



浙江零跑科技股份有限公司

ZHEJIANG LEAPMOTOR TECHNOLOGY CO., LTD.

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

Stock code: 9863

2023 INTERIM REPORT



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Company Information

DIRECTORS

Executive Directors

Mr. Zhu Jiangming (朱江明) (*Chairperson of the Board and Chief Executive Officer*)

Mr. Wu Baojun (吳保軍) (*President*)

Mr. Cao Li (曹力) (*Senior vice president*)

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)

SUPERVISORS

Mr. Wu Yefeng (吳燁鋒)

Mr. Mo Chengrui (莫承銳)

Ms. Yao Tianzhi (姚甜芝)

AUDIT COMMITTEE

Dr. Huang Wenli (黃文禮) (*Chairperson*)

Mr. Fu Yuwu (付于武)

Ms. Drina C Yue (萬家樂)

REMUNERATION COMMITTEE

Ms. Drina C Yue (萬家樂) (*Chairperson*)

Mr. Zhu Jiangming (朱江明)

Dr. Huang Wenli (黃文禮)

NOMINATION AND ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG) COMMITTEE

Mr. Zhu Jiangming (朱江明) (*Chairperson*)

Mr. Fu Yuwu (付于武)

Dr. Huang Wenli (黃文禮)

JOINT COMPANY SECRETARIES

Ms. Jing Hua (敬華)

Ms. Lee Mei Yi (李美儀) (*FCG, HKFCG*)

COMPLIANCE ADVISOR

Somerley Capital Limited

20/F, China Building

29 Queen's Road Central

Hong Kong

H SHARE REGISTRAR

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

PRINCIPAL BANKS

China Merchants Bank Co., Ltd. Hangzhou Fengqi Branch

China Construction Bank Hangzhou High-tech Branch

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

1/F, No. 451 Wulianwang Street

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Zhejiang Province, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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348 Kwun Tong Road

Kowloon, Hong Kong

REGISTERED OFFICE

1/F, No. 451 Wulianwang Street

Binjiang District, Hangzhou

Zhejiang Province, China

REPORTING ACCOUNTANT AND INDEPENDENT AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

22/F, Prince's Building, Central, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. Zhu Jiangming (朱江明)

Ms. Lee Mei Yi (李美儀) (*FCG, HKFCG*)

STOCK CODE

9863

LEGAL ADVISOR TO OUR COMPANY

Clifford Chance

COMPANY WEBSITE

www.leapmotor.com

Key Highlights

FINANCIAL HIGHLIGHTS

	For the Six Months Ended 30 June		
	2023 (Unaudited)	2022 (Unaudited)	Change (%)
	(RMB in thousands, except percentages)		
Revenue	5,813,134	5,081,523	14.4%
Gross loss	(341,760)	(1,318,843)	74.1%
Gross margin	(5.9%)	(26.0%)	77.3pp
Operating loss	(2,333,572)	(2,493,518)	6.4%
Operating margin	(40.1%)	(49.1%)	18.3pp
Loss before income tax	(2,276,062)	(2,443,952)	6.9%
Loss and total comprehensive loss for the period attributable to the equity holders of our Company	(2,276,109)	(2,443,952)	6.9%
Loss per share attributable to the equity holders of our Company (in RMB)	(1.99)	(2.42)	17.8%

Management Discussion and Analysis

BUSINESS REVIEW

In the first half of 2023, based on the rapid iteration capability as well as our product development pace of our full-suite research and development (“**R&D**”), we completed the renewal of the 2023 product lineup in the first quarter, and launched the C11 Extended Range, our Company’s first EREV, on 1 March 2023. This new lineup has gained full market recognition, with total deliveries of 33,993 units in the second quarter of 2023. Among the 44,502 NEVs delivered in the first half of 2023, the C11 and C01 accounted for 80%. Benefiting from the above, our revenue amounted to RMB5,813.1 million in the first half of 2023, representing an increase of 14.4% over the same period of 2022. In the first half of 2023, our gross margin was (5.9%), representing an improvement of 2.2 percentage points as compared with (8.1%) in the second half of last year. In the next two quarters, we will continue to improve our gross margin.

As of 20 June 2023, we delivered a total of 200 thousand NEVs. With the launch and delivery of the C11 Extended Range, we have deployed the dual-model layout of “battery electric + extended-range”. In the future, our new models will be launched simultaneously with battery electric and extended-range versions.

PRODUCT DEVELOPMENT AND ITERATION

In February 2023, we released the dual-model strategy of “battery electric + extended-range” and ushered in an era driven by our dual models. On 1 March 2023, we further released the C11 Extended Range and the 2023 product lineup of renewed C01, C11EV and T03 series.

In addition to the launch of new models, we continued to provide users of all models with the application of our Company’s latest R&D results through over-the-air (“**OTA**”), which enhanced the driving experience of users through technological upgrades. We completed four OTA upgrades in total during the first half of 2023, in which the C platform introduced over 60 features, including new functions such as new desktop user interface, 3D vehicle model, transparent chassis, camping mode and maintenance reminder, as well as optimized functions such as adaptive cruise control (ACC), lane centering control (LCC), range improvement and semantic database expansion.

User safety is the primary consideration in our product design. According to the vehicle safety evaluation results issued by China Insurance Automotive Safety Index in April 2023, our C11 received the highest safety rating of G for both occupant safety and safety of vehicle assistance.

R&D

In the first half of 2023, we continued our R&D and innovation efforts in relation to the core technology of NEV and developed CTC (cell-to-chassis) 2.0 technology. Such technology improves the vehicle integration with higher energy density of battery, stronger structural strength and lower costs, and is also compatible with 800V high-voltage platform, resolving user’s concerns over charging. In March 2023, our proprietary power system technology was awarded the “Global First Innovation Award of CTC Technology” at the “14th New Energy Vehicle International Forum 2023” organized by CHINASTAR.

In terms of electric drive system technology, we further iterated the efficient oil-cooling electric drive system, leading the industry in terms of integration, noise, vibration and harshness (NVH), power density, costs and other parameters. As the industry’s first-ever variable-frame oil-cooled model, electric drive “Pan Gu” won the “Heart of China (中國心)” 2022 Top 10 New Energy Vehicle Power System Award from Autosports, and this electric drive has been equipped across our C series models.

MANUFACTURING AND PRODUCTION

Our production facility in Jinhua, Zhejiang Province produces both battery electric vehicle (“**BEV**”) and EREV models, as well as in-house electronic core components. Nearly 30 supply chain partners have built production lines near our Jinhua production facility, which has contributed to achieving more stable supply from the supply chain and higher product quality.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

As an NEV company, we always attach great importance to the concept of sustainability, and integrate the element into our daily operations and corporate governance. On 17 April 2023, we released the 2022 ESG Report, which discloses in detail our work and achievements in various ESG aspects. For more information about our ESG efforts and to download the full version of the ESG Report, please visit the ESG section of our investor relations website at <https://ir.leapmotor.com/en/esg>.

RECENT DEVELOPMENTS AFTER THE REPORTING PERIOD

In July 2023, we delivered a total of 14,335 units of NEVs, making another record high for monthly delivery. Among them, over 12,000 units of the C series were delivered, accounting for approximately 85% of the total delivery.

In July 2023, our C11 received the highest rating of G in terms of intelligent safety, intelligent driving, intelligent interaction and intelligent parking, according to the i-Vista China Intelligent Vehicle Indexes Evaluation Procedures released by China Automotive Engineering Research Institute.

On 31 July 2023, we announced the latest achievement of our full-suite R&D – “Four Leaf Clover” centralized integrated electrical/electronic (E/E) architecture. This architecture realized a central supercomputer with one System-on-chip (SOC) chip and one motor control unit (MCU) chip, achieving the efficient synergies among the core components of smart vehicles and the integration of the four major domains of “advanced driver assistance systems (ADAS), smart cockpit, body and power” by virtue of high computing power, fast communication and low latency. This architecture achieves a generalization of over 90% and can be deployed in different models across categories, sizes and power systems, while significantly reducing the number of controllers and the length of wiring harnesses. This architecture will be gradually applied to our whole model series. We are open to explore four cooperation modes with our partners in respect of the “Four Leaf Clover” platform, namely (i) central supercomputer + peripheral controller; (ii) central supercomputer + peripheral controller + battery + electric drive; (iii) the entire lower vehicle body (including the previous two items); and (iv) vehicle platform cooperation.

In the second half of the year, we will release the extended range version of C01. At the same time, our first global new model will be launched at the Munich Motor Show.

FINANCIAL ANALYSIS

Revenue

Total revenue was RMB5,813.1 million for the six months ended 30 June 2023, representing an increase of 14.4% from RMB5,081.5 million for the six months ended 30 June 2022. This increase was primarily due to the higher average selling price across our portfolio as our product mix evolves.

Management Discussion and Analysis

Sales of electric vehicles and parts were RMB5,803.2 million for the six months ended 30 June 2023, representing an increase of 14.3% from RMB5,078.3 million for the six months ended 30 June 2022. This increase was primarily attributable to the higher average selling price across our portfolio as our product mix evolves.

The revenue from services amounted to RMB9.9 million for the six months ended 30 June 2023, representing an increase of 209.4% from RMB3.2 million for the six months ended 30 June 2022. This increase was mainly attributable to the increases in our car parc, resulting in the increased revenue from embedded services, which include extended one-year or lifetime warranty, and vehicle internet connection service.

Cost of Sales

Cost of sales remained relatively stable at RMB6,154.9 million and RMB6,400.4 million for the six months ended 30 June 2023 and 2022, respectively.

Gross Loss and Gross Margin

Gross loss was RMB341.8 million for the six months ended 30 June 2023, representing an improvement from RMB1,318.8 million for the six months ended 30 June 2022. This improvement was primarily due to the lower gross loss arising from the optimization of our product mix.

Gross margin improved from (26.0%) for the six months ended 30 June 2022 to (5.9%) for the six months ended 30 June 2023, mainly due to the decrease in average manufacturing cost per electric vehicle as a percentage of the average selling price due to the optimization of our product mix.

Selling Expenses

Selling expenses were RMB820.5 million for the six months ended 30 June 2023, representing an increase of 105.5% from RMB399.2 million for the six months ended 30 June 2022. This increase was primarily due to (i) the further efforts made by our Company in brand building and publicity for the launch of new models; and (ii) the increased number of sales personnel in line with our business expansion.

Administrative Expenses

Administrative expenses were RMB395.5 million for the six months ended 30 June 2023, representing an increase of 28.5% from RMB307.7 million for the six months ended 30 June 2022. This increase was primarily due to the increased number of administrative personnel in line with our business expansion.

R&D Expenses

R&D expenses were RMB823.2 million for the six months ended 30 June 2023, representing an increase of 56.4% from RMB526.4 million for the six months ended 30 June 2022. This increase was primarily due to (i) the increase in technology R&D projects on new models and components; and (ii) higher employee compensation as a result of the increased number of R&D personnel.

Operating Loss

Operating loss was RMB2,333.6 million for the six months ended 30 June 2023, representing a decrease of 6.4% from RMB2,493.5 million for the six months ended 30 June 2022. The decrease was primarily due to the lower gross loss as described above.

Net Finance Income

Net finance income was RMB54.7 million for the six months ended 30 June 2023, representing an increase of 19.7% from RMB45.7 million for the six months ended 30 June 2022. This increase was primarily due to an increase in interest received from cash at banks as a result of an increase in cash balance.

Share of Net Profit of Associates

Share of net profit of associates was RMB2.8 million for the six months ended 30 June 2023, representing a decrease of 28.2% from RMB3.9 million for the six months ended 30 June 2022. The decrease was primarily due to the declined performance of such associate.

Net Loss and Adjusted Net Loss

Net loss was RMB2,276.1 million for the six months ended 30 June 2023, compared with RMB2,444.0 million for the six months ended 30 June 2022. Excluding the share-based payment as part of employee benefit expenses, the adjusted net loss (non-IFRS) was RMB1,936.5 million for the six months ended 30 June 2023, compared with RMB2,322.9 million for the six months ended 30 June 2022. Please refer to “– Non-IFRS Measure”.

Basic and Diluted Loss Per Share

Basic and diluted loss per share was RMB1.99 for the six months ended 30 June 2023, compared with RMB2.42 for the six months ended 30 June 2022.

Liquidity and Capital Resources

As of 30 June 2023, we had a liquidity of RMB10,178.3 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 an increase of 4.1% from RMB9,781.9 million as of 31 December 2022. 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 RMB38.3 million for the six months ended 30 June 2023, representing an increase of 63.7% from RMB23.4 million for the six months ended 30 June 2022.

Borrowings

As of 30 June 2023 and 31 December 2022, our Group had long-term bank borrowings with the total amount of approximately RMB1,464.7 million and RMB887.9 million, respectively. Our bank and other borrowings were denominated in RMB.

Gearing Ratio

Our Company monitored capital using gearing ratio. As of 30 June 2023, our 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/(Used in) Operating Activities

Net cash generated from operating activities was RMB151.7 million for the six months ended 30 June 2023, compared with net cash generated from operating activities of RMB(581.1) million for the six months ended 30 June 2022, representing an increase of RMB732.8 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(448.6) million for the six months ended 30 June 2023, representing an improvement of 66.4% from RMB(1,333.8) million for the six months ended 30 June 2022. The improvement was mainly due to the abovementioned increase in net cash generated from operating activities by RMB732.8 million and the decrease in capital expenditures by RMB152.4 million.

Treasury Policy

If our 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 2023, our Company pledged restricted deposits of RMB1,304.3 million for the issuance of bank acceptance notes, security deposits of bank borrowings, customs guarantee and guarantee deposits for the contracts with our Group's suppliers, representing a decrease of 48.3% from RMB2,522.2 million as of 31 December 2022.

Management Discussion and Analysis

Significant Investments Held

For the six months ended 30 June 2023, our Company did not have any significant investments (including any investment in an investee company with a value of 5% or more of our Group's total assets as of 30 June 2023).

Future Plans for Material Investments and Capital Assets

As of 30 June 2023, save as otherwise disclosed, our Group had no specific plan for material investments and acquisition of capital assets.

Capital Commitments and Capital Expenditures

Our Company had capital commitments amounting to RMB2,696.3 million for the acquisition of property, plant and equipment as of 30 June 2023. Our Company recorded capital expenditures of RMB600.3 million for the six months ended 30 June 2023, which were primarily used for the expansion of production capacity of our production facility in Jinhua, Zhejiang Province as well as the construction of our production facility in Hangzhou, Zhejiang Province and purchase of production machinery.

Investment Commitments

Our Company had investment commitments amounting to RMB32.1 million as of 30 June 2023 in relation to capital injection to associates. Such investments are part of our business strategy to enhance our market position. None of the investment commitments constitute a transaction that is required to be disclosed under Chapter 14 or Chapter 14A of the Listing Rules.

Contingent Liabilities

As of 30 June 2023, our 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 2023, our Company did not have any material acquisitions or disposals of 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.

Management Discussion and Analysis

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	
	2023	2022
	RMB in million	RMB in million
Reconciliation of net loss to adjusted net loss:		
Net loss for the six months ended 30 June 2023	(2,276.1)	(2,444.0)
Add:		
– Share-based payment expenses ⁽¹⁾	339.6	121.1
Adjusted net loss (Non-IFRS measure)	(1,936.5)	(2,322.9)

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 our Group. Our Company and its major subsidiaries were incorporated in Mainland China. Our 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 June 30, 2023, our Company did not hold any financial instruments for hedging purposes.

Interest Rate Risk

Our Group's interest-rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose our Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose our Group to fair value interest-rate risk. Our Group did not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk.

Other Information

DIVIDENDS

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

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S LISTED SECURITIES

For the six months ended 30 June 2023, neither our Company nor any of its subsidiaries purchased, sold or redeemed any of our Company's securities listed on the Stock Exchange.

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As of 30 June 2023, our Group had 7,514 full-time employees, the majority of whom are based in Zhejiang Province, China. The following table sets forth the breakdown of our Group's employees by function as at 30 June 2023:

Function	Number of employees	Percentage of total (%)
Manufacturing	3,347	44.5
R&D	2,308	30.7
Sales and marketing	1,284	17.1
Supply chain management	235	3.1
General and administration	340	4.5
Total	7,514	100.0

Our 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. Our 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. Our Group also holds various training courses conducted online and offline on a weekly basis.

Our Group offers its employees competitive compensation packages and a dynamic work environment that encourages initiative. Our 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, our 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 our Company, our Company adopted two share award schemes and one pre-IPO share option scheme. For details, please refer to "Other Information – Employee Incentive Schemes" of this report.

INTERESTS AND/OR SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF OUR COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, the interests and short positions of the Directors and chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations within the meaning of Part XV of the SFO, which were required (a) to be notified to our 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 (b) to be recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules are set out as follows:

Name	Position	Nature of Interest	Number and class 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 our Company ⁽¹⁾
Domestic Shares					
Mr. Zhu	Founder, chairperson of the Board, executive Director and chief executive officer	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	Founder, chairperson of the Board, executive Director and chief executive officer	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 (吳保軍先生)	Executive Director and president	Interests in controlled corporation ⁽⁴⁾	12,806,500	1.39%	1.12%
		Beneficial interest ⁽⁵⁾	500,000	0.05%	0.04%
Mr. Cao Li (曹力先生)	Executive Director and senior vice president	Beneficial interest ⁽⁶⁾	2,000,000	0.22%	0.18%

Other Information

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 30 June 2023. 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 our 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 Baojun (吳保軍先生) 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. For details of the Pre-IPO Share Option Scheme, refer to the paragraph headed "Employee Incentive Schemes" below.
- (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. For details of the Pre-IPO Share Option Scheme, refer to the paragraph headed "Employee Incentive Schemes" below.

Save as disclosed herein, as at 30 June 2023, none of the Directors, the Supervisors or the chief executives of our Company held or was deemed to hold any interests or short positions in the Shares, underlying Shares or debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to our 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 (b) to be recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND/OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF OUR COMPANY

So far as the Directors or chief executive of our Company are aware, as at 30 June 2023, the following persons (other than the Directors or chief executives of our Company) had interests and/or short positions in the Shares or underlying Shares of our Company 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 our Company:

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 our 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%

Other Information

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 our 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 corporation ⁽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 30 June 2023. 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 our 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.

Other Information

- (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 at 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. For details of our Employee Shareholding Plan, please refer to the paragraph headed "Employee Incentive Schemes" below.
- (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 (周達). 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 herein, as at 30 June 2023, there is no other person known to the Directors or chief executive of our Company who 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.

Other Information

EMPLOYEE INCENTIVE SCHEMES**A. Share Award Scheme I**

The following is a summary of the principal terms of our Share Award Scheme I adopted on 31 January 2021.

Purpose. The purposes of the Share Award Scheme I are to recognise the contributions of our key employees and motivate them to further promote the development of our Company.

The Number of Shares. The total number of Shares available for issue under the Share Award Scheme I is 12,806,500, representing approximately 1.12% of the share capital in issue of our Company as at the date of this report.

Participants. We granted awards to key employees of our Company and its subsidiaries in office or those with major contributions to our Company (the “**Participants of Share Award Scheme I**”).

Restricted share unit(s) is/are granted under the Share Award Scheme I to the Participants of Share Award Scheme I as an award. The award incentive shares are held by Ningbo Jinghang, which has a business operation period until September 2037. After the grant of the Award, the Participants will become limited partners of Ningbo Jinghang and are indirectly interested in the incentive shares under the terms and conditions contained in relevant agreements of Share Award Scheme I.

Administration. The Share Award Scheme I is managed by the executive partner of Ningbo Jinghang (the “**Executive Partner**”). As of the date of this report, the Executive Partner was Mr. Zhu Jiangming, the chairperson of our Board, an executive Director and the chief executive officer. The Executive Partner has the power to manage the Share Award Scheme I, including determining the persons with major contributions to our Company as the Participants under the Share Award Scheme I and exercising the conditions and other terms in relation to the Award granted.

Rights and Restrictions as Attached in the Award. During the lock-up period of the Share Award Scheme I, Shares of our Company held under the Share Award Scheme I shall not be transferred to external parties, and the Participants under the Share Award Scheme I shall not request to dispose any interests in Ningbo Jinghang during the lock-up period.

After the expiration of the lock-up period of the Share Award Scheme I, the Participants of Share Award Scheme I are entitled to apply to the Executive Partner for disposal of their limited partnership interests in Ningbo Jinghang. The Executive Partner will reduce, based on the application of the Participants of Share Award Scheme I, the corresponding number of Shares in accordance with the applicable principles under the relevant agreement of the Share Award Scheme I and the conditions of the secondary market.

Remaining Life. The remaining life of the Share Award Scheme I is 14 years.

Details of the Awards Granted. A total of 12,806,500 Shares were granted under the Share Award Scheme I, representing approximately 1.12% of the share capital in issue of our Company as at the date of this report.

Other Information

The details are set out as follows:

Name of the grantees	Position held in our Group	Grant date	Outstanding and subject to vesting conditions as at	Granted during the	Vested during the	Cancelled during the	Lapsed during the	Outstanding and subject to vesting conditions as at	Vesting Period ⁽¹⁾	Purchase Price ⁽²⁾
			1 January 2023	Reporting Period	Reporting Period	Reporting Period	Reporting Period	30 June 2023		
<i>Directors</i>										
Mr. Zhu	Founder, chairperson of the Board, executive Director and chief executive officer of our Company	23/02/2021	10,000	-	-	-	-	10,000	23/02/2021-29/09/2025	RMB1.27
Mr. Wu Baojun (吳保軍先生)	Executive Director and president of our Company	23/02/2021	9,000,000	-	-	-	-	9,000,000		
<i>Employee Participants other than Directors</i>										
Ms. Jing Hua (敬華女士)	Senior vice president and secretary to the Board of our Company	23/02/2021	643,600	-	-	-	-	643,600	23/02/2021-29/09/2025	RMB1.27
Mr. Xu Wei (許偉先生)	Former Director of our Company and a subsidiary of our Company	23/02/2021	3,152,900	-	-	-	-	3,152,900		
<i>Subtotal of Employee Participants other than Directors</i>			3,796,500	-	-	-	-	3,796,500		
Total		/	12,806,500	/	/	/	/	12,806,500		

Notes:

- (1) All of the Shares granted under the Share Award Scheme I shall be vested on the third anniversary of the Listing Date. The vesting of the Awards is subject to the decision of the Board and the evaluation result of the grantee.
- (2) The purchase price of the Awards under the Share Award Scheme I shall be RMB1.27, which was determined with reference to (i) the nominal value of RMB1 of the Shares, (ii) purchase price paid by our Company to the original shareholders for the Shares which became the underlying Shares of the Share Award Scheme I, and (iii) the estimated costs for the administration and operation of the Share Award Scheme I. Pursuant to the terms of the Share Award Scheme I, the payment of the purchase price were settled on or before the date of the grant and our Company did not provide any financial assistance to the purchase of the Awards.

Other Information

B. Share Award Scheme II

The following is a summary of the principal terms of our Share Award Scheme II adopted on 31 January 2021.

Purposes. The purposes of the Share Award Scheme II are to recognise the contributions of our key employees and motivate them to further promote the development of our Company.

The Number of Shares. The total number of Shares available for issue under the Share Award Scheme II is 57,723,164 Shares are granted under the Share Award Scheme II, representing approximately 5.05% of the share capital in issue of our Company as at the date of this report.

Participants. We granted awards to Directors, Supervisors and senior management of our Company, key employees of our Company and its subsidiaries and other employees as considered and approved by the Board of our Company (the “**Participants of Share Award Scheme II**”).

Restricted share unit(s) is/are granted under the Share Award Scheme II to the Participants of Share Award Scheme II as an award. The awarded incentive shares are held by Guosen Securities as the manager of our employee shareholding plan, 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).

Validity Period. The Share Award Scheme II has a term of 10 years from the date of the Shareholders’ approval of the Share Award Scheme II.

Administration. Upon subscription of the Shares held under the Share Award Scheme II, a Participant of Share Award Scheme II shall become the holder under the Share Award Scheme II (the “**Holder**”). The Holders’ meeting is the highest internal management body of the Share Award Scheme II. The Holders have the right to convene a meeting, consider and decide to elect and remove a member of the Management Committee and authorise the Management Committee to supervise the daily management of the Share Award Scheme II.

A Management Committee (the “**Management Committee**”) is separately established for the Share Award Scheme II. The Management Committee comprises three members, including one chairperson. The members of the Management Committee shall be elected by the Holders’ meeting. The Management Committee oversees the daily management of the Share Award Scheme II and exercises Shareholders’ rights on behalf of the Holders or authorizes the management body to exercise the Shareholders’ rights.

The Board is responsible for formulating and amending the terms of the Share Award Scheme II and handling other related matters of the Share Award Scheme II within the scope of authorization of the general meeting. Guosen Securities with the qualification for asset management business has been entrusted to manage the Share Award Scheme II.

Rights and Restrictions as Attached in the Award. During the lock-up period of the Share Award Scheme II, Shares of our Company held under the Share Award Scheme II shall not be transferred to external parties, and the Participants of Share Award Scheme II shall not request to dispose any of the Shares awarded under Share Award Scheme II.

Upon the expiration of the lock-up period of the Share Award Scheme II, the Holder has the right to apply to the Management Committee for disposal of Shares awarded under Share Award Scheme II. The Management Committee will, upon the application of the Holders, reduce the corresponding number of Shares in accordance with the principles applicable under the relevant agreement of the Share Award Scheme II and the conditions of the secondary market.

Remaining Life. The remaining life of the Share Award Scheme II is 8 years.

Details of the Awards Granted. A total of 56,959,524 Shares were granted under the Share Award Scheme II, representing approximately 4.98% of the share capital in issue of our Company as at 30 June 2023. The details are set out as follows:

Other Information

Name of the grantees	Position held in our Group	Grant date	Outstanding and subject to vesting conditions as at 1 January 2023	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding and subject to vesting conditions as at 30 June 2023	Vesting Period ⁽¹⁾	Purchase Price ⁽²⁾
<i>Directors and Supervisors</i>										
Mr. Zhu	Founder, chairperson of the Board, executive Director and chief executive officer of our Company	23/02/2021	1,199,214	-	-	-	-	1,199,214	23/02/2021–29/09/2025	RMB1.4
Mr. Wu Baojun (吳保軍先生)	Executive Director and president of our Company	23/02/2021	600,000	-	-	-	-	600,000		
Mr. Cao Li (曹力先生)	Executive Director and senior vice president of our Company	23/02/2021	1,600,000	-	-	-	-	1,600,000		
Mr. Mo Chengrui (莫承銳先生)	Supervisor of our Company	23/02/2021	550,000	-	-	-	-	550,000		
Ms. Yao Tianzhi (姚甜芝女士)	Employees' representative Supervisor of our Company	23/02/2021	67,000	-	-	-	-	67,000	23/02/2021–29/09/2025	
		31/05/2022	100,000	-	-	-	-	100,000	31/05/2022–29/09/2025	
<i>Employee Participants other than Directors or Supervisors</i>										
Ms. Jing Hua (敬華女士)	Senior vice president and secretary to the Board of our Company	23/02/2021	100,000	-	-	-	-	100,000	23/02/2021–29/09/2025	RMB1.4
1,014 other Participants that are not Directors, Supervisors, or senior management of our Company		23/02/2021	45,902,310	-	-	-	2,400,350	43,501,960	23/02/2021–29/09/2025	
		31/12/2021	302,800	-	-	-	113,740	189,060	31/12/2021–29/09/2025	
		31/05/2022	3,121,100	-	-	-	415,000	2,706,100	31/05/2022–29/09/2025	
		19/08/2022	3,417,100	-	-	-	779,060	2,638,040	19/08/2022–29/09/2025	
<i>Subtotal of Employee Participants other than Directors or Supervisors</i>		/	52,843,310	-	-	-	3,708,150	49,135,160	/	
Total		/	56,959,524	-	-	-	3,708,150	53,251,374		

Notes:

- All of the Shares granted under the Share Award Scheme II shall be vested on the third anniversary from the Listing Date. The vesting of the Awards is subject to the decision of the Board and the evaluation result of the grantee.
- The purchase price of the Awards under the Share Award Scheme II shall be RMB1.4, which was determined with reference to (i) the nominal value of RMB1 of the Shares, (ii) purchase price paid by our Company to the original shareholders for the Shares which became the underlying Shares of the Share Award Scheme II, and (iii) the estimated costs for the administration and operation of the Share Award Scheme II. Pursuant to the terms of the Share Award Scheme II, the payment of the purchase price were settled on or before the date of the grant and our Company did not provide any financial assistance to the purchase of the Awards.

Other Information

C. Pre-IPO Share Option Scheme

The following is a summary of the principal terms of our Pre-IPO Share Option Scheme adopted on 22 June 2022. No further options will be granted under the Pre-IPO Share Option Scheme after Listing.

Purpose. The purpose of the Pre-IPO Share Option Scheme is to improve our Company's incentive mechanism to attract and retain outstanding talents, to better align the interests of our Company's employees with those of the shareholders and our Company, and to promote our Company's long-term development.

Maximum Number of Shares. The maximum number of Shares which may be issued pursuant to all options under the Pre-IPO Share Option Scheme is 50,594,348 Shares, representing approximately 4.43% of the share capital in issue of our Company as at the date of this report. Each option entitles the purchase of one Share. There is no reserved entitlement under the Pre-IPO Share Option Scheme.

Participants. We granted options to management personnel and core employees (save for the independent non-executive Directors) working for our Company and its subsidiaries.

Exercise price of share options. The exercise price of the Pre-IPO Share Option Scheme is RMB27.26 per Share, which was determined with reference to the subscription price of the Shares of the equity financing of our Company immediately prior to the adoption of the Pre-IPO Share Option Scheme.

Exercise period and validity period. The period between the Listing Date and the date on which the participants exercise all his options shall not exceed 6 years.

Vesting period. The options granted under the Pre-IPO Share Option Scheme may be vested in tranches as per the agreed proportions upon satisfaction of the vesting conditions. The vesting date must be a trading day within the validity period of the Pre-IPO Share Option Scheme. Details of the vesting period and vesting arrangements are as follows:

Vesting period	Vesting time	Vesting proportion
First vesting period	The expiry of 12 months from the date of the initial public offering of our Company	25%
Second vesting period	The expiry of 24 months from the date of the initial public offering of our Company	25%
Third vesting period	The expiry of 36 months from the date of the initial public offering of our Company	25%
Fourth vesting period	The expiry of 48 months from the date of the initial public offering of our Company	25%

Remaining Life. The remaining life of the Pre-IPO Share Option Scheme is 5 years.

Outstanding Grants. As of the date of this report, our Company granted options to subscribe for an aggregate of 50,594,348 Shares to a total of 600 eligible participants under the Pre-IPO Share Option Scheme. All the options are granted on 5 August 2022, with an exercise price of RMB27.26 per share. As of the date of this report, none of the options were exercised.

All the options are granted to our Company's employees. Details of the options granted under the Pre-IPO Share Option Scheme as at 30 June 2023 are set out below:

Name of the grantees	Position held in our Group/connected relationship	Outstanding and subject to vesting conditions as at 1 January 2023	Granted during the Reporting Period ⁽¹⁾	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding and subject to vesting conditions as at 30 June 2023
<i>Directors and Supervisors</i>							
Mr. Wu Baojun (吳保軍先生)	Executive Director and president	500,000	-	-	-	-	500,000
Mr. Cao Li (曹力先生)	Executive Director and senior vice president	2,000,000	-	-	-	-	2,000,000
Mr. Mo Chengrui (莫承銳先生)	Supervisor	170,000	-	-	-	-	170,000
Ms. Yao Tianzhi (姚甜甜女士)	Employees' representative Supervisor	100,000	-	-	-	-	100,000
<i>Employee Participants other than Directors or Supervisors</i>							
Ms. Jing Hua (敬華女士)	Senior vice president and secretary to the Board	500,000	-	-	-	-	500,000
Mr. Zhou Hongtao (周洪濤先生)	Senior vice president	2,000,000	-	-	-	-	2,000,000
Mr. Wu Cun (巫存先生)	Vice president	1,500,000	-	-	-	-	1,500,000
Mr. Shu Chuncheng (舒春成先生)	Vice president	1,500,000	-	-	-	-	1,500,000
Employees that are not to Directors, Supervisors, senior management, or other connected person of our Company	/	41,464,848	-	-	11,393,100	-	30,071,748
<i>Subtotal of Employee Participants other than Directors or Supervisors</i>	/	46,964,848	-	-	11,393,100	-	35,571,748
Total	/	49,734,848	-	-	11,393,100	-	38,341,748

Note:

- (1) All of the options were granted on 5 August 2022 with an exercise price of RMB27.26. The exercise period for the options granted is 6 years, and the options will be vested in four equal tranches each year from 29 September 2022 to 29 September 2026.

There is no performance target for the options of the first two vesting period pursuant to the terms of the Pre-IPO Share Option Scheme. The performance target for the options of the third vesting period is that the audited net cash generated from operating activities for the year 2024 shall be positive, and the performance target for the options of the fourth vesting period is that realized net profits for the year 2025 shall be positive.

Other Information

For the six months ended 30 June 2023, our Company has not granted any options or awards, therefore the percentage of the number of shares that may be issued in respect of options and awards granted under the Employee Incentive Schemes during the Reporting Period divided by the weighted average number of shares of the shares in issue for the Reporting Period is not applicable.

The options outstanding and subject to vesting conditions as at 30 June 2023 was 38,341,748. Therefore, the number of shares that may be issued in respect of options granted under the Pre-IPO Share Option Scheme is 38,341,748, accounting for 3.36% of the total number of Shares as at 30 June 2023.

763,640 and 4,471,790 lapsed awards were available for re-grant under the Share Award Scheme II as of 1 January 2023 and 30 June 2023, respectively. Save as disclosed above, no other options or awards were available for grant as at 1 January 2023 and 30 June 2023.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Our Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT PURSUANT TO LISTING RULES 13.51B(1)

On 13 January 2023, (i) Mr. Xu Jun (徐軍) was appointed as the senior vice president and chief operating officer of our Company in charge of sales and services; (ii) Mr. Zhang Weili (張韋力) was appointed as the senior vice president and chief marketing officer of our Company in charge of marketing and user operation; (iii) Mr. Zhang Guangyin (張光銀) ceased to serve as the vice president of our Company as a result of change of work assignment and had a new appointment from our Company; and (iv) Mr. Cho Kwong Lun Kelvin (曹廣麟) tendered his resignation as the vice chairman and chief financial officer of our Company due to personal career development reason. For details, please refer to the announcement of our Company dated 13 January 2023.

On January 13, 2023, Mr. Jin Yufeng (金宇峰), non-executive Director of our Company, ceased to be a member of the Audit Committee of our Company for personal reasons. Ms. Drina C Yue (萬家樂), independent non-executive Director of our Company, began to serve as a member of the Audit Committee of our Company on the same date.

Save as disclosed above, during the Reporting Period and up to the date of this report, there has been no change to the information of the Directors, Supervisors and senior management which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On 29 September 2022, the H Shares of our Company were listed on the Main Board of the Stock Exchange. The net proceeds from the Global Offering, after deducting underwriting discounts and commissions, were approximately HK\$6,168.9 million, which will be used in accordance with the use of proceeds as disclosed in the prospectus as follows:

- Approximately 40.0% of the net proceeds, for our research and development
- Approximately 25.0% of the net proceeds, for enhancing our production capacity and capabilities, as part of our efforts to improve vertical integration and operational efficiency
- Approximately 25.0% of the net proceeds, for expanding our sales and service network and establishing a stronger brand presence
- Approximately 10.0% of the net proceeds, for working capital and general corporate purposes

As of June 30, 2023, our Group had utilized the net proceeds as set out in the table below:

Intended use	% of use of proceeds	Net proceeds (HK\$ million)	Unutilized amount as of 1 January 2023 (HK\$ million)	Utilized for the period ended 30 June 2023 (HK\$ million)	Unutilized amount as of 30 June 2023 (HK\$ million)	Expected usage timeline
For our research and development	40%	2,467.6	2,388.2	276.4	2,111.8	Three years from the Listing Date
For enhancing our production capacity and capabilities, as part of our efforts to improve vertical integration and operational efficiency	25%	1,542.2	1,518.5	547.9	970.6	Three years from the Listing Date
For expanding our sales and service network and establishing a stronger brand presence	25%	1,542.2	1,521.9	1,175	346.9	Three years from the Listing Date
For working capital and general corporate purposes	10%	617	617	–	617	Three years from the Listing Date

MATERIAL LITIGATION

Our Company was not involved in any material litigation or arbitration during the Reporting Period.

SUBSEQUENT EVENT

After the Reporting Period and up to the date of this report, there were no other significant events occurred which have material adverse impact on the performance and value of our Group.

COMPLIANCE WITH THE MODEL CODE

Our Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiries to all of the Directors, 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 report.

Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our 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 14 to the Listing Rules. In the opinion of the Board, during the Reporting Period and up to the date of this interim report, our Company has complied with all applicable code provisions as set out in the CG Code, save for the deviation from code provision C.2.1 as explained below.

Pursuant to code provision C.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairperson and the chief executive officer should be segregated and should not be performed by the same individual. Our Company does not have a separate chairperson and chief executive officer and Mr. Zhu Jiangming currently performs these two roles. The Board believes that, in view of his experience, personal profile and his roles in our Company, Mr. Zhu Jiangming is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our Company's business as the chief executive officer. The Board also believes that vesting the roles of both chairperson and chief executive officer in the same person has the benefit of (i) ensuring consistent leadership within our Group; (ii) enabling more effective and efficient overall strategic planning and execution of strategic initiatives of the Board; and (iii) facilitating the flow of information between the management and the Board for our Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our 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 the chief executive officer of our Company at a time when it is appropriate by taking into account the circumstances of our Group as a whole.

REVIEW OF INTERIM REPORT BY THE AUDIT COMMITTEE OF OUR COMPANY

The Audit Committee of our Company comprises Mr. Fu Yuwu, Dr. Huang Wenli and Ms. Drina C Yue, all of whom are independent non-executive Directors. The Audit Committee of our Company has reviewed the unaudited interim results and the interim report of our Company for the six months ended 30 June 2023.

REVIEW OF INTERIM REPORT

The unaudited interim financial information of our Company for the six months ended 30 June 2023 has been reviewed by the auditor of our Company, PricewaterhouseCoopers, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to our Company and to the knowledge of the Directors of our Company, as at the date of this report, our Company has maintained sufficient public float as required by the Listing Rules.

SUPPLEMENTAL DISCLOSURE IN RELATION TO ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Reference is made to the annual report of our Company for the year ended 31 December 2022 (the "**Annual Report**"). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Annual Report.

In addition to the information disclosed in the Annual Report, our Company would like to provide the following supplemental information.

Other Information

A. Share Award Scheme I

A total of 12,806,500 Shares were granted under the Share Award Scheme I, representing approximately 1.12% of the share capital in issue of our Company as at the date of the Annual Report. The remaining life of the Share Award Scheme I is 14 years. The details of the awards granted are set out as follows:

Name of the grantees	Position held in our Group	Grant date	Outstanding and subject to vesting conditions as at	Granted during the	Vested during the	Cancelled during the	Lapsed during the	Outstanding and subject to vesting conditions as at	Vesting Period ⁽¹⁾	Purchase Price ⁽²⁾
			1 January 2022	Reporting Period	Reporting Period	Reporting Period	Reporting Period	31 December 2022		
<i>Directors</i>										
Mr. Zhu	Founder, chairperson of the Board, executive Director and chief executive officer of our Company	23/02/2021	10,000	-	-	-	-	10,000	23/02/2021-29/09/2025	RMB1.27
Mr. Wu Baojun (吳保軍先生)	Executive Director and president of our Company	23/02/2021	9,000,000	-	-	-	-	9,000,000		
<i>Employee Participants other than Directors</i>										
Ms. Jing Hua (敬華女士)	Senior vice president and secretary to the Board of our Company	23/02/2021	643,600	-	-	-	-	643,600	23/02/2021-29/09/2025	RMB1.27
Mr. Xu Wei (許偉先生)	Former Director of our Company and a subsidiary of our Company	23/02/2021	3,152,900	-	-	-	-	3,152,900		
<i>Subtotal of Employee Participants other than Directors</i>		/	3,796,500	-	-	-	-	3,796,500		
Total		/	12,806,500	/	/	/	/	12,806,500		

Notes:

- (1) All of the Shares granted under the Share Award Scheme I shall be vested on the third anniversary of the Listing Date. The vesting of the Awards is subject to the decision of the Board and the evaluation result of the grantee.
- (2) The purchase price of the Awards under the Share Award Scheme I shall be RMB1.27, which was determined with reference to (i) the nominal value of RMB1 of the Shares, (ii) purchase price paid by our Company to the original shareholders for the Shares which became the underlying Shares of the Share Award Scheme I, and (iii) the estimated costs for the administration and operation of the Share Award Scheme I. Pursuant to the terms of the Share Award Scheme I, the payment of the purchase price were settled on or before the date of the grant and our Company did not provide any financial assistance to the purchase of the Awards.

Other Information

B. Share Award Scheme II

A total of 56,959,524 Shares were granted under the Share Award Scheme II, representing approximately 4.98% of the share capital in issue of our Company as at 31 December 2022. The remaining life of the Share Award Scheme II is 8 years. The details of the awards granted are set out as follows:

Name of the grantees	Position held in our Group	Grant date	Outstanding and subject to vesting conditions as at 1 January 2022	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding and subject to vesting conditions as at 31 December 2022	Vesting Period ⁽¹⁾	Purchase Price ⁽²⁾	Aggregate fair value of the awards granted during 2022 on grant date
<i>Directors and Supervisors</i>											
Mr. Zhu	Founder, chairperson of the Board, executive Director and chief executive officer of our Company	23/02/2021	2,164,664	-	-	-	965,450	1,199,214	23/02/2021-29/09/2025	RMB1.4	/
Mr. Wu Baojun (吳保軍先生)	Executive Director and president of our Company	23/02/2021	600,000	-	-	-	-	600,000			/
Mr. Cao Li (曹力先生)	Executive Director and senior vice president of our Company	23/02/2021	1,600,000	-	-	-	-	1,600,000			/
Mr. Mo Chengrui (莫承銳先生)	Supervisor of our Company	23/02/2021	550,000	-	-	-	-	550,000			/
Ms. Yao Tianzhi (姚甜芝女士)	Employees' representative Supervisor of our Company	23/02/2021	67,000	-	-	-	-	67,000	23/02/2021-29/09/2025		/
		31/05/2022		100,000	-	-	-	100,000	31/05/2022-29/09/2025		RMB4,612,000
<i>Employee Participants other than Directors or Supervisors</i>											
Ms. Jing Hua (敬華女士)	Senior vice president and secretary to the Board of our Company	23/02/2021	100,000	-	-	-	-	100,000	23/02/2021-29/09/2025	RMB1.4	/
1,112 other Participants that are not Directors, Supervisors, or senior management of our Company		23/02/2021	50,562,550	-	-	-	4,660,240	45,902,310	23/02/2021-29/09/2025		/
		31/12/2021	302,800	-	-	-	-	302,800	31/12/2021-29/09/2025		/
		31/05/2022	/	3,315,000	-	-	193,900	3,121,100	31/05/2022-29/09/2025		RMB152,888,000
		19/08/2022	/	3,683,200	-	-	266,100	3,417,100	19/08/2022-29/09/2025		RMB169,869,000
Subtotal of Employee Participants other than Directors or Supervisors		/	50,965,350	6,998,200	-	-	5,120,240	52,843,310			/
Total		/	55,947,014	7,098,200	-	-	6,085,690	56,959,524			/

Notes:

- (1) All of the Shares granted under the Share Award Scheme II shall be vested on the third anniversary from the Listing Date. The vesting of the Awards is subject to the decision of the Board and the evaluation result of the grantee.
- (2) The purchase price of the Awards under the Share Award Scheme II shall be RMB1.4, which was determined with reference to (i) the nominal value of RMB1 of the Shares, (ii) purchase price paid by our Company to the original shareholders for the Shares which became the underlying Shares of the Share Award Scheme II, and (iii) the estimated costs for the administration and operation of the Share Award Scheme II. Pursuant to the terms of the Share Award Scheme II, the payment of the purchase price were settled on or before the date of the grant and our Company did not provide any financial assistance to the purchase of the Awards.

C. Pre-IPO Share Option Scheme

All the options were granted to our Company's employees. The remaining life of the Pre-IPO Share Option Scheme is 5 years. Details of the options granted under the Pre-IPO Share Option Scheme as at 31 December 2022 are set out below:

Name of the grantees	Position held in our Group/connected relationship	Outstanding and subject to vesting conditions as at 1 January 2022	Granted during the Reporting Period ⁽¹⁾	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding and subject to vesting conditions as at 31 December 2022
<i>Directors and Supervisors</i>							
Mr. Wu Baojun (吳保軍先生)	Executive Director and president	-	500,000	-	-	-	500,000
Mr. Cao Li (曹力先生)	Executive Director and senior vice president	-	2,000,000	-	-	-	2,000,000
Mr. Mo Chengrui (莫承銳先生)	Supervisor	-	170,000	-	-	-	170,000
Ms. Yao Tianzhi (姚甜芝女士)	Employees' representative Supervisor	-	100,000	-	-	-	100,000
<i>Employee Participants other than Directors or Supervisors</i>							
Ms. Jing Hua (敬華女士)	Senior vice president and secretary to the Board	-	500,000	-	-	-	500,000
Mr. Zhou Hongtao (周洪濤先生)	Senior vice president	-	2,000,000	-	-	-	2,000,000
Mr. Wu Cun (巫存先生)	Vice president	-	1,500,000	-	-	-	1,500,000
Mr. Shu Chuncheng (舒春成先生)	Vice president	-	1,500,000	-	-	-	1,500,000
Employees that are not to Directors, Supervisors, senior management, or other connected person of our Company	/	-	42,324,348	-	859,500	-	41,464,848
<i>Subtotal of Employee Participants other than Directors or Supervisors</i>	/	-	47,824,348	-	859,500	-	46,964,848
Total	/	-	50,594,348	-	859,500	-	49,734,848

Note:

- (1) All of the options were granted on 5 August 2022 with an exercise price of RMB27.26. The exercise period for the options granted is 6 years, and the options will be vested in four equal tranches each year from 29 September 2022 to 29 September 2026.

There is no performance target for the options of the first two vesting period pursuant to the terms of the Pre-IPO Share Option Scheme. The performance target for the options of the third vesting period is that the audited net cash generated from operating activities for the year 2024 shall be positive, and the performance target for the options of the fourth vesting period is that realized net profits for the year 2025 shall be positive.

The aggregate fair value of the options granted on 5 August 2022 is RMB1,447 million.

Other Information

The options outstanding and subject to vesting conditions as at 31 December 2022 was 49,734,848. Therefore, the number of shares that may be issued in respect of options granted under the Pre-IPO Share Option Scheme is 49,734,848, accounting for 4.35% of the total number of Shares as at 31 December 2022.

As at 1 January 2022, (i) all the awards under the Share Award Scheme I had been granted, (ii) 1,776,150 shares underlying the awards under the Share Award Scheme II were available, which have all been granted before the Listing Date, and (iii) the Pre-IPO Share Option Scheme was not yet adopted. 763,640 lapsed awards were available for re-grant under the Share Award Scheme II as of 31 December 2022. Save as disclosed above, no other options or awards were available for grant as at 31 December 2022.

Save as disclosed above, all other information in the Annual Report remains unchanged.

APPRECIATION

Our Company would like to express its appreciation to all the staff for their outstanding contribution towards our overall development. The Board wishes to sincerely thank the management for their dedication and diligence, which are the key factors for our Company to continue its success in the future. Also, our Company wishes to extend its gratitude for the continued support from its shareholders, customers, and business partners. Our Company will continue to deliver sustainable business development, so as to create more values for all its shareholders.

Report on Review of Interim Financial Information



羅兵咸永道

To the Board of Directors of Zhejiang Leapmotor Technology Co., Ltd.

(incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 30 to 72, which comprises the interim condensed consolidated balance sheet of Zhejiang Leapmotor Technology Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2023 and the interim condensed consolidated statement of comprehensive loss, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 25 August 2023

Interim Condensed Consolidated Statement of Comprehensive Loss

	Note	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	2	5,813,134	5,081,523
Cost of sales	5	(6,154,894)	(6,400,366)
Gross loss		(341,760)	(1,318,843)
Selling expenses	5	(820,452)	(399,223)
Administrative expenses	5	(395,521)	(307,715)
Research and development expenses	5	(823,160)	(526,405)
Net impairment reversal/(losses) on financial and contract assets		802	(924)
Other income	3	56,170	45,467
Other (losses)/gains – net	4	(9,651)	14,125
Operating loss		(2,333,572)	(2,493,518)
Finance income	7	89,975	57,671
Finance costs	7	(35,292)	(11,966)
Finance income – net		54,683	45,705
Share of net profit of associates accounted for using the equity method	30	2,827	3,861
Loss before income tax		(2,276,062)	(2,443,952)
Income tax expense	8	(47)	–
Loss and total comprehensive loss for the period attributable to the equity holders of the Company		(2,276,109)	(2,443,952)
Loss per share attributable to the equity holders of the Company (in RMB)			
Basic and diluted loss per share	9	(1.99)	(2.42)

The notes on pages 35 to 72 form an integral part of this interim condensed consolidated financial statement.

Interim Condensed Consolidated Balance Sheet

	Note	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	3,441,183	3,207,746
Right-of-use assets	12	794,605	820,382
Intangible assets	13	445,809	446,631
Investment in associates accounted for using the equity method	30	33,202	30,375
Long-term bank time deposits	19	151,931	1,038,228
Other non-current assets	14	67,751	86,084
		4,934,481	5,629,446
Current assets			
Inventories	15	1,486,202	1,748,854
Trade and notes receivables	16	1,000,897	1,685,217
Contract assets	2	27,597	37,238
Other current assets	17	299,142	385,240
Financial assets at fair value through profit or loss	18	732,965	929,800
Short-term bank time deposits	19	1,232,960	80,823
Restricted cash	19	1,104,266	1,822,236
Cash and cash equivalents	19	7,108,124	6,948,994
		12,992,153	13,638,402
Total assets		17,926,634	19,267,848
EQUITY			
Share capital	20	1,142,706	1,142,706
Reserves	21	17,136,084	16,796,443
Accumulated losses		(11,956,409)	(9,680,300)
Total equity		6,322,381	8,258,849

Interim Condensed Consolidated Balance Sheet

	Note	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	24	1,344,818	773,276
Contract liabilities	2	137,484	117,505
Lease liabilities	12	256,183	268,931
Provisions	25	196,544	177,929
Deferred income	26	397,849	413,971
		2,332,878	1,751,612
Current liabilities			
Trade and notes payables	27	5,913,973	5,986,761
Other payables and accruals	28	1,661,023	1,762,711
Advances from customers	29	409,673	218,528
Contract liabilities	2	32,410	31,225
Borrowings	24	985,654	1,018,532
Lease liabilities	12	132,324	149,179
Provisions	25	136,318	90,451
		9,271,375	9,257,387
Total liabilities		11,604,253	11,008,999
Total equity and liabilities		17,926,634	19,267,848

The notes on pages 35 to 72 form an integral part of this interim condensed consolidated financial statement.

Mr. Zhu Jiangming
Director

Mr. Li Tengfei
General Manager of Finance

Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company				
	Note	Share	Accumulated		Total
		capital	Reserves	losses	
		RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022		1,011,887	10,789,743	(4,571,414)	7,230,216
Loss and total comprehensive loss for the period		-	-	(2,443,952)	(2,443,952)
		1,011,887	10,789,743	(7,015,366)	4,786,264
Transactions with equity holders					
Share-based payment	22	-	121,069	-	121,069
As at 30 June 2022 (Unaudited)		1,011,887	10,910,812	(7,015,366)	4,907,333
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)
		1,142,706	16,796,443	(11,956,409)	5,982,740
Transactions with equity holders					
Share-based payment	22	-	339,641	-	339,641
As at 30 June 2023 (Unaudited)		1,142,706	17,136,084	(11,956,409)	6,322,381

The notes on pages 35 to 72 form an integral part of this interim condensed consolidated financial statement.

Interim Condensed Consolidated Statement of Cash Flows

	Note	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows from operating activities			
Net cash generated from/(used in) operations		81,668	(624,017)
Interest received from cash at banks	7	70,131	42,873
Income taxes paid		(60)	–
Net cash generated from/(used in) operating activities		151,739	(581,144)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		23,807	14,225
Payments for land use rights		(57,798)	–
Payments for property, plant and equipment		(531,241)	(727,277)
Payments for intangible assets		(11,251)	(25,393)
Government grants received in relation to acquisition of non-current assets		–	70,800
Proceeds from disposals of financial assets at fair value through profit or loss	35(c)	567,809	2,949,581
Payments for financial assets at fair value through profit or loss	35(c)	(350,000)	(2,635,000)
Payments for time deposits		(250,000)	(180,000)
Interest received from time deposits		4,003	3,526
Net cash used in investing activities		(604,671)	(529,538)
Cash flows from financing activities			
Principal payments of lease liabilities		(17,052)	(75,110)
Net changes in restricted cash for the issuance of bank borrowings and note payables		124,460	(100,000)
Repayments of borrowings		(772,521)	(235,722)
Proceeds from borrowings		1,310,800	300,000
Interest paid for borrowings		(25,666)	(6,686)
Interest paid for lease liabilities	12	(9,241)	(6,208)
Payments for listing expenses		(578)	(3,865)
Net cash generated from/(used in) financing activities		610,202	(127,591)
Net increase/(decrease) in cash and cash equivalents		157,270	(1,238,273)
Cash and cash equivalents at beginning of the period		6,948,994	4,337,967
Exchange gains/(losses) on cash and cash equivalents		1,860	(1,236)
Cash and cash equivalents at end of the period	19	7,108,124	3,098,458

The notes on pages 35 to 72 form an integral part of this interim condensed consolidated financial statement.

Notes to the Interim Condensed 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**”).

Although the new energy vehicle market conditions is full of challenges in 2023, the Group remains well placed to grow revenues through the completion of the iteration of all models for sale in the first quarter of 2023 and launched 2023 new models on 1 March 2023. The Group has reviewed its exposure to climate-related and other emerging business risks, and has not identified any risks that could impact the financial performance or position of the Group as at 30 June 2023. 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 2023, apart from the business and operations conducted in Mainland China, the Group exported new energy vehicles and parts outside Mainland China. The following table shows the Group’s total consolidated revenue by location of the customers for the six months ended 30 June 2023 and 2022:

	Six months ended 30 June	
	2023 RMB’000 (Unaudited)	2022 RMB’000 (Unaudited)
Mainland China	5,754,852	5,081,523
Others	58,282	–
	5,813,134	5,081,523

Notes to the Interim Condensed Financial Information

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 six months ended 30 June 2022 and 2023 is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from customers and recognized at point in time		
Sales of vehicles and parts (i)	5,803,226	5,078,343
Revenue from customer and recognized over time		
Rendering of services	9,908	3,180
	5,813,134	5,081,523

(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	As at
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Non-current		
Rendering of services	137,484	117,505
Current		
Rendering of services	32,410	31,225
	169,894	148,730

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

Notes to the Interim Condensed Financial Information

2 SEGMENT AND REVENUE INFORMATION (CONTINUED)**(d) Unsatisfied performance obligations**

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Aggregate amount of the transaction price allocated to performance obligations that are partially or fully unsatisfied as at end of period/year	169,894	148,730

Management expected that approximately RMB32,410,000 (31 December 2022: RMB31,225,000) of the transaction price allocated to unsatisfied performance obligations as at 30 June 2023 will be recognized as revenue within one year. The remaining amount of approximately RMB137,484,000 will be recognized during the upcoming seven years from 1 July 2024 (31 December 2022: RMB117,505,000 will be recognized during the upcoming seven years from 1 January 2024) (recognizing over eight-years since the deliveries of vehicles to respective customers).

(e) Contract assets

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Contract assets	27,618	37,271
Loss allowance	(21)	(33)
	27,597	37,238

Notes to the Interim Condensed Financial Information

3 OTHER INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants	56,170	45,467

The government grants mainly include government subsidies for the Group's research and development expenditures, interest expenses as incurred on borrowings and production capacity as well as the amortization of deferred government grants. There are no unfulfilled conditions or other contingencies attaching to the grants recognized.

4 OTHER (LOSSES)/GAINS – NET

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net fair value gains on financial assets at FVPL (Note 18)	20,974	11,884
Net (losses)/gains on disposals of property, plant and equipment and right-of-use assets	(1,960)	2,215
Net foreign exchange losses	(26,761)	(1,236)
Other items	(1,904)	1,262
	(9,651)	14,125

Notes to the Interim Condensed Financial Information

5 EXPENSES BY NATURE

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Changes in inventories of finished goods	78,908	(14,395)
Raw materials and consumables used	5,655,527	5,862,645
(Reversal)/provision for impairment of inventories	(25,499)	130,480
Employee benefit expenses (Note 6)	1,254,024	811,792
Advertising and publicity expenses	466,901	231,524
Depreciation and amortization expenses (Notes 11, 12 and 13)	296,954	172,031
Warranty expenses (Note 25)	127,357	122,870
Design and development expenses	143,762	109,846
Freight expenses	60,511	76,347
Legal, consulting and other professional fees	26,632	28,516
Expenses relating to short-term leases and other lease component (Note 12)	24,547	10,876
Auditors' remuneration		
– Audit services	2,550	829
Listing expenses	–	22,741
Others	81,853	67,607
Total	8,194,027	7,633,709

Notes to the Interim Condensed Financial Information

6 EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Wages, salaries and bonuses	709,694	528,621
Share-based payment expenses (Note 22)	339,641	121,069
Pension obligations, housing funds, medical insurances and other social insurances (i)	147,019	132,470
Other employee benefits	57,670	29,632
	1,254,024	811,792

(i) Pensions – defined contribution plans

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

Notes to the Interim Condensed Financial Information

7 FINANCE INCOME – NET

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Finance income:		
Interest income on cash at banks	70,131	42,873
Interest income on time deposits	19,844	14,798
Finance income	89,975	57,671
Finance costs:		
Interest expenses on bank and other borrowings	(38,280)	(23,398)
Interest and finance charges on lease liabilities (Note 12)	(9,241)	(6,208)
	(47,521)	(29,606)
Less: borrowing costs capitalized in property, plant and equipment (i)	12,229	17,640
Finance costs	(35,292)	(11,966)
Finance income – net	54,683	45,705

- (i) During the six months ended 30 June 2023, the interest rate applicable to the Group's capitalization of borrowings costs in construction in progress was 4.08% (during the six months ended 30 June 2022: 4.72%) per annum.

Notes to the Interim Condensed Financial Information

8 INCOME TAX

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax expense	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 2022: 25%) during the six months ended 30 June 2023.

The Company was entitled to a preferential income tax rate of 15% (during the six months ended 30 June 2022: 15%) during the six months ended 30 June 2023. 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.

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 2022: 16.5%) for the six months ended 30 June 2023.

Notes to the Interim Condensed Financial Information

9 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 2022 and 2023.

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Loss attributable to the ordinary equity holders of the Company	(2,276,109)	(2,443,952)
Weighted average number of ordinary shares in issue (in thousand)	1,142,706	1,011,887
Basic loss per share (expressed in RMB per share)	(1.99)	(2.42)

(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 six months ended 30 June 2023, the Group had potential ordinary shares, including restricted shares and share options issued under the Company's share incentive plan (Note 22). As the Group incurred losses for the six months ended 30 June 2023, 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 2023 are the same as basic loss per share (for the six months ended 30 June 2022: the same as basic loss per share).

10 DIVIDEND

No dividend had been declared or paid by the Company during the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

Notes to the Interim Condensed Financial Information

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings (a)	Machinery and molds (b)	Vehicles	Electronic equipment and others	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2022 (Audited)							
Cost	538,164	2,186,690	90,752	166,443	83,211	788,005	3,853,265
Accumulated depreciation	(85,356)	(479,728)	(14,228)	(48,478)	(17,729)	-	(645,519)
Net book amount	452,808	1,706,962	76,524	117,965	65,482	788,005	3,207,746
Six months ended 30 June 2023 (Unaudited)							
Opening net book amount	452,808	1,706,962	76,524	117,965	65,482	788,005	3,207,746
Additions	-	26,805	34,035	10,218	13,277	382,475	466,810
Transfers	136	164,919	65	8,422	-	(173,542)	-
Disposals	-	(1,078)	(24,295)	(185)	(419)	-	(25,977)
Depreciation charge (Note 5)	(12,809)	(152,703)	(11,663)	(19,660)	(10,561)	-	(207,396)
Closing net book amount	440,135	1,744,905	74,666	116,760	67,779	996,938	3,441,183
As at 30 June 2023 (Unaudited)							
Cost	538,300	2,376,700	94,679	184,746	95,801	996,938	4,287,164
Accumulated depreciation	(98,165)	(631,795)	(20,013)	(67,986)	(28,022)	-	(845,981)
Net book amount	440,135	1,744,905	74,666	116,760	67,779	996,938	3,441,183

- (a) As at 30 June 2023, the Group's buildings with carrying value of approximately RMB436,390,000 (31 December 2022: nil) had been pledged for the Group's borrowings of approximately RMB534,000,000 (31 December 2022: nil) (Note 24(a)).
- (b) During 2022, the Group had two finance leasing arrangements, in the form of sale and leaseback arrangements (Note 24(c)), whereby certain machinery and molds of the Group were sold and leased back over a 24-month lease term. The Group has the option to re-acquire the property, plant and equipment on completion of the leases at an insignificant nominal value.

During such lease term and before the exercise of the completion of the repurchase options, such property, plant and equipment are effectively pledged as security for the borrowings and are restricted under the agreements where lessors' consent must be obtained for the pledge or disposal of these assets. As at 30 June 2023, the carrying value of assets under such arrangements amounted to approximately RMB563,620,000 (31 December 2022: RMB513,992,000).

Notes to the Interim Condensed Financial Information

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**(c) Depreciation of the Group charged to profit or loss is analyzed as follows:**

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of sales	148,110	76,622
Research and development expenses	29,107	18,623
Selling expenses	17,952	7,963
Administrative expenses	12,227	12,629
	207,396	115,837

12 LEASES**(a) Amounts recognized in the consolidated balance sheet**

	As at	As at
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Right-of-use assets		
Land use rights (ii)	452,269	399,042
Leased buildings (i)	342,336	421,340
	794,605	820,382
Lease liabilities		
Current	132,324	149,179
Non-current	256,183	268,931
	388,507	418,110

Notes to the Interim Condensed Financial Information

12 LEASES (CONTINUED)**(a) Amounts recognized in the consolidated balance sheet (Continued)**

- (i) Additions to leased buildings during the six months ended 30 June 2023 were approximately RMB24,405,000 (during the six months ended 30 June 2022: RMB404,186,000). Decreases in leased buildings during the six months ended 30 June 2023 of approximately RMB30,495,000 (during the six months ended 30 June 2022: RMB3,208,000) were due to the early termination of lease contracts of certain leased buildings.

In March 2023, the Group acquired a land use right to build factories for manufacturing of vehicles components in Jinhua, Zhejiang Province, the PRC. Addition to land use rights during the six months ended 30 June 2023 was approximately RMB57,798,000 (during the six months ended 30 June 2022: nil).

- (ii) As at 30 June 2023, the Group's land use rights with carrying value of approximately RMB108,663,000 (31 December 2022: RMB25,149,000) had been pledged for the Group's borrowings of approximately RMB914,681,000 (31 December 2022: RMB353,881,000) (Note 24(a)).

(b) Amounts recognized in profit or loss

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation charge of right-of-use assets		
Land use rights	4,570	4,185
Leased buildings	72,915	43,212
	77,485	47,397
Interest expenses (included in finance cost) (Note 7)	9,241	6,208
Expenses relating to short-term leases and other lease component (included in cost of sales, selling expenses, administrative expenses and research and development expenses) (Note 5)	24,547	10,876
	111,273	64,481

Notes to the Interim Condensed Financial Information

13 INTANGIBLE ASSETS

	Software RMB'000	Patents RMB'000	Automotive manufacturing license RMB'000	Total RMB'000
As at 31 December 2022 (Audited)				
Cost	98,860	25	398,830	497,715
Accumulated amortization	(51,059)	(25)	–	(51,084)
Net book amount	47,801	–	398,830	446,631
Six months ended 30 June 2023 (Unaudited)				
Opening net book amount	47,801	–	398,830	446,631
Additions	11,251	–	–	11,251
Amortization charge (Note 5)	(12,073)	–	–	(12,073)
Closing net book amount	46,979	–	398,830	445,809
As at 30 June 2023 (Unaudited)				
Cost	110,111	25	398,830	508,966
Accumulated amortization	(63,132)	(25)	–	(63,157)
Net book amount	46,979	–	398,830	445,809

Notes to the Interim Condensed Financial Information

13 INTANGIBLE ASSETS (CONTINUED)

- (a) Amortization of intangible assets has been charged to the consolidated statement of comprehensive loss as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Administrative expenses (Note 5)	8,898	7,653
Research and development Expenses (Note 5)	3,175	1,144
	12,073	8,797

14 OTHER NON-CURRENT ASSETS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
	Long-term receivables	
– Refundable deposits	20,244	25,930
Provision for impairment	(411)	(472)
	19,833	25,458
Prepayment for property, plant and equipment	47,918	60,626
	67,751	86,084

Long-term receivables represented the receivables due for rental of buildings, which are generally between 1 to 10 years. There is no significant financing component.

All of long-term receivables are denominated in RMB. As a result, there is no exposure to foreign currency risk.

Notes to the Interim Condensed Financial Information

15 INVENTORIES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Raw materials and spare parts	985,553	1,194,796
Finished goods	828,683	907,591
	1,814,236	2,102,387
Less: provisions for impairment of raw materials	(183,937)	(170,824)
Less: provisions for impairment of finished goods	(144,097)	(182,709)
	(328,034)	(353,533)
	1,486,202	1,748,854

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 2023, inventories recognized as cost of sales amounted to approximately RMB5,384,549,000 (during the six months ended 30 June 2022: RMB5,484,239,000) and the provision for impairment of inventories as recognized amounted to approximately RMB286,448,000 (during the six months ended 30 June 2022: RMB445,115,000). 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 2023, the provision for impairment of inventories as utilized upon the Group's ultimate sales of the related vehicles/parts amounted to approximately RMB311,947,000 (during the six months ended 30 June 2022: RMB314,635,000) and there was not any reversal of over-provision recognized in profit or loss.

Notes to the Interim Condensed Financial Information

16 TRADE AND NOTES RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Notes receivables	–	509
Trade receivables		
Government subsidies receivables for promotion of new energy vehicles	969,556	1,654,586
Due from customers	32,161	31,716
Gross trade receivables	1,001,717	1,686,302
Provisions for impairment	(820)	(1,594)
	1,000,897	1,684,708
Total	1,000,897	1,685,217

As at 31 December 2022 and 30 June 2023, the aging analysis of the trade receivables based on date of recognition is as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Up to 6 months	41,711	570,491
6 months to 1 year	538,478	527,389
1 to 2 years	421,528	483,965
2 to 3 years	–	104,457
	1,001,717	1,686,302

As at 31 December 2022 and 30 June 2023, trade receivables with aging of more than one year are mainly government subsidies receivables for promotion of new energy vehicles.

Notes to the Interim Condensed Financial Information

17 OTHER CURRENT ASSETS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Other receivables		
– Refundable deposits	14,157	17,079
– Due from related parties (Note 34(c))	174	174
– Others	4,417	7,476
	18,748	24,729
Provisions for impairment	(348)	(303)
	18,400	24,426
Prepayments for		
– raw materials to third parties	57,750	36,603
– short-term lease rental expenses	10,605	9,003
– raw materials to related parties (Note 34(c))	646	530
– other operating expenses	33,823	20,656
	102,824	66,792
Input VAT to be deducted	177,918	294,022
Total other current assets	299,142	385,240

As at 31 December 2022 and 30 June 2023, the fair values of other current assets of the Group, except for the prepayments and input VAT to be deducted which are not financial assets, approximated their carrying amounts.

Notes to the Interim Condensed Financial Information

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**(a) Classification of financial assets at FVPL**

The Group classifies the followings as financial assets at FVPL:

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

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Investments in wealth management products	732,965	929,800

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

Information about the Group's exposure to financial risk and information about the methods used in determining fair value of these financial assets at FVPL are set out in Note 35(c).

As at 30 June 2023, the investments in wealth management products issued with amounts of RMB100,000,000 (31 December 2022: RMB465,000,000) were restricted as guaranteed deposits for borrowings (Note 24(d)).

Notes to the Interim Condensed Financial Information

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**(b) Amounts recognized in profit or loss is set out below:**

During the six months ended 30 June 2022 and 2023, the following net fair value gains were recognized in the consolidated statement of comprehensive loss:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net fair value gains on financial assets at FVPL recognized in other (losses)/gains – net (Note 4)		
– realized	2,809	9,502
– unrealized	18,165	2,382
	20,974	11,884

19 CASH AND CASH EQUIVALENTS**(a) Cash and cash equivalents**

	As at	As at
	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Cash at banks	9,597,281	9,890,281
Less: restricted cash (b)	(1,104,266)	(1,822,236)
Less: unrestricted short-term bank time deposits (d)	(1,032,960)	(80,823)
Less: restricted short-term bank time deposits (c)	(200,000)	–
Less: unrestricted long-term bank time deposits (d)	(151,931)	(338,228)
Less: restricted long-term bank time deposits (e)	–	(700,000)
	7,108,124	6,948,994

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

Notes to the Interim Condensed Financial Information

19 CASH AND CASH EQUIVALENTS (CONTINUED)**(b) Restricted cash**

As at 30 June 2023, cash at banks with amounts of RMB682,758,000 (31 December 2022: RMB1,204,132,000) and RMB413,400,000 (31 December 2022: RMB610,000,000) were restricted as guarantee deposits for issuance of bank acceptance notes and security deposits for a bank borrowing. The remaining amounts of approximately RMB8,108,000 (31 December 2022: RMB8,104,000) was mainly restricted as customs guarantee, guarantee deposits for the contracts with the Group's suppliers and others.

(c) Short-term bank time deposits

As at 30 June 2023, the short-term bank time deposits with an amount of RMB200,000,000 (31 December 2022: nil) was pledged to the bank as security deposits for a bank borrowing.

(d) Long-term bank time deposits

Long-term bank time deposits were neither past due nor impaired. Management considered that the carrying amounts of the long-term bank time deposits approximated their fair values as at 30 June 2023 and 31 December 2022.

As at 30 June 2023, unrestricted long-term bank time deposits comprises of approximately RMB1,128,000,000 (31 December 2022: RMB398,000,000) principal and RMB56,891,000 (31 December 2022: RMB21,051,000) interest income, of which approximately RMB1,032,960,000 (31 December 2022: RMB80,823,000) will be due within one year and have been reclassified to short-term bank time deposits.

(e) As at 31 December 2022, the restricted long-term bank time deposits with an amount of RMB300,000,000 was pledged to a bank as security deposits under various bank borrowing agreements (Note 24(a)), and the remaining amount of RMB200,000,000 and RMB200,000,000 were pledged to the bank for issuance of bank acceptance notes and for the contract with the Group's suppliers, respectively.

20 SHARE CAPITAL

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

	Number of shares	Share capital RMB'000
As at 1 January 2023 (Audited) and 30 June 2023 (Unaudited)	1,142,706,059	1,142,706

Notes to the Interim Condensed Financial Information

21 RESERVES

	Share premium RMB'000	Reserves Share-based payment reserves RMB'000	Total RMB'000
As at 1 January 2022	10,519,938	269,805	10,789,743
Share-based payment (Note 22)	–	121,069	121,069
As at 30 June 2022 (Unaudited)	10,519,938	390,874	10,910,812
As at 1 January 2023	15,983,261	813,182	16,796,443
Share-based payment (Note 22)	–	339,641	339,641
As at 30 June 2023 (Unaudited)	15,983,261	1,152,823	17,136,084

22 SHARE-BASED PAYMENT**(a) Share award schemes**

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

57,723,164 shares with a grant price of RMB1.40 per unit capital and 12,806,500 shares with a grant price of RMB1.27 per unit capital of the Company were granted to the Incentive targets in 2021 through Guosen Securities and Ningbo Jinghang, respectively. All the shares granted are vested on the third anniversary from the date of fulfilling the service and performance conditions as prescribed in the Share Incentive Plans. If an employee ceased to be employed by the Group within this period, the awarded shares would be forfeited, and forfeited shares would be purchased back by Mr. Zhu Jiangming (朱江明) at the price that the employees initially purchased the shares, and would be reallocated in the subsequent grants, if any, at the discretion of the Group. 2,078,950 shares were forfeited and 302,800 shares were granted and reallocated for the year ended 31 December 2021. The fair value of each awarded restricted shares was calculated based on the most recent transaction price of the Company's shares at the grant date.

Notes to the Interim Condensed Financial Information

22 SHARE-BASED PAYMENT (CONTINUED)**(a) Share award schemes (Continued)**

On 31 May 2022 and 19 August 2022, 3,415,000 shares and 3,683,200 shares, respectively with a grant price of RMB1.40 per unit capital of the Company were granted to the Incentive targets through Guosen Securities. 3,708,150 Shares and 6,085,690 shares were forfeited for the six months ended 30 June 2023 and the year ended 31 December 2022. The discount cash flow method was used to determine the underlying equity fair value of the Company and the fair value of each awarded restricted shares granted.

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

As at 1 January 2023	69,766,024
Granted	–
Forfeited	(3,708,150)
As at 30 June 2023 (Unaudited)	66,057,874

(b) Pre-IPO Share Option Scheme

On 22 June 2022, the pre-IPO share option scheme was adopted by the Company. The number of shares options issued under the pre-IPO share option scheme will be no more than 50,594,348 ordinary shares, representing no more than 5.00% of the issued share capital of the Company immediately prior to the completion of the Global Offering. The shares options of the Company with an exercise price of RMB27.26 per share were granted to the certain eligible employees of the Group subsequently on 5 August 2022, which will be vested in tranches during 4 years from the date of the Global Offering of the Company upon satisfaction of the vesting conditions.

The fair value of the share options granted under Pre-IPO Share Option Scheme have been valued by an independent qualified valuer using the Binomial valuation model as at grant date. Key assumptions are set as below:

	Key assumptions
Risk-free interest rate	2.53%
Volatility	51.54%
Time to maturity	6 years

Notes to the Interim Condensed Financial Information

22 SHARE-BASED PAYMENT (CONTINUED)**(b) Pre-IPO Share Option Scheme (Continued)**

Set out below are the movement in the number of awarded options under the Pre-IPO Share Option Scheme:

As at 1 January 2023	49,734,848
Granted	–
Forfeited	(11,393,100)
As at 30 June 2023 (Unaudited)	38,341,748

(c) Expenses arising from share-based payment transactions

Expenses for the share-based payments have been charged to the consolidated statement of comprehensive loss as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Share-based payment expenses	339,641	121,069

23 FINANCIAL INSTRUMENTS BY CATEGORY

	As at	As at
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Financial assets at amortized cost:		
– Trade and notes receivables (Note 16)	1,000,897	1,685,217
– Other receivables (Note 17)	18,400	24,426
– Long-term receivables (Note 14)	19,833	25,458
– Cash and cash equivalents (Note 19)	7,108,124	6,948,994
– Restricted cash (Note 19)	1,104,266	1,822,236
– Short-term bank time deposits (Note 19)	1,232,960	80,823
– Long-term bank time deposits (Note 19)	151,931	1,038,228
Financial assets at FVPL (Note 18)	732,965	929,800
	11,369,376	12,555,182

Notes to the Interim Condensed Financial Information

23 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Financial Liabilities at amortized cost:		
– Borrowings (Note 24)	2,330,472	1,791,808
– Trade and notes payables (Note 27)	5,913,973	5,986,761
– Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 28)	1,314,205	1,423,476
– Lease liabilities (Note 12)	388,507	418,110
	9,947,157	9,620,155

24 BORROWINGS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Borrowings included in non-current liabilities:		
Bank borrowings, secured (a)	1,085,318	425,276
Bank borrowings, unsecured and unguaranteed (b)	97,000	98,000
Other borrowings, secured (c)	162,500	250,000
	1,344,818	773,276
Borrowings included in current liabilities:		
Bank borrowings, secured (d)	400,000	300,000
Bank borrowings, unsecured and unguaranteed (e)	200,000	–
Current portion of long-term borrowings (a)(b)(c)	381,364	714,627
Interest payables	4,290	3,905
	985,654	1,018,532
Total borrowings	2,330,472	1,791,808

Notes to the Interim Condensed Financial Information

24 BORROWINGS (CONTINUED)

- (a) As at 30 June 2023, the Group has the long-term bank borrowings with the total amount of approximately RMB1,464,682,000 (31 December 2022: RMB887,903,000), of which approximately RMB79,364,000 (31 December 2022: RMB462,627,000) will be due within one year from the balance sheet date.

As at 30 June 2023, the Group's long-term bank borrowings bear interests at floating interest rates ranging from 3.15% to 3.75% per annum, and were secured by the pledge of the Group's buildings with an amount of approximately RMB436,390,000 (Note 11(a)), land use rights with an amount of approximately RMB108,663,000 (Note 12(a)(iii)) and restricted cash with an amount of RMB313,400,000 (Note 19(b)).

As at 31 December 2022, the Group's long-term bank borrowings of approximately RMB887,903,000 with the effective interest rate ranged from 3.5% to 4.85% per annum were secured by pledge of the Group's restricted cash with the amount of RMB610,000,000 (Note 19(b)), the long-term bank time deposits with the amount of RMB300,000,000 (Note 19(e)) and the land use right with the carrying value of approximately RMB25,149,000 (Note 12(a)(iii)).

- (b) As at 30 June 2023, the effective fixed interest rate of the long-term unsecured and unguaranteed borrowing from a PRC bank with the amount of RMB99,000,000 (31 December 2022: RMB100,000,000) was 3.9% (31 December 2022: 3.9%) per annum. Borrowings of RMB2,000,000 (31 December 2022: RMB2,000,000) will be due within one year.
- (c) As at 30 June 2023, the Group had 24-month borrowings with a total amount of RMB600,000,000 (31 December 2022: RMB500,000,000) with two finance leasing companies, obtained through sales and leaseback arrangements, whereby certain property, plant and equipment of the Group were sold and leased back over a 24-month lease term. The Group has the option to re-acquire the property, plant and equipment upon the completion of the leases at an insignificant nominal value. During such lease term and before the exercise of the completion repurchase options, such property, plant and equipment were effectively pledged as security for the borrowings and were restricted under the agreements where lessors' consent must be obtained for the pledge or disposal of these assets. The long-term borrowings have effective interest rates ranging from 5% to 5.1% (31 December 2022: 5% to 5.1%) per annum and was pledged by the property, plant and equipment with the carrying amount of approximately RMB563,620,000 (31 December 2022: RMB513,992,000) (Note 11(b)). As at 30 June 2023, borrowings of RMB137,500,000 (31 December 2022: nil) has been repaid and of RMB300,000,000 (31 December 2022: RMB250,000,000) will be due within one year.
- (d) As at 30 June 2023, the Group had three secured short-term borrowings from a PRC bank with amounts totalling RMB400,000,000 (31 December 2022: RMB300,000,000), and the effective interest ranging from 1.65% to 1.70% (31 December 2022: 1.62% to 1.69%) per annum. The aforementioned borrowings were secured by pledge of the Group's short-term bank time deposit with the amount of RMB200,000,000 (31 December 2022: nil) (Note 19(c)), the Group's restricted cash with the amount of RMB100,000,000 (31 December 2022: nil) (Note 19(b)) and the Group's financial assets at FVPL with the amount of RMB100,000,000 (31 December 2022: RMB465,000,000) (Note 18(a)).
- (e) As at 30 June 2023, the effective fixed interest rate of the short-term unsecured and unguaranteed borrowing from a PRC bank with the amount of RMB200,000,000 (31 December 2022: nil) was 3.2% per annum.

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 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Less than 6 months	601,807	552,704
Between 6 and 12 months	379,557	461,923
Between 1 and 2 years	623,955	440,628
Between 2 and 5 years	606,659	191,096
Over 5 years	114,204	141,552
	2,326,182	1,787,903

Notes to the Interim Condensed Financial Information

24 BORROWINGS (CONTINUED)

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 2022 and 30 June 2023 were disclosed as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-current borrowings	1,341,313	768,096

As at 31 December 2022 and 30 June 2023, the Group has the following undrawn bank facilities:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
RMB facilities	1,800,799	895,830

25 PROVISIONS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-current		
Service warranties	196,544	177,929
Current		
Service warranties	136,318	90,451
	332,862	268,380

Notes to the Interim Condensed Financial Information

25 PROVISIONS (CONTINUED)

The Group provides warranties for certain vehicle products sold and undertakes the obligation to repair or replace items that fail to perform satisfactorily within certain years after purchase or mileage utilized (“**warranty periods**”), whichever reached first. Provisions for service warranties are made for the estimated warranty claims within the warranty periods that remain effective as at the end of each reporting period. The amount of provisions for warranties is estimated based on the assumptions related to the estimations of frequency and average costs of future claims. The estimation is reviewed on an ongoing basis and is revised when appropriate.

Movements of warrants for the six months ended 30 June 2023 are set out below:

	Service warranties RMB'000
As at 1 January 2023	268,380
Provisions for the period	127,357
Amounts utilized during the period	(62,875)
As at 30 June 2023 (Unaudited)	332,862

26 DEFERRED INCOME

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Government grants	397,849	413,971

These government grants were recorded as deferred income and credited to profit or loss on a straight-line basis over the useful lives of the related property, plant and equipment and right-of-use assets.

Notes to the Interim Condensed Financial Information

27 TRADE AND NOTES PAYABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade payables		
– Payables for materials	3,789,956	2,345,688
Notes payables		
– Payables for materials	2,124,017	3,641,073
	5,913,973	5,986,761

As at 30 June 2023, 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 (Note 19(b)).

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 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Up to 6 months	3,681,127	2,317,173
6 months to 1 year	89,830	20,070
1 to 2 years	16,478	7,137
2 to 3 years	2,145	371
Over 3 years	376	937
	3,789,956	2,345,688

Notes to the Interim Condensed Financial Information

28 OTHER PAYABLES AND ACCRUALS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Accrued expenses		
– Advertising and publicity expense	537,674	308,127
– Rebate payables	235,177	354,542
– Freight expenses	45,986	60,888
Payroll and welfare payables	303,167	311,385
Payables for purchases of property, plant and equipment	250,980	328,120
Deposit from suppliers and distributors	121,596	138,207
Payables for design and development services	97,267	165,871
Other taxes payables	43,651	27,850
Payables for listing expenses	8,460	12,410
Others	17,065	55,311
	1,661,023	1,762,711

29 ADVANCES FROM CUSTOMERS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Advances from customers	409,673	218,528

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

Notes to the Interim Condensed Financial Information

30 INVESTMENT IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

	Six months ended 30 June 2023 RMB'000 (Unaudited)
Investment in associates	
At beginning of the period	30,375
Share of net profit of associates accounted for using the equity method	2,827
At end of the period	33,202

Set out below are the details of the associates of the Group as at 31 December 2022 and 30 June 2023. The entity set out below has share capital consisting solely of ordinary shares, which are held directly by the Company. The country of incorporation is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of incorporation and kind of legal entity	% of ownership interest		Principal activities
		As at 30 June 2023	As at 31 December 2022	
Zhejiang Huaruijie Technology Co., Ltd. 浙江華銳捷技術有限公司 (“Huaruijie”).	PRC, limited liability company	20%	20%	Technology development services in the PRC
Jinhua LEAP Faurecia Automotive Parts Co., Ltd. 金華零跑佛吉亞汽車零部件 有限公司 (“LFAP”)	PRC, limited liability company	49%	N/A	Vehicles components manufacturing, research and development in the PRC

On 4 March 2020, the Company and one of the Company’s equity holders co-founded Huaruijie. The paid-in capital of Huaruijie is RMB100,000,000. The Company owns 20% equity interest of Huaruijie and has significant influence on Huaruijie through its representative in the board of directors of Huaruijie.

On 20 June 2023, one of the Company’s subsidiaries and Faurecia (China) Holding Co., Ltd. co-founded LFAP. The Group owns 49% equity interest of LFAP and has significant influence on LFAP through its representative in the board of directors of LFAP. As at 30 June 2023, the Group has not completed its capital contribution to LFAP yet.

Notes to the Interim Condensed Financial Information

31 CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the balance sheet date but not recognized as liabilities is as follows:

(i) Contracted but not provided for

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Property, plant and equipment	2,696,275	2,636,216

(ii) Investment commitments

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Capital injection to associates	32,050	10,000

32 CONTINGENCIES

As at 30 June 2023, there were no significant contingency items for the Group (31 December 2022: nil).

33 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There is no other material subsequent event undertaken by the Group after 30 June 2023.

Notes to the Interim Condensed Financial Information

34 RELATED PARTY TRANSACTIONS

There was no controlling shareholder or ultimate controlling shareholder of the Company. As at the date of this report, Mr. Zhu Jiangming, Mr. Fu Liquan (傅利泉), Ms. Liu Yunzhen (劉雲珍) (spouse of Mr. Zhu Jiangming), Ms. Chen Ailing (陳愛玲) (spouse of Mr. Fu Liquan), by virtue of the acting-in-concert arrangement among them, were collectively and ultimately interested in approximately 27.46% of the total share capital of the Company. These four individuals and the companies established or controlled by them, including Hangzhou Xintu Technology Co., Ltd. (杭州芯圖科技有限公司), Ningbo Hualing Venture Capital L.P. (寧波華綾創業投資合夥企業(有限合夥)), Ningbo Huayang Venture Capital L.P. (寧波華暘創業投資合夥企業(有限合夥)), Ningbo Jinghang, Ningbo Gulin Equity Investment L.P. (寧波顧麟股權投資合夥企業(有限合夥)) and Wanzai Mingzhao Consulting Service Center L.P. (萬載明昭諮詢服務中心(有限合夥)) (“**Wanzai Mingzhao**”), were collectively referred to as the Single Largest Group of Shareholders of the Company.

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

(a) Apart from the members of the Single Largest Group of Shareholders as mentioned above, the major related parties that had transactions and balances with the Group were as follows:

Name of related parties	Relationship with the Group
Zhejiang Dahua Technology Co., Ltd. 浙江大華技術股份有限公司 (“ Dahua Technology ”)	A substantial shareholder of the Company
Huaruijie	Associate, Dahua Technology’s subsidiary
Zhejiang Hyxi Technology Co., Ltd. 浙江華昱欣科技有限公司	Controlled by Mr. Fu Liquan
Zhejiang Dahua Vision Technology Co., Ltd. 浙江大華科技有限公司	Dahua Technology’s subsidiary
Zhejiang Dahua Zhilian Co., Ltd. 浙江大華智聯有限公司	Dahua Technology’s subsidiary
Zhejiang Huaray Technology Co., Ltd. 浙江華睿科技股份有限公司	Dahua Technology’s subsidiary
Shanghai Huashang Chengyue Information Technology Service Co., Ltd. 上海華尚成悅資訊技術服務有限公司	Dahua Technology’s subsidiary
Zhejiang Huaxiao Technology Co., Ltd. 浙江華消科技有限公司	Dahua Technology’s subsidiary

The following significant transactions were carried out between the Group and its related parties during the reporting period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

Notes to the Interim Condensed Financial Information

34 RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Transactions with related parties**

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of vehicles and parts		
Controlled by Mr. Fu Liquan	818	–
Dahua Technology and its subsidiaries	45	505
	863	505
Rendering of services		
Dahua Technology and its subsidiaries	517	517
Sales of property, plant and equipment		
Dahua Technology and its subsidiaries	–	337
Purchases of raw materials		
Dahua Technology and its subsidiaries	91,091	137,832
Purchases of the assembly services		
Dahua Technology and its subsidiaries	28,818	29,572
Purchases of property, plant and equipment		
Dahua Technology and its subsidiaries	432	–
Interest expenses of lease liabilities paid to		
Members of the Single Largest Group of Shareholders	14	97
Dahua Technology and its subsidiaries	–	4
	14	101

Notes to the Interim Condensed Financial Information

34 RELATED PARTY TRANSACTIONS (CONTINUED)**(c) Balances with related parties**

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Other receivables (i)		
Dahua Technology and its subsidiaries	174	174
Trade receivables		
Controlled by Mr. Fu Liquan	118	–
Dahua Technology and its subsidiaries	72	–
	190	–
Prepayments		
Dahua Technology and its subsidiaries	646	530
Trade payables		
Dahua Technology and its subsidiaries	143,164	125,228
Advances from customers		
Dahua Technology and its subsidiaries	585	–
Controlled by Mr. Fu Liquan	254	–
	839	–
Lease liabilities		
Members of the Single Largest Group of Shareholders	460	140
	460	140

(i) As at 30 June 2023 and 31 December 2022, other receivables from related parties of the Group were mainly arising from the deposit for rental.

(ii) The balances with related parties are unrestricted, interest free and repayable or receivable according to credit terms granted or on demand.

(iii) The carrying value of the above trade balances approximates their fair value as at 30 June 2023.

Notes to the Interim Condensed Financial Information

35 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**(a) Fair value hierarchy**

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

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The following table presents the Group's liabilities that are measured at fair value as at 31 December 2022 and 30 June 2023.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2023 (Unaudited)				
Assets				
Financial assets at FVPL (Note 18)	–	–	732,965	732,965
As at 31 December 2022 (Audited)				
Assets				
Financial assets at FVPL (Note 18)	–	–	929,800	929,800

Notes to the Interim Condensed Financial Information

35 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)**(b) Valuation techniques used to determine level 2 and level 3 fair values**

Specific valuation techniques used to value financial instruments include:

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

There were no changes in valuation techniques during the six months ended 30 June 2023.

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

The fair value of trade and notes payables, other payables and accruals (excluding payroll and welfare payables and other tax payables) and current borrowings approximated their carrying amounts. The fair value of non-current borrowings was disclosed in Note 24.

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

The following table presents the changes in level 3 items for the six months ended 30 June 2023:

	Financial assets at FVPL RMB'000
As at 1 January 2023	929,800
Acquisitions	350,000
Disposals	(567,809)
Fair value changes	20,974
As at 30 June 2023 (Unaudited)	732,965

More details about the financial assets at FVPL as at 31 December 2022 and 30 June 2023 have been presented in Note 18.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended 30 June 2023.

Notes to the Interim Condensed Financial Information

35 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)**(d) Valuation inputs and relationships to fair value**

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

As at 30 June 2023

Description	Fair value RMB'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Wealth management products	732,965	Expected rate of return	2.50%-3.00%	The higher the expected rate of return, the higher the fair value

As at 30 June 2023, if expected rate of return higher/lower by 0.5%, fair value of financial assets at FVPL would have been approximately RMB2,331,000 higher/lower.

(e) Valuation processes

External valuation experts will be involved when necessary.

36 BASIS OF PREPARATION

This interim condensed consolidated financial report for the six months ended 30 June 2023 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 2022 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.

Notes to the Interim Condensed Financial Information

36 BASIS OF PREPARATION (CONTINUED)**36.1 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
IFRS 17	Insurance Contracts	1 January 2023
IAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
IAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023

(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 2023 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 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
IFRS 16 (Amendments)	Lease liability in sale and leaseback	1 January 2024
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

Definitions

In this interim report, the following expressions have the meanings set out below unless the context requires otherwise.

“Board”	the board of Directors of our Company
“Board of Supervisors”	the board of supervisors of our Company
“cell-to-chassis” or “CTC”	our proprietary technology to integrate battery module with the battery tray and vehicle body
“Company” or “our 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
“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 substantial shareholder of our Company
“Director(s)”	director(s) of our Company
“Domestic Share(s)”	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which is/are subscribed for or credited as paid in Renminbi
“Employee Incentive Schemes”	collectively, Share Award Scheme I, Share Award Scheme II and Pre-IPO Share Option Scheme
“EREVs”	extended-range electric vehicles
“EV”	the battery electric vehicles used for the carriage of passengers
“Global Offering”	the Hong Kong public offering and the international offering as described in the prospectus
“Group” or “our Group” or “we”	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
“H Share(s)”	overseas listed foreign Share(s) issued or to be issued by our Company with a nominal value of RMB1.00 each, which is/are to be subscribed for and traded in HK dollars and is/are to be listed on the Hong Kong 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

Definitions

“HK\$” or “HK dollars”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	the Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Independent Third Party(ies)”	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules
“Listing”	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“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
“NEVs”	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 29 December 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 22 January 2018 and a member of the Single Largest Group of Shareholders

Definitions

“Ningbo Huayang”	Ningbo Huayang Venture Capital L.P. (寧波華暘創業投資合夥企業(有限合夥)), formerly known as Ningbo Huayang Investment Management L.P. (寧波華暘投資管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on 7 November 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 11 September 2017 and a member of the Single Largest Group of Shareholders
“PRC” or “China”	the People’s Republic of China. For the purposes of this document only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
“Pre-IPO Investment(s)”	the Pre-IPO investments in our Company undertaken by the Pre-IPO Investors, details of which are set out in the section headed “History, Development and Corporate Structure” in the prospectus
“Pre-IPO Investor(s)”	the investor(s) who participated in our Pre-IPO Investments, details of which are set out in the section headed “History, Development and Corporate Structure” in the prospectus
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme as adopted by our Company on 22 June 2022, the principal terms of which are summarized in “Appendix VI – Statutory and General Information – Further Information about Our Directors, Supervisors, Management and Substantial Shareholders – 5. Employee Incentive Schemes” in the prospectus and the paragraph headed “Employee Incentive Schemes” in this interim report
“prospectus”	the prospectus of our Company dated 20 September 2022
“province”	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
“Reporting Period”	the six months ended 30 June 2023
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

Definitions

“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 our Shares
“Share Award Schemes”	collectively, Share Award Scheme I and Share Award Scheme II
“Share Award Scheme I”	the share award scheme as adopted by our Company in January 2021, the principal terms of which are summarized in “Appendix VI – Statutory and General Information – Further Information about Our Directors, Supervisors, Management and Substantial Shareholders – 5. Employee Incentive Schemes” in the prospectus and the paragraph headed “Employee Incentive Schemes” in this interim report
“Share Award Scheme II”	the share award scheme as adopted by our Company in January 2021, the principal terms of which are summarized in “Appendix VI – Statutory and General Information – Further Information about Our Directors, Supervisors, Management and Substantial Shareholders – 5. Employee Incentive Schemes” in the prospectus and the paragraph headed “Employee Incentive Schemes” in this interim report
“Single Largest Group of Shareholders”	refers to collectively Mr. Zhu, Mr. Fu, Ms. Liu, Ms. Chen, Hangzhou Xintu, Ningbo Hualing, Ningbo Huayang, Ningbo Jinghang, Ningbo Gulin and Wanzai Mingzhao
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“Supervisor(s)”	member(s) of the Board of Supervisors
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“USD”	United States dollars, the lawful currency of the United States
“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 28 November 2017 and a member of the Single Largest Group of Shareholders