2033 Annual Cap; and (b) our comparison of the respective estimated EV sales volume in the Enlarged Europe region, the South America region, the Middle East and Africa region and the North America region under the 2031 Annual Cap, the 2032 Annual Cap and the 2033 Annual Cap against, (aa) the expected number of PoS in each of the respective regions at the material time; and, where relevant (bb) the Estimated Enlarged Europe Vehicle Sales Efficiency; (cc) the Estimated North America Vehicle Sales Efficiency; (dd) the Estimated South America Vehicle Sales Efficiency; and (ee) the Estimated ME&A Vehicle Sales Efficiency, the results of which indicated that a reasonable sales efficiency has been applied when determining the 2031 Annual Cap, 2032 Annual Cap and 2033 Annual Cap.

Based on the factors and our analysis as set out above, we considered that the basis of the annual caps for the 2031-2033 Period to be reasonable.

Our analysis on the 2034 Annual Cap through to the 2037 Annual Cap

Based on the Annual Cap Schedule, we noted that the year-on-year growth in annual cap amount during the period commencing from 1 January 2034 and ending on 31 December 2037 (the "**2034-2037 Period**"), ranged from approximately 2.2% (under the 2035 Annual Cap) to 11.4% (under the 2036 Annual Cap), with an average year-on-year increase of approximately 6.6% (the "**2034–2037 Average Annual Cap Amount Growth Rate**").

In assessing whether the 2034-2037 Average Annual Cap Amount Growth of approximately 6.6% during the 2034-2037 Period is fair and reasonable, we have considered, among other factors,

(i) as various factors have been considered in the Annual Cap Schedule, including the sale and market strategy of the JV Company, the number of PoS to be made available by the Stellantis group to the JV Company for the sales of the LPM Products in the respective geographical regions, timing of the introduction of the different vehicle models into the Territories, the year-on-year growth in the annual caps varied during the 2034-2037 Period, which ranged from approximately 2.2% (under the 2035 Annual Cap) to approximately 11.4% (under the 2036 Annual Cap).

In this connection, we have set out more in-depth analysis on the 2036 Annual Cap, being at the high-end of the year-on-year growth rate range of approximately 11.4%. We noted that such growth rate is primarily attributable to the expected roll-out of one mass-market price range new-generation EV model with updated technology and two mid-market price range new-generation EV model with updated technology during the year ending 31 December 2036 in the Enlarged Europe region, which is estimated to increase the sales volume of the LPM Products in the Enlarged Europe region by over 16%. Based on our aforesaid work performed, we considered the relevant assumptions behind the aforesaid growth rates to be of a reasonable basis.

On this basis, having considered the underlying drivers in relation to the year-on-year growth rate of approximately 11.4%, being at the high-end of the range, we concur with the Management that the basis and growth rate of the 2036 Annual Cap is reasonable;

Furthermore, we have also set out more in-depth analysis on the 2034 Annual Cap and 2035 Annual Cap, being at the low-end of the range of approximately 3.6% and 2.2%, respectively. We noted that the relatively low year-on-year growth rate is primarily attributable to (a) save for one new-generation EV model with updated technology expected to be rolled-out in the South American region and the Middle East and Africa region in 2034, there is no new EV model to be introduced in the subject geographical regions, namely the Enlarged Europe region, the South America region, the Middle East and Africa region and the North America region, during each of the years ending 31 December 2034 and 2035 based on the Business Plan, which is comparative less than most of the other years; and (b) in terms of total PoS for each of 2034 and 2035, the year-on-year increase is expected to be minimal based on the Business Plan;

(ii) it is noted that over 65% and 13% of the sales volume of the LPM Products from the Group to the JV Company in each of the years during the 2034-2037 Period is attributable to the Enlarged Europe region and the North America region, respectively. As we have previously set out based on our market research, such as, the IEA expects that Europe to remain as the second large electric car market in the world in terms of sales, and maintain its 25% share of the world's electric car market by 2030, while the U.S. is expected to doubles its market share to around 20% by 2030 based on the prevailing policies, legislation and targets in place.

In addition, given the Paris Agreement and the European Commission's 2030 Climate Target Plan and its target to become climate neutral by 2050, which led to the European Commission adopting a series of legislative proposals, such as the "Fit for 55" legislative package that included regulations setting new CO_2 emission standards for cars and vans which require a 55% reduction in average emissions from new cars from 2030 and reduction by 100% from 2035, thereby supporting the continuous growth for the EV markets in the Enlarged Europe region. Furthermore, the U.S. also has various policies and goals in this connection, including the Inflation Reduction Act, which adds and expands tax credits for purchases of new and used EVs and the U.S. Federal Government has also set a goal to make half of all new vehicles sold in the U.S. in 2030 zero-emissions vehicles. In this connection, given the analysis set out in the preceding paragraph, the policies as set out above and the aforesaid carbon neutral targets, subject to the policies at the relevant time, the replacement of the then existing vehicles to new vehicles subsequent to 2030 in the Enlarged Europe region and the North America region are likely to be electric vehicles, which supports the ongoing demand of the electric vehicles at the material time.

Based on the continuation of the aforesaid trend, we considered that 2034–2037 Average Annual Cap Amount Growth Rate of approximately 6.6% to be reasonable;

(iii) in relation to the 2034-2037 Average Annual Cap Amount Growth Rate of approximately 6.6%, we noted that such have incorporated the Management's estimate of an inflation rate of 2% per annum, which implies that the average annual growth rate in sales amount in nominal terms during the aforesaid period is less than 5% per annum;

(iv) the Manufacturing License Fee of each year under the 2034 Annual Cap, 2035 Annual Cap, 2036 Annual Cap and 2037 Annual Cap has been estimated to be (a) 2% of the Reference Price for the first model of the Locally Manufactured LPM Product; and (b) 5% of the Reference Price (being the upper end of the agreed range of license fee rate) for all subsequent models of Locally Manufactured LPM Products, which is in line with the Manufacturing License Fee pricing policy. Our work performed in this connection was re-preforming the relevant calculations; and

(v) lastly, we have also considered (a) our work performed on the estimated price range of the EV models applied in calculating the 2034 Annual Cap, 2035 Annual Cap, 2036 Annual Cap and 2037 Annual Cap; and (b) our comparison of the respective estimated EV sales volume in the Enlarged Europe region, the South America region, the Middle East and Africa region and the North America region under the 2034 Annual Cap, the 2035 Annual Cap, the 2036 Annual Cap and the 2037 Annual Cap against (aa) the expected number of PoS in each of the respective region at the material time; and, where relevant (bb) the Estimated Enlarged Europe Vehicle Sales Efficiency; (cc) the Estimated North America Vehicle Sales Efficiency; (dd) the Estimated South America Vehicle Sales Efficiency; and (ee) the Estimated ME&A Vehicle Sales Efficiency, indicated that a reasonable sales efficiency has been applied when determining the 2034 Annual Cap, 2035 Annual Cap, 2036 Annual Cap and 2037 Annual Cap.

Based on the factors and our analysis as set out above, we considered that the basis of the annual caps for the 2034-2037 Period to be reasonable.

Summary of our analysis on the Proposed Annual Caps

Having considered our analysis and work performed in this section above, including, among others,

(i) the key drivers behind the sales volume of the respective geographical regions as well as the sales and marketing strategy as set out in the Business Plan;

(ii) the background, track record and reputation of the Stellantis group as well as its existing sales network and local knowledge accumulated through its business operations in the respective regions;

(iii) the number of PoS expected to be made available by the Stellantis group to the JV Company for the sales of the LPM Products in the respective geographical regions;

(iv) the respective Transfer Price was determined with reference to the pricing policies under the Sales of Goods Framework Agreement;

(v) the overview and information on the global EV industry, in particular, for the Enlarged Europe region and the North America region, which are expected to be the two largest contributors in terms of sales volume under the Proposed Annual Caps;

(vi) the Sales of Goods Framework Agreement facilitates the sales and distribution of LPM Products in the Territories by the JV Company, which is in line with Stellantis's long-term strategic plan "Dare Forward 2030", with the aim to attain carbon net zero by 2038 and the Stellantis Long-term Targets set out thereunder;

(vii) the basis of incorporating an inflation rate of 2% per annum, which we considered to be reasonable based on our review of the consumer price index (居民消費價格指數) of the PRC for the past five years (2018–2022) published by the National Bureau of Statistics with an average approximately 2.1%, and the expected sales of the Post-sale Services Parts being approximately 1.3% of the aggregate sales of the LPM Products of the same year and the two preceding years into the Proposed Annual Caps, which we have reviewed and re-performed the subject calculations based on the relevant data for the year 2022, 2021 and 2020 (i.e. the subject financial year and the two preceding financial years); and

(viii) the Continuing Connected Transactions are a furtherance of the Group's core business and, if approved at the EGM, such would facilitate the Continuing Connected Transactions to be conducted in an effective and efficient manner without the need for the Company to seek Shareholders' approval on the entering into subsequent framework agreement(s) every three years and/or on transaction-by-transaction basis, otherwise the compliance of the relevant disclosure and other regulatory requirements may be unduly burdensome for the Stellantis group, the shares of which are listed on three different exchanges, namely, the New York Stock Exchange, Euronext Milan and Euronext Paris, as well as the Group,

we are of the view that the basis of the Proposed Annual Caps is fair and reasonable.

VI. RECOMMENDATION

Having taken into account of the above factors and reasons as set out above, we are of the view that the Sales of Goods Framework Agreement, the continuing connected transactions contemplated thereunder and the Proposed Annual Caps are in the ordinary and usual course of business of the Group and on normal commercial terms or better and in the interests of the Company and the Independent Shareholders as a whole, and the terms of the Sales of Goods Framework Agreement, the continuing connected transactions contemplated thereunder and the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to approve the Sales of Goods Framework Agreement, the continuing connected transactions contemplated thereunder and the Proposed Annual Caps at the EGM.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Lewis Lai
Managing Director

Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 16 years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information as contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interest or short positions in shares and underlying shares of the Company

As at the Latest Practicable Date, save as disclosed below, none of the Directors or the chief executive of the Company or their respective associates had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules:

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

Notes:

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

2. Hangzhou Xintu is held as to 70% and 30% by Mr. Zhu and Ms. Liu (the spouse of Mr. Zhu), respectively. Mr. Zhu is therefore deemed to be interested in the 4,077,472 H Shares converted from Domestic Shares held through Hangzhou Xintu. Mr. Zhu is the general partner of Ningbo Jinghang and Wanzai Mingzhao and therefore Mr. Zhu is deemed to be interested in 23,606,500 H Shares converted from Domestic Shares held through Ningbo Jinghang and Wanzai Mingzhao. Therefore, Mr. Zhu is deemed to be interested in a total of 27,683,972 H Shares through Hangzhou Xintu, Ningbo Jinghang and Wanzai Mingzhao.

3. Pursuant to an acting-in-concert agreement dated 1 February 2016 entered into by and between Mr. Zhu and Mr. Fu, Mr. Zhu and Mr. Fu agreed to act in concert by aligning their votes at the Board and/or Shareholders' meetings of our Company in accordance with the consensus achieved among them. In the event that they are unable to reach consensus on any matter presented, the parties shall vote in accordance with the direction of Mr. Zhu, subject to applicable laws and regulations and without prejudice to interests of our Company, Shareholders and creditors. The term of the agreement commences from the date of its execution and ends 36 months after the Listing. Ms. Chen, as spouse of Mr. Fu, and her controlled entity, Ningbo Hualing, have been acting in concert with Mr. Fu and Mr. Zhu on voting and making decisions in respect of her interest in our Company. Ms. Liu, as spouse of Mr. Zhu, has also been acting in concert with Mr. Zhu and Mr. Fu. Accordingly, Mr. Zhu, Mr. Fu, Ms. Liu and Ms. Chen are members of the Single Largest Group of Shareholders with respect to their shareholding in the Company. Therefore, under the SFO, in addition to their respective direct shareholding or interest in controlled corporations, each of such individual is also deemed to be interested in the interest of the other individuals.

4. Mr. Wu Baojun (吳保軍先生) is one of the limited partners of Ningbo Jinghang, holding 70.28% of its interests. Therefore, under the SFO, Mr. Wu is deemed to be interested in the 12,806,500 H Shares converted from Domestic Shares held through Ningbo Jinghang.

5. Mr. Wu Baojun (吳保軍先生) is entitled to receive 500,000 Shares pursuant to the options granted to him under the Pre-IPO Share Option Scheme, subject to vesting conditions.

6. Mr. Cao Li (曹力先生) is entitled to receive 2,000,000 Shares pursuant to the options granted to him under the Pre-IPO Share Option Scheme, subject to vesting conditions.

As at the Latest Practicable Date, save as disclosed above, none of the Directors or chief executive of the Company is a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Substantial Shareholders' interest or short positions in shares and underlying shares of the Company

So far as was known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, persons other than a Director or chief executive of the Company who had interests or short positions in the Shares and underlying Shares which shall be disclosed pursuant to the provisions of Divisions 2 and 3 of

Part XV of the SFO or recorded in the register required to be kept pursuant to Section 336 of the SFO or had otherwise notified to the Company, were as follows:

Name of Shareholder	Nature of Interest	Number of Shares[(1)]	Approximate percentage of shareholding in relevant class of Shares[(1)]	Approximate percentage of shareholding in total share capital of the Company[(1)]
Domestic Shares				
Ms. Liu	Deemed interests[(3)]	55,557,839	25.19%	4.86%
	Interests held jointly with another person[(2)]	72,960,000	33.08%	6.38%
Mr. Fu	Beneficial owner	72,960,000	33.08%	6.38%
	Interests held jointly with another person[(2)]	55,557,839	25.19%	4.86%
Ms. Chen	Deemed interests[(5)]	72,960,000	33.08%	6.38%
	Interests held jointly with another person[(2)]	55,557,839	25.19%	4.86%
Dahua Technology	Beneficial owner[(7)]	45,000,000	20.40%	3.94%
Hangzhou Guoshun Lingpao Equity Investment Partnership (Limited Partnership) (杭州國舜領跑股權投資合夥企業(有限合夥)) ("**Guoshun Lingpao**")	Beneficial owner[(8)]	12,107,202	5.49%	1.06%
Ningbo Meishan Free Trade Zone Sequoia Zhisheng Capital Investment L.P. (寧波梅山保稅港區紅杉智盛股權投資合夥企業(有限合夥)) ("**Sequoia Zhisheng**")	Beneficial owner[(10)]	11,229,358	5.09%	0.98%

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

Notes:

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

2. Pursuant to an acting-in-concert agreement dated 1 February 2016 entered into by and between Mr. Zhu and Mr. Fu, Mr. Zhu and Mr. Fu agreed to act in concert by aligning their votes at the Board and/or Shareholders' meetings of our Company in accordance with the consensus achieved among them. In the event that they are unable to reach consensus on any matter presented, the parties shall vote in accordance with the direction of Mr. Zhu, subject to applicable laws and regulations and without prejudice to interests of our Company, Shareholders and creditors. The term of the agreement commences from the date of its execution and ends 36 months after the Listing. Ms. Chen, as spouse of Mr. Fu, and her controlled entity, Ningbo Hualing, have been acting in concert with Mr. Fu and Mr. Zhu on voting and making decisions in respect of her interest in our Company. Ms. Liu, as spouse of Mr. Zhu, has also been acting in concert with Mr. Zhu and Mr. Fu. Accordingly, Mr. Zhu, Mr. Fu, Ms. Liu and Ms. Chen are members of the Single Largest Group of Shareholders with respect to their shareholding in the Company. Therefore, under the SFO, in addition to their respective direct shareholding or interest in controlled corporations, each of such individual is also deemed to be interested in the interest of the other individuals.

3. Mr. Zhu and Ms. Liu are spouses. Therefore, under the SFO, Mr. Zhu and Ms. Liu are deemed to be interested in the Shares of our Company held by each other.

4. Mr. Fu is the general partner of Ningbo Huayang and Ningbo Gulin. Mr. Fu is therefore deemed to be interested in the total of 45,761,266 H Shares converted from Domestic Shares held through Ningbo Huayang and Ningbo Gulin.

5. Mr. Fu and Ms. Chen are spouses. Therefore, under the SFO, Mr. Fu and Ms. Chen are deemed to be interested in the Shares of our Company held by each other.

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

7. Dahua Technology is listed on the Shenzhen Stock Exchange (stock code: 002236.SZ). As of 30 June 2023, Mr. Fu, Mr. Zhu and Ms. Chen held approximately 30.78%, 4.82% and 2.14% of the issued share capital of Dahua Technology, respectively.

8. Guoshun Lingpao is one of our major Pre-IPO Investors and is a limited partnership established in the PRC. The general partner of Guoshun Lingpao is Hangzhou Guoyi Enterprise Management Co., Ltd. (杭州國屹企業管理有限公司), which holds approximately 0.0018% therein and is wholly owned by Hangzhou Industrial Investment Co., Ltd. (杭州產業投資有限公 司) ("**Hangzhou Industrial Investment**"). The remaining interest is owned by three limited partners, including 60.6% by Hangzhou Industrial Investment, 9.09% by Hangzhou Heda Industrial Fund Investment Co., Ltd. (杭州和達產業基金投資有限公司) ("**Heda Industrial Fund**") and 30.3% by Hangzhou Industrial Development Investment Co., Ltd. (杭州市產業發展投資有限公司), each a state-owned enterprise.

9. Guosen Securities is the manager of Guosen Securities Leapmotor Technology Employee Shareholding No. 1 Single Asset Management Plan (國信證券零跑科技員工持股1號單一資產管理計劃) ("**Employee Shareholding Plan**"), our Company's employee shareholding plan.

10. Sequoia Zhisheng is one of our major Pre-IPO Investors and is a limited partnership established in the PRC. The general partner of Sequoia Zhisheng is Jiaxing Sequoia Kunsheng Investment Management Partnership (嘉興紅杉坤盛投資管理合夥企業(有限合夥)) (“**Sequoia Kunsheng**”) and the general partner of Sequoia Kunsheng is Ningbo Meishan Bonded Port Area Sequoia Huanjia Investment Management Limited (寧波梅山保稅港區紅杉桓嘉投資管理有限公司), which is ultimately controlled by an Independent Third Party, Mr. Zhou Kui (周逵). Sequoia Zhisheng is owned as to (i) 0.01% by Sequoia Kunsheng, and (ii) 59.99% and 40.0% by Ningbo Meishan Free Trade Port Sequoia Mingsheng Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區紅杉銘盛股權投資合夥企業(有限合夥)) and Ningbo Meishan Bonded Port Area Sequoia Jiasheng Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區紅杉嘉盛股權投資合夥企業(有限合夥)) respectively, which are limited partnerships themselves with the general partner being Sequoia Kunsheng.

11. The general partner of Hangzhou Jingbo Equity Investment L.P. (杭州景博股權投資合夥企業(有限合夥)) (“**Hangzhou Jingbo**”) is Mr. Zhang Xingming (張興明), an Independent Third Party holding 33.33% therein. The limited partners of Hangzhou Jingbo are Mr. Fu and an Independent Third Party, each holding 33.33% therein respectively. Therefore, under the SFO, Mr. Fu is deemed to be interested in the 10,800,000 H Shares converted from Domestic Shares held through Hangzhou Jingbo.

12. Mr. Fu and Ms. Chen are spouses. Therefore, under the SFO, Ms. Chen is deemed to be interested in the 10,800,000 H Shares converted from Domestic Shares held by Mr. Fu through Hangzhou Jingbo.

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

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

3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which would not expire or would not be determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTOR’S INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors has or had any interest, either directly or indirectly, in any assets which have since December 31, 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

5. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since December 31, 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

7. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder) or have or may have any other conflict of interest with the Group pursuant to the Listing Rules.

8. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against any member of the Group.

9. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
Red Sun Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Red Sun Capital Limited did not have (i) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) any direct or indirect interest in any assets which had, since December 31, 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group; (iii) beneficially been interested in the share capital of any member of the Group and had no right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Red Sun Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name in the form and context in which it appears.

10. DOCUMENTS ON DISPLAY

Electronic copies of the following documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.leapmotor.com) for a period of 14 days from the date of this circular:

(a) the Exclusive License Agreement;

(b) the Sales of Goods Framework Agreement;

(c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular; and

(e) the letter of consent referred in the paragraph headed "Expert's Qualification and Consent" in this appendix.

11. MISCELLANEOUS

(a) The Registrar is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(b) The joint company secretaries of the company are Ms. Jing Hua and Ms. Lee Mei Yi.

(c) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text (save as Appendices II and III to this circular).

A. Proposed amendments for the Subscription and proposed appointment of non-executive Directors

Existing Articles of Association		Proposed amendments to the Articles of Association	
Article 6	The registered capital of the Company is RMB1,142,706,059.	Article 6	The registered capital of the Company is RMB~~1,142,706,059~~ **1,336,966,089**.
Article 20	The total number of Shares of the Company is 1,142,706,059, all of which are ordinary Shares.	Article 20	The total number of Shares of the Company is ~~1,142,706,059~~ **1,336,966,089**, all of which are ordinary Shares.
Article 126	The Board comprises 7 Directors (including 3 independent non-executive Directors), all elected at the general meeting. The Board shall have one chairman, who shall be a Director of the Company and elected by more than half of the Directors of the Board.	Article 126	The Board comprises ~~7~~**9** Directors (including 3 independent non-executive Directors), all elected at the general meeting. The Board shall have one chairman, who shall be a Director of the Company and elected by more than half of the Directors of the Board.

B. Proposed amendments in accordance with the PRC regulatory requirements

Existing Articles of Association		Proposed amendments to the Articles of Association	
Article 2	The Company is a limited liability company by shares established in accordance with the Company Law and other relevant regulations (the "Company"). The Company was incorporated and converted from Zhejiang Leapmotor Technology Co., Ltd. (浙江零跑科技有限公司), and the original shareholders of Zhejiang Leapmotor Technology Co., Ltd. (浙江零跑科技有限公司) are the promoters of the Company.	Article 2	The Company is a limited liability company by shares established in accordance with the Company Law and other relevant regulations (the "Company"). The Company was **promoted,** incorporated and converted from Zhejiang Leapmotor Technology Co., Ltd. (浙江零跑科技有限公司), and the original shareholders of Zhejiang Leapmotor Technology Co., Ltd. (浙江零跑科技有限公司) are the promoters of the Company.

Existing Articles of Association		Proposed amendments to the Articles of Association	
Article 10	From its effective date, the Articles of Association has constituted a legally binding document regulating the Company's organization and activities, and the rights and obligations between the Company and its Shareholders and among the Shareholders, with a legal binding effect on the Company and its Shareholders, Directors, Supervisors and senior management. In accordance with the Articles of Association, Shareholders may sue other Shareholders; Shareholders may sue Directors, Supervisors, general manager (known as "Chief Executive Officer (CEO)" of the Company and the same hereinafter) and other senior management of the Company; Shareholders may sue the Company; the Company may sue Shareholders, Directors, Supervisors, general manager and other senior management of the Company.	Article 10	From its effective date, the Articles of Association has constituted a legally binding document regulating the Company's organization and activities, and the rights and obligations between the Company and its Shareholders and among the Shareholders, with a legal binding effect on the Company and its Shareholders, Directors, Supervisors and senior management. In accordance with the Articles of Association, Shareholders may sue other Shareholders; Shareholders may sue Directors, Supervisors, general manager ~~(known as "Chief Executive Officer (CEO)" of the Company and the same hereinafter)~~ and other senior management of the Company; Shareholders may sue the Company; the Company may sue Shareholders, Directors, Supervisors, general manager and other senior management of the Company.
Article 11	Other senior management referred to in the Articles of Association means those persons in the Company's organizational structure who assume the positions of deputy general managers as defined in the Company Law (hereinafter collectively referred to as the "deputy general manager"), the Chief Financial Officer and the Secretary to the Board.	Article 11	Other senior management referred to in the Articles of Association means those persons in the Company's organizational structure who assume the positions of deputy general managers as defined in the Company Law (hereinafter collectively referred to as the "deputy general manager"), ~~Chief Financial Officer,~~ **the persons-in-charge of finance (known as the Chief Financial Officer of the Company and the same hereafter)** and the Secretary to the Board.

Existing Articles of Association		Proposed amendments to the Articles of Association	
Article 80	A general meeting shall be convened and presided over by the chairperson of the Board. Where the chairperson of the Board is unable or fails to perform his/her duties, the vice chairperson of the Board shall preside over the meeting. Where the vice chairperson of the Board is unable or fails to perform his/her duties, the chairperson of the Board may appoint a Director of the Company to convene the meeting and preside over it on his/her behalf. In the event that no such designation is made, a Shareholder as elected from the attending Shareholders may preside over the meeting. If, for any reason, the Shareholders fail to elect the presider of the meeting, the Shareholder (including the proxy thereof) holding the most voting Shares thereat shall preside over the meeting. A general meeting convened by the Board of Supervisors on its own shall be presided over by the chief Supervisor. Where the chief Supervisor is unable or fails to perform his/her duties, a Supervisor shall be jointly elected by more than half of the Supervisors to preside over the meeting.	Article 80	A general meeting shall be convened and presided over by the chairperson of the Board. Where the chairperson of the Board is unable or fails to perform his/her duties, ~~the vice chairperson of the Board shall preside over the meeting. Where the vice chairperson of the Board is unable or fails to perform his/her duties, the chairperson of the Board may appoint a Director of the Company to convene the meeting and preside over it on his/her behalf. In the event that no such designation is made, a Shareholder as elected from the attending Shareholders may preside over the meeting. If, for any reason, the Shareholders fail to elect the presider of the meeting, the Shareholder (including the proxy thereof) holding the most voting Shares thereat shall preside over the meeting~~ **a Director shall be jointly elected by more than half of the Directors to convene the meeting and preside over it**. A general meeting convened by the Board of Supervisors on its own shall be presided over by the ~~chief Supervisor~~ **chairman of the Board of Supervisors**. Where the ~~chief Supervisor~~ **chairman of the Board of Supervisors** is unable or fails to perform his/her duties, a Supervisor shall be jointly elected by more than half of the Supervisors to preside over the meeting.

Existing Articles of Association		Proposed amendments to the Articles of Association	
	A general meeting convened by Shareholders on their own shall be presided over by a representative elected by the convener. When a general meeting is held and the presider violates the rules of procedures of the general meeting which makes it difficult for the general meeting to continue, a person may be elected at the general meeting to act as the presider, subject to the approval of more than half of the attending Shareholders having the voting rights. If, for any reason, the Shareholders fail to elect the presider of the meeting, the Shareholder (including the proxy thereof) holding the most voting Shares thereat shall preside over the meeting.		A general meeting convened by Shareholders on their own shall be presided over by a representative elected by the convener. When a general meeting is held and the presider violates the rules of procedures of the general meeting which makes it difficult for the general meeting to continue, a person may be elected at the general meeting to act as the presider, subject to the approval of more than half of the attending Shareholders having the voting rights. If, for any reason, the Shareholders fail to elect the presider of the meeting, the Shareholder (including the proxy thereof) holding the most voting Shares thereat shall preside over the meeting.
Article 92	Where there is an equality of votes cast both for and against a resolution, the presider shall be entitled to one additional vote.	Article 92	*[Deleted]*

Existing Articles of Association		Proposed amendments to the Articles of Association	
Article 136	The Board meeting shall be held upon the attendance by more than half of Directors. Unless otherwise stipulated in the Articles of Association, a resolution of the Board shall be passed by more than half of all Directors. For external guarantees that shall be approved by the Board, a resolution of the Board of Directors shall be approved by more than two-thirds of Directors present at the meeting and passed by more than half of all Directors. Resolutions of the Board are voted by way of poll with each Director having one vote. Where there is a tie in votes cast for and against a resolution, the chairman of the Board of Directors shall have a casting vote.	Article 136	The Board meeting shall be held upon the attendance by more than half of Directors. Unless otherwise stipulated in the Articles of Association, a resolution of the Board shall be passed by more than half of all Directors. For external guarantees that shall be approved by the Board, a resolution of the Board of Directors shall be approved by more than two-thirds of Directors present at the meeting and passed by more than half of all Directors. Resolutions of the Board are voted by way of poll with each Director having one vote. ~~Where there is a tie in votes cast for and against a resolution, the chairman of the Board of Directors shall have a casting vote.~~

Existing Procedural Rule		**Proposed amendments to the Procedural Rule**	
Article 3	The Board of Directors shall consist of seven Directors, including three independent non-executive Directors. The Board of Directors shall have one chairman.	Article 3	The Board of Directors shall consist of ~~seven~~**nine** Directors, including three independent non-executive Directors. The Board of Directors shall have one chairman.
Article 5	The Board of Directors shall set up three special committees including the audit committee, remuneration committee and nomination committee, and may also establish other special committees if necessary. Each of the special committees shall be accountable to the Board of Directors, and their respective proposals shall be submitted to the Board of Directors for review and approval. Each of the special committees may engage intermediary agencies to provide professional advice, the expenses thereof shall be borne by the Company. The special committees of the Board of Directors shall formulate the working rules, which shall take effect upon the approval of the Board of Directors.	Article 5	The Board of Directors shall set up three special committees including the audit committee, remuneration committee and nomination **and environmental, social and corporate governance (ESG)** committee, and may also establish other special committees if necessary. Each of the special committees shall be accountable to the Board of Directors, and their respective proposals shall be submitted to the Board of Directors for review and approval. Each of the special committees may engage intermediary agencies to provide professional advice, the expenses thereof shall be borne by the Company. The special committees of the Board of Directors shall formulate the working rules, which shall take effect upon the approval of the Board of Directors.
Article 22	Each Director shall have one vote. Where there is a tie in votes cast for and against a resolution, the chairman of the Board of Directors shall have a casting vote.	Article 22	Each Director shall have one vote. ~~Where there is a tie in votes cast for and against a resolution, the chairman of the Board of Directors shall have a casting vote.~~

LEAPMOTOR

ZHEJIANG LEAPMOTOR TECHNOLOGY CO., LTD.
浙江零跑科技股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 9863)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Zhejiang Leapmotor Technology Co., Ltd. (the "**Company**"), will be held at Meeting Room, 12/F, Xintu Building, No. 451 Wulianwang Street, Binjiang District, Hangzhou, Zhejiang Province, China on Wednesday, November 15, 2023 at 3:00 p.m. for the purpose of considering, and if thought fit, passing with or without amendments, the following resolutions:

ORDINARY RESOLUTIONS

1. The Sales of Goods Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps be and are hereby approved and confirmed.

2. Conditional upon the special resolution designated "4" below being duly passed, the appointment of Mr. Grégoire Olivier as a non-executive director of the Company ("**Director**") to hold office from the date of completion of the Subscription (as defined in the circular of the Company dated October 31, 2023) until the expiry of the term of the first session of the board of the Directors be and is hereby approved and confirmed.

3. Conditional upon the special resolution designated "4" below being duly passed, the appointment of Mr. Douglas Ostermann as a non-executive Director to hold office from the date of completion of the Subscription (as defined in the circular of the Company dated October 31, 2023) until the expiry of the term of the first session of the board of the Directors be and is hereby approved and confirmed.

SPECIAL RESOLUTIONS

4. The proposed amendments to the articles of association of the Company be and are hereby approved and confirmed.

5. The proposed amendments to the rules of procedure for the board of Directors of the Company be and are hereby approved and confirmed.

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

Hong Kong, October 31, 2023

As at the date hereof, the executive Directors of the Company are Mr. Zhu Jiangming, Mr. Wu Baojun and Mr. Cao Li; the non-executive Director of the Company is Mr. Jin Yufeng; and the independent non-executive Directors of the Company are Mr. Fu Yuwu, Dr. Huang Wenli and Ms. Drina C Yue.

Notes:

a. All resolutions at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

b. Any shareholder of the Company entitled to attend and vote at this meeting is entitled to appoint another person as proxy to attend and vote instead of him/her/it. A proxy need not be a member of the Company. A shareholder who is the holder of two or more shares of the Company may appoint any number of proxies to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

c. Where there are joint registered holders of any share, any one of such persons may vote at this meeting, either personally or by proxy, in respect of such share as if he/she/it were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members of the Company in respect of the relevant joint holding.

d. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarized copy of that power or authority, must be deposited at the Company's H Share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for H Shareholders) or the Company's registered office at 1/F, No. 451 Wulianwang Street, Binjiang District, Hangzhou, Zhejiang Province, China (for Domestic Shareholders) as soon as possible but in any event not less than 24 hours before the time appointed for holding the meeting (i.e. not later than 3:00 p.m. on Tuesday, November 14, 2023) or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the form of proxy shall be deemed to be revoked.

e. For the purpose of determining the identity of the holders of H Shares entitled to attend and vote at the EGM, the register of members of the Company will be closed from Friday, November 10, 2023 to Wednesday, November 15, 2023, both dates inclusive, during which period no transfer of H Shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of H Shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, November 9, 2023 (Hong Kong time), being the last registration date.

f. References to time and dates in this notice are to Hong Kong time and dates.

g. If a tropical cyclone warning signal number 8 or above or is hoisted, or "extreme conditions" caused by super typhoons or a black rainstorm warning or is/are in force at 3:00 p.m. on November 15, 2023, the EGM will not be held on November 15, 2023 but will be postponed to a later date and if postponed, the Company will as soon as practicable post an announcement on the websites of Hong Kong Exchanges and Clearing Limited and the Company.