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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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Zhejiang Leapmotor Technology Co., Ltd. (the “**Company**” or “**We**” or the “**Leapmotor**”, and its subsidiaries, the “**Group**”) is pleased to announce the unaudited interim consolidated results of the Group for the six months ended 30 June 2024 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2023. These interim results were prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”, and reviewed by the audit committee (the “**Audit Committee**”) of the Board and the independent auditor of the Group.

HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

Finance

- Revenue was RMB8,845.4 million for the six months ended 30 June 2024, representing an increase of 52.2% from RMB5,813.1 million for the same period of 2023.
- Gross margin was 1.1% for the six months ended 30 June 2024, showing a significant improvement from (5.9%) for the same period of 2023, with gross margin improving to 2.8% in a single quarter in the second quarter of 2024, and better gross profit performance is expected in the second half of the year.
- Net loss attributable to the equity holders of the Company was RMB2,211.7 million for the six months ended 30 June 2024, compared with RMB2,276.1 million for the same period of 2023. Excluding the share-based payment as part of employee benefit expenses, the adjusted net loss (non-IFRS) was RMB2,016.2 million for the six months ended 30 June 2024, compared with RMB1,936.5 million for the same period of 2023. Please refer to “Management Discussion and Analysis – Non-IFRS Measure” for further details. The Company’s losses decreased insignificantly despite an increase in gross profit for the Reporting Period, which mainly due to the increase in the Company’s investment in research and development, including future development of new models, and the increased investment in development of intelligent driving technology in the first half of the year (and, especially in the second quarter). In the first half of 2024, the penetration rate of NEVs in China was approximately 50%, and the Company will further launch competitive models in the market in the next two years. The Company has initiated and is conducting the development of “end-to-end big model” intelligent driving technology and its application. Relevant applications are scheduled to be launched in 2024 and 2025. The research and development expenses for the first half of 2024 was RMB1,221.3 million, representing an increase of 48.4% as compared with that for the same period of 2023.
- Net cash generated from operating activities was RMB267.6 million for the six months ended 30 June 2024, compared with net cash generated from operating activities of RMB151.7 million for the same period of 2023. Cash flow from operating activities is expected to improve further in the second half of the year, aiming to turn into a positive free cash flow. Abundant funds on hand and continuously improving self-supporting ability will strengthen the foundation of the Company’s long-term development. The Company’s debt to asset ratio was 60.3% on 30 June 2024, remaining at a reasonable level.

Sales volume

- Total deliveries of vehicles were 86,696 units for the six months ended 30 June 2024, representing an increase of 94.8% from 44,502 units for the same period of 2023; deliveries have climbed month-over-month since the launch of the 2024 new models in early March 2024, with deliveries exceeding 20,000 units for the first time in June;
- Sales volume of the C10 have steadily increased since its launch in March 2024, with 24,106 units delivered as of 30 June 2024;
- C16 became a hot seller upon its launch with cumulative grand order exceeding 10,000 units in the first month of its launch, recording the largest order volume in the first month of launch of the Company up to now, and its demand is expected to significantly increase in the future;

- With the constant optimization of the sales network and the increase of service outlets, the continuous enrichment of the product matrix, the improvement of the customers' ownership of the Company's products and the brand effect, the sales growth is expected to further accelerate, with net increase in orders of more than 28,000 units in July 2024, the delivery of 22,093 units in a single month, and reaching the cumulative delivery of 400,000 units in the first half of July. The Company expects that sales volume in the third quarter of 2024 will significantly increase from second quarter.
- The Company's sales volume has always relied on product strength to support the steady growth, and the sales volume of each new model grew month by month after launch, and we did not rely on the practice of massive resources investment before the product is launched in exchange for short-term orders.

Products

In the first half of 2024, the Company successfully launched two new models, the C10 and the C16, which were instant hits. Since its launch in March 2024, sales volume increased steadily and 24,106 units of the C10 were delivered as of 30 June 2024, sales of the C10 have been steadily increasing since July, and the cumulative grand order of the C16 exceeded 10,000 units in the first month of its launch.

In March 2024, the Company launched the entire series of its modified models, and synchronically applied to incorporate the LEAP 3.0 technology architecture into its C11 and C01 to enhance the product competitiveness of the 2024 models of C11 and C01. The launch of the new models of C16 did not affect the sales of the two SUVs of C10 and C11, instead the popularity of the new models led to a greater flow of customers, achieving a synergistic increase in volume. Therefore, the C Series has four models in the price range of RMB100,000-200,000, forming a product matrix targeting different segments of the market, including two 5-seat SUVs (C11 and C10), a 6-seat SUV (C16) and a 5-seat sedan (C01).

The first global strategic model, C10, is based on the Company's independently developed LEAP 3.0 technology architecture, designed in accordance with Chinese and European double-five-star safety standards, and features industry-leading intelligent electric technologies such as centralized integrated electronic and electrical architecture, CTC battery chassis integration, and the flagship intelligent cockpit. The first batch of C10s is equipped with the flagship intelligent cockpit chip, Qualcomm SA8295P, and the higher-end intelligent driving version with LIDAR and NVIDIA Orin-X chips, realizing high-level intelligent driving. The chassis tuning was jointly conducted with Maserati team under the Stellantis N.V. ("**Stellantis Group**") , to achieve a luxury car-level handling experience. Meanwhile, C10 has a CLTC range of 530 kilometers, bringing users an intelligent, convenient, safe and comfortable home.

The ultra-comfortable and intelligent 6-seat SUV C16 combines the spaciousness and comfort of an MPV with the styling of an SUV, with the Qualcomm SA8295P chip as standard across the board, and the higher-end intelligent driving version equipped with LIDAR and Orin-X. The C16's pure electric model is equipped with an 800V silicon carbide high-voltage platform across the board, and its silicon carbide three-in-one electric drive powertrain has four major advantages: high-performance, high-efficiency, high-intelligence, and high-lifespan.

As of early July 2024, the Company have delivered more than 400,000 NEVs cumulatively, underscoring our market predominance and customer's trust in and recognition of Leapmotor brand.

Regarding the expansion of overseas markets, we expect to launch two products, C10 and T03, in Europe in September 2024, and the sales potential of overseas markets will inject new vitality into the Company's long-term development.

Research and Development

On 10 January 2024, the Company launched the latest iterated LEAP 3.0 technology architecture. This technological innovation represents our significant accumulation and breakthroughs in full-suite in-house R&D over the past eight years, covering six key technical areas: electrical and electronic architecture, smart cockpit, intelligent driving, intelligent battery, intelligent electric drive, and whole vehicle architecture. The LEAP 3.0 technology not only offers users enhanced safety but also significantly boosts the intelligence, comfort, and convenience of the products, delivering a fully upgraded driving experience for consumers.

Intelligent cockpit serves as a bridge between the occupants and the core functions of the vehicle, and its design and experience are important indicators of the advanced features of the vehicle. In 2024, the Company released the industry's first batch of intelligent cockpit system with Qualcomm 8295 chips, whose excellent human-computer interaction and intelligent performance have been widely praised by consumers. The new generation of cockpit is based on SOA software architecture, which opens more than 300 kinds of capabilities, and is the first to launch FACE_ID linkage customization scene, realizing the exclusive use experience of cars. The Company's self-developed 21-speaker sound algorithm supports Dolby Atmos, bringing the industry's first-class in-vehicle audio experience, and its voice function enables "seeing is speaking" in full scenes, and full-time auditory-free waking up. In July 2024, the Company completed OTA upgrade for the existing intelligent cockpit functions, bringing the AI big model to C10, activated the car assistant, text-to-picture, the encyclopedia assistant and other capabilities, and became the first model in the same price range to support the AI big model.

The development of end-to-end intelligent driving technology has allowed the industry to see the certainty of the future of urban intelligent driving. Based on the already realized high-speed NAP and urban NAC intelligent driving functions, the Company is implementing the research and development of "end-to-end big model" intelligent driving system, and will continue to increase the investment in manpower, arithmetic power and equipments in this direction this year and in the following period of time. In 2024, we set up the "Smart Driving Technology Research Institute" and plan to expand the existing team to about 500 people, focusing on the development of smart driving-related algorithms and application technologies. At the end of July 2024, the Company carried out an OTA enhancement of the existing L2+ assisted driving function, which was widely praised by consumers. With the progress of R&D, the Company plans to launch upgraded intelligent driving and further function optimization within the second half of 2024, including open road point-to-point commuting capability and parking lot memory parking, etc. Leapmotor also plans to launch the city intelligent driving function (CNAP) based on the end-to-end smart driving big model within 2025, to continue to provide customers with safe and comfortable high-class intelligent driving experience.

We offer all users the latest achievements in research and development through OTAs. In the first half of 2024, we completed seven OTA upgrades, introducing and refining over 50 functions, including NAP high-speed intelligent piloting and expansion of zero dynamic space capabilities. The addition and optimization of these features not only showcase our commitment to innovation but also highlight our dedication to enhancing user experience.

The Company will take technology as a guide to create all subsequent products with globalized design concepts and globalized R&D standards. Currently, there are seven new models under research and development, and the Company's first globalized B model from B platform, the B10, will be unveiled at the Paris Automobile Show in October 2024. This model is targeting to the largest market segment. Using the new technology architecture LEAP 3.5, it is expected to be the next instant hit model.

Sales – End-user-oriented

The Company adheres to the “1+N” model and continues to expand and optimize its marketing network. The “1+N” model refers to the channel model in which a regional center store with 4S service function can support several (“N”) supermarkets and city exhibition halls in the region. The regional center store guides other display stores in the region with a standardized process to form a regionalized and modular advantage, while taking into account the cost, brand and service. We use city managers to manage and empower the regional store system, firmly adhere to the core principle of serving end-users, help optimize the process, and assist in improving the user experience, as well as effectively improve the store's fine management level, thus achieving the goal of high-efficiency operations.

By the end of June 2024, the Company had 474 sales stores and 328 service stores covering 187 cities. In the second half of the year, the channel layout will be fully accelerated, and the Company will accelerate the coverage of blank cities, accelerate the sinking to the county-level market, to provide users with more convenient services. The Company plans to accelerate the construction of the Leapmotor Center, which is dedicated to providing end-users with an integrated service experience of sales, delivery and service, and improving service quality and efficiency.

In practice, we apply the all-link digital marketing and service system, which focuses on end-users, opens up online and offline service touchpoints, and covers the user's full-scene experience, which has achieved favourable results. We use DMP and other precision placement tools to realize the systematization and digitization of the whole chain from finding leads from interested people and media placement, to user invitation, visiting the store, test driving, placing orders and subsequent car ownership and use of the car, etc., with high efficiency.

Globalization

The Company's overseas business has landed in an orderly manner according to plan. In May 2024, Leapmotor and Stellantis Group completed the establishment of joint venture company, Leapmotor International B.V. (the "**Leapmotor International**"), building of core team and merchants inviting, which is held as to 49% and 51% by Leapmotor and Stellantis Group respectively. Leapmotor International plans to start selling and delivering the C10 and T03 in Europe from September 2024, and both products have already obtained EU WVTA certification.

So far, nearly 2,000 units of C10 and T03 have been shipped to Europe by sea. Leapmotor International plans to expand more than 200 sales outlets in Europe by the end of this year, and expand the sales network to 500 outlets by 2026. In the fourth quarter of 2024, Leapmotor International will enter into markets in Asia Pacific, the Middle East, Africa and South America.

Leapmotor International is scheduling a significant four-day media event in Europe, before the end of September 2024. This event will feature extensive media participation and will include opportunities for test-driving the C10 and T03 models.

The Company's cooperation with Stellantis Group is an all-encompassing global partnership in the areas of channel network, after-sales service, automotive finance to product and parts empowerment. For instance, Maserati team under the Stellantis Group, and Leapmotor's chassis R&D team jointly tuned the Company's products to enhance the global competitiveness of the Company's products.

The Company's globalization will be the globalization of vehicles and components with an asset-light model. The Company takes the Chinese market as the foundation, expanding into overseas markets, and realizing a breakthrough in the field of Tier 1 suppliers.

Environmental, Social and Governance ("ESG")

The Company proactively puts the concept of sustainable development into practice, all manufacturing plants are encouraged to use green and clean energy as possible as they can. The Company published independent ESG reports for two consecutive years, systematically highlighting our performance and achievements in the ESG field. In January 2024, the Company, for the first time, were included in the MSCI ESG rating and rose into the global industry leading level with an "AA" rating. In June 2024, the Company were awarded the Bronze Certification of Corporate Social Responsibility (CSR) by EcoVadis, an international authoritative sustainability rating agency, which provides strong support for our business of outsourcing major components of our EIC to external third-party customers.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Analysis

Revenue

Total revenue was RMB8,845.4 million for the six months ended 30 June 2024, representing an increase of 52.2% from RMB5,813.1 million for the six months ended 30 June 2023. This increase was primarily due to an increase of delivery of products.

Sales of electric vehicles and parts were RMB8,836.3 million for the six months ended 30 June 2024, representing an increase of 52.3% from RMB5,803.2 million for the six months ended 30 June 2023. This increase was primarily attributable to an increase of delivery of products.

The revenue from services amounted to RMB9.1 million for the six months ended 30 June 2024, which was basically the same compared with RMB9.9 million for the six months ended 30 June 2023.

Cost of Sales

Cost of sales were RMB8,745.2 million for the six months ended 30 June 2024, representing an increase of 42.1% from RMB6,154.9 million for the six months ended 30 June 2023. This increase was primarily attributable to the increase of delivery of products.

Gross Profit and Gross Margin

Gross profit was RMB100.2 million for the six months ended 30 June 2024, representing an improvement from RMB(341.8) million for the six months ended 30 June 2023. This improvement was primarily due to (1) economies of scale driven by the increase of sale; and (2) ongoing cost management.

Gross margin improved from (5.9%) for the six months ended 30 June 2023 to 1.1% for the six months ended 30 June 2024, mainly due to (1) economies of scale driven by the increase of sale; and (2) ongoing cost management.

Selling Expenses

Selling expenses were RMB902.7 million for the six months ended 30 June 2024, representing an increase of 10.0% from RMB820.5 million for the six months ended 30 June 2023. This increase was primarily due to the enhancement of its advertising and promotion efforts.

Administrative Expenses

Administrative expenses were RMB435.0 million for the six months ended 30 June 2024, representing an increase of 10.0% from RMB395.5 million for the six months ended 30 June 2023. This increase was primarily due to the increase of the number of administrative staff along with business expansion.

R&D Expenses

R&D expenses were RMB1,221.3 million for the six months ended 30 June 2024, representing an increase of 48.4% from RMB823.2 million for the six months ended 30 June 2023. This increase was primarily due to (1) the increase of R&D projects on new models and component, and (2) the increased investment in intelligent driving technology.

Operating Loss

Operating loss was RMB2,395.0 million for the six months ended 30 June 2024, representing an increase of 2.6% from RMB2,333.6 million for the six months ended 30 June 2023. This increase was primarily due to the increase of R&D expenses on the basis of the improved gross profit.

Net Finance Income

Net finance income was RMB189.1 million for the six months ended 30 June 2024, representing an increase of 245.9% from RMB54.7 million for the six months ended 30 June 2023. This increase was primarily due to an increase of interest income from bank deposits.

Share of Net Profit of Associates

Share of net profit of associates was RMB(5.8) million for the six months ended 30 June 2024, representing a decrease of 305.8% from RMB2.8 million for the six months ended 30 June 2023. This decrease was primarily due to the continued downturn in performance from associates.

Net Loss and Adjusted Net Loss

Based on the above, net loss was RMB2,211.7 million for the six months ended 30 June 2024, compared with RMB2,276.1 million for the six months ended 30 June 2023. Excluding the share-based payment as part of employee benefit expenses, the adjusted net loss (non-IFRS) was RMB2,016.2 million for the six months ended 30 June 2024, compared with RMB1,936.5 million for the six months ended 30 June 2023. Please refer to “Management Discussion and Analysis – Non-IFRS Measure”.

Basic and Diluted Loss Per Share

Basic and diluted loss per share was RMB1.65 for the six months ended 30 June 2024, compared with RMB1.99 for the six months ended 30 June 2023.

Liquidity and Capital Resources

As of 30 June 2024, we had a liquidity of RMB16,490.9 million, which includes cash and cash equivalents, restricted cash, financial assets at fair value through profit or loss and short-term bank time deposits, representing a decrease of 14.9% from RMB19,388.1 million as of 31 December 2023. Our cash and cash equivalents primarily consist of cash at banks under RMB and USD denominations. We believe that this level of liquidity is sufficient to finance our operations, having considered our business development and expansion plans.

Interest Expenses on Bank and Other Borrowings

Interest expenses on bank and other borrowings were RMB34.2 million for the six months ended 30 June 2024, representing a decrease of 10.7% from RMB38.3 million for the six months ended 30 June 2023.

Borrowings

As of 30 June 2024 and 31 December 2023, the Group had long-term bank borrowings with the total amount of approximately RMB1,365.6 million and RMB1,276.2 million, respectively. Our bank and other borrowings were denominated in RMB.

Gearing Ratio

The Company monitored capital using gearing ratio. As of 30 June 2024, the Group's gearing ratio was negative value, which is calculated as net debt divided by total capital at the end of each financial period. Net debt equals to our total borrowings and lease liabilities less our cash and cash equivalents. Total capital is calculated as total equity plus net debt.

Net Cash Generated from Operating Activities

Net cash generated from operating activities was RMB267.6 million for the six months ended 30 June 2024, compared with net cash generated from operating activities of RMB151.7 million for the six months ended 30 June 2023, representing an increase of RMB115.9 million in net cash of operating activities over the same period of last year. The improvement in cash flows of operating activities was primarily due to the receipt of government subsidies for NEVs and the improved gross margin of vehicle sales.

Free Cash Flow

Free cash flow was RMB(482.3) million for the six months ended 30 June 2024, representing a decrease of 7.5% from RMB(448.6) million for the six months ended 30 June 2023. The change was mainly due to an increase of capital expenditures.

Treasury Policy

If the Company determines that its cash requirements exceed the amount of cash and cash equivalents it has on hand at the time, it may seek to issue equity or debt securities or obtain credit facilities.

Pledge of Assets

As of 30 June 2024, our Company pledged restricted deposits of RMB2,091.6 million for the issuance of bank acceptance notes, security deposits of bank borrowings, customs guarantee and guarantee deposits for the contracts with the Group's suppliers, representing a decrease of 46.7% from RMB3,921.9 million as of 31 December 2023.

Significant Investments Held

For the six months ended 30 June 2024, the Company did not have any significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as of 30 June 2024).

Future Plans for Material Investments and Capital Assets

As of 30 June 2024, save as otherwise disclosed, the Group has no specific plan for material investments and acquisition of capital assets.

Capital Commitments and Capital Expenditures

The Company had capital commitments amounting to RMB3,350.1 million for the acquisition of property, plant and equipment as of 30 June 2024. The Company recorded capital expenditures of RMB749.8 million for the six months ended 30 June 2024, which were primarily used for purchasing plants and machinery, land use rights and intangible assets at our production bases in Jinhua, Zhejiang Province and Hangzhou, Zhejiang Province.

Contingent Liabilities

As of 30 June 2024, the Company did not have any material contingent liabilities.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

For the six months ended 30 June 2024, the Company made investment to establish an associate, Leapmotor International, and owned 49% of its equity interest. In addition, the Company did not have material acquisitions or disposals of other subsidiaries, associates and joint ventures.

Non-IFRS Measure

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

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

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

	For the six months ended	
	30 June	
	2024	2023
	RMB'000	RMB'000
Reconciliation of net loss to adjusted net loss:		
Net loss for the six months ended 30 June 2024	(2,211.7)	(2,276.1)
Add:		
– Share-based payment expenses ⁽¹⁾	<u>195.5</u>	<u>339.6</u>
Adjusted net loss (Non-IFRS measure)	<u>(2,016.2)</u>	<u>(1,936.5)</u>

Note:

- (1) Share-based payment expenses mainly represent the arrangement that we receive services from employees as consideration for our equity instruments. Share-based payments are not expected to result in future cash payments.

Risk Management

Foreign Exchange Risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the Group. The Company and its major subsidiaries were incorporated in Mainland China. The Company considers RMB as the functional currency and believes that it currently does not have any significant direct foreign exchange risk arising from its operating activities. As of 30 June 2024, the Company did not hold any financial instruments for hedging purposes.

Interest Rate Risk

The Group's interest-rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. For the six months ended 30 June 2024, the Group did not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk.

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As of 30 June 2024, the Group had 10,844 full-time employees, the majority of whom are based in Zhejiang Province, China. The following table sets forth the breakdown of the Group's employees by function as at 30 June 2024:

Function	Number of employees	Percentage of total (%)
Manufacturing	5,115	47.2
R&D	3,823	35.3
Sales and marketing	1,170	10.8
Supply chain management	284	2.6
General and administration	452	4.1
Total	10,844	100.0

The Group primarily recruits the employees through campus recruitment, online recruitment, internal referrals, recruitment firms or agents, and other channels, to satisfy its demand for different types of talents. The Group conducts safety awareness, quality awareness and corporate culture training for R&D and manufacturing staff, and implements a comprehensive training system for all employees. During the Reporting Period, the Group incurred employee benefit expenses of approximate RMB1,433.4 million. The Group also holds various training courses conducted online and offline on a weekly basis.

The Group offers its employees competitive compensation packages and a dynamic work environment that encourages initiative. The Group participates in various government statutory employee benefit plans, including social insurance, namely pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and housing funds. In addition, The Group purchased employer's liability insurance and additional commercial health insurance to increase insurance coverage of its employees.

To recognise the contributions of key employees and motivate them to further promote the development of the Company, the Company adopted two share award schemes and one pre-IPO share option scheme. For details, please refer to the 2023 annual report of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including the sales of treasury shares (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"))) for the six months ended 30 June 2024. As of the end of the Reporting Period, the Company and any of its subsidiaries did not hold treasury shares.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions set forth in the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Listing Rules.

During the Reporting Period and up to the date of this results announcement, the Company has complied with the code provisions set out in the CG Code contained in Appendix C1 to the Listing Rules, except for code provision C.2.1 as explained below.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. The Company does not have a separate role for chairperson of the Board and chief executive officer and Mr. Zhu Jiangming currently performs these two roles. The Board believes that vesting the roles of both chairperson of the Board and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Company and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairperson of the Board and chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

DIVIDEND

The Board did not recommend the distribution of any interim dividend during the Reporting Period.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors' dealing in the Company's securities.

Having made specific enquiries to all of the Directors of the Company, save as disclosed below, all Directors confirmed that they have fully complied with all relevant requirements set out in the Model Code during the Reporting Period and up to the date of this results announcement.

On 2 January 2024, Mr. Wu Baojun disposed 50,000 H Shares at the secondary market at the market price of HK\$33.6 (the "Disposal"). Before the Disposal, Mr. Wu Baojun did not obtain the clearance to deal in the H Shares from the Board as required under paragraph 8 of Appendix C3 to the Listing Rules. Mr. Wu Baojun confirmed that this was an inadvertent mistake. Upon completion of the Disposal, Mr. Wu Baojun notified the Company of the Disposal immediately for the purpose of disclosure of interests. To prevent occurrence of similar incident in the future, the Company decided to provide enhanced training to the Directors, supervisors and senior management of the Company in relation to the requirements of dealing in the Shares under the Listing Rules and relevant internal regulations of the Company, and reiterate the importance of abiding by such rules.

To supplement the Model Code, the Company has also implemented a policy in relation to the handling and dissemination of inside information. Access to inside information is at all times confined to relevant personnel (i.e. Directors, senior management and relevant employees) on a need-to-know basis, until the inside information is properly disclosed in accordance with applicable laws and regulations. Directors, senior management and relevant employees in possession of inside information or potential inside information are required to take reasonable steps to preserve confidentiality and to ensure that its recipients recognize their obligations to maintain confidentiality.

AUDIT COMMITTEE

The Audit Committee comprises Mr. Shen Linhua, Mr. Fu Yuwu and Ms. Drina C Yue, all of whom are independent non-executive Directors. The Audit Committee has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2024.

REVIEW BY THE INDEPENDENT AUDITOR

The interim results for the six months ended 30 June 2024 have not been audited, but have been reviewed by PricewaterhouseCoopers, the Group's auditor, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

EVENTS AFTER THE REPORTING PERIOD

Except as otherwise disclosed in this announcement, no material subsequent events occurred after 30 June 2024.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	8,845,408	5,813,134
Cost of sales	(8,745,183)	(6,154,894)
Gross gain/(loss)	100,225	(341,760)
Selling expenses	(902,653)	(820,452)
Administrative expenses	(435,015)	(395,521)
Research and development expenses	(1,221,285)	(823,160)
Net impairment (losses)/reversal on financial and contract assets	(354)	802
Other income	42,756	56,170
Other gains/(losses) – net	21,297	(9,651)
Operating loss	(2,395,029)	(2,333,572)
Finance income	211,865	89,975
Finance costs	(22,739)	(35,292)
Finance income – net	189,126	54,683
Share of net profit of associates accounted for using the equity method	(5,817)	2,827
Loss before income tax	(2,211,720)	(2,276,062)
Income tax expense	(16)	(47)
Loss for the period attributable to the equity holders of the Company	(2,211,736)	(2,276,109)
Loss per share attributable to the equity holders of the Company (in RMB)		
Basic and diluted loss per share	(1.65)	(1.99)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period	(2,211,736)	(2,276,109)
Other comprehensive loss		
<i>Item that may be not reclassified to profit or loss</i>		
Changes in the fair value of equity investments at fair value through other comprehensive income	<u>(35,685)</u>	<u>—</u>
Other comprehensive loss for the period, net of tax	<u>(35,685)</u>	<u>—</u>
Total comprehensive loss for the period attributable to the equity holders of the Company	<u><u>(2,247,421)</u></u>	<u><u>(2,276,109)</u></u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	4,282,682	3,868,418
Right-of-use assets	711,173	732,380
Intangible assets	441,815	449,678
Investment in associates accounted for using the equity method	114,417	44,262
Financial assets at fair value through other comprehensive income	181,443	217,128
Long-term bank time deposits	1,202,939	576,572
Other non-current assets	127,889	95,239
	<u>7,062,358</u>	<u>5,983,677</u>
Current assets		
Inventories	1,648,732	1,719,472
Trade and notes receivables	549,809	926,337
Contract assets	9,201	13,975
Other current assets	501,979	421,874
Financial assets at fair value through profit or loss	5,366,812	2,769,516
Financial assets at fair value through other comprehensive income	75,774	–
Short-term bank time deposits	645,579	2,087,300
Restricted cash	1,280,609	2,799,877
Cash and cash equivalents	9,197,853	11,731,389
	<u>19,276,348</u>	<u>22,469,740</u>
Total assets	<u><u>26,338,706</u></u>	<u><u>28,453,417</u></u>
EQUITY		
Share capital	1,336,966	1,336,966
Reserves	25,217,592	25,057,804
Accumulated losses	(16,108,310)	(13,896,574)
Total equity	<u><u>10,446,248</u></u>	<u><u>12,498,196</u></u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
LIABILITIES		
Non-current liabilities		
Borrowings	932,396	891,811
Contract liabilities	216,713	190,367
Lease liabilities	179,563	169,504
Provisions	501,958	368,101
Deferred income	459,445	381,734
	2,290,075	2,001,517
Current liabilities		
Trade and notes payables	9,420,250	9,846,873
Other payables and accruals	2,327,390	2,021,660
Advances from customers	301,627	242,034
Contract liabilities	26,336	22,555
Borrowings	1,250,546	1,581,157
Lease liabilities	103,071	104,137
Provisions	173,163	135,288
	13,602,383	13,953,704
Total liabilities	15,892,458	15,955,221
Total equity and liabilities	26,338,706	28,453,417

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company			
	Share capital <i>RMB'000</i>	Reserves <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2023	1,142,706	16,796,443	(9,680,300)	8,258,849
Loss and total comprehensive loss for the period	—	—	(2,276,109)	(2,276,109)
	<u>1,142,706</u>	<u>16,796,443</u>	<u>(11,956,409)</u>	<u>5,982,740</u>
Transactions with equity holders				
Share-based payment	—	339,641	—	339,641
As at 30 June 2023 (Unaudited)	<u>1,142,706</u>	<u>17,136,084</u>	<u>(11,956,409)</u>	<u>6,322,381</u>
As at 1 January 2024	1,336,966	25,057,804	(13,896,574)	12,498,196
Loss and total comprehensive loss for the period	—	—	(2,211,736)	(2,211,736)
Fair value change of financial assets at fair value through other comprehensive income	—	(35,685)	—	(35,685)
	<u>1,336,966</u>	<u>25,022,119</u>	<u>(16,108,310)</u>	<u>10,250,775</u>
Transactions with equity holders				
Share-based payment	—	195,473	—	195,473
As at 30 June 2024 (Unaudited)	<u>1,336,966</u>	<u>25,217,592</u>	<u>(16,108,310)</u>	<u>10,446,248</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net cash generated from operations	82,470	81,668
Interest received from cash at banks	185,094	70,131
Income taxes paid	(10)	(60)
	<u>267,554</u>	<u>151,739</u>
Cash flows from investing activities		
Investment in an associate	(75,972)	–
Proceeds from sale of property, plant and equipment	34,324	23,807
Payments for land use rights	(6,666)	(57,798)
Payments for property, plant and equipment	(734,855)	(531,241)
Payments for intangible assets	(8,312)	(11,251)
Government grants received in relation to acquisition of non-current assets	35,595	–
Proceeds from disposals of financial assets at fair value through profit or loss	2,356,662	567,809
Payments for financial assets at fair value through profit or loss	(4,903,000)	(350,000)
Payments for time deposits	(1,054,205)	(250,000)
Proceeds from time deposits	1,813,000	–
Interest received from time deposits	83,330	4,003
	<u>(2,460,099)</u>	<u>(604,671)</u>
Cash flows from financing activities		
Principal payments of lease liabilities	(21,390)	(17,052)
Net changes in restricted cash as deposits for bank borrowings	–	124,460
Repayments of borrowings	(1,037,931)	(772,521)
Proceeds from borrowings	749,239	1,310,800
Interest paid for borrowings	(17,609)	(25,666)
Interest paid for lease liabilities	(6,464)	(9,241)
Payments for incremental costs directly related to issuance of ordinary shares	(11,320)	–
Payments for listing expenses	–	(578)
	<u>(345,475)</u>	<u>610,202</u>
Net cash (used in)/generated from financing activities	<u>(345,475)</u>	<u>610,202</u>
Net (decrease)/increase in cash and cash equivalents	<u>(2,538,020)</u>	<u>157,270</u>
Cash and cash equivalents at beginning of the period	11,731,389	6,948,994
Exchange gains on cash and cash equivalents	4,484	1,860
	<u>9,197,853</u>	<u>7,108,124</u>
Cash and cash equivalents at end of the period	<u><u>9,197,853</u></u>	<u><u>7,108,124</u></u>

I NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

Zhejiang Leapmotor Technology Co., Ltd. (“**Zhejiang Leapmotor**”, or the “**Company**”) and its subsidiaries (together, the “**Group**”) are principally engaged in the production, research and development and sales of new energy vehicles in the People’s Republic of China (the “**PRC**”).

The new energy vehicle market continues to be full of challenges in 2024. With the continuous launch of new models and the expansion of global markets, the Group still maintained stable revenue growth and a high market ranking in the first half of 2024.

The Group has reviewed its exposure to climate-related and other emerging business risks, and has not identified any risks that could significantly impact the financial performance or position of the Group as at 30 June 2024. The Group has sufficient headroom to enable it to conform to covenants on its existing borrowings and sufficient working capital and undrawn financing facilities to service its operating activities and ongoing investment commitments.

2 SEGMENT AND REVENUE INFORMATION

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

(a) Revenue by geographical

During the six months ended 30 June 2024, apart from the business and operations conducted in Mainland China, the Group exported new energy vehicles and parts outside the Mainland China. The following table shows the Group’s total consolidated revenue by location of the customers for the six months ended 30 June 2024 and 2023:

	Six months ended 30 June	
	2024 <i>RMB’000</i> (Unaudited)	2023 <i>RMB’000</i> (Unaudited)
Mainland China	8,781,778	5,754,852
Others	63,630	58,282
	<u>8,845,408</u>	<u>5,813,134</u>

2 SEGMENT AND REVENUE INFORMATION (CONTINUED)

(b) Revenue during the reporting period

Revenue mainly comprises sales of vehicles and parts and rendering of embedded services, which is net of rebate and discounts. An analysis of the Group's revenue by category for the six months ended 30 June 2023 and 2024 is as follows:

	Six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Revenue from customers and recognized at point in time		
Sales of vehicles and parts (i)	<u>8,836,298</u>	<u>5,803,226</u>
Revenue from customer and recognized over time		
Rendering of services	<u>9,110</u>	<u>9,908</u>
	<u>8,845,408</u>	<u>5,813,134</u>

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

(c) Contract liabilities

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

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
	Non-current	
Rendering of services	<u>216,713</u>	<u>190,367</u>
Current		
Rendering of services	<u>26,336</u>	<u>22,555</u>
	<u>243,049</u>	<u>212,922</u>

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

2 SEGMENT AND REVENUE INFORMATION (CONTINUED)

(d) Unsatisfied performance obligations

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Aggregate amount of the transaction price allocated to performance obligations that are partially or fully unsatisfied as at end of period/year	<u>243,049</u>	<u>212,922</u>

Management expected that approximately RMB26,336,000 (31 December 2023: RMB22,555,000) of the transaction price allocated to unsatisfied performance obligations as at 30 June 2024 will be recognized as revenue within one year. The remaining amount of approximately RMB216,713,000 will be recognized during the upcoming seven years from 1 July 2025 (31 December 2023: RMB190,367,000 will be recognized during the upcoming seven years from 1 January 2025) (recognizing over eight-year since the deliveries of vehicles to respective customers).

(e) Contract assets

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

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Contract assets	9,206	13,986
Loss allowance	<u>(5)</u>	<u>(11)</u>
	<u>9,201</u>	<u>13,975</u>

3 OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Net fair value gains on financial assets at FVPL	50,958	20,974
Net losses on disposals of property, plant and equipment and right-of-use assets	(26,699)	(1,960)
Net foreign exchange losses	(2,006)	(26,761)
Other items	<u>(956)</u>	<u>(1,904)</u>
	<u>21,297</u>	<u>(9,651)</u>

4 EXPENSES BY NATURE

	Six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Changes in inventories of finished goods	214,124	78,908
Raw materials and consumables used	8,035,177	5,655,527
Reversal for impairment of inventories	(35,437)	(25,499)
Employee benefit expenses	1,433,410	1,254,024
Advertising and publicity expenses	541,034	466,901
Depreciation and amortization expenses	320,755	296,954
Warranty expenses	228,558	127,357
Design and development expenses	180,189	143,762
Freight and storage expenses	154,161	76,623
Legal, consulting and other professional fees	42,850	26,632
Expenses relating to short-term leases and other lease component	32,085	24,547
Auditors' remuneration		
– Audit services	2,550	2,550
Others	154,680	65,741
Total	11,304,136	8,194,027

5 INCOME TAX

	Six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Current income tax expense	16	47

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

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

The Company's subsidiaries established and operated in Mainland China are subject to the PRC corporate income tax at the statutory rate of 25% during the six months ended 30 June 2024 (during the six months ended 30 June 2023: 25%).

The Company was entitled to a preferential income tax rate of 15% (during the six months ended 30 June 2023: 15%) during the six months ended 30 June 2024. The Company obtained its High and New Technology Enterprises ("HNTE") status in year 2018, hence is entitled to a preferential tax rate of 15% for a three-year period commencing 2018. This status is subject to a requirement that the Company reapply for HNTE status every three years. The Company re-applied for HNTE status and the application was approved for another three-year period commencing 2021.

5 INCOME TAX (CONTINUED)

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

The Company’s subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% (for the six months ended 30 June 2023: 16.5%) for the six months ended 30 June 2024.

6 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss of the Group attribute to owners of the Company by weighted average number of ordinary shares issued during the six months ended 30 June 2023 and 2024.

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss attributable to the ordinary equity holders of the Company	(2,211,736)	(2,276,109)
Weighted average number of ordinary shares in issue (in thousand)	<u>1,336,966</u>	<u>1,142,706</u>
Basic loss per share (expressed in RMB per share)	<u>(1.65)</u>	<u>(1.99)</u>

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the six months ended 30 June 2024, the Group had potential ordinary shares, including restricted shares and share options issued under the Company’s share incentive plan and Pre-IPO Share Option Scheme. As the Group incurred losses for the six months ended 30 June 2024, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the six months ended 30 June 2024 are the same as basic loss per share (for the six months ended 30 June 2023: the same as basic loss per share).

7 DIVIDEND

No dividend had been declared or paid by the Company during the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

8 INVENTORIES

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Raw materials and spare parts	885,844	777,897
Finished goods	891,833	1,105,957
	<u>1,777,677</u>	<u>1,883,854</u>
Less: provisions for impairment of raw materials	(81,383)	(68,535)
Less: provisions for impairment of finished goods	(47,562)	(95,847)
	<u>(128,945)</u>	<u>(164,382)</u>
	<u>1,648,732</u>	<u>1,719,472</u>

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

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

During the six months ended 30 June 2024, inventories recognized as cost of sales amounted to approximately RMB7,924,953,000 (during the six months ended 30 June 2023: RMB5,384,549,000) and the provision for impairment of inventories as recognized amounted to approximately RMB119,430,000 (during the six months ended 30 June 2023: RMB286,448,000). All these expenses and impairment charge have been included in "cost of sales" in the consolidated statement of comprehensive loss.

During the six months ended 30 June 2024, the provision for impairment of inventories as utilized upon the Group's ultimate sales of the related vehicles/parts amounted to approximately RMB154,867,000 (during the six months ended 30 June 2023: RMB311,947,000) and there was not any reversal of over-provision recognized in profit or loss.

9 TRADE AND NOTES RECEIVABLES

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Notes receivables	<u>252,779</u>	<u>8,048</u>
Trade receivables		
Due from related parties	8,027	3,515
Government subsidies receivables for promotion of new energy vehicles	157,008	846,206
Due from customers	<u>133,419</u>	<u>70,312</u>
Gross trade receivables	298,454	920,033
Provisions for impairment	<u>(1,424)</u>	<u>(1,744)</u>
	<u>297,030</u>	<u>918,289</u>
Total	<u>549,809</u>	<u>926,337</u>

As at 31 December 2023 and 30 June 2024, the aging analysis of the trade receivables based on date of recognition is as follows:

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Up to 6 months	108,023	72,884
6 months to 1 year	33,423	943
1 to 2 years	130,420	807,608
2 to 3 years	<u>26,588</u>	<u>38,598</u>
	<u>298,454</u>	<u>920,033</u>

As at 31 December 2023 and 30 June 2024, trade receivables with aging of more than one year are mainly government subsidies receivables for promotion of new energy vehicles.

10 BORROWINGS

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Borrowings included in non-current liabilities:		
Bank borrowings, secured (a)	1,268,619	1,178,225
Bank borrowings, unsecured and unguaranteed (b)	97,000	98,000
Other borrowings, secured (c)	214,914	342,500
Less: current portion included in current liabilities	<u>(648,137)</u>	<u>(726,914)</u>
	<u>932,396</u>	<u>891,811</u>
Borrowings included in current liabilities:		
Bank borrowings, secured (d)	600,000	600,000
Bank borrowings, unsecured and unguaranteed	–	250,500
Current portion of long-term borrowings (a)(b)(c)	648,137	726,914
Interest payables	<u>2,409</u>	<u>3,743</u>
	<u>1,250,546</u>	<u>1,581,157</u>
Total borrowings	<u><u>2,182,942</u></u>	<u><u>2,472,968</u></u>

- (a) As at 30 June 2024, the Group has the long-term bank borrowings with the total amount of approximately RMB1,268,619,000 (31 December 2023: RMB1,178,225,000), of which approximately RMB373,642,000 (31 December 2023: RMB314,284,000) will be due within one year from the balance sheet date.

As at 30 June 2024, the Group's long-term bank borrowings bear interests at floating interest rates ranging from 3.15% to 4.00% per annum, and were secured by the pledge of the Group's buildings with an amount of approximately RMB412,343,000, land use rights with an amount of approximately RMB106,237,000 and restricted cash with an amount of RMB313,400,000.

- (b) As at 30 June 2024, the effective fixed interest rate of the long-term unsecured and unguaranteed borrowing from a PRC bank with the amount of RMB97,000,000 (31 December 2023: RMB98,000,000) was 3.9% (31 December 2023: 3.9%) per annum. All the borrowings (31 December 2023: all) will be due within one year.
- (c) As at 30 June 2024, the Group's long term other borrowings comprised 24-month borrowings from three finance leasing companies with a total amount of RMB185,275,000 (31 December 2023: RMB342,500,000), of which RMB177,495,000 (31 December 2023: RMB314,630,000) will be due within one year. The borrowings were obtained through sales and leaseback arrangements, whereby certain property, plant and equipment of the Group were sold and leased back for a 24-month lease term. The Group has the option to repurchase the property, plant and equipment upon the completion of the leases at an insignificant nominal value. During the lease term and before the exercise of the repurchase options upon completion of the lease term, the property, plant and equipment were effectively pledged as security for the borrowings and were restricted under the agreements where lessors' consent must be obtained for the pledge or disposal of these assets. As at 30 June 2024, the long-term other borrowings had effective interest rates ranging from 5% to 5.1% (31 December 2023: 5% to 5.1%) per annum and the property, plant and equipment pledged had carrying amount of approximately RMB432,197,000 (31 December 2023: RMB646,104,000).

As at 30 June 2024, the Group had a 10-year third-party borrowings with a total amount of approximately RMB29,639,000 which has an effective interest rate of 3.34% per annum.

10 BORROWINGS (CONTINUED)

- (d) As at 30 June 2024, the Group had several secured short-term borrowings from PRC banks with amounts totalling RMB600,000,000 (31 December 2023: RMB600,000,000), and the effective interest ranging from 1.30% to 1.37% (31 December 2023: 1.27% to 1.40%) per annum. The aforementioned borrowings were secured by pledge of the Group's long-term bank time deposits with the amount of RMB502,233,000 (31 December 2023: short-term bank time deposits with the amount of RMB404,503,000) and the Group's financial assets at FVPL with the amount of RMB100,000,000 (31 December 2023: nil).

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

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Less than 6 months	1,139,483	1,037,932
Between 6 and 12 months	108,654	539,482
Between 1 and 2 years	329,383	223,766
Between 2 and 5 years	530,950	601,193
Over 5 years	72,063	66,852
	<u>2,180,533</u>	<u>2,469,225</u>

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

The fair values of non-current borrowings as at 31 December 2023 and 30 June 2024 were disclosed as follows:

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Non-current borrowings	<u>928,065</u>	<u>887,366</u>

11 TRADE AND NOTES PAYABLES

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Trade payables		
– Payables for materials	5,160,281	5,057,648
Notes payables		
– Payables for materials	<u>4,259,969</u>	<u>4,789,225</u>
	<u>9,420,250</u>	<u>9,846,873</u>

As at 30 June 2024, the notes payables have maturity terms ranging from 3 to 6 months and the issuance of these notes payables are guaranteed by certain restricted cash and short-term bank time deposits.

The carrying amounts of trade payables approximate their fair values due to their short-term maturity in nature.

The aging analysis of the trade payables based on purchase date is as follows:

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Up to 6 months	4,817,780	4,793,477
6 months to 1 year	83,019	262,897
1 to 2 years	258,311	3
2 to 3 years	713	1,271
Over 3 years	<u>458</u>	<u>–</u>
	<u>5,160,281</u>	<u>5,057,648</u>

12 OTHER PAYABLES AND ACCRUALS

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Accrued expenses		
– Advertising and publicity expense	604,544	566,412
– Rebate payables	275,645	323,161
– Freight expenses	117,807	28,033
Payroll and welfare payables	423,219	411,772
Payables for purchases of property, plant and equipment	225,387	203,378
Deposit from suppliers and distributors	182,405	134,071
Payables for design and development services	199,590	152,511
Payables for incremental costs directly related to issuance of ordinary shares	–	11,320
Other taxes payables	114,368	89,418
Others	184,425	101,584
	<u>2,327,390</u>	<u>2,021,660</u>

13 BASIS OF PREPARATION

This interim condensed consolidated financial report for the six months ended 30 June 2024 has been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2023 and any public announcements made by the Group during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

13 BASIS OF PREPARATION (CONTINUED)

13.1 New standards and interpretations

(a) *New or amended standards adopted by the Group*

A number of new or amended standards became applicable for the current reporting period. The Group assessed the adoption of these new and amended standards and concluded that they did not have a significant impact on the Group's interim results and financial position.

Standards and amendments	Key requirements	Effective for annual periods beginning on or after
IAS 1 (Amendments)	Classification of liabilities as current or non-current and non-current liabilities with covenants	1 January 2024
IAS 7 and IFRS 7 (Amendments)	Supplier finance arrangements	1 January 2024
IFRS 16 (Amendments)	Lease liability in sale and leaseback	1 January 2024

(b) *Impact of standards issued but not yet applied by the entity*

The followings are new or amended standards that have been issued but are not effective for the financial year beginning on 1 January 2024 and have not been early adopted by the Group. The Group plans to adopt these new or amended standards when they become effective:

Standards	Key requirements	Effective for annual periods beginning on or after
IAS 21 (Amendments)	Lack of exchangeability	1 January 2025
IFRS 18	Presentation and disclosure in financial statements	1 January 2027
IFRS 19	Subsidiaries without public accountability: disclosures	1 January 2027

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

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement has been published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.leapmotor.com. The interim report of the Company will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders who have already provided instructions indicating their preference to receive the corporate communications in printed form in due course.

RESULTS CONFERENCE CALL

The management of the Company will host a conference call in relation to the interim results of the Group for the six months ended 30 June 2024 (the “**Results Conference Call**”) through webcast at 7:00 p.m. on Thursday, 15 August 2024 (Beijing/Hong Kong time).

Investors who wish to attend the Results Conference Call shall complete registration online through the following link at least 20 minutes prior to the commencement time of the Results Conference Call: <https://ir.leapmotor.com/en/active>. The Company will facilitate channels for investors to raise questions before the Results Conference Call. Investors may submit relevant questions to the designated email address for collecting the questions regarding the Results Conference Call: ir@leapmotor.com. The latest time for the collection through emails will be 7:00 p.m. on Thursday, 15 August 2024 (Beijing/Hong Kong time). The questions which are of common concern to the investors will be answered by the Company on the Results Conference Call.

Investors may revisit the webcast and audio recording of the Results Conference Call at the following website: <https://ir.leapmotor.com/en/active>.

ABOUT THE COMPANY

Leapmotor is an NEV company based in China that possesses full-suite in-house R&D capabilities in NEV's core technologies with its business scope covering intelligent electric vehicle design, R&D and manufacturing, intelligent driving, electric drive assembly, battery system development, and vehicle internet solutions based on cloud computing. We had launched the industry's first 8 in 1 electric drive, the industry's first mass-produced CTC technology, the industry's first “Four Leaf Clover” centrally integrated electronic and electrical architecture and other leading smart electric technologies. Leapmotor adheres to the user-centric value proposition, striving to provide products and services which deliver superior experience beyond expectation. Products currently on sale include the ultra-comfortable and intelligent 6-seater SUV C16, the first globalized strategic model C10, best-in-class smart electric SUV C11, deluxe smart electric sedan C01, and smart BEV city cooter T03, with bonus options of “dual-model layout of battery electric + extended-range”. In 2023, Stellantis Group became a shareholder of Leapmotor. In early May 2024, the two parties formally established a joint venture company, Leapmotor International, to accelerate the layout of the international market. As an icon of China's new force automobile manufacturer, Leapmotor is creating more possibilities for future travel with continuous efforts in technological innovation.

The Company's shareholders and potential investors should note that this announcement includes forward-looking statements, including, without limitation, those regarding our future financial position, strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate. These forward-looking statements can be identified by terminology such as "will," "expect," "anticipate," "aim," "future," "intend," "plan," "believe," "estimate," "could," and similar statements. These forward-looking statements are based on some assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. All information provided in this announcement is as of the date of this announcement, and the Company does not accept any responsibility or obligation to update any of the forward-looking statements, except as required under applicable laws.

The Company's shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 15 August 2024

As at the date of this announcement, the Board comprises Mr. Zhu Jiangming, Mr. Cao Li and Mr. Zhou Hongtao as executive Directors; and Mr. Grégoire Olivier, Mr. Douglas Ostermann and Mr. Jin Yufeng as non-executive Directors; and Mr. Fu Yuwu, Ms. Drina C Yue and Mr. Shen Linhua as independent non-executive Directors.