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

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

**ANNOUNCEMENT ON THE UNAUDITED FINANCIAL RESULTS FOR
THE FIRST QUARTER OF 2023
FURTHER ANNOUNCEMENT ON THE 2022 ANNUAL REPORT
AND
RELEVANT HANDLING OF CHANGES IN THE EMPLOYMENT OF
GRANTEES UNDER THE EMPLOYEE INCENTIVE SCHEMES**

UNAUDITED FINANCIAL RESULTS FOR THE FIRST QUARTER OF 2023

This announcement is made on a voluntary basis by the board of directors (the “**Board**”) of Zhejiang Leapmotor Technology Co., Ltd. (the “**Company**” or “**Leapmotor**”, and its subsidiaries, the “**Group**”). The Company is pleased to announce the unaudited financial results of the Group for the three months ended 31 March 2023 (“**Q1 2023**”).

KEY HIGHLIGHTS FOR Q1 2023

Quarterly total revenue reached RMB1,442.5 million

Quarterly deliveries reached 10,509 units

OPERATIONAL HIGHLIGHTS FOR Q1 2023

- Total deliveries of vehicles were 10,509 units in Q1 2023, representing a decrease of 51.3% from 21,579 units in the same period of 2022.
- Deliveries of T03 were 3,925 units in Q1 2023, representing a decrease of 71.5% from 13,767 units in the same period of 2022.
- Deliveries of C11 were 5,292 units in Q1 2023, representing a decrease of 32.1% from 7,791 units in the same period of 2022.
- Deliveries of C01 were 1,292 units in Q1 2023, and the Company started to deliver C01 in September 2022.
- The Company's sales network continued to expand with 592 stores covering 180 cities as of 31 March 2023.

FINANCIAL HIGHLIGHTS FOR Q1 2023

- Revenue was RMB1,442.5 million for Q1 2023, representing a decrease of 28% from the same period of 2022, and a decrease of 52% from the fourth quarter of 2022 (“**Q4 2022**”).
- Gross margin was (7.8)% for Q1 2023, an improvement from (26.6)% for the same period of 2022. Gross margin for Q4 2022 was (6.9)%.
- Loss attributable to equity holders of the Company was RMB1,133.0 million for Q1 2023, compared with RMB1,042.2 million for the same period of 2022 and RMB1,325.0 million for Q4 2022.
- Net cash used in operating activities was RMB2,610.7 million for Q1 2023, compared with RMB385.2 million for the same period of 2022 and RMB1,649.6 million for Q4 2022.

Note:

These financial highlights are based on the unaudited financial information of the Group and such information has not been audited or reviewed by the Group's auditors.

MESSAGE FROM CHIEF EXECUTIVE OFFICER

Mr. Zhu Jiangming, the Company's founder, chairperson and chief executive officer, stated that:

Based on our understanding of the new energy vehicle industry, we believe that the market will continue to develop rapidly and be full of challenges in 2023. We completed the iteration of all models for sale in Q1 2023 and launched our 2023 new models on 1 March 2023, which continuously enhanced our product competitiveness and fully demonstrated our research and development (R&D) efficiency and the strong execution capability of our team. Our accumulation in proprietary R&D of core components has also made breakthroughs. We have received external orders for electric drive and battery products, and are going to commence our supply to third parties.

In Q1 2023, we mainly carried out the introduction of our 2023 model production, the delivery of which has already commenced in mid-March 2023. Prior to the launch of new models, we adjusted the sales and production of old models simultaneously, which, coupled with the impacts from the Chinese New Year holiday and the removal of government subsidies for promotion of new energy vehicles, resulted in a significant drop in vehicle deliveries in Q1 2023, and also led to a decrease in the financial data of Q1 2023 both on year-over-year and quarter-over-quarter basis.

During Q1 2023, we released our first extended-range version of SUV-C11 EREV version with prices ranging from RMB149,800 to RMB185,800, which offers users generous space, the most comprehensive suites of autonomous driving assistance features among EV models within the same price range, the Qualcomm 8155 chip cockpit platform, and immersive triple-screen display. With expanded battery capacity, the C11 EREV version enjoys a CLTC electric driving range of up to 285km on a single charge and a combined CLTC range of 1,024km, allowing it to flexibly cope with different mobility scenarios such as daily commuting and long-distance travel, truly achieving a worry-free range.

All 2023 models were well recognized by the market and our order composition was further optimized, in which the C platform models accounted for over 80% of orders. We will complete the production ramp-up of new models at the Jinhua base as soon as possible in order to speed up order delivery. We believe that with the growth in delivery scale and the increase in sales unit price of C platform models, we will have a more outstanding financial performance in the future.

UNAUDITED FINANCIAL RESULTS FOR Q1 2023

Revenue

- Revenue was RMB1,442.5 million for Q1 2023, representing a decrease of 28% from RMB1,991.8 million for the same period of 2022 and a decrease of 52% from RMB3,015.3 million for Q4 2022, which was mainly attributable to a decrease in deliveries. Even though the Company commenced the manufacturing of 2023 new models in Q1 2023 and started the delivery of such new models in March 2023, it may still take time for the production ramp-up of new models, which resulted in a decrease in vehicle deliveries in Q1 2023 as compared to the same period of last year and to the previous quarter.

Cost of Sales and Gross Margin

- Cost of sales was RMB1,555.2 million for Q1 2023, representing a decrease of 38% from RMB2,521.3 million for the same period of 2022 and a decrease of 52% from RMB3,224.0 million for Q4 2022. The main reason for the decreases on year-over-year and quarter-over-quarter basis in Q1 2023 was in line with the trend of vehicle deliveries as mentioned above.
- Gross margin was (7.8)% for Q1 2023, compared with (26.6)% and (6.9)% for the same period of 2022 and for Q4 2022, respectively. The year-over-year improvement was mainly attributable to the improvement in the Company's product structure, and the quarter-over-quarter decrease was mainly due to the cancellation of government subsidies for promotion of new energy vehicles, resulting in a decrease in revenue per vehicle for old models.

Operating Expenses

- Research and development (R&D) expenses were RMB412.4 million for Q1 2023, representing an increase of 70% from RMB242.5 million for the same period of 2022 and a decrease of 14% from RMB480.3 million for Q4 2022. The year-over-year increase was mainly attributable to the increase of employee compensation for more R&D personnel, and the quarter-over-quarter decrease was mainly attributable to the pace of R&D and the seasonality impact related to the Chinese New Year.
- Selling expenses were RMB393.2 million for Q1 2023, representing an increase of 142% from RMB162.4 million for the same period of 2022 and an increase of 21% from RMB324.0 million for Q4 2022. The year-over-year and quarter-over-quarter increases were mainly attributable to brand building and the increase in the number of employees.
- Administrative expenses were RMB180.7 million for Q1 2023, representing an increase of 17% from RMB154.1 million for the same period of 2022 and a decrease of 43% from RMB316.0 million for Q4 2022. The year-over-year increase was mainly attributable to the increase in employee compensation for more personnel, and the quarter-over-quarter decrease was mainly attributable to the decrease in share-based payment for cancellation of partial share options.

Operating Loss

- Operating loss was RMB1,159.6 million for Q1 2023, compared with RMB1,072.0 million for the same period of 2022 and RMB1,371.9 million for Q4 2022.

Loss Attributable to Equity Holders of the Company

- Loss attributable to equity holders of the Company was RMB1,133.0 million for Q1 2023, compared with RMB1,042.2 million for the same period of 2022 and RMB1,325.0 million for Q4 2022.

Cash Position, Net Cash Used in Operating Activities and Free Cash Flow

- Balance of cash and cash equivalents, restricted cash, financial assets at fair value through profit or loss and bank time deposits was RMB8,879.9 million as of 31 March 2023.
- Net cash used in operating activities was RMB2,610.7 million for Q1 2023, net cash used in operating activities for the same period of 2022 was RMB385.2 million, and net cash used in operating activities for Q4 2022 was RMB1,649.6 million. The year-over-year and quarter-over-quarter increases in net cash used in operating activities were mainly due to the decrease in cash inflow as a result of the decrease in sales volume, and the increase in net cash outflow as a result of the payment of accounts payable by due dates.
- Free cash flow was RMB(2,951.4) million for Q1 2023, the free cash flow for the same period of 2022 was RMB(823.4) million, and the free cash flow for Q4 2022 was RMB(1,977.0) million.

FURTHER ANNOUNCEMENT ON THE 2022 ANNUAL REPORT

Reference is made to the 2022 annual report (the “**2022 Annual Report**”) of the Company published on 17 April 2023 in relation to gender diversity of employees. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the 2022 Annual Report.

The Board would like to clarify that there was an inadvertent typographical error on page 52 of Chinese and English versions of the 2022 Annual Report in relation to the gender ratio of the Company’s workforce (including senior management). The gender ratio of the Company’s workforce (including senior management) as at 31 December 2022 is revised as follows:

Male	81.5%
Female	18.5%
Total	100.0%

RELEVANT HANDLING OF CHANGES IN THE EMPLOYMENT OF GRANTEEES UNDER THE EMPLOYEE INCENTIVE SCHEMES

Reference is made to the 2022 Annual Report in relation to the Employee Incentive Schemes. According to the terms under the Share Award Scheme II and the Pre-IPO Share Option Scheme, eligible participants under the Share Award Scheme II and the Pre-IPO Share Option Scheme are the management personnel and core employees working for the Company and its subsidiaries. The Share Award Scheme II and the Pre-IPO Share Option Scheme also authorize the Board to decide at its discretion the handling of the relevant awards and/or options in the event of a change in the employment of grantees.

The Company and Faurecia (China) Holding Co., Ltd. (“**Faurecia**”), a third party independent from the Company and its connected persons, entered into a joint venture agreement, pursuant to which both parties will establish a joint venture Leapmotor (Jinhua) Faurecia Vehicle Parts Co., Ltd. (金華零跑佛吉亞汽車零部件有限公司) (the “**Joint Venture**”), which will be held as to 49% by the Company and 51% by Faurecia. The formation of the Joint Venture did not constitute a discloseable transaction under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Joint Venture does not constitute a subsidiary of the Company. Based on the agreement between the Company and Faurecia, certain employee positions shall be nominated and appointed by the Company. The Company intends to dispatch relevant employees (“**Relevant Employees**”) to work in the Joint Venture after consultations with them, whose employment relations shall be transferred to the Joint Venture. Some of the Relevant Employees are grantees under the Share Award Scheme II and the Pre-IPO Share Option Scheme. Given the employment adjustments of such Relevant Employees are arranged by the Company and their employment in the Joint Venture also contributes to the development of the Company, on 28 April 2023, the Board resolved that such Relevant Employees could continue to hold and exercise awarded shares and/or options granted to them under the terms of the Share Award Scheme II and the Pre-IPO Share Option Scheme.

Save as disclosed above, all other information as set out in the 2022 Annual Report remains unchanged. This further announcement should be read in conjunction with the 2022 Annual Report.

ABOUT LEAPMOTOR

The Company is a NEV company based in China that possesses full-suite R&D capabilities in NEV's core technologies. The Company designs, develops, manufactures and sells NEVs, and at the same time develops and produces EIC core components and provides vehicle internet solutions based on cloud computing. With an aim to maximize user value, it strives to provide products and services which deliver superior experience beyond expectation. Since 2019, the Company has mass-produced four EV models, including electric sedan S01, smart BEV T03, best-in-class smart electric SUV C11 and deluxe smart electric sedan C01. In 2023, the Company began to mass produce and deliver extended-range versions of SUVs, of which the extended-range version of C11 has ultra-long range on a single charge. In the coming years, the Company will launch more new models of BEV and extended-range versions to meet various needs of users.

The Company's shareholders and potential investors should note that this announcement is based on unaudited operational and financial information of the Group and such information has not been audited or reviewed by Group's auditors. Such information does not constitute, represent or indicate the full picture of the Group's total revenue or financial performance and the information contained in this announcement may be subject to change and adjustment.

This announcement includes forward-looking statements, including, without limitation, those regarding our future financial position, our 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, 28 April 2023

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. Jin Yufeng as a non-executive Director; and Mr. Fu Yuwu, Dr. Huang Wenli and Ms. Drina C Yue as independent non-executive Directors.