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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) CONNECTED TRANSACTION IN RELATION TO 2025 PROPERTY LEASE AGREEMENT; AND**
(2) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
(A) 2025 SERVICES PROCUREMENT FRAMEWORK AGREEMENT;
(B) 2025 COMPONENTS PROCUREMENT FRAMEWORK AGREEMENT
AND
(C) NEW PRODUCT PURCHASE AND SALE FRAMEWORK AGREEMENT

(A) Connected Transaction in Relation to 2025 Property Lease Agreement

Reference is made to the section headed “Connected Transactions” in the Prospectus of the Company dated September 20, 2022 in relation to the Existing Property Lease Agreements entered into with Hangzhou Xintu. All of the Existing Property Lease Agreements will expire on December 31, 2024. On December 24, 2024, the Company entered into the 2025 Property Lease Agreement with Hangzhou Xintu, for a term of three years from the date of the relevant lease agreement.

(B) Continuing Connected Transaction in Relation to 2025 Services Procurement Framework Agreement

Reference is made to the section headed “Connected Transactions” set out in the Prospectus of the Company dated September 20, 2022 in relation to the Existing Services Procurement Framework Agreement entered into with Dahua Zhilian. The Existing Services Procurement Framework Agreement will expire on December 31, 2024. On December 24, 2024, the Company and Dahua Zhilian entered into the 2025 Services Procurement Framework Agreement, pursuant to which the Company will outsource its veneer processing and assembly to Dahua Zhilian from time to time.

(C) Continuing Connected Transaction in Relation to 2025 Components Procurement Framework Agreement

Reference is made to the section headed “Connected Transactions” set out in the Prospectus of the Company dated September 20, 2022 in relation to the Existing Components Procurement Framework Agreement entered into with Huaruijie Technology. The Existing Components Procurement Framework Agreement will expire on December 31, 2024. On December 24, 2024, the Company and Huaruijie Technology entered into the 2025 Components Procurement Framework Agreement, pursuant to which the Company will purchase certain types of camera assembly and radar assembly from Huaruijie Technology on a subscription basis from time to time.

(D) Continuing Connected Transaction in Relation to New Product Purchase and Sale Framework Agreement

On December 24, 2024, the Company and Hyxi Technology entered into the New Product Purchase and Sale Framework Agreement, pursuant to which the Company will sell battery packs and other components to Hyxi Technology from time to time, and will purchase energy storage systems, such as commercial and industrial energy storage cabinet systems and container energy storage systems, from Hyxi Technology from time to time.

(E) Listing Rules Implications

Pursuant to Chapter 14A of the Listing Rules, as at the date of this announcement, each of Hangzhou Xintu, Dahua Zhilian, Huaruijie Technology and Hyxi Technology is a connected person of the Company.

For the purpose of the Listing Rules, the payment of the rental under the 2025 Property Lease Agreement to Hangzhou Xintu is deemed as a right-of-use assets acquisition and a one-off connected transaction of the Company, and the payment of property fee and parking space rental fee under the 2025 Property Lease Agreement to Hangzhou Xintu will constitute a continuing connected transaction of the Company. As the highest applicable percentage ratio for the gross value of right-of-use assets to be recognized by the Group under the 2025 Property Lease Agreement is higher than 0.1% but lower than 5%, the transactions under the 2025 Property Lease Agreement and the arrangement for the payment of rental are subject to the reporting and announcement requirements, but are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules. As all applicable percentage ratios for the annual property fee and parking space rental fee amount are less than 0.1%, the arrangement for payment of the property fee and parking space rental fee is exempted from the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Each of the 2025 Services Procurement Framework Agreement, 2025 Components Procurement Framework Agreement and New Product Purchase and Sale Framework Agreement and the transactions contemplated thereunder constitutes a continuing connected transaction of the Company. As one or more highest applicable percentage ratios for the proposed annual caps under each of the 2025 Services Procurement Framework Agreement, 2025 Components Procurement Framework Agreement and New Product Purchase and Sale Framework Agreement is higher than 0.1% but lower than 5%, the execution of and the maximum proposed annual caps under each of the 2025 Services Procurement Framework Agreement, 2025 Components Procurement Framework Agreement and New Product Purchase and Sale Framework Agreement are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(1) CONNECTED TRANSACTION IN RELATION TO 2025 PROPERTY LEASE AGREEMENT

Reference is made to the section headed "Connected Transactions" in the Prospectus of the Company dated September 20, 2022 in relation to the Existing Property Lease Agreements entered into with Hangzhou Xintu. All of the Existing Property Lease Agreements will expire on December 31, 2024. On December 24, 2024, the Company entered into the 2025 Property Lease Agreement with Hangzhou Xintu, for a term of three years from the date of the relevant lease agreement.

Principal terms of the 2025 Property Lease Agreement entered into between the Company and Hangzhou Xintu are set out below:

2025 Property Lease Agreement

Date:	December 24, 2024
Parties:	The Company (for and on behalf of itself and its subsidiaries) and Hangzhou Xintu (for and on behalf of itself and its subsidiaries)
Leased property:	No. 451, Wulianwang Street, Xixing Street, Binjiang District, Hangzhou, including offices with a GFA of 26,000 sq.m.
Term:	A term of three years from the date of the relevant lease agreement.
Transaction:	The Company leases certain properties from Hangzhou Xintu as office, storage space and parking space to meet the administrative needs of the Company. Meanwhile, Hangzhou Xintu will charge the Company certain property management fees.
Payment arrangement:	House rental and property fee is paid semi-annually, 10 days in advance before the beginning of each half of the year. Parking space rental fee shall be paid on an annually basis.

Pricing policy: The rental, parking space rental fee and property fee under the 2025 Property Lease Agreement were determined by both parties after arm's length negotiations with reference to the prevailing market rental, parking space rental fee and property fee of comparable properties in the adjacent area of the leased property, rental, parking space rental fee and property fees provided by Hangzhou Xintu to Independent Third Parties for the leased property, and the location, quality and size of the property.

To ensure that the rental, parking space rental fee and property fee payable under the 2025 Property Lease Agreement are fair and reasonable and not higher than those payable to an Independent Third Party for the same or similar properties, the Group will: (i) search for actual leasing transactions of the leased property and comparable properties in the neighboring area (in the absence of relevant transactions, reference may be made to real estate industry publications describing price trends in the relevant regions); (ii) compare the above market rental, parking space rental fee and property fee (or price trend, if applicable) with the rental, parking space rental fee and property fee payable under the 2025 Property Lease Agreement; and (iii) require Hangzhou Xintu to reduce the rental, parking space rental fee and property fee payable if the rental, parking space rental fee and property fee proposed by Hangzhou Xintu under the 2025 Property Lease Agreement are higher than the prevailing market rental, parking space rental fee and property fee of the relevant property.

Historical Transaction Amounts

For the year ended December 31, 2023 and the six months ended June 30, 2024, the historical amounts of rental paid by the Company to Hangzhou Xintu for the lease of relevant property were RMB14.59 million and RMB7.57 million, respectively, the historical amounts of property fee paid to Hangzhou Xintu for the lease of relevant property were RMB4.35 million and RMB2.39 million, respectively, and the parking space rental fee were RMB0.28 million and RMB0.47 million, respectively.

Annual Transaction Amount of the 2025 Property Lease Agreement

For each of the three years ending December 31, 2025, 2026 and 2027, the rental payable by the Company to Hangzhou Xintu pursuant to the 2025 Property Lease Agreement will be RMB20.5 million, RMB20.5 million and RMB20.5 million, respectively, the property fee payable by the Company to Hangzhou Xintu pursuant to the 2025 Property Lease Agreement are estimated to be not more than RMB11.2 million, RMB11.2 million and RMB11.2 million, and the parking space rental fee are estimated to be no more than RMB0.8 million, RMB0.8 million and RMB0.8 million.

Accounting Treatment

In accordance with International Financial Reporting Standards (IFRS) 16 “Leases”, as the payment to be paid by the Company under the 2025 Property Lease Agreement comprises a lease (i.e. rental) portion and a non-lease and expedient treatment (i.e. property fee and parking space rental fee) portion, different accounting treatments will be applied to such payments.

For the lease portion, the Group will recognize right-of-use assets and related lease liabilities for the 2025 Property Lease Agreement in the consolidated statement of financial position. The estimated value of the right-of-use assets to be recognized by the Group under the 2025 Property Lease Agreement is approximately RMB60 million, which was calculated based on the present value of lease payments and estimated restoration costs under IFRS 16. The annual discount rate used in calculating the present value of the lease payments is 3.6%. Please note that the above figures are unaudited and subject to adjustment in the future.

For the non-lease and expedient treatment portion, property fee and parking space rental fee will be recognized as expenses in the consolidated statement of profit or loss of the Group.

Reasons for and Benefits of the 2025 Property Lease Agreement

The Company has been leasing properties from Hangzhou Xintu as its office and storage space since its inception, and all of the Existing Property Lease Agreements will expire on December 31, 2024. Given that the lease is about to expire, and the Company needs more office space to address its growing demand for talent and support its ongoing business operations, development and expansion, the Group entered into the 2025 Property Lease Agreement.

Directors (including independent non-executive Directors) are of the view that the 2025 Property Lease Agreement is entered into on an arm’s length basis, on normal commercial terms and in the usual and ordinary course of business of the Company. The terms of the 2025 Property Lease Agreement are fair and reasonable and the relevant transaction is in the interests of the Company and Shareholders as a whole.

As Mr. Zhu, a Director of the Company, controls Hangzhou Xintu, he is deemed to be materially interested in the 2025 Property Lease Agreement and the transactions contemplated thereunder and has abstained from voting on the relevant resolution of the Board. Save as disclosed above, none of the Directors are required to abstain from voting on the relevant resolution of the Board by virtue of their material interests in the 2025 Property Lease Agreement.

Listing Rules Implications

As at the date of this announcement, Hangzhou Xintu is held as to 70% by Mr. Zhu and 30% by Ms. Liu and is therefore a connected person of the Company.

In accordance with IFRS 16 “Leases”, the rental to be paid by the Company pursuant to the 2025 Property Lease Agreement will be recognized as right-of-use assets and will be regarded as assets acquired by the Group for the purpose of the Listing Rules. The property fee and parking space rental fee to be paid by the Company pursuant to the 2025 Property Lease Agreement will be recognized as expenses of the Group over the lease term of the 2025 Property Lease Agreement. Therefore, pursuant to Chapter 14A of the Listing Rules, the payment of rental under the 2025 Property Lease Agreement will constitute a one-off connected transaction of the Company, and the payment of property fee and parking space rental fee under the 2025 Property Lease Agreement will constitute a continuing connected transaction of the Company.

As the highest applicable percentage ratio for the gross value of right-of-use assets to be recognized by the Group under the 2025 Property Lease Agreement is higher than 0.1% but lower than 5%, the transactions under the 2025 Property Lease Agreement and the arrangement for the payment of rental are subject to the reporting and announcement requirements, but are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules. As all applicable percentage ratios for the amount of the annual property fee and parking space rental fee are less than 0.1%, the arrangement for payment of the property fee and parking space rental fee is exempted from the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

(2) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2025 SERVICES PROCUREMENT FRAMEWORK AGREEMENT

Reference is made to the section headed “Connected Transactions” set out in the Prospectus of the Company dated September 20, 2022, in relation to the Existing Services Procurement Framework Agreement entered into with Dahua Zhilian. The Existing Services Procurement Framework Agreement will expire on December 31, 2024. On December 24, 2024, the Company and Dahua Zhilian entered into the 2025 Services Procurement Framework Agreement, pursuant to which the Company will outsource its veneer processing and assembly to Dahua Zhilian from time to time.

The principal terms of the 2025 Services Procurement Framework Agreement as agreed between the Company and Dahua Zhilian are set out below:

2025 Services Procurement Framework Agreement

- Date: December 24, 2024
- Parties: The Company (for and on behalf of itself and its subsidiaries) and Dahua Zhilian (for and on behalf of itself and its subsidiaries)
- Term: From January 1, 2025 to December 31, 2027 (both dates inclusive)
- Transaction: Pursuant to the 2025 Services Procurement Framework Agreement, the Company will outsource veneer processing and assembly to Dahua Zhilian from time to time.

Payment term: The purchase expense under the 2025 Services Procurement Framework Agreement is settled on a monthly basis.

Pricing policy: The pricing of the procurement of the assembly services from Dahua Zhilian shall be (i) in the form of a fixed unit price; (ii) determined on an arm's length basis by the parties; (iii) subject to the Group's standard vendor selection process by comparing the quotations from various suppliers; and (iv) with reference to the order size and specification the assembly services required by the Group.

The Group will set out its requirements for the assembly services and its assessment basis in the vendor selection invitation. The Group will then conduct an overall assessment of the technical capability and the terms (including the prices and the sizes of such orders) offered by the potential suppliers (including at least two suppliers who are Independent Third Parties) and the service purchasing order will be given to the supplier with the highest overall ranking. Based on the quotations provided by various suppliers in the vendor selection process and taking into account other factors such as unit price, scope of services and delivery arrangement, we will be able to ensure that the price paid to Dahua Zhilian by our Group represents the prevailing market price and is on normal commercial terms.

Historical Amounts

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2023	For the Six Months Ended June 30, 2024
		<i>(RMB million)</i>	
The Group's purchase amount from Dahua Zhilian	53.0	78.6	42.2

Annual Caps and Basis of Caps

The maximum aggregate annual transaction amounts in respect of the 2025 Services Procurement Framework Agreement for the three years ending December 31, 2027 shall not exceed the caps set out below:

	For the Year Ending December 31,		
	2025	2026	2027
		<i>(RMB million)</i>	
The Group's purchase amount from Dahua Zhilian	300.0	300.0	300.0

The above proposed annual caps are determined with reference to the following considerations:

- (1) the historical transaction amounts during the term of the Existing Services Procurement Framework Agreement, with reference to the number of EVs sold and the relevant cost per EV;
- (2) the expected increase in our demand for the assembly services. The Group's sales of EVs are expected to grow as we expand our business. The Group has outstripped the annual sales target of 250,000 EVs in October 2024, and it is expected that the EV sales of the Group will maintain a high growth for the three years ending December 31, 2027, and the demand for the assembly services will increase correspondingly; and
- (3) the annual caps for the procurement amount of assembly services under the 2025 Services Procurement Framework Agreement for the three years ending December 31, 2027 are expected to remain at a stable level, primarily due to the assembly services supply capacity of Dahua Zhilian becoming saturated.

Reasons for and Benefits of the 2025 Services Procurement Framework Agreement and the Transactions Thereunder

The Company considers that the costs of maintaining an assembly line for certain raw materials (such as veneer) are significant and it would be more efficient to outsource such an assembly line to a manufacturer who has the capability, economies of scale and experience to assemble such materials tailored to the needs of the Group. Dahua Zhilian has the relevant assembly line and relevant plants with the economies of scale to provide such assembly services at a lower cost. In addition, the plant of Dahua Zhilian is located in Hangzhou, Zhejiang province, the PRC, such proximity with the Company's own production line of EVs provides a significant advantage in reducing shipping costs and avoiding any delays caused by logistics issues.

In light of the above, our Directors (including independent non-executive Directors) are of the view that (i) the terms of the continuing connected transaction are based on normal commercial terms, and are fair and reasonable and in the interests of our Company and Shareholders as a whole; and (ii) the proposed annual caps for the transaction are fair and reasonable and in the interests of our Company and Shareholders as a whole.

As Dahua Zhilian is an associate of Mr. Fu, and each of Mr. Zhu and Mr. Fu is a member of the Single Largest Group of Shareholders, Mr. Zhu is deemed to be materially interested in the 2025 Services Procurement Framework Agreement and the transactions contemplated thereunder and has abstained from voting on the relevant resolution of the Board. Save as disclosed above, none of the Directors have any material interest in the 2025 Services Procurement Framework Agreement and are required to abstain from voting on the relevant resolution of the Board.

Listing Rules Implications

As at the date of this announcement, Dahua Zhilian was owned as to 90.09% by Dahua Technology, and as at the date of this announcement, Dahua Technology was owned as to 31.1%, 4.82% and 2.16% by Mr. Fu, Mr. Zhu and Ms. Chen, respectively, all of whom are members of the Single Largest Group of Shareholders holding in aggregate 24.48% of the total issued shares of the Company, therefore, Dahua Zhilian is a connected person of our Company.

As one or more of the applicable percentage ratios to the proposed annual cap of the 2025 Services Procurement Framework Agreement for the years ending December 31, 2027 is more than 0.1% but less than 5%, the transactions contemplated under the 2025 Services Procurement Framework Agreement subject to the reporting, annual review and announcement requirements, but are exempt from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

(3) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2025 COMPONENTS PROCUREMENT FRAMEWORK AGREEMENT

Reference is made to the section headed “Connected Transactions” set out in the Prospectus of the Company dated September 20, 2022, in relation to the Existing Components Procurement Framework Agreement entered into with Huaruijie Technology. The Existing Components Procurement Framework Agreement will expire on December 31, 2024. On December 24, 2024, the Company and Huaruijie Technology entered into the 2025 Components Procurement Framework Agreement, pursuant to which the Company will purchase certain types of camera assembly and radar assembly from Huaruijie Technology on a subscription basis from time to time.

The principal terms of the 2025 Components Procurement Framework Agreement as agreed between the Company and Huaruijie Technology are set out below:

2025 Components Procurement Framework Agreement

- Date: December 24, 2024
- Parties: The Company (for and on behalf of itself and its subsidiaries) and Huaruijie Technology (for and on behalf of itself and its subsidiaries)
- Term: From January 1, 2025 to December 31, 2025 (both dates inclusive)
- Transaction: The Company will purchase various types of camera assembly and radar assembly from Huaruijie Technology on a subscription basis from time to time.
- Payment term: Unless otherwise agreed in a specific agreement, the parties will settle the purchase price on a monthly basis.

Pricing policy: The consideration for the procurement of automotive components and systems under the 2025 Components Procurement Framework Agreement from Huaruijie Technology shall be (i) in the form of a fixed unit price; (ii) determined on an arm's length basis by the parties; (iii) subject to the Group's standard vendor selection process by comparing the quotations from at least two suppliers who are Independent Third Parties; and (iv) with reference to the prevailing market price of similar systems and components.

The Group will set out its requirements for the components, including the specifications and its assessment basis in the vendor selection invitation. The Group will then conduct an overall assessment of the technical capability and the terms (including the prices) offered by the potential suppliers (including at least two suppliers who are Independent Third Parties) and the purchasing order will be given to the supplier with the highest overall ranking. Based on the quotations provided by various suppliers in the vendor selection process and taking into account other factors such as unit price, components types and delivery arrangement, we will be able to ensure that the price paid to Huaruijie Technology by our Group represents the prevailing market price and is on normal commercial terms.

Historical Amounts

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2023	For the Six Months Ended June 30, 2024
		<i>(RMB million)</i>	
The Group's purchase amount from Huaruijie Technology	314.4	231.6	77.7

Annual Cap and Basis of Cap

As of the the year ending December 31, 2025, the maximum aggregate annual transaction amount of the 2025 Components Procurement Framework Agreement shall not exceed the cap as set out below:

	For the Year Ending December 31, 2025
	<i>(RMB million)</i>
The Group's purchase amount from Huaruijie Technology	817.0

The above proposed annual cap is determined with reference to the following considerations:

- (1) the historical transaction amounts during the term of the Existing Components Procurement Framework Agreement, with reference to the number of EVs sold and the relevant cost per EV associated with the radar system and camera system;
- (2) the expected growth in the Group's sales and our demand for the relevant components as we expand our business based on (i) with the Company's continuous development and launch of new models of smart EVs, such as the planned launch of a new model on B platform by the Company in 2025, demand for related components is expected to keep growing; and (ii) more sensors and related systems are required as the design for new EVs models on C platform is more complicated and technologically-advanced; and
- (3) as intelligent driving represents the future direction of the vehicle industry, the Company will need more high-performance intelligent sensors to support its subsequent R&D and implementation of high-level driving system, which also results in an increase in purchase amount of related radar systems and camera systems.

Reasons for and Benefits of the 2025 Components Procurement Framework Agreement and Transactions Thereunder

Our EVs contain certain components and systems (including radars and cameras) to provide advanced intelligent driving and a safe and reliable driving system for users. Therefore, our Group regularly purchases such automotive components and systems in ordinary course of business. Our Group will continue to purchase such components and systems from suppliers that can offer the most favorable technical specification and prices based on our vendor selection process in order to control the quality and the costs of electric vehicles produced by the Group.

Given (i) Huaruijie Technology's ability to provide such sensors and systems per the specification required by the Group based on its R&D capability in such components and systems; and (ii) the proximity of Huaruijie Technology's production line to other production plants of the Group leading to lower costs and risks as well as higher procurement certainty with respect to logistics, our Group has been purchasing such systems and its related components from Huaruijie Technology.

In light of the above, our Directors (including independent non-executive Directors) are of the view that (i) the terms of the continuing connected transaction are based on normal commercial terms, and are fair and reasonable and in the interests of our Company and Shareholders as a whole; and (ii) the proposed annual cap for the transaction are fair and reasonable and in the interests of our Company and Shareholders as a whole.

As Huaruijie Technology is an associate of Mr. Fu, and each of Mr. Fu and Mr. Zhu is a member of the Single Largest Group of Shareholders, Mr. Zhu is deemed to be materially interested in the 2025 Components Procurement Framework Agreement and has abstained from voting on the relevant resolution of the Board. Saved as above, none of the other Directors have material interests in the 2025 Components Procurement Framework Agreement and are required to abstain from voting on the relevant resolution of the Board.

Listing Rules Implications

As at the date of this announcement, Huaruijie Technology was owned as to 51% by Dahua Technology, and as at the date of this announcement, Dahua Technology was owned as to 31.1%, 4.82% and 2.16% by Mr. Fu, Mr. Zhu and Ms. Chen, respectively, all of whom are members of the Single Largest Group of Shareholders holding in aggregate 24.48% of the total issued Shares of the Company, therefore, each of Huaruijie Technology and Dahua Technology constitutes a connected person of the Company.

As one or more of the applicable percentage ratios to the proposed annual cap of the 2025 Components Procurement Framework Agreement for the year ending December 31, 2025 is more than 0.1% but less than 5%, the transactions contemplated under the 2025 Components Procurement Framework Agreement subject to the reporting, annual review and announcement requirements, but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(4) THE CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE NEW PRODUCT PURCHASE AND SALE FRAMEWORK AGREEMENT

Since September 2023, the Company started the purchase and sale of energy storage products and energy storage systems with Hyxi Technology. On December 24, 2024, the Company and Hyxi Technology entered into the New Product Purchase and Sale Framework Agreement, pursuant to which the Company will sell battery packs and other components to Hyxi Technology from time to time, and will purchase energy storage systems, such as commercial and industrial energy storage cabinet systems and container energy storage systems, from Hyxi Technology from time to time.

The principle terms of the New Product Purchase and Sale Framework Agreement as agreed between the Company and Hyxi Technology are set out below:

New Product Purchase and Sale Framework Agreement

Date:	December 24, 2024
Parties:	Our Company (for and on behalf of itself and its subsidiaries) and Hyxi Technology (for and on behalf of itself and its subsidiaries)
Term:	From December 24, 2024 to December 31, 2026 (both dates inclusive)
Transaction:	The Company will sell battery packs and other components to Hyxi Technology from time to time, and will purchase energy storage systems, such as commercial and industrial energy storage cabinet systems and container energy storage systems, from Hyxi Technology from time to time.

Payment terms: Unless otherwise agreed in a specific agreement, the purchase expense under the New Product Purchase and Sale Framework Agreement is settled on a monthly basis.

Pricing policy: The pricing for the Group’s procurement of the energy storage systems from Hyxi Technology under the New Product Purchase and Sale Framework Agreement shall be (i) in the form of a fixed unit price; (ii) determined on an arm’s length basis by the parties; (iii) subject to the Group’s standard vendor selection process by comparing the quotations from at least two suppliers who are Independent Third Parties; and (iv) with reference to the prevailing market price of similar products. The Group will set out its requirements for the relevant products, including the specifications and its assessment basis in the vendor selection invitation. The Group will then conduct an overall assessment of the technical capability and the terms (including the prices) offered by the potential suppliers (including at least two suppliers who are Independent Third Parties) and the purchasing order will be given to the supplier with the highest overall ranking. Based on the quotations provided by various suppliers in the vendor selection process and taking into account other factors such as unit price, types of products and delivery arrangement, we will be able to ensure that the price paid to Hyxi Technology by our Group represents the prevailing market price and is on normal commercial terms.

Pursuant to the New Product Purchase and Sale Framework Agreement, the consideration for the Group’s sale of components to Hyxi Technology will be determined (i) in the form of a fixed unit price; (ii) determined on an arm’s length basis by the parties; (iii) with reference to comparable transaction price of the same or similar products provided by the Group to at least two Independent Third Parties during the same period; and (iv) with reference to the prevailing market price of the similar products. The Group will provide products to Hyxi Technology at a price not less than the comparable transaction price of the same or similar products provided by the Group to Independent Third Parties during the same period.

Historical Amounts

	For the Year Ended December 31, 2023	For the Six Months Ended June 30, 2024
	<i>(RMB million)</i>	
The Group’s purchase amount from Hyxi Technology	–	3.0
The Group’s sales amount to Hyxi Technology	4.1	4.1

Annual Caps and Basis of Annual Caps

For the period ending December 31, 2026, the maximum aggregate annual transaction amount of New Product Purchase and Sale Framework Agreement shall not exceed the caps as set out below:

	For the Year Ending December 31,		
	2024	2025	2026
	<i>(RMB million)</i>		
The Group's purchase amount from Hyxi Technology	85.0	30.0	55.0
The Group's sales amount to Hyxi Technology	30.0	65.0	150.0

The proposed annual caps for the amounts of the Group's purchase from and sales to Hyxi Technology are determined with reference to the following considerations:

- (1) the historical amounts incurred between the Group and Hyxi Technology for the year ended December 31, 2023 and the six months ended June 30, 2024;
- (2) the Group plans to develop energy storage products and energy storage system sales sectors. It is expected that Hyxi Technology's procurement volume of energy storage components from the Group will continue to increase based on the advantages and competitiveness of the Company's energy storage products and Hyxi Technology's development in the energy storage system sectors;
- (3) the Company expects that various new pre-orders will be placed by the end of 2024, therefore the annual cap for the purchases from Hyxi Technology for the year ending December 31, 2024 will have a large increase. For the two years ending December 31, 2026, the Company expects a stable increase in the purchases from Hyxi Technology; and
- (4) the expected rise in the energy storage market capacity and customer demand for the period ending December 31, 2026.

Reasons for and Benefits of the New Product Purchase and Sale Framework Agreement and Transactions Thereunder

With consideration of the important strategic direction in expansion of smart vehicles business of the Group, the Company, as a leader in smart vehicles industry with positive prospects and development potential, has also developed industry-leading manufacturing technologies of energy storage products during its research and development of EVs. Such energy storage products may effectively serve the energy storage power station projects. Accordingly, the Group plans to develop energy storage components and complete energy storage system sales sectors. The Company will produce and sell battery packs and other components to energy storage solution suppliers (including Hyxi Technology) for them to produce energy storage system and will procure energy storage system from energy storage solution suppliers (including Hyxi Technology) to sell to customers of the Company's energy storage business.

Leveraging on the Group's deployment of industry chain in smart vehicles industry, the New Product Purchase and Sale Framework Agreement will provide an opportunity for the Group to expand its business mix and enrich income sources, and stipulates the Group's synergy potential, providing mutual economic benefits between the Group and Hyxi Technology, which in turn will accelerate the development and deployment of the Company in smart vehicles industry.

In light of the above, our Directors (including independent non-executive Directors) are of the view that (i) the terms of the continuing connected transaction are based on normal commercial terms, and are fair and reasonable and in the interests of our Company and Shareholders as a whole; and (ii) the proposed annual caps for the transaction are fair and reasonable and in the interests of our Company and Shareholders as a whole.

As Hyxi Technology is an associate of Mr. Fu, and each of Mr. Fu and Mr. Zhu is a member of the Single Largest Group of Shareholders, Mr. Zhu is deemed to be materially interested in the New Product Purchase and Sale Framework Agreement and has abstained from voting on the relevant resolution of the Board. Saved as above, none of the other Directors have material interests in the New Product Purchase and Sale Framework Agreement and are required to abstain from voting on the relevant resolution of the Board.

Listing Rules Implications

As at the date of this announcement, Hyxi Technology is held as to 89.4% by Mr. Fu, a member of the Single Largest Group of Shareholders of the Company. Therefore, Hyxi Technology constitutes a connected person of the Company.

As one or more of the applicable percentage ratios of the proposed annual caps as of December 31, 2026 under the New Product Purchase and Sale Framework Agreement are more than 0.1% but less than 5%, the transactions contemplated under the New Product Purchase and Sale Framework Agreement are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES

As a general principle, the prices and terms in respect of all of the above transactions will be determined in the ordinary course of business, on normal commercial terms or better, negotiated on arm's length basis, on similar basis as the Group transacts business with other Independent Third Parties and shall be on terms which are no less favourable to the Group than those offered to other Independent Third Parties.

To ensure that all the continuing connected transactions are conducted on normal commercial terms or better and in accordance with the pricing policies of the Group and will not be prejudicial to the interests of the Company and the Shareholders as a whole, the terms of the individual agreement will be entered into in accordance with all of the above framework agreements respectively, on normal commercial terms and no less favourable than those offered to Independent Third Parties, and the proposed annual caps under all of the above framework agreements will not exceed the proposed annual caps, the Group has adopted the following internal control measures:

- (i) the Company will regularly conduct market pricing research of relevant products/services and benchmark pricing analysis in accordance with the pricing policy;

- (ii) the Group has approved internal guidelines which provide that if the value of any proposed connected transaction is expected to exceed certain thresholds, the relevant staff must report the proposed transactions to the head of the relevant business unit in order for the Company to commence the necessary additional assessment and approval procedures and ensure that the Company will comply with the applicable requirements under Chapter 14A of the Listing Rules;
- (iii) the Company will provide information and supporting documents to the independent non-executive Directors and the auditors in order for them to conduct an annual review of the continuing connected transactions entered into by the Company. In accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are in accordance with the agreement governing trading on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board, are not in accordance with the pricing policies of our Group in all material respects, are not entered into in accordance with the relevant agreements governing the transactions in all material respects or have exceeded the cap; and
- (iv) when considering any renewal of or revisions to any of the above framework agreements, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at board meetings or shareholders' general meetings (as the case may be). If the independent Directors' or independent Shareholders' approvals cannot be obtained, the Company will not continue the transactions under any of the above framework agreements to the extent that they constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules.

Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under the continuing connected transactions have been and will be conducted on normal commercial terms or better and not prejudicial to the interests of the Company and the Shareholders as a whole.

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 manufactures 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.

Hangzhou Xintu, a limited liability company established under the laws of the PRC on September 28, 2010, specializes in research and trial development, providing technology development, consulting and other services. As of the date of this announcement, Hangzhou Xintu was held as to 70% and 30% by Mr. Zhu and Ms. Liu, respectively.

Dahua Zhilian, a limited liability company established under the laws of the PRC on February 6, 2015, specializes in sales of electronic products, development of software and technology, manufacturing of smart vehicle equipment and other services. As of the date of this announcement, Dahua Zhilian was held as to 90.09% by Dahua Technology, which is a joint stock company established under the laws of the PRC with its shares listed on the Shenzhen Stock Exchange (stock code: 002236) and was held as to 31.1%, 4.82% and 2.16% by Mr. Fu, Mr. Zhu and Ms. Chen, respectively.

Huaruijie Technology, a limited liability company established under the laws of the PRC on March 4, 2020, specializes in the manufacturing and development of equipment and assisted systems used in vehicle, such as radars and cameras. As of the date of this announcement, Huaruijie Technology was held as to 51%, 20%, 14% and 15% by Dahua Technology, the Company, Ningbo Hualing and Ningbo Huaqi Enterprise Management L.P. (寧波華汽企業管理合夥企業(有限合夥)), a company ultimately controlled by Mr. Fu, respectively.

Hysi Technology, a limited liability company established under the laws of the PRC on June 7, 2022, specializes in research, development, manufacturing and sales of photovoltaic inverters, providing overall solutions for future smart energy. As of the date of this announcement, Ningbo Hualing, a member of the Single Largest Group of Shareholders, held 89.40% equity interests in it, and other shareholders of Hysi Technology are Independent Third Parties with shareholding less than 10%.

DEFINITIONS

“Board”	the board of Directors
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Company”	Zhejiang Leapmotor Technology Co., Ltd. (浙江零跑科技股份有限公司), a limited liability company established under the laws of the PRC on December 24, 2015 and converted into a joint stock limited liability company in the PRC on April 30, 2021 (stock code: 9863)
“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 connected person of the Company
“Dahua Zhilian”	Zhejiang Dahua Zhilian Co., Ltd. (浙江大華智聯有限公司), a limited liability company established under the laws of the PRC and a connected person of the Company
“Director(s)”	the director(s) of the Company
“Domestic Shares”	ordinary share(s) issued by the Company, with a nominal value of RMB1.00 each, which is/are subscribed for or credited as paid in Renminbi
“EREV(s)”	extended-range electric vehicles
“EV” or “electric vehicle”	the battery electric vehicles used for the carriage of passengers

“Existing Property Lease Agreement(s)”	the property lease agreement(s) entered into between the Company and Hangzhou Xintu, details of which are disclosed in the section headed “Connected Transactions” in the Prospectus
“Existing Services Procurement Framework Agreement”	the services procurement framework agreement entered into between the Company and Dahua Zhilian, details of which are disclosed in the section headed “Connected Transactions” in the Prospectus
“Existing Components Procurement Framework Agreement”	the components procurement framework agreement entered into between the Company and Huaruijie Technology, details of which are disclosed in the section headed “Connected Transactions” in the Prospectus
“Group” or “we” or “us”	the Company and its subsidiaries from time to time
“H Shares”	overseas listed foreign Share(s) issued or to be issued by the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are listed on the Stock Exchange
“Hangzhou Xintu”	Hangzhou Xintu Technology Co., Ltd. (杭州芯圖科技有限公司), a limited liability company established under the laws of the PRC and a member of the Single Largest Group of Shareholders
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huaruijie Technology”	Zhejiang Huaruijie Technology Co., Ltd. (浙江華銳捷技術有限公司), a limited liability company established under the laws of the PRC and a connected person of the Company
“Hyxi Technology”	Zhejiang Hyxi Technology Co., Ltd. (浙江華昱欣科技有限公司), a limited liability company established under the laws of the PRC and a connected person of the Company
“Independent Third Party(ies)”	any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Mr. Fu”	Mr. Fu Liquan (傅利泉), a member of the Single Largest Group of Shareholders and the spouse of Ms. Chen

“Mr. Zhu”	Mr. Zhu Jiangming (朱江明), the chairperson of the Board, an executive Director and chief executive officer of our Company, a member of the Single Largest Group of Shareholders and the spouse of Ms. Liu
“Ms. Chen”	Ms. Chen Ailing (陳愛玲), the spouse of Mr. Fu and a member of the Single Largest Group of Shareholders
“Ms. Liu”	Ms. Liu Yunzhen (劉雲珍), the spouse of Mr. Zhu and a member of the Single Largest Group of Shareholders
“NEV(s)”	new energy passenger vehicles, comprising of battery electric 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
“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
“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
“PRC”	the People’s Republic of China, but for the purposes of this circular only (unless otherwise indicated) excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	the Company’s prospectus issued on September 20, 2022
“RMB”	Renminbi, the lawful currency of the PRC
“2025 Components Procurement Framework Agreement”	the agreement entered into between the Company and Huaruijie Technology on December 24, 2024, pursuant to which the Company will purchase certain types of camera assembly and radar assembly from Huaruijie Technology on a subscription basis from time to time
“2025 Property Lease Agreement”	the agreement entered into between the Company and Hangzhou Xintu on December 24, 2024, pursuant to which the Company will lease certain properties from Hangzhou Xintu as offices, storage spaces and parking spaces to meet the Company’s administrative needs

“2025 Services Procurement Framework Agreement”	the agreement entered into between the Company and Dahua Zhilian on December 24, 2024, pursuant to which the Company will outsource veneer processing and assembly to Dahua Zhilian from time to time
“New Product Purchase and Sale Framework Agreement”	the agreement entered into between the Company and Hyxi Technology on December 24, 2024, pursuant to which the Company will sell battery packs and other components to Hyxi Technology, and will purchase energy storage systems, such as commercial and industrial energy storage cabinet systems and container energy storage systems, from Hyxi Technology from time to time
“Share(s)”	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, comprising Domestic Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“%”	per cent

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

Hong Kong, December 24, 2024

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