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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)**

- (1) SUBSCRIPTION OF NEW H SHARES UNDER GENERAL MANDATE;**
- (2) THE FORMATION OF JV COMPANY;**
- (3) PROPOSED CONTINUING CONNECTED TRANSACTION IN RELATION TO THE EXCLUSIVE LICENSE AGREEMENT AND THE SALES OF GOODS FRAMEWORK AGREEMENT;**
- (4) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION AND THE PROCEDURAL RULE;**
- (5) PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTORS; AND**
- (6) CLOSURE OF REGISTER OF MEMBERS**

**(1) THE SUBSCRIPTION**

On October 26, 2023 (before trading hours), the Company entered into the Subscription Agreement with Stellantis. Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue 194,260,030 H Shares to Stellantis at the Subscription Price of HK\$43.8 per Subscription Share. The Subscription Shares will be allotted and issued pursuant to the General Mandate.

The Subscription Shares, with an aggregate nominal value of RMB194,260,030, represent (i) approximately 21.07% and 17.40% of the total issued H Shares of the Company as of the date of this announcement and the enlarged issued H Shares of the Company as enlarged by the Subscription respectively, and (ii) approximately 17.00% and 14.53% of the total issued Shares of the Company as of the date of this announcement and the enlarged issued Shares of the Company as enlarged by the Subscription respectively.

The Subscription Price represents (1) a premium of 14.5% of the volume weighted average price of the H Shares for the 90 days preceding the date of the Subscription Agreement; and (2) a premium to the average closing price per H Share as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the date of the Subscription Agreement.

The Subscription Shares will be issued under the General Mandate. Application will be made by the Company to the Listing Committee for the grant of the approval for the listing of, and permission to deal in, the Subscription Shares. The Subscription is conditional upon, among other things, the Listing Committee having granted listing of, and permission to deal in, the Subscription Shares.

The gross proceeds from the Subscription will be HK\$8,508,589,314, and are intended to be allocated for purposes including research and development investments, marketing, enhancing production capacity and working capital and general corporate purposes.

**(2) FORMATION OF JV COMPANY**

On October 26, 2023 (before trading hours), the Company entered into the JV Formation Agreement with Stellantis in relation to, inter alia, the formation of the JV Company by the Company and Stellantis. Upon JV Formation Closing, the JV Company will be owned as to 49% by the Company and 51% by Stellantis. The JV Company will be a consolidated subsidiary of Stellantis.

**(3) THE EXCLUSIVE LICENSE AGREEMENT AND THE SALES OF GOODS FRAMEWORK AGREEMENT**

The Company proposes to enter into the Exclusive License Agreement and the Sales of Goods Framework Agreement with the JV Company. Pursuant to (i) the Exclusive License Agreement, the Company will grant an exclusive license to the JV Company of the intellectual property and other rights required to enable the JV Company to (a) sell and distribute LPM Products, Post-sale Service Parts and the Locally Manufactured LPM Products in the Territories, and (b) manufacture and sell Locally Manufactured LPM Product and the Locally Manufactured Post-sale Services Parts, and manufacture the Components and Parts in the Territories, and (c) provide services and ancillary activities related to the foregoing; and (ii) the Sales of Goods Framework Agreement, the Company will from time to time sell (a) the LPM Products to the JV Group for distribution in the Territories, (b) the Components and Parts, as required from time to time, for manufacturing of Locally Manufactured LPM Products and (c) the Post-sale Services Parts, as required for the after-sale services from time to time.

**(4) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION, THE PROCEDURAL RULE AND PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTORS**

Upon completion of the Subscription, the Board will make conforming amendments to Articles 6 and 20 of the Articles of Association in respect of the number of Shares and registered capital of the Company. In addition, the Board proposes to amend Article 126 of Articles of Association and the Procedural Rule such that the Board comprises 9 Directors (including 3 independent non-executive Directors). In addition to the foregoing, the Board proposes to amend the Articles of Association in accordance with the regulatory requirements in the PRC. According to the Articles of Association and the relevant laws and regulations, the amendments to the Articles of Association and the Procedural Rule will take effect subject to the approval of the Shareholders by way of special resolutions at the Second EGM.

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

**LISTING RULES IMPLICATIONS**

As the applicable percentage ratio in respect of the JV Formation Agreement is below 5%, the JV Formation Agreement is not subject to announcement requirements under Chapter 14 of the Listing Rules.

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

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

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

As the term of the Exclusive License Agreement and the Sales of Goods Framework Agreement exceed a period of three years, the Independent Financial Adviser has been appointed to issue an independent opinion which will be set out in a subsequent circular of the Company, to explain the reasons for requiring a duration longer than three years and to confirm that the period of the Exclusive License Agreement and the Sales of Goods Framework Agreement exceeding three years is normal business practice for agreements of this type, under Rule 14A.52 of the Listing Rules.

### **DESPATCH OF CIRCULAR**

A circular containing, among other things, (1) further details of the continuing connected transactions contemplated under the Exclusive License Agreement and the Sales of Goods Framework Agreement; (2) a letter from the Independent Board Committee to the Independent Shareholders containing its view in respect of the fairness and reasonableness of the Sales of Goods Framework Agreement and the continuing connected transactions thereunder; (3) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its view on the continuing connected transactions contemplated under the Exclusive License Agreement and the Sales of Goods Framework Agreement (including the Proposed Annual Caps) and the reasons why the Exclusive License Agreement and the Sales of Goods Framework Agreement require a duration longer than three years and that it is consistent with the normal business practice adopted for similar type of transactions, pursuant to Rule 14A.52 of the Listing Rules; and (4) further details of the proposed amendments to the Articles of Association and the Procedural Rule and the proposed appointment of non-executive Directors, together with a notice to convene the Second EGM will be despatched to the Shareholders in accordance with the Listing Rules and the Articles of Association no later than October 31, 2023.

### **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the identity of the holders of H Shares entitled to attend and vote at the Second EGM, the register of members of the Company will be closed from Friday, November 10, 2023 to Wednesday, November 15, 2023, both dates inclusive, during which period no transfer of H Shares will be registered.

## **(1) THE SUBSCRIPTION**

### **(A) Subscription Agreement**

On October 26, 2023 (before trading hours), the Company and Stellantis entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue and Stellantis has conditionally agreed to subscribe for 194,260,030 H Shares at the Subscription Price on the terms and subject to the conditions set out in the Subscription Agreement.

The principal terms of the Subscription Agreement are set out as follows:

**Date**

October 26, 2023

**Parties to the Subscription Agreement**

- (a) Stellantis; and
- (b) the Company

**Subscriber**

Stellantis is a public limited company incorporated and organized under the laws of the Netherlands and is listed on the NYSE, the regulated market of Euronext in Paris and the regulated market of Euronext in Milan. It is one of the world's leading automakers and a mobility provider. Its storied and iconic brands embody the passion of their visionary founders and today's customers in their innovative products and services. Powered by diversity, lead the way the world moves – aspiring to become the greatest sustainable mobility tech company, not the biggest, while creating added value for all stakeholders as well as the communities in which it operates.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Stellantis and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined under the Listing Rules) and Stellantis shall only become a connected person of the Company pursuant to Chapter 14A of the Listing Rules upon completion of the Subscription.

**Number of H Share to be subscribed**

Stellantis shall subscribe for 194,260,030 H Shares pursuant to the Subscription Agreement.

As at the date of this announcement, the registered share capital of the Company is RMB1,142,706,059, divided into 1,142,706,059 Shares, comprises 922,153,885 H Shares and 220,552,174 Domestic Shares in issue.

The Subscription Shares represent (i) approximately 21.07% and 17.40% of the total issued H Shares of the Company as of the date of this announcement and the enlarged issued H Shares of the Company as enlarged by the Subscription respectively, and (ii) approximately 17.00% and 14.53% of the total issued Shares of the Company as of the date of this announcement and the enlarged issued Shares of the Company as enlarged by the Subscription respectively.

## **Subscription Price**

The Subscription Price represents (1) a premium of 14.5% of the volume weighted average price of the H Shares for the 90 days preceding the date of the Subscription Agreement; and (2) a premium to the average closing price per H Share as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the date of the Subscription Agreement.

The net price to the Company of each Share is HK\$43.8 per Subscription Share.

The Subscription Price was negotiated on an arm's length basis between the Company and Stellantis with reference to current market conditions and prevailing market price and liquidity of the Shares.

## **Conditions of the Subscription**

Completion of the Subscription is conditional upon, among others:

- (a) the representations and warranties given by the Company and Stellantis pursuant to the Subscription Agreement remaining true and accurate and not misleading on the date of the Subscription Agreement and the date of completion of the Subscription Agreement (the “**Subscription Completion Date**”);
- (b) each of the Company and Stellantis having complied with the undertakings to be complied with by it under the Subscription Agreement on or before the Subscription Completion Date;
- (c) the Listing Committee having granted listing of and permission to deal in, the Subscription Shares and such approval or permission having not been revoked prior to the Subscription Completion Date;
- (d) there shall not be any pending action, directive or order by any competent legal or regulatory authority or body, court, tribunal, securities or stock exchange, or governmental, quasi-governmental or administrative department, commission or body that seeks or purports to restrain, enjoin or invalidate the implementation or consummation of the Subscription contemplated by the Subscription Agreement; and
- (e) obtaining of Shareholders' approval by the Company at a general meeting in relation to:
  - i. the transactions contemplated under the Exclusive License Agreement and the Sales of Goods Framework Agreement and the Proposed Annual Caps; and
  - ii. the appointment of the two Directors as recommend by Stellantis.

The conditions of the Subscription shall be fulfilled or waived by the Company and/or Stellantis (as appropriate) on or prior to April 26, 2024 (the “**Subscription Long Stop Date**”), or such later date as may be agreed in writing between the Company and Stellantis.

Application will be made by the Company to the Listing Committee for the grant of the approval for the listing of, and permission to deal in, the Subscription Shares.

### **Completion of the Subscription**

Completion of the Subscription will take place on the sixth business day after the date upon which the conditions of the Subscription are satisfied (or waived) or such other time and/or date as the Company and Stellantis may agree in writing, which in any event shall not be later than the Subscription Long Stop Date. In the event Stellantis identified any issue that is deemed as a potential compliance issue in connection with the Subscription, Stellantis shall be entitled to, among others, terminate the Subscription Agreement, or fix a new Subscription Completion Date.

### **Lock-up Period**

Stellantis has undertaken that for a period of 12 months from the Subscription Completion Date, it will not, unless with the prior consent of the Company, (i) dispose of the Subscription Shares, (ii) allow itself to undergo a change of control, or (iii) enter into any transactions with the same economic effect of the aforesaid transactions, subject to certain exceptions as agreed between the Company and Stellantis.

The Board considers that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **(B) General Mandate to Issue the Subscription Shares**

References are made to the circular of the Company dated September 20, 2023 and poll results announcement of the extraordinary general meeting of the Company dated October 11, 2023 (the “**First EGM**”) where the Directors were granted the General Mandate to allot, issue and deal with up to 20% of the total issued Shares as at the date of the First EGM. Pursuant to the General Mandate, the maximum total number of new Shares that the Company is authorised to issue is 228,541,211 Shares, representing 20% of the total number of issued Shares of the Company as at the date of the First EGM.

The Subscription Shares will be issued under the General Mandate. Therefore, the issue of the Subscription Shares will not be subject to the approval by the Shareholders. Since the date of the First EGM and up to the date of this announcement, no new Shares have been allotted and issued by the Company under the General Mandate.

**(C) The Use of Proceeds of the Subscription**

The Subscription will raise for the Company gross proceeds from the Subscription of HK\$8,508,589,314. The proceeds are intended to be allocated for the following purposes:

- (a) approximately 40% of the proceeds for expanding and upgrading smart EV portfolio, expanding the research and development team, advancement of electrification technology, and enhancing the development of advanced vehicle intelligence technologies, including autonomous driving and smart cockpit systems;
- (b) approximately 25% of the proceeds for marketing, expansion of sales and services network, enhancing brand presence and overseas market expansion;
- (c) approximately 15% of the proceeds for enhancing production capacity and automation capabilities, improving vertical integration and operational efficiency; and
- (d) approximately 20% of the proceeds for working capital and general corporate purposes.

**(D) Fund Raising Activities During the Past Twelve Months**

There were no fund-raising activities conducted by the Company in the past 12 months prior to the date of this announcement.

**Shareholders and potential investors should note that the completion of the Subscription is subject to the conditions under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares.**

**(E) Potential transaction between Stellantis and Dahua Technology**

The Board is notified by Stellantis that Stellantis may enter into a sales and purchase agreement with Dahua Technology (the “**DH SPA**”) on or around even date with regard to the sales and purchase of 45,000,000 Domestic Shares and 45,000,000 H Shares of the Company held by Dahua Technology (the “**DH SPA Shares**”). It is expected that the DH SPA would be conditional upon (i) the approval of the transactions under the DH SPA by the shareholders of Dahua Technology at a general meeting of Dahua Technology, (ii) the approval of the transactions under the Exclusive License Agreement and the Sales of Good Framework Agreement, and the Proposed Annual Caps by the Shareholders at the Second EGM.



**(F) Effects on the Shareholding Structure of the Company**

The Subscription Shares, with an aggregate nominal value of RMB194,260,030, comprising 194,260,030 H Shares, represent (i) approximately 21.07% and 17.40% of the total issued H Shares of the Company as of the date of this announcement and the enlarged issued H Shares of the Company as enlarged by the Subscription respectively, and (ii) approximately 17.00% and 14.53% of the total issued Shares of the Company as of the date of this announcement and the enlarged issued Shares of the Company as enlarged by the Subscription respectively.

The table below sets out the changes to the shareholding structure of the Company immediately after the completion of the Subscription (assuming there being no other change in the share capital and shareholding structure of the Company between the date of this announcement and completion of the Subscription):

	As at the date of this announcement		Immediately after completion of the Subscription	
	Number of Shares	Approximate % <sup>(1)</sup>	Number of Shares	Approximate % <sup>(1)</sup>
<b>The Single Largest Group of Shareholders</b>				
Mr. Zhu <sup>(2)</sup>	92,596,398	8.10	92,596,398	6.93
Mr. Fu <sup>(3)</sup>	91,200,000	7.98	91,200,000	6.82
Hangzhou Xintu	4,077,472	0.36	4,077,472	0.30
Ningbo Hualing <sup>(3)</sup>	56,547,741	4.95	56,547,741	4.23
Ningbo Huayang	24,000,000	2.10	24,000,000	1.80
Ningbo Jinghang	12,806,500	1.12	12,806,500	0.96
Ningbo Gulin	21,761,266	1.90	21,761,266	1.63
Wanzai Mingzhao	10,800,000	0.95	10,800,000	0.81
<b>Sub-total</b>	<b>313,789,377</b>	<b>27.46</b>	<b>313,789,377</b>	<b>23.47</b>
<b>Other connected person</b>				
Dahua Technology	90,000,000	7.88	90,000,000 <sup>(4)</sup>	6.73 <sup>(4)</sup>
<b>Other existing Shareholders (including public Shareholders)</b>				
Stellantis	738,916,682	64.66	738,916,682	55.27
	–	–	194,260,030 <sup>(4)</sup>	14.53 <sup>(4)</sup>
<b>Total</b>	<b>1,142,706,059</b>	<b>100.00</b>	<b>1,336,966,089</b>	<b>100.00</b>

Notes:

1. The aggregate of the percentage figures in the above table may not add up to the sub-total or total percentage figures due to rounding of the percentage figures to two decimal places.
2. Ms. Liu, a member of the Single Largest Group of Shareholders, is the spouse of Mr. Zhu, and is deemed to be interested in the Shares of our Company held by Mr. Zhu.

3. Ms. Chen, a member of the Single Largest Group of Shareholders, is the spouse of Mr. Fu and the general partner of Ningbo Hualing. Therefore, Ms. Chen is deemed to be interested in the Shares of our Company held by Mr. Fu and Ningbo Hualing.
4. If the DH SPA is entered into and completed, then Stellantis would also hold the DH SPA Shares while Dahua Technology would no longer hold any Shares. The DH SPA Shares comprising 45,000,000 Domestic Share and 45,000,000 H Shares, where (i) the Domestic Shares represent approximately 20.4% and 20.4% of the total issued Domestic Shares of the Company as of the date of this announcement and as of completion of the Subscription respectively; (ii) the H Shares represent approximately 4.88% and 4.03% of the total issued H Shares of the Company as of the date of this announcement and the enlarged issued H Shares of the Company as enlarged by the Subscription respectively, and (iii) the DH SPA Shares represent approximately 7.88% and 6.73% of the total issued Shares of the Company as of the date of this announcement and the enlarged issued Shares of the Company as enlarged by the Subscription respectively.

## **(2) FORMATION OF JV COMPANY**

### **(A) The JV Formation Agreement**

On October 26, 2023 (before trading hours), the Company and Stellantis entered into the JV Formation Agreement in relation to, inter alia, the formation of the JV Company by the Company and Stellantis. Upon JV Formation Closing, the JV Company will be owned as to 49% by the Company and 51% by Stellantis. The JV Company will be a consolidated subsidiary of Stellantis.

The principal terms of the JV Formation Agreement are set out as follows:

#### **Date**

October 26, 2023

#### **Parties**

- (i) The Company; and
- (ii) Stellantis

#### **Term**

The JV Formation Agreement shall take effect on the date of signing of the JV Formation Agreement and continue until termination in accordance with the JV Formation Agreement, including but not limited to under circumstances such as winding up of the JV Company or written agreement between the parties to terminate the agreement.

## **The JV Company and the JV Business**

It is intended that the JV Company will be incorporated in the Netherlands and the JV Company and/or its subsidiaries will be engaged in the following business:

- (i) the acquisition from the Company or its affiliates of the LPM Products and Post-sale Services Parts and solely for the purpose of manufacturing Locally Manufactured LPM Products, of Components and Parts;
- (ii) to the extent permitted under the terms of the JV Formation Agreement or as otherwise agreed between the Company and Stellantis, the manufacturing in the Territories of (i) the Locally Manufactured LPM Products to be sold or distributed in the Territories; (ii) Components and Parts solely for the manufacture of Locally Manufactured LPM Products in the Territories; and (iii) Locally Manufactured Post-sale Services Parts solely for the post-sale servicing of the LPM Products and the Locally Manufactured LPM Products in the Territories;
- (iii) the sale and distribution of the LPM Products and the Locally Manufactured LPM Products, directly or indirectly, in the Territories, and the sale and distribution of Post-sale Services Parts and Locally Manufactured Post-sale Services Parts solely for the post-sale servicing of the LPM Products and the Locally Manufactured LPM Products in the Territories;
- (iv) such other distribution and manufacturing-related services in the Territories, including logistics, marketing and promotion, technical support, servicing and warranty administration, only to the extent necessary to support the manufacturing permitted under paragraph (ii) above and the sale and distribution of the LPM Products and the Locally Manufactured LPM Products permitted under paragraph (iii) above; and
- (v) all ancillary activities as necessary and solely for the purpose to undertake the above activities.

(collectively, the “**JV Business**”)

## **Conditions of the JV Formation Agreement**

Closing of the JV Formation Agreement is conditional upon the satisfaction (or waiver) of the conditions including, among others (i) the completion of the Subscription Agreement and (ii) the signing of the Exclusive License Agreement and the Sales of Goods Framework Agreement.

## **Capital Commitment**

The aggregate capital commitment to the JV Company is EUR 20 million (the “**Aggregate Capital Commitment**”), which is determined after arm’s length negotiations between the Company and Stellantis with reference to the expected capital requirements of the JV Company.

Pursuant to the JV Formation Agreement, upon closing, (i) the Company shall pay 49% of the Aggregate Capital Commitment, being EUR 9.8 million in cash; and (ii) Stellantis shall pay 51% of the Aggregate Capital Commitment, being EUR 10.2 million in cash. In return, the JV Company shall issue and allot to each of the Company and Stellantis the number of shares with a value equivalent to the respective portion of Aggregate Capital Commitment paid. Upon completion of the subscription of shares in the JV Company by the Company and Stellantis, the JV Company will be owned as to 49% by the Company and 51% by Stellantis. The JV Company will be a consolidated subsidiary of Stellantis.

### **Exclusivity**

The Company and Stellantis shall undertake to ensure that from the closing of the JV Formation Agreement until December 31, 2051, the JV Group will be the sole and exclusive vehicle for directly or indirectly carrying out any activities within the scope of the JV Business in the Territories (the “**Exclusive Activities**”). Such exclusivity arrangement is subject to the review by the Company and Stellantis during a six-month period commencing from July 1, 2037 (the “**Exclusivity Review**”). Unless both the Company and Stellantis decide not to continue with the exclusivity arrangement after January 1, 2038 after such Exclusivity Review, such exclusivity arrangement shall automatically continue for another 14 years until December 31, 2051. In addition, the Company has covenanted that for the same period, it will not and will procure that its affiliates will not, among others, engage in any of the Exclusive Activities in the Territories, and that without Stellantis’ consent or prior notification to Stellantis (as appropriate), not to collaborate with certain third parties pursuant to the JV Formation Agreement.

### **(B) Listing Rules Implications**

As the applicable percentage ratio in respect of the JV Formation Agreement is below 5%, the JV Formation Agreement is not subject to announcement requirements under Chapter 14 of the Listing Rules.

### **(3) THE EXCLUSIVE LICENSE AGREEMENT AND THE SALES OF GOODS FRAMEWORK AGREEMENT**

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

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

**(A) The Exclusive License Agreement**

Date of execution: To be signed upon establishment of the JV Company at closing of the JV Formation Agreement

Parties: The Company and the JV Company

Term: The Exclusive License Agreement shall take effect on the date of execution, and shall remain in force until the 28<sup>th</sup> anniversary of the date of the Exclusive License Agreement unless otherwise mutually agreed between the Company and the JV Company (the “**License Term**”).

Commencing from 1 July 2037, the parties shall have a six-month period to review and discuss in good faith whether to continue with the Exclusive License Agreement, and unless both parties decide not to continue with the Exclusive License Agreement after 1 January 2038, the Exclusive License Agreement shall automatically continue until the end of the License Term.

Exclusivity: The exclusivity of the license shall be subject to the applicable term of exclusivity as set out in the paragraph headed “(2) Formation of JV Company – Exclusivity” above. If both the Company and Stellantis decided that the exclusivity arrangement does not continue, the license granted shall automatically become non-exclusive.

Transaction: The Company shall grant the JV Company an exclusive license of the intellectual property and other rights required to enable the JV Company to (a) sell and distribute LPM Products, Post-sale Service Parts and the Locally Manufactured LPM Products in the Territories, and (b) manufacture and sell Locally Manufactured LPM Product and the Locally Manufactured Post-sale Services Parts, and manufacture the Components and Parts in the Territories, and (c) provide services and ancillary activities related to the foregoing.

Pricing policy: There is no license fee arrangement under the Exclusive License Agreement and all of the fee arrangements (including in respect of intellectual property rights) in relation to the sales of the LPM Products and the Locally Manufactured LPM Products and manufacturing of the Locally Manufactured LPM Product, the Components and Parts and the Locally Manufactured Post-sale Services Parts are reflected and included in the pricing policies in the Sales of Goods Framework Agreement as set out below.

**(B) The Sales of Goods Framework Agreement**

Date of execution: To be signed upon establishment of the JV Company at closing of the JV Formation Agreement

Parties: The Company and the JV Company

Term: For a term of 28 years from the date of the execution of the Sales of Goods Framework Agreement (the “**Effective Date**”) to the 28<sup>th</sup> anniversary of the Effective Date (the “**Term**”). Commencing from 1 July 2037, the Company and the JV Company shall have a six-month period to review and discuss in good faith whether to continue with the Sales of Goods Framework Agreement, and unless both LPM and the JV decide not to continue with the Sales of Goods Framework Agreement after 1 January 2038, the Sales of Goods Framework Agreement shall automatically continue until the end of the Term.

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

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

Pricing policy:

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

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

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

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

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

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

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

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



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

The costs of the components shall include bill of materials (BOM), manufacturing costs (including labour cost, materials and depreciation), sharing of R&D costs and procurement costs, etc.

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

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

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

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

**CCT Pricing Mechanism:**

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

**1. Regular Benchmarking Analysis**

The Company shall conduct a regular benchmarking analysis with the JV Company. The management team of the Company shall, with the assistance of the business and marketing team of the Company, collect and review the publicly available financial and operational data (including gross margin) of no less than three comparable listed automobile manufacturers for the trailing 12 months immediately preceding a pricing determination window, which refers to an annual review and a review under the circumstances when the purchase order from the JV Company involves purchase of new EV models

that have not been launched in the Territory, purchase of EVs for launching in a new region within the Territories (each a “**Pricing Determination Window**”). Such comparable automobile manufacturers will be selected based on one or more of the following criteria: (i) primary scope of business which should focus in the manufacturing and sales of EV, (ii) comparable amount of revenue from EV sales, (iii) comparable pricing policy and similar customers base measured by disposable income.

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

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

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

## **Proposed Annual Caps**

### **(a) *Rationale behind the Proposed Annual Caps:***

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

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

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

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

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

As explained in the above paragraphs, the sale of (i) LPM Products and (ii) Components and Parts are substitutes of each other. For the same amount of vehicles to be distributed by the JV Company in the Territories, based on the pricing policies set out in the sub-paragraph headed “(3) The Exclusive License Agreement and the Sales of Goods Framework Agreement – (B) – The Sales of Goods Framework Agreement” above, the amount payable by the JV Company to the Company for the sales of LPM Products will be higher than the amount payable by the JV Company to the Company for the sales of Components and Parts.

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

## 2. Sales of Post-sale Services Parts

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

## 3. Manufacturing License Fee

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

### (b) *The Proposed Annual Caps*

Taking into account the aforesaid rationale, it is expected that the annual aggregate transaction amount under the Sales of Goods Framework Agreement for 2024 to 2037 will not exceed the following caps (the “**Proposed Annual Caps**”):

	For the year ending 31 December						
	2024	2025	2026	2027	2028	2029	2030
	<i>(RMB'million)</i>						
<b>Annual caps for:</b>							
Sales of LPM Products/Sales of Components and Parts	2,228	10,463	23,400	40,886	46,631	62,970	68,879
Sales of Post-sale Services Parts	29	165	469	972	1,442	1,956	2,320
Manufacturing License Fee	82	479	1,123	1,995	2,279	3,068	3,362
<b>Total Annual Cap</b>	<b>2,339</b>	<b>11,107</b>	<b>24,992</b>	<b>43,853</b>	<b>50,352</b>	<b>67,994</b>	<b>74,561</b>
	For the year ending 31 December						
	2031	2032	2033	2034	2035	2036	2037
	<i>(RMB'million)</i>						
<b>Annual caps for:</b>							
Sales of LPM Products/Sales of Components and Parts	75,845	82,778	96,934	100,270	102,276	114,195	124,491
Sales of Post-sale Services Parts	2,700	2,958	3,322	3,640	3,893	4,118	4,433
Manufacturing License Fee	3,709	4,054	4,760	4,925	5,024	5,571	6,083
<b>Total Annual Cap</b>	<b>82,254</b>	<b>89,790</b>	<b>105,016</b>	<b>108,835</b>	<b>111,193</b>	<b>123,884</b>	<b>135,007</b>

(c) *Calculation of the Proposed Annual Caps*

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

1.1. *Sales of LPM Products*

- (a) for the initial introduction stage (currently contemplated to be 2024-2027), the estimated sales volume of the LPM Products to be distributed by the JV Company in the Territories for each year, multiplied by the Transfer Price, which represents the Benchmark Price of the LPM Products multiplied by (1 + zero Reference Margin);
- (b) for Stage 2 (currently contemplated to be 2028-2030), the estimated sales volume of the LPM Products to be distributed by the JV Company in the Territories for each year, multiplied by the Transfer Price, which represents the Benchmark Price of the LPM Products multiplied by (1 + 5% (being the upper end of the agreed range of Reference Margin)); and
- (c) for Stage 3 (currently contemplated to be 2031-2037), the estimated sales volume of the LPM Products to be distributed by the JV Company in the Territories for each year, multiplied by the Transfer Price, which represents the Benchmark Price of the LPM Products multiplied by (1 + 5% (for the purpose of calculating the Proposed Annual Caps, it is assumed to be the upper end of the agreed range of Reference Margin at Stage 2; the actual Reference Margin will be determined by the CCT Pricing Mechanism. It is currently contemplated that the Reference Margin will be no less than 2% subject to relevant factors at that time)).

1.2. *Sales of Components and Parts*

- (a) The assumption that all the Components and Parts required for the manufacturing of Locally Manufactured LPM Products (which for the avoidance of doubt, does not include any assembly and labelling services) will be supplied by the Company to the JV Company; and
- (b) the estimated sales volume of the LPM Products to be manufactured by the JV Company in the Territories for each year, multiplied by the Benchmark Price of Components and Parts, and multiplied by (1+ margin), which:
  - (i). for the purpose of calculating the Proposed Annual Caps, the Benchmark Price of Components and Parts is assumed to be the Benchmark Price of LPM Products multiplied by the **BOM Ratio** (being the ratio of bill of materials compared to the Benchmark Price of LPM Products);

- (ii). the BOM Ratio, for the purpose of calculating the Proposed Annual Caps, is assumed to be 91%, which is estimated based on the average ratio of bill of materials of the Company's current models of whole vehicles compared to the Benchmark Price of LPM Products; and
- (iii). the margin, for the purpose of calculating the Proposed Annual Caps, is assumed to be 2%, which is in line with the pricing policy of the sales of Components and Parts that sets out that margin shall be not less favourable to the Company than the Stage 2 pricing policy of the sales of the LPM Products, i.e. being not less than a Reference Margin of 2%. The actual margin will be determined by the CCT Pricing Mechanism.

2. *Sales of Post-sale Services Parts*

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

3. *Manufacturing License Fee*

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

- (a) for first model of Locally Manufactured LPM Products, the Reference Amount is multiplied by 2%. For the purpose of calculating the Proposed Annual Caps, the Reference Amount is assumed to be the ex-factory price of Locally Manufactured LPM Products; and
- (b) for the subsequent models of Locally Manufactured LPM Products, the Reference Amount is multiplied by 5% (being the upper end of the agreed range of Manufacturing License Fee). For the purpose of calculating the Proposed Annual Caps, the Reference Amount is assumed to be the ex-factory price of Locally Manufactured LPM Products.

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

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

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

In accordance with Rule 14A.70 of the Listing Rules, the Company will further set out the detailed assumptions underlying the Proposed Annual Caps in the subsequent circular of the Company.

**(C) Listing Rules Implications**

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

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



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

As the term of the Exclusive License Agreement and the Sales of Goods Framework Agreement exceed a period of three years, the Independent Financial Adviser has been appointed to issue an independent opinion which will be set out in a subsequent circular of the Company, to explain the reasons for requiring a duration longer than three years and to confirm that the period of the Exclusive License Agreement and the Sales of Goods Framework Agreement exceeding three years is normal business practice for agreements of this type, under Rule 14A.52 of the Listing Rules.

**(D) Board Confirmation**

The Board (including the independent non-executive Directors) of the Company considers that the Exclusive License Agreement to be entered into is in the ordinary course of business of the Company, on normal commercial terms that are fair and reasonable and is in the interest of the Group and the Shareholders as a whole.

The Board (excluding the independent non-executive Directors whose views will be contained in the subsequent circular of the Company after considering the advice of the Independent Financial Adviser) considers that (i) the Sales of Goods Framework Agreement to be entered into is in the ordinary course of business of the Company, on normal commercial terms that are fair and reasonable and is in the interest of the Shareholders as a whole; and (ii) the Proposed Annual Caps are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee on the continuing connected transaction contemplated under the Sales of Goods Framework Agreement and the Proposed Annual Caps.

None of the Directors has any material interest in the continuing connected transaction and has abstained from voting on the Board resolutions approving the Exclusive License Agreement, the Sales of Goods Framework Agreement and the continuing connected transaction thereunder.

**(4) PROPOSED AMENDMENT OF ARTICLES OF ASSOCIATION, PROPOSED AMENDMENT OF THE PROCEDURAL RULE AND PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTORS**

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

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

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

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

The biography of Mr. Grégoire Olivier is as follows:

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

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

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

In 2015, he was awarded the “Magnolia Silver Award” by the Shanghai Municipal People’s Government.

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

The biography of Mr. Douglas Ostermann is as follows:

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

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

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

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

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

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

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

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

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

The appointment of each of Mr. Grégoire Olivier and Mr. Douglas Ostermann as a non-executive Director is subject to the approval of the Shareholders by way of ordinary resolution at the Second EGM.

**(5) REASONS FOR AND THE BENEFITS OF THE SUBSCRIPTION AGREEMENT, THE JV FORMATION AGREEMENT, THE EXCLUSIVE LICENSE AGREEMENT AND THE SALES OF GOODS FRAMEWORK AGREEMENT**

**The Company's strategy of overseas expansion**

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

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

## **Mutually beneficial relationship with Stellantis and the JV Company**

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

1. while the Company enjoys the broadening of revenue base from the expansion of its international presence through the JV Company with Stellantis, the Company also plays a vital and indispensable role in the JV Company's business by providing either LPM Products or Components and Parts to the JV Company, also adding to the EV products portfolio of Stellantis. Such collaboration is expected to attract new consumers for Stellantis and create new demand in the Territories, which both the Company and Stellantis can mutually benefit from;
2. while overseas business expansion and the establishment of its international presence are key strategies of the Company, the Company will also continue to develop its business in the PRC and hence the expected annual revenue contribution from the Sales of Goods Framework Agreement is expected to be below 30%;
3. according to the terms of the Exclusive License Agreement and the JV Formation Agreement, the exclusivity arrangement is subject to the Exclusivity Review as detailed in the paragraph headed "(2) Formation of JV Company – Exclusivity" above. As such, the Company shall be able to manage the reliance risk (if any at all) on Stellantis.

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

1. *Continued development of its business in the PRC.* The Company expects that its business will remain competitive in the PRC market by adopting various strategies which aim to strengthen its market competitiveness, including but not limited to expansion of smart EV portfolio, enhancement of vertical integration, investments in advanced intelligence and technology.
2. *Expansion of its production capacity in the PRC.* As disclosed in the Prospectus, the Company has allocated 25% of its net proceeds from listing for enhancement of its production capacity and capabilities and all of such proceeds will be used to open a new production facility in Hangzhou, Zhejiang. The Hangzhou production facilities are expected to commence production in 2025.
3. *Governance arrangements of the JV Company.* The governance arrangements of the JV Company shall have check and balance between the Company and Stellantis (both at shareholders level and at board level) to reflect the relatively balanced shareholding structure (i.e., 49%:51%). The Company and the directors appointed by it to the JV Company shall be vested the rights to decide on major corporate matters of the JV Company.

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

## **(6) THE SECOND EGM AND DESPATCH OF CIRCULAR**

In the Second EGM, resolutions will be proposed to approve (a) the Sales of Goods Framework Agreement and the Proposed Annual Caps; (b) the proposed amendment of Articles of Association; (c) the proposed appointment of Mr. Grégoire Olivier and Mr. Douglas Ostermann as non-executive Directors. The Founder Group has provided voting undertaking to Stellantis to vote for the aforesaid resolutions. As at the date of this announcement, to the best of the knowledge of the Directors and having made all reasonable enquiries, no Shareholder has any material interests in the foregoing resolutions save as Dahua Technology, who would be required to abstain from voting in the Second EGM in the event the DH SPA is entered into as currently expected.

A circular containing, among other things, (1) further details of the continuing connected transactions contemplated under the Exclusive License Agreement and the Sales of Goods Framework Agreement; (2) a letter from the Independent Board Committee to the Independent Shareholders containing its view in respect of the fairness and reasonableness of the Sales of Goods Framework Agreement and the continuing connected transactions thereunder; (3) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its view on the continuing connected transactions contemplated under the Exclusive License Agreement and the Sales of Goods Framework Agreement (including the Proposed Annual Caps) and the reasons why the Exclusive License Agreement and the Sales of Goods Framework Agreement require a duration longer than three years and that it is consistent with the normal business practice adopted for similar type of transactions, pursuant to Rule 14A.52 of the Listing Rules; (4) further details of the appointment of non-executive Directors; and (5) further details of the amendments to the Articles of Association and the Procedural Rule, together with a notice to convene the Second EGM will be despatched to the Shareholders in accordance with the Listing Rules and the Articles of Association no later than October 31, 2023.

## **(7) CLOSURE OF REGISTER OF MEMBERS**

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

## GENERAL INFORMATION

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

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

## DEFINITIONS

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

“Articles of Association”	the articles of association of the Company currently in force
“Benchmark Price”	refers to the sum of the bill of materials, production expenses (including labour costs, depreciation and materials), quality warranty costs, sharing of research and development costs and transportation costs of the relevant product
“Board”	the board of Directors of the Company
“Company”	Zhejiang Leapmotor Technology Co., Ltd. (浙江零跑科技股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 9863)
“Components and Parts”	the components and parts required solely for the manufacturing of Locally Manufactured LPM Products, including but not limited to body parts of the vehicles, chassis, vehicle electronics, in car software, electric drive system, battery systems, light systems
“connected person(s)”	the meaning ascribed to it under the Listing Rules
“Dahua Technology”	Zhejiang Dahua Technology Co., Ltd. (浙江大華技術股份有限公司), a joint stock company established under the laws of the PRC, whose shares are listed on the Shenzhen Stock Exchange (stock code: 002236), and a Shareholder and connected person of the Company

“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) of the Company, with a nominal value of RMB1.00 each, which is/are subscribed for or credited as paid in RMB
“EREVs”	extended-range electric vehicles
“EV” or “electric vehicle”	the battery electric vehicles used for the carriage of passengers
“Excluded LPM Products”	any LPM Products which the Company and Stellantis have agreed can be manufactured by LPM for sale and distribution in the Territories by a third party
“Exclusive Activities”	has the meaning given to it in the paragraph headed “(2) Formation of JV Company – Exclusivity” in this announcement
“Exclusive License Agreement”	the license agreement in agreed form and annexed to the JV Formation Agreement, which is to be entered into between the Company and the JV Company at JV Formation Closing, granting the JV Company an exclusive license of the intellectual property and other rights required to enable the JV Company to (a) sell and distribute LPM Products, Post-sale Service Parts and the Locally Manufactured LPM Products in the Territories, and (b) manufacture and sell Locally Manufactured LPM Product and the Locally Manufactured Post-sale Services Parts, and manufacture the Components and Parts in the Territories, and (c) provide services and ancillary activities related to the foregoing
“First EGM”	the first extraordinary general meeting of 2023 held by the Company on October 11, 2023, pursuant to which the Articles of Association and the General Mandate were approved
“Founder Group”	collectively, Mr. Zhu, Mr. Fu, Ms. Liu, Ms. Chen, Hangzhou Xintu, Ningbo Hualing, Ningbo Huayang and Wanzai Mingzhao
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the First EGM to allot, issue and deal with up to 20% of the total number of issued Shares as at the date of the First EGM
“Group”	the Company and its subsidiaries



“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
“H Share(s)”	oversea listed foreign Share(s) of the Company with a nominal value of RMB1.00 each, listed on the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors
“Independent Financial Adviser”	Red Sun Capital Limited, the independent financial adviser appointed by the Company
“Independent Shareholders”	the Shareholders who are not required to abstain from voting at the Second EGM
“JV Company”	a joint venture company to be incorporated in the Netherlands and formed by the Company and Stellantis pursuant to the JV Formation Agreement
“JV Formation Agreement”	the agreement dated October 26, 2023 entered into between the Company and Stellantis in relation to, inter alia, the establishment of the JV Company
“JV Formation Closing”	the completion of the subscription of shares in the JV Company by the Company and Stellantis
“JV Group”	the JV Company and its subsidiaries, from time to time, and “JV Group Company” refers to any member(s) of the JV Group
“Local Manufacturing Partner”	an entity affiliated to or contracted by the JV Company to manufacture Locally Manufactured LPM Products and Locally Manufactured Post-sale Services Parts, which may include Stellantis and its affiliates or third-party manufacturers

“Locally Manufactured LPM Products”	any model of whole vehicle that is wholly or partially manufactured by the JV Company or by a Local Manufacturing Partner in one or more Territories for sale and distribution in the Territories under an LPM Brand from time to time
“Locally Manufactured Post-sale Services Parts”	spare parts that are wholly or partially manufactured by the JV Company or by a Local Manufacturing Partner in one or more Territories solely for the post-sale servicing of LPM Products or Locally Manufactured LPM Products
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LPM Brand”	any and all brands and trade marks, whether existing or future, that alone or in combination identify and promote products as originating from LPM, including but not limited to Leapmotor, Leapmotor logos, translations or transliterations of “Leapmotor”, and sub-brands and product brands and other names developed and owned by the Company capable of distinguishing the products from the Company from those of other persons, businesses or entities
“LPM Products”	any model of whole vehicle that is manufactured, assembled, distributed or produced by or on behalf of the Company with an LPM Brand from time to time, other than Excluded LPM Products
“Manufacturing License Fee”	the license fee charged by the Company to the JV Group in relation to the manufacture of the Locally Manufactured LPM Products
“Mr. Fu”	Mr. Fu Liqun (傅利泉), a member of the Single Largest Group of Shareholders and the Founder Group 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 Founder Group 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 and the Founder Group

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

“Prospectus”	the Company’s prospectus issued on September 20, 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Sales of Goods Framework Agreement”	the agreement in agreed form and annexed to the JV Formation Agreement, which is to be entered into between the Company and the JV Company at JV Formation Closing, pursuant to which the Company may, from time to time, sell (i) the LPM Products to the JV Group for distribution in the Territories, (ii) the Components and Parts as required from time to time, for manufacturing of Locally Manufactured LPM Products and (iii) the Post-sale Services Parts as required for the after-sale services from time to time
“Second EGM”	the second extraordinary general meeting of 2023 to be held by the Company on November 15, 2023
“Shareholder(s)”	the holder(s) of the Share(s)
“Shares”	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 each, comprising Domestic Share(s) and H Share(s)
“Single Largest Group of Shareholders”	collectively Mr. Zhu, Mr. Fu, Ms. Liu, Ms. Chen, Hangzhou Xintu, Ningbo Hualing, Ningbo Huayang, Ningbo Jinghang, Ningbo Gulin and Wanzai Mingzhao
“Stellantis”	Stellantis N.V., a public limited company incorporated and organised under the laws of the Netherlands and is listed on the NYSE, the regulated market of Euronext in Paris and the regulated market of Euronext in Milan
“Subscription”	the subscription of 194,260,030 H Shares to be allotted and issued to Stellantis pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the agreement dated October 26, 2023 entered into between the Company and Stellantis in relation to the Subscription
“Subscription Price”	the price of HK\$43.8 per Subscription Share
“Subscription Share(s)”	194,260,030 H Shares to be subscribed under the Subscription
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Territories”	means all countries other than: <ul style="list-style-type: none"> <li>(i) Greater China (comprising the PRC, Hong Kong, Macau and Taiwan);</li> <li>(ii) other countries in which Stellantis does not have the capability, infrastructure or relationships to enable a distribution of the LPM Products, which as at the date of the JV Formation Agreement, are acknowledged to be Brunei, Laos, Myanmar, Cambodia and East Timor; and</li> <li>(iii) such other countries as may be agreed between the Company and Stellantis from time to time</li> </ul>
“Transfer Price”	has the meaning as set out in the paragraph headed “(3) The Exclusive License Agreement and the Sales of Goods Framework Agreement – (B) The Sales of Goods Framework Agreement – Sales of goods in relation to the sales and distribution of LPM Products and Post-sale Services Parts – (a) sales of LPM Products” in this announcement
“Wanzai Mingzhao”	Wanzai Mingzhao Consulting Service Center L.P. (萬載明昭諮詢服務中心(有限合夥)), a limited partnership established under the laws of the PRC on November 28, 2017 and a member of the Single Largest Group of Shareholders and Founder Group
“%”	per cent

**Shareholders and potential investors should note that the completion of the Subscription is subject to the conditions under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares.**

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

Hong Kong, October 26, 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.*

## APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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

Existing Articles of Association		Proposed amendments to the Articles of Association	
Article 6	The registered capital of the Company is RMB1,142,706,059.	Article 6	The registered capital of the Company is RMB1,142,706,059 <u>1,336,966,089</u> .
Article 20	The total number of Shares of the Company is 1,142,706,059, all of which are ordinary Shares.	Article 20	The total number of Shares of the Company is <del>1,142,706,059</del> <u>1,336,966,089</u> , all of which are ordinary Shares.
Article 126	The Board comprises 7 Directors (including 3 independent non-executive Directors), all elected at the general meeting. The Board shall have one chairman, who shall be a Director of the Company and elected by more than half of the Directors of the Board.	Article 126	The Board comprises <del>7</del> <u>79</u> Directors (including 3 independent non-executive Directors), all elected at the general meeting. The Board shall have one chairman, who shall be a Director of the Company and elected by more than half of the Directors of the Board.

### B. Proposed amendments in accordance with the PRC regulatory requirements

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

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

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



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

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

## APPENDIX II PROPOSED AMENDMENTS TO THE PROCEDURAL RULE

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