LEAPMOTOR

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

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

(Stock Code: 9863)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of Zhejiang Leapmotor Technology Co., Ltd. (the "**Company**" or "**We**", and its subsidiaries, the "**Group**") is pleased to announce the audited annual consolidated results of the Group for the year ended 31 December 2023 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2022. These annual results have been prepared under the International Financial Reporting Standards and reviewed by the audit committee (the "**Audit Committee**") of the Board.

HIGHLIGHTS FOR THE YEAR 2023

OPERATIONAL HIGHLIGHTS

	For the year ended 31 December	
	2023	2022
Total deliveries	**144,155**	111,168

- Total deliveries of vehicles were 144,155 units in 2023, representing an increase of 29.7% from 111,168 units in 2022.
- Deliveries of the C11 were 80,708 units in 2023, representing an increase of 81.9% from 44,371 units in 2022.
- Deliveries of the C01 were 24,993 units in 2023, representing an increase of 419.1% from 4,815 units in 2022.
- Deliveries of the T03 were 38,454 units in 2023, representing a decrease of 37.9% from 61,919 units in 2022.
- The Company's sales network has continuously optimized, including 560 stores covering 182 cities as at 31 December 2023.

FINANCIAL HIGHLIGHTS

- Revenue was RMB16,746.7 million for 2023, representing an increase of 35.2% from 2022.

- Gross margin was 0.5% for 2023, representing a substantial improvement from gross margin of (15.4%) for 2022.

- Net loss of the Company was RMB4,216.3 million for 2023, compared with RMB5,108.9 million for 2022. Excluding the share-based payment as part of employee benefit expense, the adjusted net loss (non-IFRS Measure) was RMB3,518.5 million in 2023, compared with RMB4,565.5 million in 2022. See "Management Discussion and Analysis – Non-IFRS Measure."

- Net cash generated from operating activities was RMB1,081.6 million for 2023, compared with net cash used in operating activities of RMB2,399.8 million for 2022.

OUR UNIQUE BUSINESS MODEL

Full-suite In-house R&D Establishing Cost Advantage

We have adopted a path of "full-suite in-house research and development ("**R&D**")", giving rise to a significant advantage in technology advancement building on past accumulations. Full-suite in-house R&D refers to in-house R&D as well as production of the EIC systems (including batteries, electric drive, electric control, smart cockpit, and intelligent driving) which accounts for about 60% of the total vehicle BOM (bill of materials) cost. Our in-house R&D and in-house manufacturing capacity has led to the best product capabilities and cost advantage.

Over the past five years, we have invested approximately RMB4.7 billion in R&D, achieving the full capability of in-house research, in-house production, and mass production of EIC core components and 8 vehicle models. By the end of 2023, we delivered over 300,000 units on an accumulative basis, achieving rapid growth under the highest R&D efficiency. Our exceedingly high efficiency in R&D is based on the following two factors:

(1) Our core R&D team comes from the electronics and IT industries, with expertise in electronic intelligent technology and embedded software development. The team gained a first-mover advantage that many other players do not have when shifting into the field of intelligent new energy vehicle ("**NEV**") development. This enabled them to quickly master EV technology, minimizing errors and inefficiencies in the development process. Consequently, our investment in technological advancement is more effective, leading to a superior cost-output ratio; and

(2) Research and development requires strong technical background. As our technical leader, Mr. Zhu Jiangming, our founder, chairperson of the Board and chief executive officer, is able to guide the team with prominent efficiency in research direction, product definition, execution, team cohesion and other aspects. A leader knowledgeable in technology can make a big difference in turning challenging R&D tasks lead to successful results, while achieving the best efficiency in the money spent.

Our Business Strategy

Our strategy includes three elements:

(1) In the PRC market, we will leverage the cost advantage gained from full-suite in-house R&D, adhere to the path of offering exceptionally quality and cost-effective products, and continue to launch NEVs products that are "good but not expensive" in the mainstream market of RMB100,000 to RMB300,000 price range.

(2) In the overseas market, we collaborate with Stellantis N.V. ("**Stellantis Group**") under an asset-light model to accelerate our globalization efficiently. By leveraging Stellantis Group's extensive global channel network, after-sales service system, and other commercial resources, we expect to accelerate and expand the sales of our high-tech and cost-effective products globally.

(3) We aim to supply our EIC core components to third parties. Based on the in-house R&D and production of EIC core components, and market validation from mass consumer use of our products thus far, we are currently in discussions with some other OEMs to integrate our EIC components into their supply chain and explore new segments for our business growth.

Overseas Vehicle Sales

On 26 October 2023, we announced a global strategic partnership with Stellantis Group, aiming to build an extremely competitive and efficient NEV company worldwide and to jointly establish a joint venture named "Leapmotor International".

For the overseas market, we plan to collaborate with Stellantis Group under an asset-light model to effectively accelerate our globalization. In 2024, we will launch NEVs under the brand Leapmotor in certain continents. In particular, such NEVs will be initially launched in some of the most developed auto markets in Europe. The resource empowerment from Stellantis Group is a strong facilitation of our overseas business. As a successful entrepreneur, Mr. Zhu Jiangming has steered us in formulating a highly practical and creative overseas business model and seizing the innovation opportunities by taking into account the prevailing circumstances, leveraging business wisdom and strategic insight gained over his 30 years of business career.

BUSINESS REVIEW

Continuously Setting New Delivery Records

In 2023, we achieved an annual delivery of 144,155 NEVs, representing a 29.7% year-on-year increase compared to 2022. From the launch of our first NEV in 2019 and up to the end of the Reporting Period, the compound annual growth rate of deliveries has been 243.4%. In 2023, the C series models with a total of 105,701 units delivered, accounted for over 73.3% of the total annual deliveries compared to 44.3% in 2022, indicating a continuous improvement in product structure. Among them, the C11 model had an annual delivery of 80,708 units in 2023, marking an 81.9% year-on-year increase compared to 2022. Consecutively achieving the deliveries of 200,000 and 300,000 mass-produced vehicles in 2023 represents a significant milestone and a new starting point for our leapfrog development, consolidating our leading position as a new force in the industry.

Continued High-Speed Revenue Growth

In 2023, our total annual revenue amounted to RMB16,746.7 million, representing a year-on-year increase of 35.2% compared to 2022. From the launch of our first NEV in 2019 and up to the end of the Reporting Period, the compound annual growth rate of revenue has been 245.9%. The rapid growth of our business was mainly attributable to the Company's continuous exploration of the direction of future automobile evolution. With "full-suite in-house R&D + vertical integration" as the strategic guideline, we pursue intelligent and electrified technological innovations, redefining the benchmark of intelligence, and creating a new experience of intelligent mobility for users. Such allows us to continue to launch and rapidly iterate on highly cost-effective products, enabling us to succeed in a rapidly developing market.

Annual Gross Profit Turning Positive

In 2023, we recorded a positive gross profit for the first time, with a gross margin of 0.5% for the year. This was due to an improved product mix, continuous cost reduction and efficiency enhancement, and our efforts to reduce costs through technological innovations. It is expected that the gross margin will further improve in the future with enhanced cost control and operational efficiency.

Operating Cash Flow Turning Positive

In 2023, we achieved positive operating cash flow for the first time, totaling RMB1,081.6 million, representing an increase of RMB3,481.4 million compared to 2022. Our liquidity amounted to RMB19,388.1 million, indicating ample cash reserves.

Continuous Optimization of Marketing Network: the "1+N" Model

We adopted the innovative "1+N" model to continuously expand and optimize our marketing network. The "1+N" model is a channel model in which "1" regional center shop with full 4S service capabilities supports several ("N") display shops in the area. The regional center shops guide other display shops in the sales areas with the standardized procedures, enabling the formation of regionalized and modularized advantages, while taking into account cost control, brand and service. Our city managers manage and empower the regional shop system, assists in optimizing processes and improving user experience.

The transformation in the automobile industry lies not just in technology, but also in the marketing model. It is imperative for OEMs to work together with the distributors partners to accomplish the new retail transformation of NEVs. The "1+N" model is user-centric, in which the previous "customer-looking-for-cars" pattern is replaced by a "car-presence-at-where-customers-located" pattern. The "N" stores will be built where the customers are located. At the same time, the "1" regional center shop will be developed, which will be able to fulfill the user's desire for "efficient, good and economical" one-stop services through a comprehensive process and standards. The role of our city managers has shifted from a traditional "supervisor" to the current "tutor, assistant and leader" in order to improve the retail sales capacity of our distributors to the largest extent.

As at 31 December 2023, we had 560 stores covering 182 cities.

Establishment of a User-centric, Full-chain Digital "Marketing, Sales and Service" Platform

We have developed and applied a comprehensive digital marketing and service system, which focuses on the end user, and is effective in connecting online and offline service touchpoints and offering full-scenario user experience. We use DMP and other precision placement tools to implement systematisation and digitisation, from finding leads of interested people, media advertising to user invitation, shop visits, test driving, order placing, and further to vehicle ownership and use after the sales. This creates positive experience throughout the whole journey.

Globalization Strategy

On 4 September 2023, we participated in the IAA MOBILITY 2023 (the "**Munich Automobile Exhibition**"), where the "LEAP TOGETHER Shaping a Shared Technological Future" global strategy press conference was held. The Munich Automobile Exhibition marked the starting point of Leapmotor's globalization strategy.

On 26 October 2023, we announced a global strategic partnership with Stellantis Group, aiming to build an extremely competitive and efficient NEV company worldwide. For details, please refer to the section headed "Overseas Vehicle Sales" of this results announcement.

On 26 October 2023, the Company entered into the H share subscription agreement with Stellantis Group, pursuant to which the Company agreed to allot and issue 194,260,030 H shares to Stellantis Group (the "**Stellantis H Share Subscription**"), representing 14.53% of the issued Shares of the Company as enlarged by the Stellantis H Share Subscription. On 20 November 2023, the Stellantis H Share Subscription was completed, Stellantis Group became our substantial shareholder and occupied two seats in the Board.

PRODUCT R&D AND ITERATION

Implementation of the "BEVs+EREVs" Dual Power Strategy

On 9 February 2023, we unveiled the first extended-range electric vehicles (EREVs), the C11, and launched its pre-sale on the same day. The official pre-sale of the C11 EREV rolled out our "BEVs+EREVs" Dual Power deployment, making us the first new force automobile manufacturer with "BEVs+EREVs". On 1 March 2023, the C11 EREV and the 2023 C01, C11 EV and T03 models were officially launched. On 20 September 2023, the new models, namely C01 Super EREV and C11 Super EREV, were launched. The launch of these two models will advance the deployment of the Dual Power strategy.

Ongoing Upgrades on Over-the-air ("OTA")

In addition to the launch of new models, we continued to provide users with the application of our latest R&D results through OTA, so as to enhance the driving experience of our users. In 2023, we completed 6 OTA updates in total, incorporating over 100 features in C11 and C01, such as a new desktop UI, 3D vehicle model with a transparent chassis, remote OTA capabilities and an APP-based remote control.

Technology Architecture Upgrade and Iteration

In 2023, after eight years of technological accumulation, our full-suite in-house R&D realized the upgrade and iteration from LEAP1.0 to LEAP3.0 architecture, and was officially launched on 10 January 2024. The LEAP3.0 technology architecture incorporates a number of technologies which are the first of their kind in the industry, including the industry's first centralized integrated electrical/electronic (E/E) architecture that integrated four domains into one (the "**Four-Leaf Clover Architecture**"), the industry's first integration technology of advanced driver assistance systems (ADAS), smart cockpit, driving and parking functions by using one single 8295 chip, the industry's first city full-scenario Network Access Control (NAC) technology that is free of navigation, the industry's first seamless OTA upgrade technology and the industry's first new-energy golden powertrain technology (CTC battery + oil-cooled electric drive), with the commonality index of vehicle architecture reaching 88%, the highest in the industry.

The Four-Leaf Clover Architecture employs 1 SOC chip (system-on-chip chip) + 1 MCU chip (microcontroller unit chip), which seamlessly integrates the cockpit domain, ADAS domain, power domain and vehicle body domain and realizes the efficient synergy of the core components of intelligent NEVs with high computing power, fast communication, and low latency. Benefitting from our full-suite in-house R&D strategy, the Four-Leaf Clover Architecture achieves the deep integration of hardware and software, which not only decouples software and hardware, but also realizes software layered decoupling and iteration. On the software aspect, we have achieved a service-based structure, adopted standard interface design while realizing universal communication protocols among various functions, and lower system development costs. High-quality seamless OTA update is achieved, allowing us to take control over the evolution of intelligence, and the way is paved for the prospect of software defined-vehicles. At the same time, we have also made available a business cooperation model allowing the sharing of Four-Leaf Clover Architecture technology.

Environmental, Social and Governance ("ESG")

We have been focusing on NEVs since our founding in 2015. From the very beginning when the Company adopted its name which incorporates the meaning of "zero" in Chinese, we have been committed to "Zero Emission, Zero Congestion, Zero Collision" in the mobility industry, in line with the ESG concept of green development.

On 17 April 2023, we published its first ESG report. We have been awarded the 2023 Wind's Top 100 ESG Best Practices for Listed Companies in China list, and was selected and rated as "AA" by MSCI ESG ratings for the first time in early 2024.

RECENT DEVELOPMENTS AFTER THE REPORTING PERIOD

The Company delivered 18,843 vehicles from January to February 2024, representing an increase of 334.5% over the same period in 2023.

On 2 March 2024, we officially released the configurations and prices of the first model aimed at the global market, C10, and the 2024 all-new product lineup, and started the related sales and deliveries. All LEAP3.0 technologies are already on board and deployed on C10, the new C11, and the new C01. The C series continues to provide Dual Power options of "BEVs + EREVs" to meet the diverse needs of users. The C10 will serve as Leapmotor's first global SUV flagship model and is scheduled to be launched in Europe and major global markets by the end of the third quarter of 2024.

On 19 January 2024, the Company entered into (i) an H share subscription agreement with Jinhua Industrial Fund Co., Ltd., and (ii) a domestic share subscription agreement with Wuyi County Financial Investment Holdings Company Limited (collectively, the "**2024 Share Subscriptions**"). The subscription shares under the 2024 Share Subscriptions will be allotted and issued pursuant to the general mandate with an aggregate amount of proceeds not exceeding RMB600 million. The proceeds would be allocated for R&D investment, marketing, production capacity enhancement, working capital, general corporate purposes and others.

Save as disclosed above, no major events affecting the Group have occurred since 31 December 2023 and up to the date of this results announcement.

MESSAGE FROM MR. ZHU JIANGMING, THE FOUNDER, CHAIRPERSON OF THE BOARD AND CHIEF EXECUTIVE OFFICER OF THE COMPANY

Although we are still a long way from success, 2023 marked another year when we took a big step forward.

In 2023, our sales volume grew steadily and deliveries continued to reach record high, placing us at the forefront of the new force automobile manufacturer. Over the past year, we optimized our product mix, with our best-selling model of the year changing from the T03 to the higher-priced C11. With competitive pricing, we achieved our target of turning annual gross profit positive ahead of schedule in 2023, and obtained positive cash flow from operations. our brand recognition and awareness have increased significantly, and we have formed a stronghold in terms of our smart electric technology. Furthermore, the efforts spent on full-suite in-house R&D over the past eight years have led to better cost savings and higher efficiency. Therefore, we are able to bring customers high-quality, well-configurated products with a high price-performance ratio.

In 2023, we redefined the selection standards for NEVs in the price range of RMB150,000 to RMB200,000 through a series of new product launches, satisfy users' diversified mobility needs by deploying the "BEVs + EREVs" Dual Power strategy; and launch C-series Super EREVs products with the highest BEV drive range of more than 300 kilometers. Accordingly, we set a new benchmark for NEVs in the price range of RMB150,000 to RMB200,000. Monthly sales of C11 had once exceeded 10,000 units, which became a milestone for new energy SUVs in the price range of RMB150,000 to RMB200,000.

In 2023, we released the "Four-Leaf Clover" centralized integrated electrical/electronic (E/E) architecture, which realized the industry's first four-domain integration , laid a solid foundation for the realization of software-defined vehicles and propelled us to enter the LEAP3.0 era.

In 2023, leveraging on our competitive edge in technologies and products, we welcomed the investment by and strategic cooperation with a heavyweight global strategic partner, Stellantis Group. Adopting a unique light-asset model of development for business globalization, setting strategic goals of "building an international brand through full-suite in-house R&D", and with the backing of Stellantis Group's worldwide channel and after-sales service network, we are expected to quickly open up the international market and build Leapmotor's international brand on a global scale.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Analysis

Revenues

Total revenues were RMB16,746.7 million in 2023, representing an increase of 35.2% from RMB12,384.6 million in 2022. The increase was primarily due to an increase in the sales of electric vehicles and parts and higher average selling price across our portfolio as our product mix evolved.

Revenue from sales of electric vehicles and parts amounted to RMB16,732.8 million in 2023, representing an increase of 35.2% from RMB12,378.0 million in 2022. This increase was mainly attributable to (i) the increase in the sales volume of our EVs, and (ii) an increase in the average selling price across our portfolio as our product mix continued to evolve. The number of EVs delivered increased from 111,168 units in 2022 to 144,155 units in 2023.

Revenue from rendering of services amounted to RMB13.9 million in 2023, representing an increase of 110.6% from RMB6.6 million in 2022. The embedded services primarily include extended one-year or lifetime warranty, vehicle internet connection and OTA updates.

Cost of Sales

Cost of sales was RMB16,666.2 million in 2023, representing an increase of 16.6% from RMB14,295.9 million in 2022. The increase was primarily due to the increase in the cost of raw materials and consumables resulting from the increased sales volume of our EVs.

Gross Profit/Loss and Gross Margin

Gross profit was RMB80.5 million in 2023, representing a turnaround from gross loss of RMB1,911.3 million in 2022.

Gross margin improved and turnaround from (15.4%) in 2022 to gross margin of 0.5% in 2023, primarily due to (i) the increase in the average selling price, (ii) the decrease in average manufacturing cost per electric vehicle as a percentage of the average selling price, as our product mix evolved, and (iii) our continuous cost management efforts.

Selling Expenses

Selling expenses were RMB1,795.2 million in 2023, representing an increase of 61.2% from RMB1,113.6 million in 2022. This increase was primarily due to the increased marketing campaigns and optimization of sale channels.

Administrative Expenses

Administrative expenses remained relatively stable at RMB842.1 million and RMB857.5 million in 2022 and 2023.

R&D Expenses

R&D expenses were RMB1,919.8 million in 2023, representing an increase of 36.1% from RMB1,410.6 million in 2022. The increase was primarily due to (i) the increased investments in R&D activities, and (ii) the increased number of R&D personnel.

Operating Loss

Operating loss was RMB4,377.4 million in 2023, compared with RMB5,226.8 million in 2022. The decrease in operating loss was mainly attributable to the improved business performance and increase in revenues.

Net Finance Income

Net finance income was RMB157.1 million in 2023, representing an increase of 47.9% from RMB106.3 million in 2022. This increase was primarily due to higher interest income arising from cash at banks and the deposits.

Share of Net Profit of Associates

Share of net profit of associates accounted for using the equity method was RMB4.1 million in 2023, representing a decrease of 65.1% from RMB11.7 million in 2022.

Net Loss and Adjusted Net Loss

Net loss was RMB4,216.3 million in 2023, compared with RMB5,108.9 million in 2022. Excluding the share-based payment as part of employee benefit expenses, the adjusted net loss (non-IFRS) was RMB3,518.5 million in 2023, compared with RMB4,565.5 million in 2022. See "—Non-IFRS Measure."

Basic and Diluted Loss Per Share

Basic and diluted loss per share was RMB3.62 in 2023, compared with RMB4.89 per share in 2022.

Liquidity and Capital Resources

As at 31 December 2023, we had a liquidity of RMB19,388.1 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 98.2% from RMB9,781.9 million as at 31 December 2022. Our cash and cash equivalents primarily consist of cash at banks under RMB, USD and HKD denominations. We believe that this level of liquidity is sufficient to finance our operations, having considered our business development and expansion plans.

Free Cash Flow

Free cash flow represents net cash generated from/(used in) operating activities less capital expenditures. In 2023, our free cash flow amounted to RMB(322.7) million, representing an improvement of RMB3,495.2 million from RMB(3,817.9) million in 2022.

Interest Expenses on Bank and Other Borrowings

Interest expenses on bank and other borrowings was RMB78.7 million for the year ended 31 December 2023, representing an increase of 50.0% from RMB52.5 million for the year ended 31 December 2022.

Borrowings

As at 31 December 2023 and 31 December 2022, we had total borrowings of RMB2,473.0 million and RMB1,791.8 million, respectively. Our bank and other borrowings were denominated in RMB. As at 31 December 2023, the effective fixed interest rate of a long-term unsecured and unguaranteed borrowing from a PRC bank with the amount of RMB98,000,000 (2022: RMB100,000,000) was 3.9% per annum.

Gearing Ratio

We monitored capital using gearing ratio. As at 31 December 2023, the Group's gearing ratio was negative value, which is calculated as net debt divided by total capital at the end of each financial period. Net debt equals to our total borrowings and lease liabilities less our cash and cash equivalents. Total capital is calculated as total equity plus net debt.

Net Cash Generated from/(Used in) Operating Activities

Net cash generated from operating activities was RMB1,081.6 million for the year ended 31 December 2023, compared with net cash used in operating activities of RMB2,399.8 million for the year ended 31 December 2022, representing an increase of RMB3,481.4 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 (i) the receipt of government subsidies for NEVs, (ii) the improved gross margin of vehicle sales and (iii) optimized management of operating cash flow.

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 at 31 December 2023, our Company pledged restricted deposits of RMB3,921.9 million, representing an increase of 55.5% from RMB2,522.2 million as at 31 December 2022. Such restricted deposits included restricted cash, and bank time deposit.

As at 31 December 2023, the Group pledged certain financial assets at FVPL, land use rights and property, plant and equipment for borrowings.

Significant Investments Held

For the year ended 31 December 2023, our Company did not have any significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as at 31 December 2023).

Future Plans for Material Investments and Capital Assets

As at 31 December 2023, the Group has no specific plan for material investments and acquisition of capital assets.

Capital Commitments and Capital Expenditures

Our Company had capital commitments amounting to RMB2,599.2 million primarily for the acquisition of property, plant and equipment as at 31 December 2023. Our Company recorded capital expenditures of RMB1,404.3 million for the year ended 31 December 2023, which were primarily used for the procurement of plant and machinery, land use rights and intangible assets for our production base in Jinhua, Zhejiang Province and Hangzhou, Zhejiang Province.

Contingent Liabilities

As at 31 December 2023, our Company did not have any material contingent liabilities.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

For the year ended 31 December 2023, our Company did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Non-IFRS Measure

To supplement our annual 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.

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

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Reconciliation of net loss to adjusted net loss:		
Net loss for the year	**(4,216,274)**	(5,108,886)
Add:		
– Share-based payment[1]	**697,791**	543,377
Adjusted net loss (Non-IFRS measure)	**(3,518,483)**	(4,565,509)

Note:

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

RISK MANAGEMENT

Foreign Exchange Risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the Group. The Company and its major subsidiaries were incorporated in Mainland China. The Company considers RMB as the functional currency and believes that it currently does not have any significant direct foreign exchange risk arising from its operating activities. As at 31 December 2023, the Company did not hold any financial instruments for hedging purposes.

Interest Rate Risk

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

EMPLOYEES, TRAINING AND REMUNERATION POLICIES

As at 31 December 2023, the Group had 9,314 full-time employees, the majority of whom are based in Zhejiang Province, China. The following table sets forth the breakdown of the Group's employees by function as at 31 December 2023:

Function	Number of Employees	% of Total
Manufacturing	4,538	48.72
R&D	2,929	31.45
Sales and marketing	1,274	13.68
Supply chain management	246	2.64
General and administration	327	3.51
Total	**9,314**	**100.0**

The Group primarily recruits the employees through campus recruitment, online recruitment, internal referrals, recruitment firms or agents, and other channels, to satisfy its demand for different types of talents. The Group conducts safety awareness, quality awareness and corporate culture training for R&D and manufacturing staff, and implements a comprehensive training system for all employees. During the Reporting Period, the Group incurred employee benefit expenses of approximate RMB3,478.6 million. The Group also holds various training courses conducted online and offline on a weekly basis.

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

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 C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

During the Reporting Period, our Company has complied with the code provisions set out in the CG Code contained in Appendix C1 to the Listing Rules, except for code provision C.2.1 as explained below.

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

DIVIDEND

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

DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiries to all of the Directors of the Company, all Directors confirmed that they have fully complied with all relevant requirements set out in the Model Code during the Reporting Period.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated balance sheets, consolidated statements of profit or loss and the related notes thereto for the year ended 31 December 2023 as set out in this results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this results announcement.

AUDIT COMMITTEE

The Audit Committee of the 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 the Company has reviewed the audited final results of our Company for the year ended 31 December 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Revenue	*3*	**16,746,689**	12,384,630
Cost of sales	*5*	**(16,666,219)**	(14,295,946)
Gross profit/(loss)		**80,470**	(1,911,316)
Selling expenses	*5*	**(1,795,195)**	(1,113,589)
Administrative expenses	*5*	**(857,510)**	(842,097)
Research and development expenses	*5*	**(1,919,790)**	(1,410,645)
Net impairment reversal/(losses) on financial assets and contract assets		**25**	(1,791)
Other income		**89,011**	83,938
Other gains/(losses) – net	*4*	**25,564**	(31,302)
Operating loss		**(4,377,425)**	(5,226,802)
Finance income		**229,358**	143,271
Finance costs		**(72,218)**	(37,012)
Finance income – net		**157,140**	106,259
Share of net profit of associates accounted for using the equity method		**4,087**	11,705
Loss before income tax		**(4,216,198)**	(5,108,838)
Income tax expense	*6*	**(76)**	(48)
Loss for the year attributable to the equity holders of the Company		**(4,216,274)**	(5,108,886)
Loss per share attributable to the equity holders of the Company (in RMB)			
Basic and diluted loss per share	*7*	**(3.62)**	(4.89)

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2023** *RMB'000*	2022 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**3,868,418**	3,207,746
Right-of-use assets		**732,380**	820,382
Intangible assets		**449,678**	446,631
Investment in associates accounted for using the equity method		**44,262**	30,375
Financial assets at fair value through other comprehensive income		**217,128**	–
Time deposits		**576,572**	1,038,228
Other non-current assets		**95,239**	86,084
		5,983,677	5,629,446
Current assets			
Inventories	*8*	**1,719,472**	1,748,854
Trade and notes receivables	*9*	**926,337**	1,685,217
Contract assets		**13,975**	37,238
Other current assets		**421,874**	385,240
Financial assets at fair value through profit or loss		**2,769,516**	929,800
Time deposits		**2,087,300**	80,823
Restricted cash		**2,799,877**	1,822,236
Cash and cash equivalents		**11,731,389**	6,948,994
		22,469,740	13,638,402
Total assets		**28,453,417**	19,267,848
EQUITY			
Share capital		**1,336,966**	1,142,706
Reserves		**25,057,804**	16,796,443
Accumulated losses		**(13,896,574)**	(9,680,300)
Total equity		**12,498,196**	8,258,849

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**As at 31 December 2023** *RMB'000*	2022 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings	*10*	**891,811**	773,276
Contract liabilities		**190,367**	117,505
Lease liabilities		**169,504**	268,931
Provisions		**368,101**	177,929
Deferred income		**381,734**	413,971
		2,001,517	1,751,612
Current liabilities			
Trade and notes payables	*11*	**9,846,873**	5,986,761
Other payables and accruals	*12*	**2,021,660**	1,762,711
Advances from customers		**242,034**	218,528
Contract liabilities		**22,555**	31,225
Borrowings	*10*	**1,581,157**	1,018,532
Lease liabilities		**104,137**	149,179
Provisions		**135,288**	90,451
		13,953,704	9,257,387
Total liabilities		**15,955,221**	11,008,999
Total equity and liabilities		**28,453,417**	19,267,848
Net current assets		**8,516,036**	4,381,015
Total assets less current liabilities		**14,499,713**	10,010,461

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company			
	Share capital	Reserves	Accumulated losses	Total
	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 year	–	–	(5,108,886)	(5,108,886)
Transactions with equity holders				
Issuance of ordinary shares upon global offering	130,819	5,463,323	–	5,594,142
Share-based payment	–	543,377	–	543,377
	130,819	6,006,700	–	6,137,519
As at 31 December 2022	1,142,706	16,796,443	(9,680,300)	8,258,849
As at 1 January 2023	**1,142,706**	**16,796,443**	**(9,680,300)**	**8,258,849**
Loss for the year	**–**	**–**	**(4,216,274)**	**(4,216,274)**
Fair value change of financial assets at fair value through other comprehensive income	**–**	**(8,637)**	**–**	**(8,637)**
Total comprehensive loss for the year	**–**	**(8,637)**	**(4,216,274)**	**(4,224,911)**
Transactions with equity holders				
Issuance of ordinary shares	**194,260**	**7,572,207**	**–**	**7,766,467**
Share-based payment	**–**	**697,791**	**–**	**697,791**
	194,260	**8,269,998**	**–**	**8,464,258**
As at 31 December 2023	**1,336,966**	**25,057,804**	**(13,896,574)**	**12,498,196**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cash flows from operating activities		
Net cash generated from/(used in) operations	**901,853**	(2,511,275)
Interest received from cash at banks	**179,787**	111,526
Income taxes paid	**(69)**	(16)
Net cash generated from/(used in) operating activities	**1,081,571**	(2,399,765)
Cash flows from investing activities		
Investments in an associate	**(9,800)**	–
Proceeds from sale of property, plant and equipment	**60,934**	26,636
Payments for land use rights	**(57,798)**	–
Payments for property, plant and equipment	**(1,306,392)**	(1,370,697)
Payments for intangible assets	**(30,272)**	(47,467)
Government grants received in relation to acquisition of non-current assets	**–**	118,036
Proceeds from disposals of financial assets at fair value through profit or loss	**1,372,207**	4,918,456
Payments for financial assets at fair value through profit or loss	**(3,168,237)**	(4,566,493)
Payments for financial assets at fair value through other comprehensive income	**(225,765)**	–
Payments for time deposits	**(1,615,000)**	(428,000)
Proceeds from time deposits	**110,000**	50,000
Interest received from time deposits	**9,750**	7,797
Net cash used in investing activities	**(4,860,373)**	(1,291,732)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	**7,777,787**	–
Proceeds from issuance of H shares upon global offering	**–**	5,687,687
Principal payments of lease liabilities	**(131,052)**	(120,456)
Net changes in restricted cash as deposits for bank borrowings	**296,600**	–
Repayments of borrowings	**(1,337,478)**	(338,406)
Proceeds from borrowings	**2,026,300**	1,253,881
Interest paid for borrowings	**(58,389)**	(18,405)
Interest paid for lease liabilities	**(21,491)**	(16,461)
Payments for listing expenses	**(578)**	(92,430)
Net cash generated from financing activities	**8,551,699**	6,355,410
Net increase in cash and cash equivalents	**4,772,897**	2,663,913
Cash and cash equivalents at beginning of the year	**6,948,994**	4,337,967
Exchange gains/(losses) on cash and cash equivalents	**9,498**	(52,886)
Cash and cash equivalents at end of the year	**11,731,389**	6,948,994

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Zhejiang Leapmotor Technology Co., Ltd. (“**Zhejiang Leapmotor**”, or the “**Company**”) was incorporated in the People’s Republic of China (the “**PRC**”) on 24 December 2015 as a limited liability company under the Company Law of the PRC. The address of the Company’s registered office is 1st floor, No. 451, Wulianwang Street, Binjiang District, Hangzhou, Zhejiang Province, PRC.

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

The Company’s H shares have been listed on The Main Board of The Stock Exchange of Hong Kong Limited since 29 September 2022.

The financial statements are presented in thousands of RMB (“RMB’000”), unless otherwise specified.

The financial statements have been approved for issue by the Board of Directors on 25 March 2024.

2 BASIS OF PREPARATION

(i) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“**IASB**”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities that are measured at fair value.

(iii) Changes in accounting policies during the year

A number of new or amended standards became applicable for the current reporting period. The adoption of these new standards and amendments did not have material impact on the Group’s financial position or operating result and did not require retrospective adjustment.

Standards and amendments	**Effective for accounting periods beginning on or after**
IFRS 17 ‘Insurance contracts’	1 January 2023
IAS 1 (Amendment) and IFRS Practice Statement 2 (Amendment) ‘Disclosure of accounting policies’	1 January 2023
IAS 8 (Amendment) ‘Definition of accounting estimates’	1 January 2023
IAS 12 (Amendment) ‘Deferred tax related to assets and liabilities arising from a single transaction’	1 January 2023
IAS 12 (Amendment) ‘International tax reform – Pillar Two Model Rules’	1 January 2023

2 BASIS OF PREPARATION (CONTINUED)

(iv) New or amended standards not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group.

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. The Group plans to adopt these new standards, amendments to standards and annual improvements when they become effective:

Standards and amendments	**Effective for accounting periods beginning on or after**
IAS 1 (Amendment) 'Classification of liabilities as current or non-current'	1 January 2024
IAS 1 (Amendment) 'Non-current liabilities with covenants'	1 January 2024
IAS 16 (Amendment) 'Lease liability in a sale and leaseback'	1 January 2024
IFRS 7 (Amendment) and IAS 7 (Amendment) 'Supplier finance arrangements'	1 January 2024
IAS 21 (Amendment) 'Lack of exchangeability'	1 January 2025
IFRS 10 (Amendment) and IAS 28 (Amendment) 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined

3 REVENUE AND SEGMENT INFORMATION

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

(a) Revenue by geographical

During the year ended 31 December 2023, apart from the business and operations conducted in Mainland China, the Group exported new energy vehicles and parts outside the Mainland China. The following table shows the Group's total consolidated revenue by location of the customers for the years ended 31 December 2023 and 2022:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Mainland China	**16,642,688**	12,303,465
Others	**104,001**	81,165
	16,746,689	12,384,630

(b) Revenue during the reporting period

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

Revenue mainly comprises sales of vehicles and parts and rendering of embedded services. An analysis of the Group's revenue by category for the years ended 31 December 2023 and 2022 is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Revenue from customers and recognized at point in time		
Sales of vehicles and parts (i)	**16,732,759**	12,378,011
Revenue from customer and recognized over time		
Rendering of services	**13,930**	6,619
	16,746,689	12,384,630

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

3 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) Contract liabilities

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Non-current		
Rendering of services	**190,367**	117,505
Current		
Rendering of services	**22,555**	31,225
	212,922	148,730

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

(d) Unsatisfied performance obligations

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Aggregate amount of the transaction price allocated to performance obligations that are partially or fully unsatisfied	**212,922**	148,730

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

(e) Contract assets

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Contract assets	**13,986**	37,271
Loss allowance	**(11)**	(33)
	13,975	37,238

4 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Net fair value gains on financial assets at FVPL	**43,686**	21,685
Net foreign exchange losses	**(18,202)**	(52,387)
Net (losses)/gains on disposals of property, plant and equipment, intangible assets and right-of-use assets	**(596)**	2,102
Other items	**676**	(2,702)
	25,564	(31,302)

5 EXPENSES BY NATURE

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Changes in inventories of finished goods	**(198,366)**	(605,769)
Raw materials and consumables used	**15,285,027**	13,736,948
(Reversal)/Provision for impairment of inventories	**(189,151)**	26,235
Employee benefit expenses	**3,478,637**	2,335,078
Advertising and publicity expenses	**1,017,631**	638,612
Depreciation and amortization expenses	**601,205**	415,664
Design and development expenses	**351,408**	352,498
Warranty costs	**313,614**	277,470
Freight expenses	**164,065**	142,173
Expenses relating to short-term leases	**64,781**	36,973
Legal, consulting and other professional fees	**60,635**	58,042
Auditors' remuneration – Audit services	**5,100**	4,080
Listing expenses	**–**	46,994
Others	**284,128**	197,279
	21,238,714	17,662,277

6 INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current income tax expense	**76**	48
Deferred income tax expense	**–**	–
Income tax expense	**76**	48

6 INCOME TAX EXPENSE (CONTINUED)

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

The Company was entitled to a preferential income tax rate of 15% during the years ended 31 December 2023 and 2022. 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.

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

The Company's subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% (2022: 16.5%) for the year ended 31 December 2023.

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

A reconciliation of the expected income tax calculated at the applicable corporate income tax rate and loss before income tax, with the actual corporate income tax is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loss before income tax	**(4,216,198)**	(5,108,838)
Share of net profit of associates accounted for using the equity method	**(4,087)**	(11,705)
	(4,220,285)	(5,120,543)
Income tax credit computed at the applicable income tax rate of 25%	**(1,055,071)**	(1,280,136)
Tax effects of:		
Preferential tax rate	**146,472**	142,966
Expenses not deductible for taxation purposes	**151,650**	106,289
Super Deduction in respect of R&D expenditures	**(208,379)**	(115,094)
Utilization of previously unrecognized tax losses and temporary differences	**(95,970)**	(1,102)
Tax losses and deductible temporary differences for which no deferred income tax asset was recognized	**1,061,374**	1,147,125
Income tax expense	**76**	48

As at 31 December 2023, the Group had unutilized tax losses of approximately RMB13,544,700,000 (2022: RMB9,023,285,000) that can be carried forward against future taxable income. No deferred income tax asset has been recognized in respect of such tax losses due to the unpredictability of taxable income in the near future.

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

6 INCOME TAX EXPENSE (CONTINUED)

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Expiry year		
2023	**–**	45,256
2024	**609,499**	609,499
2025	**825,172**	829,080
2026	**1,683,361**	1,715,323
2027	**2,460,548**	2,799,419
2028	**2,822,830**	227,303
2029	**164,455**	164,455
2030	**97,232**	97,232
2031	**712,165**	712,165
2032	**1,823,553**	1,823,553
2033	**2,345,885**	–
	13,544,700	9,023,285

7 LOSS PER SHARE

(a) Basic loss per share

Basic loss per share for the years ended 31 December 2023 and 2022 is calculated by dividing the loss attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2023	2022
Loss attributable to the equity holders of the Company *(RMB'000)*	**(4,216,274)**	(5,108,886)
Weighted average number of ordinary shares outstanding (thousand shares)	**1,164,527**	1,045,219
Basic loss per share (expressed in RMB per share)	**(3.62)**	(4.89)

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the year ended 31 December 2023, the Group had potential ordinary shares, including restricted shares and share options issued under the Company's share incentive plan and Pre-IPO Share Option Scheme. As the Group incurred losses for the year ended 31 December 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 year ended 31 December 2023 is the same as basic loss per share for the respective year.

8 INVENTORIES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Raw materials and spare parts	**777,897**	1,194,796
Finished goods	**1,105,957**	907,591
	1,883,854	2,102,387
Less: provisions for impairment of raw materials	**(68,535)**	(170,824)
Less: provisions for impairment of finished goods	**(95,847)**	(182,709)
	(164,382)	(353,533)
	1,719,472	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 year ended 31 December 2023, inventories recognized as cost of sales amounted to approximately RMB14,543,818,000 (2022: RMB12,703,787,000), and the provision for impairment of inventories as recognized for the respective years amounted to approximately RMB156,790,000 (2022: RMB352,196,000). All these expenses and impairment charge have been included in "cost of sales" in the consolidated statement of profit or loss.

During the year ended 31 December 2023, the provision for impairment of inventories as utilized upon the Group's ultimate sales of the related vehicles/parts amounted to approximately RMB345,941,000 (2022: RMB325,961,000) and there was not any reversal of over-provision recognized in profit or loss for the respective years.

9 TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Notes receivables	**8,048**	509
Trade receivables		
Due from related parties	**3,515**	–
Government subsidies receivables for promotion of new energy vehicles	**846,206**	1,654,586
Due from customers	**70,312**	31,716
Gross trade receivables	**920,033**	1,686,302
Provisions for impairment	**(1,744)**	(1,594)
	918,289	1,684,708
Total	**926,337**	1,685,217

The carrying amounts of the Group's trade and notes receivables, excluding provision for impairment, are denominated in the following currencies:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
RMB	**926,337**	1,653,638
USD	**–**	31,579
	926,337	1,685,217

(a) Trade receivables

(i) Aging analysis of the trade receivables

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Up to 6 months	**72,884**	570,491
6 months to 1 year	**943**	527,389
1 to 2 years	**807,608**	483,965
2 to 3 years	**38,598**	104,457
Total	**920,033**	1,686,302

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

(ii) Fair values of the trade receivables

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

9 TRADE AND NOTES RECEIVABLES (CONTINUED)

(a) Trade receivables (Continued)

(iii) Impairment and risk exposure

Trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance for trade receivables as at 31 December 2023 and 2022 is determined as follows:

As at 31 December 2023 and 2022, the Group has no individually impaired trade receivables.

As at 31 December 2023	**Up to 6 months**	**6 months to 1 year**	**1 to 2 years**	**2 to 3 years**	**Total**
Expected credit loss rate	**1.49%**	**0.85%**	**0.08%**	**0.08%**	**N/A**
Gross carrying amount					
– trade receivables *(RMB'000)*	**72,884**	**943**	**807,608**	**38,598**	**920,033**
Loss allowances *(RMB'000)*	**(1,088)**	**(8)**	**(618)**	**(30)**	**(1,744)**

As at 31 December 2022	Up to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	Total
Expected credit loss rate	0.11%	0.09%	0.09%	0.09%	N/A
Gross carrying amount					
– trade receivables *(RMB'000)*	570,491	527,389	483,965	104,457	1,686,302
Loss allowances *(RMB'000)*	(611)	(464)	(427)	(92)	(1,594)

10 BORROWINGS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Borrowings included in non-current liabilities:		
Long-term bank borrowings, secured (a)	**1,178,225**	887,903
Long-term bank borrowings, unsecured and unguaranteed (b)	**98,000**	100,000
Long-term other borrowings, secured (c)	**342,500**	500,000
Less: current portion included in current liabilities	**(726,914)**	(714,627)
	891,811	773,276
Borrowings included in current liabilities:		
Short-term bank borrowings, secured (d)	**600,000**	300,000
Short-term bank borrowings, unsecured and unguaranteed	**250,500**	–
Current portion of long-term borrowings (a)(b)(c)	**726,914**	714,627
Interest payables	**3,743**	3,905
	1,581,157	1,018,532
Total borrowings	**2,472,968**	1,791,808

10 BORROWINGS (CONTINUED)

(a) As at 31 December 2023, the Group had secured long-term bank borrowings amounting to approximately RMB1,178,225,000 (2022: RMB887,903,000), of which approximately RMB314,284,000 (2022: RMB462,627,000) will be due within one year.

The Group's secured long-term bank borrowings as at 31 December 2023 bore interests at floating interest rates ranging from 3.15% to 4.00% per annum, and were secured by the pledge of the Group's buildings with an amount of approximately RMB423,825,000, land use rights with an amount of approximately RMB107,450,000 and restricted cash with an amount of RMB313,400,000.

The Group's long-term bank borrowings as at 31 December 2022 bore interests at floating interest rates ranging from 3.5% to 4.85% per annum, and were secured by pledge of the Group's land use right with an amount of approximately RMB25,149,000, restricted cash with an amount of RMB610,000,000, long-term bank time deposits with an amount of RMB300,000,000.

(b) As at 31 December 2023, the Group had unsecured and unguaranteed long-term bank borrowings amounting to approximately RMB98,000,000 (2022: RMB100,000,000), of which approximately RMB98,000,000 (2022: RMB2,000,000) will be due within one year. The borrowings bore interests at a fixed interest rate of 3.9% (2022: 3%) per annum.

(c) As at 31 December 2023, the Group's long-term other borrowings comprised 24-month borrowings from three finance leasing companies with a total amount of RMB342,500,000 (2022: RMB500,000,000), of which RMB314,630,000 (2022: RMB250,000,000) will be due within one year. The borrowings were obtained through sales and leaseback arrangements, whereby certain property, plant and equipment of the Group were sold and leased back for a 24-month lease term. The Group has the option to repurchase the property, plant and equipment upon the completion of the leases at an insignificant nominal value. During the lease term and before the exercise of the repurchase options upon completion of the lease term, the property, plant and equipment were effectively pledged as security for the borrowings and were restricted under the agreements where lessors' consent must be obtained for the pledge or disposal of these assets. As at 31 December 2023, the long-term other borrowings had effective interest rates ranging from 5% to 5.1% (2022: 5% to 5.1%) per annum and the property, plant and equipment pledged had carrying amount of approximately RMB646,104,000 (2022: RMB513,992,000).

(d) As at 31 December 2023, the Group had several secured short-term borrowings from PRC banks with amounts totalling RMB600,000,000 (2022: RMB300,000,000). The effective interest rates ranged from 1.27% to 1.40% (2022: 1.62% to 1.69%) per annum. The aforementioned borrowings were secured by the pledge of the Group's short-term bank time deposit with an amount of RMB404,503,000 (2022: financial assets at FVPL with an amount of RMB465,000,000).

10 BORROWINGS (CONTINUED)

(e) Other disclosures

The Group's borrowings are all denominated in RMB.

During the years ended 31 December 2023 and 2022, the Group had not been in violation of any of the covenants nor subject to material financial covenants pursuant to the applicable borrowing agreements that the Group entered with the lenders.

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Less than 6 months	**1,037,932**	552,704
Between 6 and 12 months	**539,482**	461,923
Between 1 and 2 years	**223,766**	440,628
Between 2 and 5 years	**601,193**	191,096
Over 5 years	**66,852**	141,552
	2,469,225	1,787,903

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

The fair values of non-current borrowings as at 31 December 2023 and 2022 were disclosed as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Non-current borrowings	**887,366**	768,096

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
RMB facilities	**5,562,518**	895,830

11 TRADE AND NOTES PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade payables		
– Payables for materials	**5,057,648**	2,345,688
Notes payables (a)		
– Payables for materials	**4,789,225**	3,641,073
	9,846,873	5,986,761

11 TRADE AND NOTES PAYABLES (CONTINUED)

(a) The notes payables have maturity terms ranging from 3 to 6 months and these notes payables were secured by certain of the Group's restricted cash and bank time deposits.

(b) The carrying amounts of trade payables approximated their fair values due to their short-term maturity in nature.

(c) The aging analysis of the trade payables based on purchase date at the end of each reporting period is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Up to 6 months	**4,793,477**	2,317,173
6 months to 1 year	**262,897**	20,070
1 to 2 years	**3**	7,137
2 to 3 years	**1,271**	371
Over 3 years	**–**	937
	5,057,648	2,345,688

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

12 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Accrued expenses		
– Advertising and publicity expense	**566,412**	308,127
– Rebate payables	**323,161**	354,542
– Freight expenses	**28,033**	60,888
Payroll and welfare payables	**411,772**	311,385
Payables for purchases of property, plant and equipment	**203,378**	328,120
Payables for design and development services	**152,511**	165,871
Deposit from suppliers and distributors	**134,071**	138,207
Other taxes payables	**89,418**	27,850
Payables for incremental costs directly related to issuance of ordinary shares	**11,320**	–
Payables for listing expenses	**–**	12,410
Others	**101,584**	55,311
	2,021,660	1,762,711

13 DIVIDEND

No dividend has been paid or declared by the Company or subsidiaries of the Company during the years ended 31 December 2023 and 2022.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

RESULTS CONFERENCE CALL

The management of the Company will host a conference call in relation to the annual results of the Group for the year ended 31 December 2023 (the "**Results Conference Call**") through webcast at 7 p.m. on Monday, 25 March 2024 (Beijing/Hong Kong time).

Investors who wish to attend the Results Conference Call shall complete registration online through the following link at least 20 minutes prior to the commencement time of the Results Conference Call: https://ir.leapmotor.com/zh-hans/active.

Investors may revisit the audio recording of the Results Conference Call at the following website: https://ir.leapmotor.com/zh-hans/active.

ABOUT THE COMPANY

Leapmotor is an NEV company based in China that possesses full-suite in-house R&D capabilities in NEV's core technologies. We develop, manufacture, and sell NEVs, and at the same time develops and produces EIC core components and provides vehicle internet solutions based on cloud computing. With an aim to maximize user value, it strives to provide products and services which deliver superior experience beyond expectation. We launched the Dual Power layout of "BEVs + EREVs" in 2023. It has currently mass-produced four BEVs, including smart BEV T03, best-in-class smart electric SUV C11, deluxe smart electric sedan C01, first global strategic model C10, and three super EREVs, including C11, C01, C10 for sale. As an icon of China's new force automobile manufacturer, we are creating more possibilities for future travel with continuous efforts in technological innovation.

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

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

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

Hong Kong, 25 March 2024

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