

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO
THE DIRECTORS OF HESAI GROUP, CHINA INTERNATIONAL CAPITAL
CORPORATION HONG KONG SECURITIES LIMITED, GUOTAI JUNAN
CAPITAL LIMITED, AND CMB INTERNATIONAL CAPITAL LIMITED**

Introduction

We report on the historical financial information of Hesai Group (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-63, which comprises the consolidated balance sheets of the Group as of December 31, 2022, 2023 and 2024 and March 31, 2025, the balance sheets of the Company as of December 31, 2022, 2023 and 2024 and March 31, 2025, and the related consolidated statements of operations and comprehensive (loss) income, changes in shareholders’ (deficit) equity, and cash flows for each of the three years ended December 31, 2024 and the three months ended March 31, 2025 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-63 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated September 8, 2025 (the “Prospectus”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance

with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's and the Company's financial position as of December 31, 2022, 2023 and 2024 and March 31, 2025, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the three months ended March 31, 2024 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

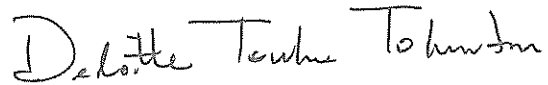
Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 35 to the Historical Financial Information which states that no dividend was declared or paid by the Company in respect of the Track Record Period.

A handwritten signature in black ink that reads "Deloitte Touche Tohmatsu". The signature is written in a cursive, flowing style.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
September 8, 2025

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on previously issued consolidated financial statements of the Group for the Track Record Period (together, the "Underlying Financial Statements"), after making additional disclosures for the purpose of this report. The previously issued consolidated financial statements have been prepared in accordance with the accounting policies which conform with accounting principles generally accepted in the United States of America ("U.S. GAAP") and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (the "DTT"), in accordance with the standards of the Public Company Accounting Oversight Board (United States).

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated. Translations of balances in the consolidated balance sheet, the balance sheet of the Company, consolidated statement of operations and comprehensive (loss) income and consolidated statement of cash flows from RMB into United States Dollars ("US\$") as of and for the three months ended March 31, 2025, are solely for the convenience of the readers as described in Note 3.2.

APPENDIX I

ACCOUNTANTS' REPORT

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2022, 2023 AND 2024 AND MARCH 31, 2025

(Amounts in thousands, except share and per share data and otherwise noted)

		As of December 31,			As of March 31,	
	Notes	2022	2023	2024	2025	
		RMB	RMB	RMB	RMB	US\$
ASSETS						
Current assets:						
Cash and cash equivalents		913,277	1,554,583	2,838,966	2,826,605	389,517
Restricted cash		—	3,541	3,594	3,589	495
Short-term investments	4	945,865	1,586,005	362,195	30,482	4,201
Notes receivable	5	—	—	22,341	20,579	2,836
Accounts receivable, net (net of allowance of RMB6,249, RMB49,132, RMB54,972 and RMB52,241 as of December 31, 2022, 2023 and 2024, and March 31, 2025, respectively)	6	485,044	524,818	765,027	957,644	131,967
Contract assets, net (net of allowance of RMB459, RMB122, RMB9,901 and RMB9,901 as of December 31, 2022, 2023 and 2024, and March 31, 2025, respectively)		12,600	19,688	9,909	9,909	1,365
Amounts due from related parties	25(b)	5,021	5,015	5,039	5,036	694
Inventories	7	646,852	495,877	482,137	489,974	67,520
Prepayments and other current assets, net	8	126,452	208,082	193,448	212,088	29,227
Total current assets		3,135,111	4,397,609	4,682,656	4,555,906	627,822
Non-current assets:						
Property and equipment, net.	9	504,953	871,611	944,218	980,286	135,087
Intangible assets, net	10	20,600	78,730	76,554	79,763	10,992
Land-use rights, net.	11	41,606	40,743	39,879	39,663	5,466
Goodwill		3,823	—	—	—	—
Long-term investments	12	31,856	31,811	31,798	31,787	4,380
Operating lease right-of-use assets. . . .	18	44,349	151,871	114,260	81,928	11,290
Other non-current assets	13	57,098	90,168	100,246	58,049	7,999
Total non-current assets		704,285	1,264,934	1,306,955	1,271,476	175,214
TOTAL ASSETS		3,839,396	5,662,543	5,989,611	5,827,382	803,036
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' (DEFICIT) EQUITY						
Current liabilities:						
Short-term borrowings	14	—	111,682	345,253	280,266	38,622
Notes payable	15	—	7,255	10,096	53,982	7,439
Accounts payable	16	206,681	269,439	345,011	346,867	47,800
Contract liabilities.		40,378	79,925	32,994	26,978	3,718
Amounts due to related parties	25(c)	334,283	340,051	335,253	5,335	735
Accrued warranty liability		17,694	28,425	43,607	48,180	6,639
Accrued expenses and other current liabilities	17	356,502	498,324	516,726	360,743	49,712
Total current liabilities		955,538	1,335,101	1,628,940	1,122,351	154,665

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	Notes	As of December 31,			As of March 31,	
		2022	2023	2024	2025	
		RMB	RMB	RMB	RMB	US\$
Non-current liabilities						
Deferred tax liabilities	23	439	—	—	—	—
Operating lease liabilities	18	10,139	119,413	98,370	69,796	9,618
Long-term borrowings	14	18,472	285,898	269,438	300,288	41,381
Other non-current liabilities		13,075	59,813	61,132	57,813	7,967
Total non-current liabilities		42,125	465,124	428,940	427,897	58,966
TOTAL LIABILITIES		997,663	1,800,225	2,057,880	1,550,248	213,631
Commitments and contingencies	29					
Mezzanine equity						
Redeemable shares (US\$0.0001 par value, 54,551,513, nil, nil and nil shares issued and outstanding as of December 31, 2022, 2023 and 2024, and March 31, 2025, respectively)	19	5,986,910	—	—	—	—
Shareholders' (deficit) equity						
Class A Ordinary Shares (US\$0.0001 par value, 35,000,000, 50,000,000, 50,000,000 and 50,000,000 shares authorized, 30,033,379, 30,033,379, 30,015,905 and 26,998,861 shares issued and outstanding as of December 31, 2022, 2023 and 2024, and March 31, 2025, respectively)	20	19	19	19	17	2
Class B Ordinary Shares (US\$0.0001 par value, 150,000,000, 900,000,000, 900,000,000 and 900,000,000 shares authorized, 30,949,701, 99,626,332, 101,143,806 and 106,660,850 shares issued, 30,949,701, 96,995,110, 101,143,806 and 105,155,743 shares outstanding as of December 31, 2022, 2023 and 2024, and March 31, 2025, respectively)	20	20	67	70	73	11
Additional paid-in capital		—	7,423,862	7,577,113	7,615,445	1,049,436
Subscription receivables		(310,227)	(292,721)	(292,721)	—	—
Accumulated other comprehensive (loss) income		(3,608)	38,440	56,975	88,873	12,247
Accumulated deficit		(2,831,381)	(3,307,349)	(3,409,725)	(3,427,274)	(472,291)
TOTAL SHAREHOLDERS' (DEFICIT) EQUITY		(3,145,177)	3,862,318	3,931,731	4,277,134	589,405
TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' (DEFICIT) EQUITY		3,839,396	5,662,543	5,989,611	5,827,382	803,036

BALANCE SHEETS OF THE COMPANY

AS OF DECEMBER 31, 2022, 2023 AND 2024 AND MARCH 31, 2025

(Amounts in thousands, except share and per share data and otherwise noted)

		As of December 31,			As of March 31,	
	Notes	2022	2023	2024	2025	
		RMB	RMB	RMB	RMB	US\$
ASSETS						
Cash and cash equivalents	3.2	35,411	363,778	1,056,383	1,323,564	182,392
Short-term investments		–	581,962	–	–	–
Prepayments and other current assets		1,041	8,005	4,100	2,244	309
Investments in subsidiaries	30(a)	2,806,201	2,929,800	2,915,337	2,993,763	412,552
Property and equipment, net		7	5	–	–	–
TOTAL ASSETS		2,842,660	3,883,550	3,975,820	4,319,571	595,253
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' (DEFICIT) EQUITY						
Amounts due to subsidiaries	25(b)	–	14,024	8,997	5,335	735
Accrued expenses and other current liabilities		927	7,208	35,092	37,102	5,113
TOTAL LIABILITIES		927	21,232	44,089	42,437	5,848
Mezzanine equity						
Redeemable shares (US\$0.0001 par value, 54,551,513, nil, nil and nil shares issued and outstanding as of December 31, 2022, 2023 and 2024, and March 31, 2025, respectively)	19	5,986,910	–	–	–	–
Shareholders' (deficit) equity						
Class A Ordinary Shares (US\$0.0001 par value, 35,000,000, 50,000,000, 50,000,000 and 50,000,000 shares authorized, 30,033,379, 30,033,379, 30,015,905 and 26,998,861 shares issued and outstanding as of December 31, 2022, 2023 and 2024, and March 31, 2025, respectively) . . .	20	19	19	19	17	2

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	Notes	As of December 31,			As of March 31,	
		2022	2023	2024	2025	
		RMB	RMB	RMB	RMB	US\$
Class B Ordinary Shares (US\$0.0001 par value, 150,000,000, 900,000,000, 900,000,000 and 900,000,000 shares authorized, 30,949,701, 99,626,332, 101,143,806 and 106,660,850 shares issued, 30,949,701, 96,995,110, 101,143,806 and 105,155,743 shares outstanding as of December 31, 2022, 2023 and 2024, and March 31, 2025, respectively)	20	20	67	70	73	11
Additional paid-in capital.		–	7,423,862	7,577,113	7,615,445	1,049,436
Subscription receivables		(310,227)	(292,721)	(292,721)	–	–
Accumulated other comprehensive (loss) income.		(3,608)	38,440	56,975	88,873	12,247
Accumulated deficit		(2,831,381)	(3,307,349)	(3,409,725)	(3,427,274)	(472,291)
TOTAL SHAREHOLDERS' (DEFICIT) EQUITY		(3,145,177)	3,862,318	3,931,731	4,277,134	589,405
TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' (DEFICIT) EQUITY		2,842,660	3,883,550	3,975,820	4,319,571	595,253

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**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE
(LOSS) INCOME FOR THE YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024
AND THREE MONTHS ENDED MARCH 31, 2024 AND 2025**

(Amounts in thousands, except share and per share data and otherwise noted)

	Notes	For the year ended December 31,			Three months ended March 31,		
		2022	2023	2024	2024	2025	
		RMB	RMB	RMB	RMB	RMB	US\$
					(unaudited)		
Net revenues	21	1,202,670	1,876,989	2,077,157	359,120	525,302	72,389
Cost of revenues		(730,683)	(1,215,611)	(1,192,572)	(219,898)	(306,067)	(42,177)
Gross profit		471,987	661,378	884,585	139,222	219,235	30,212
Operating expenses:							
Sales and marketing expenses		(104,835)	(148,798)	(193,032)	(41,964)	(50,546)	(6,965)
General and administrative expenses		(201,007)	(320,144)	(316,913)	(68,767)	(54,087)	(7,453)
Research and development expenses		(555,179)	(790,547)	(855,641)	(194,402)	(183,306)	(25,260)
Other operating income, net	22	10,817	26,520	276,093	27,456	35,256	4,858
Total operating expenses		(850,204)	(1,232,969)	(1,089,493)	(277,677)	(252,683)	(34,820)
Loss from operations		(378,217)	(571,591)	(204,908)	(138,455)	(33,448)	(4,608)
Interest income		58,734	99,813	104,401	32,795	20,521	2,828
Interest expenses		-	(3,069)	(12,827)	(2,286)	(5,007)	(690)
Foreign exchange gain (loss), net		20,858	(452)	14,577	1,493	1,024	141
Other (loss) income, net		(2,161)	34	(2,476)	(212)	(694)	(96)
Net loss before income tax and share of loss in equity method investments		(300,786)	(475,265)	(101,233)	(106,665)	(17,604)	(2,425)
Income tax benefit (expenses)	23	66	(658)	(1,130)	(248)	67	9
Share of loss in equity method investment		(45)	(45)	(13)	(12)	(12)	(2)
Net loss		(300,765)	(475,968)	(102,376)	(106,925)	(17,549)	(2,418)
Deemed dividend		(446,419)	-	-	-	-	-
Net loss attributable to ordinary shareholders of the Company		(747,184)	(475,968)	(102,376)	(106,925)	(17,549)	(2,418)
Net loss per share:							
Basic and diluted	26	(6.47)	(3.81)	(0.79)	(0.84)	(0.13)	(0.02)
Weighted average shares used in calculating net loss per share:							
Basic and diluted	26	115,534,593	124,783,013	129,188,125	127,336,569	131,456,631	131,456,631
Net loss		(300,765)	(475,968)	(102,376)	(106,925)	(17,549)	(2,418)
Other comprehensive (loss) income, net of tax of nil:							
Foreign currency translation adjustments		(12,073)	42,048	18,535	3,088	31,898	4,396
Comprehensive (loss) income, net of tax of nil		(312,838)	(433,920)	(83,841)	(103,837)	14,349	1,978

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT) EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024
AND THREE MONTHS ENDED MARCH 31, 2024 AND 2025
(Amounts in thousands, except share and per share data and otherwise noted)

	Class A Ordinary Shares		Class B Ordinary Shares		Additional paid-in capital		Subscription receivables		Accumulated deficit		Accumulated other comprehensive income (loss)		Total shareholders' (deficit) equity	
	Number	RMB*	Number	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of														
December 31, 2021	30,033,379	19	30,949,701	20	-	-	(310,227)	(2,188,947)	8,465	(2,490,670)				
Net loss	-	-	-	-	-	-	-	(300,765)	-	(300,765)				
Foreign currency translation	-	-	-	-	-	-	-	-	-	(12,073)				
Share-based compensation	-	-	-	-	-	-	-	-	-	-				
Accretion in redemption value of redeemable shares	-	-	-	-	104,750	-	-	-	-	-				104,750
	-	-	-	-	(104,750)	-	-	(341,669)	-	-				(446,419)
Balance as of														
December 31, 2022	30,033,379	19	30,949,701	20	-	-	(310,227)	(2,831,381)	(3,608)	(3,145,177)				
Net loss	-	-	-	-	-	-	-	(475,968)	-	(475,968)				
Foreign currency translation	-	-	-	-	-	-	-	-	-	42,048				42,048
Share-based compensation	-	-	-	-	-	-	-	-	-	-				233,958
Issuance of ordinary shares for initial public offering ("IPO"), net of issuance cost of RMB117,774	-	-	10,125,118	7	1,193,290	-	-	-	-	-				1,193,297
Reclassification of redeemable shares to ordinary shares upon IPO	-	-	54,551,513	39	5,986,871	-	-	-	-	-				5,986,910

	Class A Ordinary Shares		Class B Ordinary Shares		Additional paid-in capital	Subscription receivables	Accumulated deficit	Accumulated other comprehensive income (loss)	Total shareholders' (deficit) equity
	Number	RMB*	Number	RMB					
Issuance of ordinary shares upon the exercise of share options and vesting of restricted share units	-	-	1,368,778	1	9,743	-	-	-	9,744
Settlement of subscription receivables in connection the 2021 reorganization . .	-	-	-	-	-	17,506	-	-	17,506
Balance as of December 31, 2023.	30,033,379	19	96,995,110	67	7,423,862	(292,721)	(3,307,349)	38,440	3,862,318
Net loss	-	-	-	-	-	-	(102,376)	-	(102,376)
Foreign currency translation .	-	-	-	-	-	-	-	18,535	18,535
Share-based compensation . .	-	-	-	-	117,199	-	-	-	117,199
Issuance of ordinary shares upon the exercise of share options and vesting of restricted share units	-	-	4,131,222	3	36,052	-	-	-	36,055
Conversion of Class A Ordinary Shares into Class B Ordinary Shares	(17,474)	-	17,474	-	-	-	-	-	-
Balance as of December 31, 2024	30,015,905	19	101,143,806	70	7,577,113	(292,721)	(3,409,725)	56,975	3,931,731

* The amount less than RMB1 is rounded to zero

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	Class A Ordinary Shares		Class B Ordinary Shares		Additional paid-in capital		Subscription receivables	Accumulated deficit	Accumulated other comprehensive income (loss)	Total shareholders' (deficit) equity
	Number	RMB*	Number	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2023	30,033,379	19	96,995,110	67	7,423,862	(292,721)	(3,307,349)	38,440	3,862,318	
Net loss	-	-	-	-	-	-	(106,925)	-	(106,925)	
Foreign currency translation	-	-	-	-	-	-	-	3,088	3,088	
Share-based compensation	-	-	-	-	37,634	-	-	-	37,634	
Issuance of ordinary shares upon the exercise of share options and vesting of restricted share units	-	-	-	1	3,946	-	-	-	3,947	
Balance as of March 31, 2024 (unaudited)	30,033,379	19	97,859,314	68	7,465,442	(292,721)	(3,414,274)	41,528	3,800,062	
Balance as of December 31, 2024	30,015,905	19	101,143,806	70	7,577,113	(292,721)	(3,409,725)	56,975	3,931,731	
Net loss	-	-	-	-	-	-	(17,549)	-	(17,549)	
Foreign currency translation	-	-	-	-	-	-	-	31,898	31,898	
Share-based compensation	-	-	-	-	26,186	-	-	-	26,186	
Issuance of ordinary shares upon the exercise of share options and vesting of restricted share units	-	-	-	-	-	-	-	-	-	
Conversion of Class A Ordinary Shares into Class B Ordinary Shares	(3,017,044)	(2)	3,017,044	2	-	-	-	-	-	
Settlement of subscription receivables in connection the 2021 reorganization	-	-	-	-	-	292,721	-	-	292,721	
Balance as of March 31, 2025	26,998,861	17	105,155,743	73	7,615,445	-	(3,427,274)	88,873	4,277,134	

* The amount less than RMB1 is rounded to zero

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024
AND THREE MONTHS ENDED MARCH 31, 2024 AND 2025

(Amounts in thousands, except share and per share data and otherwise noted)

	For the year ended December 31,			Three months ended March 31,		
	2022	2023	2024	2024	2025	
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>US\$</i>
	(unaudited)					
Cash flows from operating activities:						
Net loss	(300,765)	(475,968)	(102,376)	(106,925)	(17,549)	(2,418)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:						
Depreciation and amortization	53,634	86,268	131,809	34,892	34,825	4,799
Share-based compensation	105,219	234,624	116,064	37,800	26,186	3,609
(Reversal of) provision for allowance for credit loss	(1,810)	43,004	15,619	823	(2,731)	(376)
Loss from disposal of property and equipment	369	–	1,885	–	1,466	202
Fair value change of short-term investments	4,878	(15,095)	(195)	(4,379)	(464)	(64)
Share of loss in equity method investee	45	45	13	12	12	2
Foreign exchange (gain) loss, net	(5,868)	(9)	(2,591)	(690)	226	31
Non-cash lease expenses	30,260	34,355	37,375	13,217	3,540	488
Inventory write-down	39,431	9,290	2,222	14,016	1,923	265
Gain from disposal of subsidiary	–	(6,129)	–	–	–	–
Changes in operating assets and liabilities:						
Notes receivable	–	–	(22,341)	(717)	1,762	243
Accounts receivable	(390,859)	(90,750)	(243,339)	(45,538)	(190,153)	(26,204)
Contract assets	134,244	(7,088)	–	–	–	–
Inventories	(305,553)	145,977	26,695	(156,486)	(13,630)	(1,878)
Prepayments and other current assets	(33,556)	(82,646)	17,002	(15,376)	(20,074)	(2,766)
Other non-current assets	2,883	(3,178)	2,173	–	(1,482)	(204)
Amounts due to related parties	–	–	(5,026)	–	(3,477)	(479)
Contract liabilities	(91,737)	39,545	(46,942)	(38,341)	(6,014)	(829)
Deferred tax liabilities	(27)	(35)	–	–	–	–
Accounts payable	128,863	61,529	75,012	66,821	1,913	264
Notes payable	–	–	2,841	–	43,886	6,048
Accrued expenses and other current liabilities	(41,074)	80,297	88,907	(112,873)	(110,655)	(15,249)
Operating leases liabilities	(30,103)	(34,595)	(33,758)	(10,917)	(3,181)	(438)
Other non-current liabilities	5,511	37,820	2,454	(3,961)	(3,319)	(457)
Net cash (used in) provided by operating activities	(696,015)	57,261	63,503	(328,622)	(256,990)	(35,411)

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	For the year ended December 31,			Three months ended March 31,		
	2022	2023	2024	2024	2025	
	RMB	RMB	RMB	RMB	RMB	US\$
	(unaudited)					
Cash flows from investing activities:						
Purchases of short-term investments . . .	(5,586,764)	(5,100,868)	(2,548,575)	(913,910)	(50,000)	(6,890)
Maturity of short-term investments . . .	6,978,764	4,479,302	3,775,809	1,242,830	382,176	52,665
Purchases of property and equipment . .	(231,210)	(406,748)	(259,541)	(82,824)	(57,872)	(7,975)
Purchases of intangible assets	(9,180)	(7,925)	(11,817)	(1,237)	(7,077)	(975)
Proceeds from government subsidies						
after capital expenditure	-	15,893	-	-	-	-
Purchases of equity securities	(30,000)	-	-	-	-	-
Advances to a related party	(1,964)	-	-	-	-	-
Cash inflow from disposal of subsidiary .	-	14,407	-	-	-	-
Cash outflow from acquisition of subsidiary, net of cash acquired of RMB571	-	(54,454)	-	-	-	-
Net cash provided by (used in) investing activities	1,119,646	(1,060,393)	955,876	244,859	267,227	36,825
Cash flows from financing activities:						
Cash distribution to former shareholders of Shanghai Hesai in connection with the 2021 Reorganization	-	(17,506)	-	-	(292,721)	(40,338)
Cash contribution from shareholders in connection with the 2021 Reorganization	-	17,506	-	-	292,721	40,338
Proceeds from issuance of ordinary shares of Hesai Group	-	1,225,470	-	-	-	-
Proceeds from long-term borrowings . .	18,472	264,910	120,275	40,817	32,843	4,526
Repayment of long-term borrowings . .	-	-	(20,157)	-	-	-
Proceeds from short-term borrowings . .	-	111,682	234,100	161,750	111,776	15,403
Repayment of short-term borrowings . .	-	-	(117,682)	(111,682)	(178,800)	(24,639)
Payment of offering costs	(3,296)	(22,828)	-	-	-	-
Proceeds from issuance of ordinary shares upon the exercise of share options	-	2,872	34,139	111	11,939	1,645
Government subsidies received in advance of capital expenditure	-	8,250	-	-	-	-
Net cash provided by (used in) financing activities	15,176	1,590,356	250,675	90,996	(22,242)	(3,065)

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	For the year ended December 31,			Three months ended March 31,		
	2022	2023	2024	2024	2025	
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>US\$</u>
	<i>(unaudited)</i>					
Net increase (decrease) in cash and cash equivalents	438,807	587,224	1,270,054	7,233	(12,005)	(1,651)
Cash, cash equivalents and restricted cash, beginning of the year/period	449,352	913,277	1,558,124	1,558,124	2,842,560	391,715
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash.	25,118	57,623	14,382	1,686	(361)	(52)
Cash, cash equivalents and restricted cash, end of the year/period	<u>913,277</u>	<u>1,558,124</u>	<u>2,842,560</u>	<u>1,567,043</u>	<u>2,830,194</u>	<u>390,012</u>
Cash paid during the year/period for:						
Income taxes (refund received) paid . . .	(1,230)	–	425	–	425	59
Interest (net of capitalized amount of RMB11, RMB4,433, RMB1,511, RMB378 and RMB651 for the years ended December 31, 2022, 2023 and 2024, and three months ended March 31, 2024 and 2025 respectively)	–	3,069	8,054	2,113	5,701	786
Supplemental disclosure of non-cash investing and financing activities:						
Accrued purchases of property and equipment	102,181	179,839	124,333	146,049	90,720	12,502
Accrued offering cost	480	–	–	–	–	–
Decrease in lease liabilities due to partial termination of lease contract . .	–	–	–	–	28,787	3,967

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the balance sheets that sum to the total of the same such amounts shown in the statement of cash flows:

	As of December 31,			As of March 31,		
	2022	2023	2024	2024	2025	
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>US\$</u>
	<i>(unaudited)</i>					
Cash and cash equivalents	913,277	1,554,583	2,838,966	1,563,496	2,826,605	389,517
Restricted cash	–	3,541	3,594	3,547	3,589	495
Cash, cash equivalents and restricted cash	<u>913,277</u>	<u>1,558,124</u>	<u>2,842,560</u>	<u>1,567,043</u>	<u>2,830,194</u>	<u>390,012</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Amount in Thousands, Except Share and Per Share Data, or otherwise stated)

1. GENERAL INFORMATION

The Company was incorporated under the laws of the Cayman Islands on April 21, 2021. The addresses of the registered office and principal place of business of the Company are set out in "Corporate Information" of the Prospectus.

The Group is primarily engaged in the development, manufacturing and sales of three-dimensional light detection and ranging or LiDAR, solutions.

As of December 31, 2022, 2023 and 2024, March 31, 2025 and date of this report, the Group conducted its business operations across its subsidiaries as follows:

Name of subsidiaries	Date and place of incorporation/ registration/ operations	Registered capital	Paid in capital	Proportion of ownership interest held by the Group					Statutory auditor			Principal activities
				As of December 31,			As of March 31,	As of date of this report	Year ended December 31,			
				2022	2023	2024	2025		2022	2023	2024	
				%	%	%	%	%				
Hesai Hong Kong Limited ("Hesai HK")	May 6, 2021, Hong Kong	One US dollar	One US dollar	100	100	100	100	100	GIL (HK) Limited	GIL (HK) Limited	GIL (HK) Limited	Investment holding
Hesai Technology Co., Ltd. ("Shanghai Hesai")	October 22, 2014, The People's Republic of China (the "PRC")	RMB 1,096,000	RMB 1,096,000	100	100	100	100	100	DTT	DTT	RSM China	Development, Manufacture and sales of LiDAR
Shanghai Hesai Trading Co. Ltd..	May 17, 2019, PRC	RMB1,000	RMB1,000	100	100	100	100	100	DTT	DTT	RSM China	Sales and after- sales service of LiDAR
Hertz Technology Co., Ltd.	October 13, 2022, PRC	RMB222,000	RMB220,946	100	100	100	100	100	DTT	DTT	RSM China	Manufacture of LiDAR
Hesai Inc	October 11, 2017, United States	US\$10,000	US\$10,000	100	100	100	100	100	N/A note (iii)	N/A note (iii)	N/A note (iii)	Marketing and after-sales service of LiDAR
Oxigraf, Inc. ("Oxigraf").	December 30, 1996, United States	US\$2,011	US\$2,011	100	-- note (i)	-- note (i)	-- note (i)	-- note (i)	N/A note (iii)	N/A note (iii)	N/A note (iii)	Manufacture of sensing devices for gas detection
Hesai GmbH	April 22, 2022, Germany	Euro ("EUR") 500	EUR500	100	100	100	100	100	N/A note (iii)	N/A note (iii)	N/A note (iii)	Marketing and after-sales service of LiDAR
Chongqing Hezhi Technology Co., Ltd ("Chongqing Hezhi")	April 4, 2023, PRC	RMB30,000	RMB30,000	N/A	100	100	100	100	N/A note (iii)	DTT	RSM China	Development and sales of LiDAR

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Name of subsidiaries	Date and place of incorporation/ registration/ operations	Registered capital	Paid in capital	Proportion of ownership interest held by the Group					Statutory auditor			Principal activities
				As of December 31,			As of March 31,	As of date of this report	Year ended December 31,			
				2022	2023	2024	2025		2022	2023	2024	
				%	%	%	%		%			
Hesai Holding PTE LTD ("Hesai Holding PTE")	June 5, 2023, Singapore	US\$5,987	US\$5,987	N/A	100	100	100	100	N/A note (ii)	DTT	Pannell Ker Forster	Investment holding
Hesai Technology PTE LTD ("Hesai Technology PTE")	June 9, 2023, Singapore	One US dollar	–	N/A	100	100	100	100	N/A note (ii)	DTT	Pannell Kerr Forster	Sales and after-sales service of LiDAR
Hesai (Thailand) Limited ("Hesai Thailand")	June 19, 2023, Thailand	Thai Baht ("TBH") 200,100	TBH 200,000	N/A	100	100	100	100	N/A note (ii)	DTT	DTT	Manufacture and sales of LiDAR
HESI TECHNOLOGYS.A. DE. C.V. ("Hesai Mexico")	July 26, 2023, Mexico	519 US dollar	–	N/A	100	100	100	100	N/A note (ii)	N/A note (iii)	N/A note (iii)	Development of LiDAR
Hesai Korea Co. Ltd. ("Hesai Korea")	September 22, 2023, Korea	Korean won ("KRW") 100,000	KRW 100,000	N/A	100	100	100	100	N/A note (ii)	N/A note (iii)	N/A note (iii)	Sales of LiDAR
Hesai Technology Japan Inc ("Hesai Japan")	September 19, 2023, Japan	Yen ("JPN") 10,000	JPN10,000	N/A	100	100	100	100	N/A note (ii)	N/A note (iii)	N/A note (iii)	Sales of LiDAR
Chongqing Hesai Technology Co., Ltd. ("Chongqing Hesai")	October 30, 2023, PRC	US\$10,000	US\$10,000	N/A	100	100	100	100	N/A note (ii)	DTT	RSM China	Development of LiDAR
Shanghai Hesai Zhineng Keji Co., Ltd ("Shanghai Zhineng")	November 8, 2023, PRC	US\$20,000	–	N/A	100	100	100	100	N/A note (ii)	DTT	RSM China	Development and sales of LiDAR, Business operation
Fastree3D SA.	September 2013, Switzerland	Swiss Franc ("CHF") 429,444	CHF 429,444	N/A	100	100	100	100	N/A note (ii)	N/A note (iii)	N/A note (iii)	Development of LiDAR
American Lidar Inc ("American Lidar")	November 22, 2023, United States	0.5 US dollar	0.5 US dollar	N/A	100	100	100	100	N/A note (ii)	N/A note (iii)	N/A note (iii)	Development of LiDAR
Guangzhou Hesai Technology Co., Ltd. ("Guangzhou Hesai")	July 19, 2024, PRC	RMB1,000	RMB1,000	N/A	N/A	100	100	100	N/A note (ii)	N/A note (ii)	RSM China	Sales of LiDAR

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Name of subsidiaries	Date and place of incorporation/ registration/ operations	Registered capital	Paid in capital	Proportion of ownership interest held by the Group					Statutory auditor			Principal activities
				As of December 31,			As of March 31,	As of date of this report	Year ended December 31,			
				2022	2023	2024	2025		2022	2023	2024	
				%	%	%	%		%			
Firebird Limited.	December 10, 2024, British Virgin Islands	US\$50	-	N/A	N/A	100	100	100	N/A note (ii)	N/A note (ii)	N/A note (iii)	Investment holding
Beijing Hesai Technology Co., Ltd. ("Beijing Hesai")	December 19, 2024, PRC	RMB1,000	-	N/A	N/A	100	100	100	N/A note (ii)	N/A note (ii)	RSM China	Sales of LiDAR

Note (i): Oxigraf was disposed on November 15, 2023. Please see Note 3 to the Historical Financial Information for detail.

Note (ii): No statutory audited financial statements have been prepared for Chongqing Hezhi, Hesai Holding PTE, Hesai Technology PTE, Hesai Thailand, Hesai Mexico, Hesai Korea, Hesai Japan, Chongqing Hesai, Shanghai Zhineng, Fastree3D SA and American Lidar for the year ended December 31, 2022 as they are incorporated in 2023. No statutory audited financial statements have been prepared for Guangzhou Hertz, Firebird Limited and Beijing Hesai for the years ended December 31, 2022 and 2023 as they are incorporated or acquired in 2024.

Note (iii): No statutory audited financial statements have been prepared for the Company, Hesai Inc., Oxigraf, Hesai GmbH, Hesai Mexico, Hesai Korea, Hesai Japan, Fastree3D SA, American Lidar and Firebird Limited as they are incorporated in the respective jurisdictions where there are no statutory audit requirements, or they are not required to perform statutory audit.

All subsidiaries comprising the Group are limited liabilities companies or corporations and have adopted December 31 as their financial year end date.

The statutory financial statements of the subsidiaries registered in the PRC, whichever applicable, were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC.

The statutory financial statements of Hesai HK were prepared in accordance with the applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The statutory financial statements of Hesai Holding PTE and Hesai Technology PTE were prepared in accordance with Singapore Financial Reporting Standards.

The statutory financial statements of Hesai Thailand were prepared in accordance with the Thai Financial Reporting Standards for Non-Publicly Accountable Entities.

2. THE HISTORY OF THE GROUP AND THE GROUP RESTRUCTURING

History of the Group

The Group's history began in October 2014 with the establishment of Shanghai Hesai Photonics Co., Ltd. ("Hesai Photonics"), a limited liability company established in the PRC by Dr. Kai Sun, Dr. Yifan Li and Mr. Shaoqing Xiang (collectively known as the "Founding Shareholders"). In August 2020, Hesai Photonics was converted by its then shareholders into a joint stock company under the PRC law and changed its name to Shanghai Hesai.

2021 Reorganization

In 2021, the Founding Shareholders and all of the investors of Shanghai Hesai undertook an equity restructuring in order to re-domicile its business from the PRC to the Cayman Islands (the "2021 Reorganization"), which was executed in the following steps:

- (1) In April 2021, the Company was incorporated in the Cayman Islands to be the holding company of the Group. On May 6, 2021, the Company established Hesai HK, a wholly owned subsidiary to be the intermediate holding company.
- (2) In June 2021, the Company through Hesai HK acquired 100% of the equity interest of Shanghai Hesai from the Founding Shareholders and its investors, thus Shanghai Hesai became the wholly owned subsidiary of the Company.
- (3) In May and June 2021, the Founding Shareholders subscribed to 30,033,379 Class A Ordinary Shares and the existing investors subscribed to 62,834,548 Class B Ordinary Shares of the Company, on an as-converted basis, at the same proportion of the equity interest they held in Shanghai Hesai.

The main purpose of the 2021 Reorganization was to establish a Cayman Islands holding company for the existing business in preparation for an overseas initial public offering. The Group has accounted for the 2021 Reorganization as transaction between entities with common ownership, which is akin to a reorganization of entities under common control.

Pursuant to a framework agreement entered into by the Founding Shareholders and all of the investors of Shanghai Hesai, the consideration paid by the Company to acquire the equity interest of Shanghai Hesai is to be reinvested in the Company as capital contribution for subscription of ordinary shares at Hesai Group. For the recapitalization in connection with the 2021 Reorganization, only RMB817,847 was required to be settled through cash redemption by Shanghai Hesai and cash investment at the Company level in accordance with foreign currency control regulations within the PRC. An amount of RMB507,620, RMB17,506 and RMB292,721 has been settled in 2021, 2023 and the first quarter of 2025, respectively. All payables or subscription receivables related to the 2021 Reorganization were settled as of March 31, 2025 (Note 25).

Initial Public Offering ("IPO")

In February and March 2023, the Group, in connection with its IPO in the United States, issued 10,125,118 Class B Ordinary Shares with net proceeds of US\$179,786 (equivalent to RMB1,225,470).

3. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**3.1 Basis of preparation of Historical Financial Information**

The Historical Financial Information has been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

3.2 Summary of significant accounting policies***Basis of Consolidation***

The Historical Financial Information presented herein represent the consolidated financial statements of the Company and its subsidiaries. All transactions and balances among the Company and its subsidiaries have been eliminated upon consolidation.

Use of estimates

The preparation of the Historical Financial Information in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the Track Record Period. Actual results could differ from those estimates. On an ongoing basis, the Group's management reviews these estimates based on information that is currently available. Changes in facts and circumstances may cause the Group to revise its estimates. Significant accounting estimates reflected in the Historical Financial Information mainly includes the estimated project progress towards certain services revenue, warranty reserves, incremental borrowing rate of lease liabilities, inventory write-down, allowance for credit losses, the useful lives and impairment of property and equipment, right-of-use assets, intangible assets and land-use rights, valuation of ordinary shares and share-based compensation.

Fair value measurements

The established fair value hierarchy as defined by U.S. GAAP requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs may be used to measure fair value include:

Level 1 Valuation techniques in which all significant inputs are unadjusted quoted prices from active markets for assets or liabilities that are identical to the assets or liabilities being measured.

Level 2 Valuation techniques in which significant inputs include quoted prices from active markets for assets or liabilities that are similar to the assets or liabilities being measured and/or quoted prices for assets or liabilities that are identical or similar to the assets or liabilities being measured from markets that are not active. Also, model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are Level 2 valuation techniques.

Level 3 Valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are valuation technique inputs that reflect the Group's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Group's financial instruments include cash and cash equivalents, time deposits with maturities between three months and one year included in short-term investments, accounts receivable, notes receivable, contract assets, amounts due from/to related parties, other receivables included in other current assets, accounts payable, notes payable, other current liabilities, and short/long-term borrowings. All carrying amounts of these short-term financial instruments measured at amortized cost approximate their fair values due to their short-term nature. The fair value of long-term borrowings is approximate to their carry amounts because the annual interest rates of such borrowings are the similar to the prevailing market annual interest rate.

The following table presents the assets that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy:

As of December 31, 2022

Description	Fair Value Measurements at Reporting Date Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	RMB	RMB	RMB
Short-term investments – structured financial products	–	945,865	–

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As of December 31, 2023

Description	Fair Value Measurements at Reporting Date Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	RMB	RMB	RMB
Short-term investments – structured financial products	–	857,924	–

As of December 31, 2024

Description	Fair Value Measurements at Reporting Date Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	RMB	RMB	RMB
Short-term investments – structured financial products	–	362,195	–

As of March 31, 2025

Description	Fair Value Measurements at Reporting Date Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	RMB	RMB	RMB
Short-term investments – structured financial products	–	30,482	–

The structured financial products with commercial banks in the PRC are financial instruments with variable interest rates indexed mainly to exchange rates and/or price of commodities. In accordance with ASC 820, Fair Value Measurement, the Group elected the fair value option at the date of initial recognition to measure structured financial products at fair value on a recurring basis with changes in the fair value are recorded as interest income in the consolidated statements of operations and comprehensive (loss) income. The fair values of these structured financial products were using Level 2 significant other observable input by applying the interest rate implied by the current quotation of underlying indices. For the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025, the Group recorded fair value changes of short-term investments of RMB52,252, RMB30,158, RMB13,586, RMB6,430 (unaudited) and RMB1,190 as interest income in the consolidated statements of operations and comprehensive (loss) income, respectively.

Functional currency and foreign currency translation

The Group uses Renminbi (“RMB”) as its reporting currency. The functional currency of the Company and its subsidiaries located outside of PRC is US\$, CHF, EUR and other currencies such as TBH, the functional currency of subsidiaries located in PRC is RMB.

Assets and liabilities are translated from each entity’s functional currency to the reporting currency at the exchange rate on the balance sheet date. Equity amounts are translated at historical exchange rates, and revenues, expenses, gains and losses are translated using the average rate for the year/period. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of accumulated other comprehensive (loss) income in the consolidated statements of changes in shareholders’ (deficit) equity.

Monetary assets and liabilities denominated in currencies other than the entity's applicable functional currencies are translated into the functional currencies at the prevailing rates of exchange at the balance sheet date. Nonmonetary assets and liabilities are remeasured into the applicable functional currencies at historical exchange rates. Transactions in currencies other than the applicable functional currencies during the year/period are converted into the functional currencies at the applicable rates of exchange prevailing at the transaction dates. Transaction gains and losses are recognized as foreign exchange gain (loss), net in the consolidated statements of operations and comprehensive (loss) income.

Cash and cash equivalents

The Group classifies cash on hand and cash in bank with original maturities of three months or less, and are unrestricted as to withdrawal or use, as cash and cash equivalents.

Restricted cash

Restricted cash mainly represents the Group's security deposits with respect to the Group's credit card account, withdrawal or use is contractually restricted of these cash balance.

Accounts receivable, net

Accounts receivable mainly consists of amounts due from the Group's customers, which are recorded net of allowance for credit losses. The Group manages customers by six pools — domestic PRC OEM customers, domestic PRC other customers, overseas OEM customers, overseas other customers, customers facing operational difficulties and other special customers. For the purposes of performing ongoing credit evaluation, the customers are aggregated into two portfolio segments by reviewing their credit rating and assessing allowance for credit loss based on expected credit loss model. Category 1 consists of the first four pools customers who have a relatively low credit risk and no default history. Category 2 is for customers facing operational difficulties and other special circumstances who have a relatively higher credit risk. The Group develops a current expected credit loss ("CECL") model based on historical collection experience, the age of the accounts receivable balances, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from customers. Account receivable balances are written off after all collection efforts have been exhausted. The expected credit loss rates for each Category as of December 31, 2022, 2023 and 2024 and March 31, 2025 are as follows:

	As of December 31,			As of March 31,
	2022	2023	2024	2025
Category 1	0.74%	1.94%	0.83%	0.60%
Category 2	100.00%	100.00%	89.06%	88.60%

Factoring arrangements

The Group entered into factoring agreements with third-party financial institutions. If the Group has transferred substantially all the risks and rewards of ownership of the receivables under the arrangement, the receivables are derecognized since the transaction qualify as a transfer of financial assets to be considered as a sale under ASC 860. In determining whether the Group has transferred substantially all the risks and rewards of ownership, it considers credit risk, late-payment risk and right of recourse. Arrangements in which the Group derecognizes receivables result in changes in trade receivables, which are reflected as cash flows from operating activities. When receivables are sold with limited recourse and substantially all the risks and rewards associated with these receivables are not transferred, receivables are not derecognized. Where the Group does not derecognize the receivables, the cash received from the factor is classified as a financing cash inflow, the settlement of the receivables as an operating cash inflow and the repayment to the factor as a financing cash outflow.

Inventories

Inventories consists of raw materials, work-in-process, and finished goods and are stated at lower of cost or net realizable value. Costs are computed under the weighted average method. Net realizable value is determined as estimated selling prices in the ordinary course of business, less reasonably predictable costs to sell. Valuation of inventories is based on currently available information about expected recoverable value. The estimate is dependent upon factors such as market trends, inventory aging, and historical and forecasted customer demands. Inventory write-down is recorded as cost of revenues.

Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation and impairment. Property and equipment except land are depreciated at rates sufficient to write off its costs less impairment, if any, over the estimated useful lives on a straight-line basis. The estimated useful lives are as follows:

Buildings	20 years
Electronic equipment	3 – 5 years
Machinery and equipment	10 years
Furniture and fixture	5 years
Transportation vehicles	4 years
Leasehold improvements	Over the shorter of the expected lease term or useful lives

Land held by the Group in perpetuity is not depreciated and is stated at cost less impairment.

Interest expenses on outstanding debt are capitalized during the period of significant capital asset construction. Capitalized interest on construction in progress is included within property, plant and equipment, net and is amortized over the life of the related assets.

Intangible assets, net

Intangible assets are recognized and measured at cost upon acquisition. Following the initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The identifiable intangible assets acquired are amortized on a straight-line basis over the respective useful lives as follows:

Software	3 – 10 years
Technology	3 – 8 years

Land-use rights, net

Land-use rights are recognized and measured at cost upon acquisition. Following the initial recognition, land-use rights are carried at cost less any accumulated amortization and any accumulated impairment losses. According to the land-use rights policy in the PRC, the useful life of land-use rights is 50 years.

Goodwill

Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. The Group's annual testing date is December 31.

The Group recognized goodwill of US\$1,982,033, which was assigned to Oxigraf, Inc. as a reporting unit. On November 15, 2023, the Group disposed Oxigraf, Inc., with gain of RMB6.1 million recognized in other operating income, net. The corresponding goodwill was derecognized as part of the disposal.

*Long-term investments**Investment in equity method investee*

The Group uses equity method to account for common stock investments in entities over which it has significant influence but does not have controlling interests. Under the equity method of accounting, the Group's share of the earnings or losses of the investee companies, impairments, and other adjustments required by the equity method are reflected in the consolidated statements of operations and comprehensive loss. When the Group's share of losses in an investee equals or exceeds its carrying amount of the investment in the investee, the Group does not recognize further losses, unless the Group has guaranteed the obligations of the investee or is otherwise committed to provide further financial support for the investee. An impairment loss is recorded when there has been a loss in value of the investment that is other than temporary.

An impairment charge is recorded if the carrying amount of the investment exceeds its fair value and this condition is determined to be other-than temporary. The Group estimated the fair value of investments in equity investees under discounted cash flow analysis which requires significant judgments, including the estimation of future cash flows, which is dependent on internal forecasts, the estimation of long-term growth rate of a company's business, the estimation of the useful life over which cash flows will occur, and the determination of the weighted average cost of capital. The Group did not record any impairment on its equity method investment during the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025.

Equity securities without readily determinable fair value

The Group has elected to measure the investment in equity securities without readily determinable fair value at cost minus impairment, if any, adjusted up or down for observable price changes. Any adjustment to the carrying amount is recorded in other income (loss), net. At each reporting period end, the Group makes a qualitative assessment considering impairment indicators to evaluate whether any of these investments is impaired. If the assessment indicates that the fair value of an investment is less than the carrying value, the investment in equity securities will be written down to its fair value, with the difference between the fair value of the investment and its carrying amount as an impairment loss. No fair value adjustment was recognized for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025.

Impairment of long-lived assets

The Group evaluates its long-lived assets including property and equipment, intangible assets, right-of-use assets and land-use rights for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When these events occur, the Group evaluates recoverability by comparing the carrying amount of the assets to future undiscounted net cash flows. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, the Group recognizes an impairment loss equal to the difference between the carrying amount and fair value of these assets. During the Track Record Period, the Group did not identify any impairment indicator for its long-lived assets as the financial performance and operation results were consistent with its expectation and budget for the given years as a growth company.

Revenue recognition

The Group recognizes revenue from sales of LiDAR products and other products at a point in time when control of the products is transferred to the customers, which generally occurs upon delivery according to the terms of the underlying contracts. Product sales to certain customers may require customer acceptance due to performance acceptance criteria that is considered more than a formality. For these product sales, revenue is recognized upon the expiration of the customer acceptance period. The Group's general terms and conditions for its contracts do not contain a right of return that allows the customer to return products and receive a credit, and therefore the Group does not estimate returns. The Group's standalone selling prices are based on the prices charged to customers for the single performance obligation which is transfer of control of products upon delivery to the customers or upon expiration of the customer acceptance period. Revenue is measured as the amount of consideration expect to receive in exchange for transferring the promised goods, adjusted for any variable consideration such as price concessions or annual price adjustments as estimated at contract inception. The Group estimate variable consideration at the most likely amount they will receive from customers and reduce revenues recognized accordingly. The Group includes estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Group estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of their anticipated performance and all information (historical, current and forecasted) that is reasonably available to the Group. The Group adjusts the estimate of revenue at the earlier of when the value of consideration they expect to receive changes or when the consideration becomes fixed. Amounts billed to customers for shipping and handling are included in revenue. Taxes collected from customers and remitted to governmental authorities are excluded from revenue on the net basis of accounting. Accounts receivables are due under normal trade terms, typically within 30 to 90 days.

During the fourth quarter of 2024, certain customers started to negotiate with the Group for sales rebates due to the change in market conditions. After such negotiation, the Group and these customers agreed to provide these customers sales rebates regarding the products previously sold in 2024. The Group recorded these rebates as reductions of revenue in the fourth quarter of 2024 and the amount involved was immaterial to the revenues for year ended December 31, 2024. During the three months ended March 31, 2025, there was no additional sales rebate occurred.

For LiDAR solution that the Group offers customers with a combination of hardware, software, deployment and professional services and engineering design, development and validation service projects, control of the goods and services may be transferred over time or at a point in time depending on the terms of the contract. Control of the goods and services is transferred over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The Group recognizes revenue over time using an input method based on contract cost incurred to date compared to total estimated contract cost (cost-to-cost) as the services are provided. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

Generally, the Group's contracts have original durations less than one year during the Track Record Period. Therefore, the Group utilizes the practical expedient under ASC 606 not disclosing the unsatisfied performance obligations for these contracts.

The Group typically provides standard product warranties on LiDARs. For LiDARs used in Robotics market, such warranties last one or two years. For those used in advanced driver assistance system market, such warranties cover five years or 100 thousand kilometers, whichever comes first. Standard warranties are considered to be assurance type warranties and are not accounted for as separate performance obligations. The Group accrues estimated future warranty costs and charges to cost of revenues in the period that the related revenue is recognized. These estimates are based on historical warranty experience and any known or expected changes in warranty exposure, such as trends of product reliability and costs of repairing and replacing defective products. The Group also provides extended warranties as a service for an additional term ranging one to two additional years. For service type extended warranty contracts, the Group allocates revenue to this performance obligation on a relative standalone selling price basis and recognizes the revenue ratably over time during the effective period of the services. The Group recognized RMB7,702, RMB10,413, RMB8,909, RMB3,250 (unaudited) and RMB1,489 for extended warranty services, for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025, respectively.

Changes in the Group's accrued warranty liability was as follows:

	For the year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB	RMB	RMB	RMB	RMB
				(unaudited)	
Balance as of the					
beginning of the year . .	13,932	17,694	28,425	28,425	43,607
Warranty provision, net . .	8,467	26,247	32,078	5,038	8,447
Consumption	(4,705)	(15,516)	(16,896)	(3,648)	(3,874)
Balance as of the end of					
the year/period	<u>17,694</u>	<u>28,425</u>	<u>43,607</u>	<u>29,815</u>	<u>48,180</u>

A contract asset is recorded when the Group has transferred products or services to the customer before payment is received or is due, and the Group's right to consideration is conditional on future performance in the contract. The Group records a contract asset for unbilled receivables for certain customers where the control of the goods or services has been transferred. A contract liability exists when the Group has received consideration but has not transferred the related goods or services to the customer. The Group's contract liabilities mainly consist of payments received from customers before they received the products.

Cost of revenues

Cost of revenues for our products includes the manufacturing cost of LiDAR sensors and other products, which primarily consists of direct material costs, personnel-related costs, purchasing costs, depreciation, amortization and overhead associated with manufacturing operations, accrued warranty costs, shipping costs, licensing fees, and write-downs of excess inventories and obsolete inventories.

Cost of revenues for our services includes cost of LiDAR solution and direct labor costs and related material costs relating to the fulfillment of services.

Research and development expenses

Research and development expenses consist primarily of personnel-related costs directly associated with research and development organization, with the remainder being prototype expenses, third-party engineering and contractor costs, an allocated portion of facility depreciation and IT costs amortization. The Group's research and development costs are related to enhancing and developing additional functionality for its existing products and on new product development, including new releases and upgrades to LiDAR sensors. The Group expenses research and development costs as incurred.

Government grants

Government grants consist of cash subsidies received by the Group from PRC local governments. Grants received as incentives for conducting business in certain local districts with no performance obligation or other restriction as to the use are recognized when cash is received. Grants received with government specified performance obligations are recognized when all the obligations have been fulfilled. Government grants received related to the purchases of long-term assets are used to net the cost of the respective assets.

Loss per share

Basic loss per share is computed by dividing net loss attributable to the holders of ordinary shares by the weighted average number of ordinary shares outstanding during the year/period.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue ordinary shares were exercised or converted into ordinary shares. The Group had share options, which could potentially dilute basic earnings per ordinary share in the future. To calculate the number of shares for diluted earnings per ordinary share, the effect of the share options is computed using the treasury stock method.

Share-based compensation

The Group grants share-based awards of the Company to eligible employees and accounts for these share-based awards in accordance with ASC 718, Compensation — Stock Compensation.

Share-based awards that are subject to both the service period and the occurrence of a Qualified IPO as performance condition are measured at the grant date fair value and share-based compensation expenses are recognized for the cumulatively vested amount upon the completion of the Qualified IPO first and then over the remaining requisite service period, net of actual forfeitures, if any.

Share-based awards that are subject to only the service period are measured at the grant date fair value and share-based compensation expenses are recognized on a straight-line basis over the requisite service period of the individual grants. The Group recognizes share-based compensation expenses based on the target number of Class B Ordinary Shares that may be earned pursuant to the award. Forfeitures are recognized as reductions to share-based compensation when they occur.

Prior to IPO, the fair value of the share options granted to employees is determined with the assistance of an independent valuation specialist using widely accepted valuation techniques, including discounted cash flow analysis on the expected future free cash flows and binomial option pricing model.

The Group accounts for the effects of a modification as described in ASC 718. The Group calculates incremental compensation cost of a modification as the excess of the fair value of the modified option over the fair value of the original option immediately before its terms are modified. For vested options, the Group would recognize incremental compensation cost on the date of modification and for unvested options, the Group would recognize, prospectively and over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award.

Share-based compensation with cash settlement features are classified as liabilities. The percentage of the fair value that is recorded as compensation cost at the end of each period is based on the percentage of the requisite service that has been rendered at that date. Changes in fair value of the liability classified award that occurs during the requisite service period are recognized as compensation costs ratably over time during the services to be rendered.

Income taxes

Current income taxes are provided for in accordance with the laws of the relevant tax authorities.

Deferred income taxes are provided using assets and liabilities method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are recognized to the extent that these assets are more likely than not to be realized. In making such a determination, the management consider all positive and negative evidence, including future reversals of projected future taxable income and results of recent operation. Deferred tax assets are then reduced by a valuation allowance through a charge to income tax expense when, in the opinion of management, it is more likely than not that a portion of or all of the deferred tax assets will not be realized.

The Group accounts for uncertainty in income taxes recognized in the Historical Financial Information by applying a two-step process to determine the amount of the benefit to be recognized. First, the tax position must be evaluated to determine the likelihood that it will be sustained upon external examination by the taxing authorities. If the tax position is deemed more-likely-than-not to be sustained (defined as a likelihood of more than fifty percent of being sustained upon an audit, based on the technical merits of the tax position), the tax position is then assessed to determine the amount of benefits to recognize in the Historical Financial Information. The amount of the benefits that may be recognized is the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement.

Interest and penalties on income taxes will be classified as a component of the provisions for income taxes. The Group did not recognize any income tax due to uncertain tax position or incur any interest and penalties related to potential underpaid income tax expenses for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025.

Leases

The Group leases office space in Shanghai, PRC and California, USA under non-cancelable operating lease agreements that expire at various dates through December 31, 2029.

The Group determines whether an arrangement constitutes a lease and records lease liabilities and right-of-use assets ("ROU assets") on its consolidated balance sheets at the lease commencement date. The Group measures the operating lease liabilities at the commencement date based on the present value of remaining lease payments over the lease term, which is computed using the Group's incremental borrowing rate, an estimated rate the Group would be required to pay for a collateralized borrowing equal to the total lease payments over the lease term. The Group measures the operating lease ROU assets based on the corresponding lease liability adjusted for payments made to the lessor at or before the commencement date, and initial direct costs it incurs under the lease. The Group begins recognizing operating lease expense based on lease payments on a straight-line basis over the lease term after the lessor makes the underlying asset available to the Group. Some of the Group's lease contracts include options to extend the leases for an additional period which has to be agreed with the lessors based on mutual negotiation. After considering the factors that create an economic incentive, the Group does not include renewal option periods in the lease term for which it is not reasonably certain to exercise.

Modification to existing lease agreements, including changes to the lease term or payment amounts, are reviewed to determine whether they result in a separate contract. For modifications that do not result in a separate contract, the Group reviews the lease classification and re-measures the related ROU assets and lease liabilities at the effective date of the modification. The Group recognize the amount of the remeasurement of the lease liabilities as an adjustment to the ROU assets. If the carrying amount of the ROU asset is reduced to zero, the Group will recognize the remaining amount of the remeasurement as operating expenses in the consolidated statements of operations and comprehensive (loss) income.

Comprehensive (loss) income

Comprehensive (loss) income is defined as the change in equity of the Group during a period arising from transactions and other events and circumstances excluding transactions resulting from investments by shareholders and distributions to shareholders. Comprehensive (loss) income is reported in the consolidated statement of operations and comprehensive (loss) income. Accumulated other comprehensive (loss) income, as presented on the accompanying consolidated balance sheets consists of accumulated foreign currency translation adjustments.

APPENDIX I

ACCOUNTANTS' REPORT

Segment

The Chief Executive Officer, Chief Scientist and Chief Technology Officer, namely the "Founding Shareholders", are identified as the chief operating decision maker (CODM).

The Group operates in one operating segment, which includes all activities related to the development, manufacturing, and delivery of LiDAR products. The determination of a single operating segment is consistent with the consolidated financial information regularly provided to the Group's CODM.

As a single reportable segment entity, segment asset information is not used by the CODM to allocate resources. The measure used by CODM to assess performance and make operating decisions is net loss as reported on the Group's consolidated statements of operations. The CODM uses performance measure to monitor budget versus actual results. See Note 21 for a description of the Group's disaggregated revenues by product line and geographic location.

Further, the CODM reviews and utilizes cost of revenues which are presented in the Group's consolidated statements to manage the Group's operation. Additional disaggregated significant segment expenses that are not separately presented on the Group's consolidated statements of operations, are presented below for disaggregated payroll expenses recorded in sales and marketing expenses, general and administrative expenses and research and development expenses which are independently reviewed by our CODM.

The following table presents the significant segment expenses and other segment items regularly reviewed by our CODM:

	For the Year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB	RMB	RMB	RMB	RMB
	(unaudited)				
Net Revenues	1,202,670	1,876,989	2,077,157	359,120	525,302
Less:					
Cost of revenues	730,683	1,215,611	1,192,572	219,898	306,067
Payroll expenses in sales and marketing expenses*	77,736	104,462	124,548	27,821	40,249
Payroll expenses in general and administrative expenses	126,986	175,600	146,239	41,899	30,307
Payroll expenses in research and development expenses	381,700	592,223	594,567	132,817	132,044
Other segment items**	632,749	265,061	121,607	43,610	34,184
Net loss	(747,184)	(475,968)	(102,376)	(106,925)	(17,549)

* Payroll expenses mainly consist of salaries, bonus, defined contribution plans, other social insurances, share-based compensation and other employee benefits.

** Other segment items primarily include other operating income, net, interest income, interest expenses and other (loss) income, net as reported in Group's consolidated statements of operations and professional service expenses.

*Concentration of risks**Concentration of credit risk*

Financial instruments that potentially expose the Group to concentration of credit risk consist primarily of cash and cash equivalents, short-term investments, accounts receivable, contract assets, amounts due from related parties, and prepayments and other current assets.

The Group places its cash and cash equivalents and short-term investments in various financial institutions in the PRC, Hong Kong Special Administrative Region, and the United States. The Group believes that no significant credit risk exists as all of the Group's cash and cash equivalents are held with financial institutions that Group's management believes to be high credit quality.

Accounts receivable and contract assets are typically unsecured and are derived from revenue earned from the customers. The Group conducts credit evaluations of customers to whom credit terms are extended. The Group establishes an allowance for credit losses based on CECL model developed by the Group, which considers historical collection experience, the age of the accounts receivable balances, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from customers.

Prepayments and other current assets mainly consist of deposits of rent, and prepaid expenses, which can be applied for deduction of future payments for expenses. The Group has no significant concentrations of credit risk with respect to its prepayments and other current assets.

Concentration of customers

The following customers accounted for 10% or more of revenue for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025:

	For the year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
				<i>(unaudited)</i>	
Customer A	24.3%	25.6%	33.7%	35.2%	20.5%
Customer B	13.7%	28.4%	*	*	*
Customer D	*	*	14.1%	*	24.0%

The following customers accounted for 10% or more of the Group's accounts receivable and contract assets as of December 31, 2022, 2023 and 2024 and March 31, 2025:

	As of December 31,			As of
	2022	2023	2024	March 31,
				2025
Customer A	61.0%	41.3%	23.5%	28.8%
Customer B	15.3%	10.2%	*	*
Customer C	*	11.2%	*	*
Customer D	*	*	16.8%	17.0%
Customer E	*	*	11.8%	*

Concentration of suppliers

The Group has a supplier accounted for 10% or more of purchases for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025:

	For the year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
				<i>(unaudited)</i>	
Supplier A	12.3%	*	*	*	*

Foreign currency risk

A significant portion of Group's cash and cash equivalents and short-term investments are denominated in US\$, fluctuations in exchange rates between US\$ and RMB may result in foreign exchange gains or losses. The value of US\$ is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. The Group has cash and cash equivalents that are denominated in US\$, totaling US\$51,351, US\$131,832, US\$295,881 and US\$332,056 as of December 31, 2022, 2023 and 2024 and March 31, 2025, respectively.

Recent accounting pronouncements

Under the Jumpstart Our Business Startups Act of 2012, as amended ("the JOBS Act"), the Group meets the definition of an emerging growth company, or EGC as of December 31, 2024, and has elected the extended transition period for complying with new or revised accounting standards, which delays the adoption of these accounting standards until they would apply to private companies. Once the Group ceases to qualify as EGC, it will immediately adopt the new and revised accounting standards already effective for public companies. There are no recent accounting pronouncements which are expected to have a material effect on the Company's consolidated financial statements in the current or any future periods.

In November 2023, the FASB issued ASU 2023-07 "Segment Reporting (Topic 280)" ("ASU 2023-07"), which expands public entities' segment disclosures primarily by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, with early adoption permitted. The amendments are required to be applied retrospectively to all prior periods presented in an entity's financial statements. The Group adopted ASU 2023-07 for the year ended December 31, 2024.

Convenience translation

The Group's business is primarily conducted in China and most of its revenues are denominated in RMB. However, periodic reports made to shareholders will include current period amounts translated into US\$ using the then current exchange rates, for the convenience of the readers. Translations of balances in the consolidated balance sheet, the balance sheet of the Company, consolidated statements of operations and comprehensive (loss) income and consolidated statements of cash flows from RMB into US\$ as of and for the three months ended March 31, 2025 are solely for the convenience of the readers and were calculated at the rate of US\$1.00=RMB7.2567 representing the noon buying rate set forth in the H.10 statistical release of the United States as of March 31, 2025.

4. SHORT-TERM INVESTMENTS

The following table summarizes the Group's balances of short-term investments:

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB	RMB	RMB	RMB
Structured bank financial products . .	945,865	857,924	362,195	30,482
Time deposit	—	728,081	—	—
Total short-term investments	945,865	1,586,005	362,195	30,482

5. NOTES RECEIVABLE

Notes receivable consisted of bank acceptance notes of nil, nil, RMB22,341 and RMB20,579 received from the Group's customers as of December 31, 2022, 2023 and 2024 and March 31, 2025, respectively. These notes within 6 months maturity dates were issued by customers to pay their payable balances to the Group. No credit loss was recognized for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025.

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The following is an aged analysis of notes receivable presented based on dates of delivery of goods/rendering of services.

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Within 3 months	--	--	6,960	20,579
4 to 6 months	--	--	15,381	--
Total	--	--	22,341	20,579

6. ACCOUNTS RECEIVABLE, NET

Accounts receivable and expected credit losses as of December 31, 2022, 2023 and 2024 and March 31, 2025 are as follows:

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Accounts receivable	491,293	573,950	819,999	1,009,885
Less: allowance for expected credit losses	(6,249)	(49,132)	(54,972)	(52,241)
Total accounts receivable, net . . .	485,044	524,818	765,027	957,644

The following is an aged analysis of accounts receivable presented based on dates of delivery of goods/rendering of services.

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Within 6 months	477,183	556,142	757,045	948,064
7 months to 1 year	9,964	15,042	41,483	9,140
1 to 2 years	4,008	1,678	19,006	52,681
Over 2 years	138	1,088	2,465	--
	491,293	573,950	819,999	1,009,885
Less: allowance for expected credit losses	(6,249)	(49,132)	(54,972)	(52,241)
Total accounts receivable, net . . .	485,044	524,818	765,027	957,644

APPENDIX I

ACCOUNTANTS' REPORT

The roll-forward of the allowance for credit losses related to accounts receivable for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025 consists of the following activity:

	For the year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
				<i>(unaudited)</i>	
Balance at beginning of year/period	7,294	6,249	49,132	49,132	54,972
(Reversal) provision for expected credit losses . .	<u>(1,045)</u>	<u>42,883</u>	<u>5,840</u>	<u>823</u>	<u>(2,731)</u>
Balance at end of year/period	<u><u>6,249</u></u>	<u><u>49,132</u></u>	<u><u>54,972</u></u>	<u><u>49,955</u></u>	<u><u>52,241</u></u>

7. INVENTORIES

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Raw materials	290,121	126,347	191,578	201,930
Work-in-process	180,367	199,153	225,726	226,833
Finished goods	176,364	170,377	64,833	61,211
Inventories	<u><u>646,852</u></u>	<u><u>495,877</u></u>	<u><u>482,137</u></u>	<u><u>489,974</u></u>

Inventory write-off was RMB39,431, RMB9,290, RMB2,222, RMB14,016 (unaudited) and RMB1,923 respectively, for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025.

8. PREPAYMENTS AND OTHER CURRENT ASSETS, NET

Prepayments and other current assets, net as of December 31, 2022, 2023 and 2024 and March 31, 2025 were as follows:

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Advances to suppliers	82,419	120,556	112,385	127,594
Deposits	11,998	22,042	11,033	11,746
Prepaid expenses	10,108	16,372	23,076	40,022
Value-added tax recoverable	6,748	21,888	28,468	24,657
Others	<u>15,179</u>	<u>27,224</u>	<u>18,486</u>	<u>8,069</u>
Total	<u><u>126,452</u></u>	<u><u>208,082</u></u>	<u><u>193,448</u></u>	<u><u>212,088</u></u>

9. PROPERTY AND EQUIPMENT, NET

Property and equipment, net as of December 31, 2022, 2023 and 2024 and March 31, 2025 are as follows:

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB	RMB	RMB	RMB
Cost				
Land	—	39,312	39,312	40,551
Buildings	—	—	342,673	342,673
Electronic equipment	79,663	114,237	139,418	155,983
Leasehold improvements	63,995	67,677	81,431	80,211
Machinery and equipment	121,614	186,890	350,483	365,954
Furniture and fixture	54,851	78,169	193,190	193,246
Transportation vehicles	4,411	5,400	6,487	7,842
Total cost	324,534	491,685	1,152,994	1,186,460
Less: Accumulated depreciation	(84,329)	(154,473)	(274,177)	(304,918)
Property and equipment, net	240,205	337,212	878,817	881,542
Construction in progress	264,748	534,399	65,401	98,744
Total	504,953	871,611	944,218	980,286

The buildings as of March 31, 2025 represents the Group's new research, development and intelligent manufacturing center in Shanghai, PRC. The Group completed the construction of this center and put it into use in January 2024. Construction in progress as of March 31, 2025 represents the Group's renovation and upgrade of certain production line in Hertz factory. Depreciation expenses were RMB44,856, RMB77,701, RMB116,953, RMB30,895 (unaudited) and RMB30,741 for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025, respectively.

10. INTANGIBLE ASSETS, NET

Intangible assets, net as of December 31, 2022, 2023 and 2024 and March 31, 2025 are as follows:

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB	RMB	RMB	RMB
Software	30,095	38,143	53,750	59,795
Technology	8,390	65,235	61,445	62,477
Total cost	38,485	103,378	115,195	122,272
Less: Accumulated amortization	(17,885)	(24,648)	(38,641)	(42,509)
Intangible assets, net	20,600	78,730	76,554	79,763

Amortization expenses related to intangible assets were RMB7,914, RMB7,704, RMB13,993, RMB3,781 (unaudited) and RMB3,868 for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025, respectively.

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The estimated amortization expenses for each of the five succeeding fiscal years and thereafter are as follows:

	Years ended December 31,
	<i>RMB</i>
2025	9,864
2026	13,182
2027	13,182
2028	12,541
2029 and years after	30,994
Total	<u>79,763</u>

11. LAND-USE RIGHTS, NET

In March 2021, the Group acquired a land-use right at a total cost of RMB43,188 for approximately 26,615 square meters of land in Shanghai, the PRC for the construction of a factory. According to the land-use rights policy in the PRC, the Group has a 50-year use right over the land, and it is amortized over this period on a straight-line basis. The Group recorded amortization expenses of RMB864, RMB863, RMB863, RMB216 (unaudited) and RMB216 for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025, respectively. The weighted average remaining lease term was 45.94 years as of March 31, 2025.

12. LONG-TERM INVESTMENTS

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Investments in equity securities without readily determinable fair value	30,000	30,000	30,000	30,000
Investments in equity method investee	1,856	1,811	1,798	1,787
Total	<u>31,856</u>	<u>31,811</u>	<u>31,798</u>	<u>31,787</u>

13. OTHER NON-CURRENT ASSETS

Other non-current assets as of December 31, 2022, 2023 and 2024 and March 31, 2025 are as follows:

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Prepayments for purchase of property and equipment	46,083	77,596	89,847	46,168
Demonstration fleet	4,936	3,819	3,521	3,347
Long-term deposits	3,836	8,612	6,111	7,369
Others	2,243	141	767	1,165
Other non-current assets	<u>57,098</u>	<u>90,168</u>	<u>100,246</u>	<u>58,049</u>

Long-term deposits mainly consist of rental deposit for offices and production capacity which will not be collectible within one year.

14. BORROWINGS

The short-term and long-term borrowings as of December 31, 2022, 2023 and 2024 and March 31, 2025 were as follows:

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB	RMB	RMB	RMB
Short-term borrowings:				
Short-term bank borrowings	–	109,900	148,800	51,776
Secured bank borrowings related to discounted notes receivable	–	–	80,000	110,000
Long-term bank borrowings, current portion	–	1,782	116,453	118,490
Total	–	111,682	345,253	280,266
Long-term borrowings:				
Long-term bank borrowings	18,472	285,898	269,438	300,288

Short-term bank borrowings

In November 2022, Shanghai Hesai entered into a short-term bank credit facility agreement for up to RMB300,000 with an annual interest rate of China's one-year loan prime rate ("LPR") minus 80 bps. The facility of RMB300,000 was expired on November 23, 2023. During the year ended December 31, 2023, the Group drew down RMB109,900 with an annual interest rate of 2.85% and a maturity date of January 16, 2024. During the year ended December 31, 2024, the Group repaid RMB109,900. The outstanding balance were nil, RMB109,900, nil and nil as of December 31, 2022, 2023 and 2024 and March 31, 2025, respectively.

In December 2023, Shanghai Hesai entered into a short-term bank credit facility agreement for up to RMB500,000 with an annual interest rate of China's one-year LPR minus 80 bps. The facility of RMB500,000 will expire on December 12, 2024. During the year ended December 31, 2024, the Group drew down RMB154,800 with an annual interest rate range from 2.65% to 2.70%. The maturity dates ranged from January 31, 2025 to February 6, 2025. During the year ended December 31, 2024, the Group repaid RMB6,000. During the three months ended March 31, 2025, the Group repaid RMB148,800. The outstanding balance were nil, nil, RMB148,800 and nil as of December 31, 2022, 2023 and 2024 and March 31, 2025, respectively. The weighted average interest rate on borrowings under this agreement as of December 31, 2022, 2023 and 2024 and March 31, 2025 was nil, nil, 2.70% and nil, respectively.

In November 2024, Shanghai Hesai entered into a short-term bank facility agreement for up to RMB500,000 with an annual interest rate of China's one-year LPR minus 90 bps. The facility of RMB500,000 will expire on November 19, 2027. During the three months ended March 31, 2025, the Group drew down RMB26,136 with an annual interest of 2.20%. The maturity dates ranged from February 27 to March 4, 2026. The outstanding balance were nil, nil, nil and RMB26,136 as of December 31, 2022, 2023 and 2024 and March 31, 2025, respectively.

In January 2025, Shanghai Hesai entered into a short-term bank facility agreement for up to RMB200,000 with an annual interest rate of China's one-year LPR minus 91 bps. The facility of RMB200,000 will expire on October 27, 2025. During the three months ended March 31, 2025, the Group drew down RMB25,640 with an annual interest of 2.19% and a maturity date of March 6, 2026. The outstanding balance were nil, nil, nil and RMB25,640 as of December 31, 2022, 2023 and 2024 and March 31, 2025, respectively.

The Group has RMB648,224 unused short-term bank facility as of March 31, 2025.

Secured bank borrowings related to discounted notes receivable

During the year ended 2024 and three months ended March 31, 2025, the Group factored certain intercompany notes receivable with a total face value of RMB80,000 and RMB60,000 to several domestic banks for total proceeds of RMB79,300 and RMB59,297, respectively, at effective interest rates ranging from 0.98% to 2.03%. As these factoring of notes receivables was with recourse, the transactions did not qualify as a transfer of financial assets and were recognized as secured bank borrowings included in short-term borrowings. The total intercompany notes receivable pledged for secured bank borrowings was nil, nil, RMB80,000 and RMB110,000 as of December 31, 2022, 2023 and 2024 and March 31, 2025, respectively.

Long-term bank borrowings

In November 2022, Shanghai Hesai entered into a two-year facility of RMB700,000 with an annual interest rate of China's LPR minus 100 bps. The facility will expire on December 4, 2024. The usage of credit facility is restricted to the purchasing of property and equipment for the production facility under construction in Jiading, Shanghai. The credit facility is secured by Shanghai Hesai's land-use rights and new research, development and intelligent manufacturing center with a total book value of RMB533,524 as of March 31, 2025. During the year ended December 31, 2022, Shanghai Hesai drew down RMB18,472. During the year ended December 31, 2023, Shanghai Hesai drew down RMB261,345. During the year ended December 31, 2024, Shanghai Hesai drew down RMB18,570. As of December 31, 2022, the outstanding balance was RMB18,472. As of December 31, 2023, the outstanding balance was RMB279,817. As of December 31, 2024 and March 31, 2025, the outstanding balance was RMB298,387 of which RMB89,516 will be repaid within one year and had been reclassified to short-term borrowings. The weighted average interest rate on borrowings under this agreement as of December 31, 2022, 2023 and 2024 and March 31, 2025 was 2.45%, 2.65%, 2.65% and 2.65%, respectively. The maturity dates of the remaining long-term portion ranged from June 4, 2026 to December 3, 2027.

In October 2023, Zhejiang Hertz entered into a one-year facility of RMB110,000 with an annual interest rate of China's LPR minus 60 bps. The facility will expire on October 17, 2024. The usage of credit facility is restricted to the purchasing of property and equipment for Hertz factory in Hangzhou, Zhejiang, the borrowing was guaranteed by Shanghai Hesai. During the year ended December 31, 2023, Zhejiang Hertz drew down RMB5,347. During the year ended December 31, 2024, Zhejiang Hertz drew down RMB70,069 and RMB21,542 was repaid. As of December 31, 2023, the outstanding balance was RMB5,347 of which RMB1,782 will be repaid within one year and had been reclassified to short-term borrowings. As of December 31, 2024 and March 31, 2025, the outstanding balance was RMB53,874 of which RMB26,937 will be repaid within one year and had been reclassified to short-term borrowings. The weighted average interest rate on borrowings under this agreement as of December 31, 2022, 2023 and 2024 and March 31, 2025 was nil, 2.85%, 2.83% and 2.83%, respectively. The maturity dates of the remaining long-term portion ranged from April 17, 2026 to October 17, 2026.

In September 2024, Zhejiang Hertz entered into a five-year facility of RMB150,000 with an annual interest rate of 2.50% per annum. The facility will expire on September 17, 2029. The usage of credit facility is restricted to the purchasing of property and equipment for Hertz factory in Hangzhou, Zhejiang, the borrowing was guaranteed by Shanghai Hesai. During the year ended December 31, 2024, Zhejiang Hertz drew down RMB31,637. During the three months ended March 31, 2025, Zhejiang Hertz drew down RMB32,843. As of December 31, 2024, the outstanding balance was RMB31,637. As of March 31, 2025, the outstanding balance was RMB64,480. The maturity date was September 17, 2029.

In December 2023, the Group acquired a Swiss company and assumed the long-term borrowings of CHF299 (equivalent to RMB2,516) the company borrowed in 2020, which will mature in 2030. During the year ended December 31, 2024, the Group repaid CHF50. As of December 31, 2023 and 2024, the outstanding balance was CHF299 (equivalent to RMB2,516) and CHF249 (equivalent to RMB1,993), respectively. As of March 31, 2025, the outstanding balance was CHF249 (equivalent to RMB2,037) of which all the amounts will be repaid within one year ahead of its original maturity date and had been reclassified to short-term borrowings.

The Group has RMB141,646 unused long-term bank facility as of March 31, 2025. The principal maturities of the long-term borrowings as of December 31, 2022, 2023 and 2024 and March 31, 2025 are as follows:

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB	RMB	RMB	RMB
2025	5,542	85,728	—	—
2026	5,542	85,728	116,453	116,453
2027	7,388	111,926	119,355	119,355
2028 and after	—	2,516	33,630	64,480
Total	18,472	285,898	269,438	300,288

APPENDIX I**ACCOUNTANTS' REPORT****15. NOTES PAYABLE**

The Group issued short-term notes payable to settle part of payments to the construction and raw material suppliers.

The following is an aged analysis of notes payable presented based on the invoice date.

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Within 3 months	—	6,899	6,305	50,190
4 to 6 months	—	356	3,791	3,792
Total	—	<u>7,255</u>	<u>10,096</u>	<u>53,982</u>

16. ACCOUNTS PAYABLE

The following is an aged analysis of accounts payable presented based on the invoice date.

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Within 6 months	206,379	268,908	344,802	345,344
7 months to 1 year	73	302	—	1,253
1 to 2 years	229	—	—	61
Over 2 years	—	229	209	209
Total	<u>206,681</u>	<u>269,439</u>	<u>345,011</u>	<u>346,867</u>

The average credit period on purchases of goods is 90 days.

17. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities as of December 31, 2022, 2023 and 2024 and March 31, 2025 are as follows:

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Salaries and welfare payables	166,923	195,014	232,927	88,325
Payables for purchase of property and equipment	102,181	179,839	124,333	90,720
Accrued expenses	41,558	65,159	111,877	121,941
Current portion of operating lease liabilities	34,975	34,993	16,103	17,686
VAT and other tax payables	5,903	19,847	28,563	39,356
Advances from employees	4,962	3,472	2,923	2,715
Total	<u>356,502</u>	<u>498,324</u>	<u>516,726</u>	<u>360,743</u>

18. LEASES

The Group has operating leases for offices and factories. The Group recognized ROU assets of RMB44,349, RMB151,871, RMB114,260 and RMB81,928 and corresponding current operating lease liabilities of RMB34,975, RMB34,993, RMB16,103 and RMB17,686 in accrued expenses and other current liabilities, and long-term operating lease liabilities of RMB10,139, RMB119,413, RMB98,370 and RMB69,796, as of December 31, 2022, 2023 and 2024 and March 31, 2025, respectively. The weighted average remaining lease term was approximately 4.64 years as of March 31, 2025, and the weighted average discount rate were 4.25%, 2.85%, 2.70% 2.77% and 2.55% for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025, respectively.

For the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025, operating lease expenses were RMB34,596, RMB37,878, RMB39,517, RMB14,288 (unaudited) and RMB4,174, respectively.

The maturities of lease liabilities as of December 31, 2022, 2023 and 2024 and March 31, 2025 were as follows:

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB	RMB	RMB	RMB
2023	36,025	—	—	—
2024	7,145	38,305	—	—
2025	3,282	25,951	18,963	14,986
2026	—	24,672	24,672	18,502
2027	—	24,877	24,672	18,502
2028	—	27,139	27,139	20,352
2029	—	24,877	27,139	20,352
Total lease payment	46,452	165,821	122,585	92,694
Less: imputed interest	(1,338)	(11,415)	(8,112)	(5,212)
Present value of minimum				
operating lease payments	45,114	154,406	114,473	87,482
Less: Current operating lease liabilities	(34,975)	(34,993)	(16,103)	(17,686)
Long-term operating lease liabilities	10,139	119,413	98,370	69,796

Cash paid for amounts included in the measurement of operating lease liabilities for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025 were RMB28,136, RMB35,982, RMB35,900, RMB11,988 (unaudited) and RMB3,815, respectively. Right-of-use assets obtained in exchange for the operating lease liabilities in non-cash transactions for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025 were RMB37,414, RMB133,661, nil, nil (unaudited) and nil, respectively.

Pursuant to the lease agreement dated in February 2025, the Group's certain leased space was decreased, which led to partial termination of the lease contract. The difference between the decrease in the carrying amount of the lease liabilities and the proportionate decrease in the carrying amount of the right-of-use assets was recorded as deduction of operating lease expenses of RMB1,743 in consolidated statements of comprehensive (loss) income. The decrease of lease liabilities constituted a non-cash financing activity of RMB28,787.

19. REDEEMABLE SHARES

Since its establishment, Hesai Photonics has received several rounds of equity financing in the form of Series A+/B/B+/C-1/C-2/C-3 redeemable equity from external investors from March 2017 to July 2019. On August 1, 2020, in conjunction with the conversion of Hesai Photonics into a joint stock company Shanghai Hesai, all the outstanding redeemable equity was converted into ordinary shares of Shanghai Hesai at no consideration, all in the same proportion as the percentage of equity interest they held in Hesai Photonics. In the second quarter of 2021, the Group signed agreements (the "Side Letters") with certain Series A+/B/B+/C-1/C-2/C-3 shareholders and Series D shareholders holding 54,551,513 Class B Ordinary Shares, whereby the Group has agreed to provide an option for these shareholders to re-designate their ordinary shares to preferred shares in the event that the Company fails to complete an overseas IPO within twelve months following the dates of the agreements. Among all the preferred rights associated with the shares, the agreements provide the investors with the right to redeem if a Qualified-IPO has not been consummated by December 31, 2022. The redemption price of the redeemable shares shall be the issue price plus a compound interest rate of 8% per annum for each year such redeemable shares was outstanding, calculated from the date of payment of consideration for subscription through the date of redemption thereof (and calculated on a pro rata basis in case of a partial year) plus all declared but unpaid dividends thereon up to the date of actual payment of such redemption price, proportionally adjusted for share subdivisions, share dividends, reorganizations, reclassifications, consolidations or mergers. The redemption right is exercised in the sequence of Series D, Series C+, Series C-1/C-2/C-3, Series B+, Series B, and Series A+ redeemable shares.

The Company has accounted for these agreements as material amendments such that extinguishment accounting is applied to these shares at the agreement dates. Given these shares are redeemable upon an event not solely within the control of the Company, the Company has reclassified the 54,551,513 Class B Ordinary Shares from permanent equity to mezzanine equity at their current fair values and the difference is recorded as deemed dividend in the amount of RMB2,131,572, by charging against retained earnings, or in the absence of retained earnings, by charges against additional paid-in capital. Once additional paid-in-capital has been exhausted, additional charges are recorded by increasing the accumulated deficit. Except for Series D shares, all of the other series shares have carrying value higher than their respective redemption value, as such, no accretion to redemption value is recorded. For Series D shares, the change in redemption value is RMB79,758 and RMB446,419, which are recorded as deemed dividends for the years ended December 31, 2021 and 2022, respectively.

Upon the completion of the Company's IPO in United States on February 9, 2023, 54,551,513 redeemable shares were reclassified into 54,551,513 Class B Ordinary Shares on a one-on-one basis in accordance with the terms stipulated by the Side Letters.

20. ORDINARY SHARES

Holders of Class A Ordinary Shares and Class B Ordinary Shares of the Company have the same rights, except for voting rights. Holders of Class A Ordinary Shares are entitled to ten votes per share in all shareholders' meetings, while holders of Class B Ordinary Shares are entitled to one vote per share.

In February and March 2023, 54,551,513 redeemable shares were reclassified into Class B Ordinary Shares upon IPO and the Company issued 10,125,118 Class B Ordinary Shares in connection with its IPO in the United States.

In August 2023 and March 2025, 4,000,000 and 2,500,000 Class B Ordinary Shares were issued, respectively, to the Company's depository bank, Deutsche Bank, reserved for future issuances of shares upon the exercises of share options or vesting of restricted shares under the 2021 share incentive plan (the "2021 Plan"). These shares are considered to be issued and not outstanding until such a time when the issuance occur for the exercise of share options or vesting of restricted shares.

In the fourth quarter of 2024 and the first quarter of 2025, 17,474 and 3,017,044 Class A Ordinary Shares held by certain founders were sold to third party investors and converted into Class B Ordinary Shares, respectively.

APPENDIX I

ACCOUNTANTS' REPORT

21. NET REVENUES

The following table presents the Group's net revenues for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025.

	For the year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
				<i>(unaudited)</i>	
Product revenues					
LiDAR products	1,122,237	1,735,254	1,946,775	350,596	508,177
Other revenues	29,630	29,636	19,259	2,381	2,476
Service revenues					
Engineering design, development and validation services	43,101	100,493	100,290	2,291	12,649
Other services	7,702	11,606	10,833	3,852	2,000
Total	1,202,670	1,876,989	2,077,157	359,120	525,302

The following table summarizes the Group's revenues recognized at a point in time or over time:

	For the year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
				<i>(unaudited)</i>	
Revenues recognized at a point in time	1,175,758	1,783,803	2,038,302	359,120	525,302
Revenues recognized over time	26,912	93,186	38,855	—	—
Total	1,202,670	1,876,989	2,077,157	359,120	525,302

The following table summarizes the Group's revenues disaggregated by the different geographic location.

	For the year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
				<i>(unaudited)</i>	
Revenues by geographic location					
Mainland China	697,294	991,912	1,542,793	228,883	423,271
North America	358,549	748,147	280,874	73,778	67,382
Europe	86,153	70,500	161,095	35,565	18,255
Other regions	60,674	66,430	92,395	20,894	16,394
Total	1,202,670	1,876,989	2,077,157	359,120	525,302

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The movements of the Group's accounts receivable and contract balances are as follows:

	Accounts receivable	Contract assets	Contract liabilities
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Ending Balance as of January 1, 2022	85,821	146,537	122,603
Increase (decrease), net	399,223	(133,937)	(82,225)
Ending Balance as of December 31, 2022	485,044	12,600	40,378
Increase (decrease), net	39,774	7,088	39,547
Ending Balance as of December 31, 2023	524,818	19,688	79,925
Increase (decrease), net	240,209	(9,779)	(46,931)
Ending Balance as of December 31, 2024	765,027	9,909	32,994
Increase (decrease), net	192,617	–	(6,016)
Ending Balance as of March 31, 2025	957,644	9,909	26,978

Revenues with amount of RMB109,120, RMB37,111, RMB72,585, RMB38,341 (unaudited) and RMB6,016 were recognized in the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025, respectively, that were included in the balance of contract liabilities at the beginning of each year.

22. OTHER OPERATING INCOME, NET

The following table presents the Group's other operating income, net for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025.

	For the year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
				<i>(unaudited)</i>	
Project-based payment . . .	–	–	203,319	–	–
Government grants	10,825	14,280	71,174	20,034	30,098
Gain from disposing of subsidiary	–	6,129	–	–	–
Gain from transferring patents	–	6,111	–	–	–
Others	(8)	–	1,600	7,422	5,158
Total	10,817	26,520	276,093	27,456	35,256

In October 2024, the Group received a one-off project-based payment of US\$28,754 (equivalent to RMB203,319) from a leading global OEM headquartered in the United States ("the OEM customer"). This payment was intended to compensate the Group for the investments in research and development, as well as the actual costs of work-in-progress and raw materials incurred in connection with a contract with the OEM customer entered in March 2023. This contract, originally set to remain effective through December 2025, was terminated by the OEM customer due to the suspension of the relevant project by it.

Government grants mainly consist of the value-added tax benefits, operating subsidies and production line construction subsidies received from PRC local governments.

23. INCOME TAXES**United States**

The applicable income tax rate of United States where the Company's subsidiaries having significant operations for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025 is 27.98%, which is a blended state and federal rate.

PRC

The PRC Enterprise Income Tax Law ("EIT Law"), which became effective on January 1, 2008, applies a uniform enterprise income tax ("EIT") rate of 25% to both foreign-invested enterprises ("FIEs") and domestic enterprises. Certified High and New Technology Enterprises ("HNTE") are entitled to a favorable statutory tax rate of 15%, but need to re-apply every three years. During this three-year period, an HNTE must conduct a qualification self-review each year to ensure it meets the HNTE criteria and is eligible for the 15% preferential tax rate for that year. If an HNTE fails to meet the criteria for qualification as an HNTE in any year, the enterprise cannot enjoy the 15% preferential tax rate in that year, and must instead use the regular 25% EIT rate.

Shanghai Hesai applied for the HNTE qualification and received approval in December 2019, and such qualification was renewed in November 2022 for 2022 to 2024. Shanghai Hesai was entitled to continue to enjoy the beneficial tax rate of 15% as an HNTE for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2025. Zhejiang Hertz applied for the HNTE qualification in December 2024 and was entitled to enjoy the beneficial tax rate of 15% as an HNTE for the years ended December 31, 2024, 2025 and 2026. While Shanghai Hesai and Zhejiang Hertz are in accumulated tax loss status as of March 31, 2025, the aforesaid tax benefits are not utilized.

According to relevant laws and regulations promulgated by the State Administration of Tax of the PRC, enterprises engaging in R&D activities are entitled to claim 200% of their qualified research and development expenses so incurred as tax deductible expenses when determining their assessable profits for 2021 and afterwards ("Super Deduction") when enterprise engage in manufacturing business. The additional deduction of qualified research and development expenses can only be claimed directly in the annual EIT filing and subject to the approval from the relevant tax authorities.

Withholding tax on undistributed dividends

Under the EIT Law enacted by the National People's Congress of the PRC, dividends generated after January 1, 2008 and payable by a foreign investment enterprise in the PRC to its foreign investors who are non-resident enterprises are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement.

In accordance with accounting guidance, all undistributed earnings are presumed to be transferred to the parent company and are subject to the withholding taxes. All FIEs are subject to the withholding tax from January 1, 2008. The presumption may be overcome if the Group has sufficient evidence to demonstrate that the undistributed dividends will be re-invested and the remittance of the dividends will be postponed indefinitely. The Group did not record any dividend withholding tax, as it has no retained earnings for any of the years presented.

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose "de facto management body" is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The Implementing Rules of the EIT Law merely define the location of the "de facto management body" as "the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located." Based on a review of surrounding facts and circumstances, the Group does not believe that it is likely that its operations outside of the PRC will be considered a resident enterprise for PRC tax purposes. However, due to limited guidance and implementation history of the EIT Law, there is uncertainty as to the application of the EIT Law. Should the Company be treated as a resident enterprise for PRC tax purposes, the Company will be subject to PRC income tax on worldwide income at a uniform tax rate of 25%. The Company is not subject to any other uncertain tax position.

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The current and deferred portion of income tax expenses included in the consolidated statements of operations and comprehensive (loss) income are as follows:

	For the year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
				<i>(unaudited)</i>	
Current tax expenses (benefits)	2	13	1,130	248	(67)
Deferred tax (benefits) expenses	(68)	645	—	—	—
Income tax (benefits) expenses	(66)	658	1,130	248	(67)

Net loss before income tax by tax jurisdiction:

	For the year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
				<i>(unaudited)</i>	
Net loss before income tax from PRC operations . . .	(251,302)	(480,479)	(25,325)	(98,502)	(840)
Net (loss) profit before income tax from non-PRC operations	(49,529)	5,169	(75,921)	(8,175)	(16,776)
Total net loss before income tax	(300,831)	(475,310)	(101,246)	(106,677)	(17,616)

A reconciliation between the effective income tax rate and the PRC statutory income tax rate is as follows:

	For the year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
				<i>(unaudited)</i>	
Statutory income tax rate	25.00%	25.00%	25.00%	25.00%	25.00%
Effect of different tax rate of different jurisdictions	(3.09)%	(0.79)%	8.00%	(2.70)%	11.87%
Non-deductible expenses*	(6.12)%	(12.42)%	(17.37)%	(10.45)%	(37.45)%
Effect of super deduction on R&D expenses	41.00%	37.21%	105.66%	26.77%	186.09%
Tax-free income	—	0.32%	0.38%	0.26%	0.01%
Effect of change of valuation allowance	(56.77)%	(49.46)%	(122.79)%	(39.11)%	(185.14)%
Income tax expenses	0.02%	(0.14)%	(1.12)%	(0.23)%	0.38%

* Non-deductible expenses mainly consist of share-based compensation.

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Deferred tax assets and deferred tax liabilities

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB	RMB	RMB	RMB
Deferred tax assets				
– Net operating loss carry forwards . . .	373,215	547,908	712,079	748,671
– Deductible temporary differences . . .	31,348	71,706	79,736	81,617
– Deferred revenue	6,294	19,620	15,283	14,453
Less: valuation allowance	(410,857)	(639,234)	(807,098)	(844,741)
Total deferred tax assets	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Deferred tax liabilities				
– Identifiable intangible assets from business combination	439	–	–	–
Total deferred tax liabilities	<u>439</u>	<u>–</u>	<u>–</u>	<u>–</u>

Movement of valuation allowance

Movement of valuation allowance is as follow:

	For the year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB	RMB	RMB	RMB	RMB
				(unaudited)	
Balance at beginning of the year/period	241,485	410,857	639,234	639,234	807,098
Addition	169,372	228,377	167,864	51,470	37,643
Total	<u>410,857</u>	<u>639,234</u>	<u>807,098</u>	<u>690,704</u>	<u>844,741</u>

For the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025, the Group had net operating loss carry forwards of approximately RMB1,492,808, RMB2,221,545, RMB2,883,551, RMB2,419,187 (unaudited) and RMB3,046,803, respectively, which mainly arose from the subsidiaries established in the PRC and United States. The loss carry forwards will expire during the period from 2026 to 2035, while the federal loss carry forwards for US entities do not expire and can be carried forward indefinitely. The Group had provided a full valuation allowance for the deferred tax assets as of December 31, 2022, 2023 and 2024 and March 31, 2025, as management determined that deferred tax assets were not more likely than not to be realizable in future tax years based on all available evidence.

24. SHARE-BASED COMPENSATION

In June 2021, the Board of Directors of the Company approved the 2021 Plan, which authorized the issuance of all awards to purchase up to 16,365,047 ordinary shares to the Group's employees, directors, and consultants, as determined by the Board of Directors of the Company.

Employee share options

On March 10, 2025 under the 2021 Plan, the Company granted 372,780 share options to certain employees, the vesting schedule of the awards include:

- (1) Twenty-five percent (25%) of the 372,780 options to be vested on each of the first, second, third and fourth anniversaries of the vesting commencement date.

The binomial option pricing model was applied in determining the estimated fair value of the options granted. The model requires the input of subjective assumptions. The following table presents the assumptions used to estimate the fair values of the share options granted for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025:

	For the year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
				<i>(unaudited)</i>	
Expected volatility	74.00% – 80.00%	82.00% – 85.00%	84.00% – 89.00%	84.00% – 85.00%	99.00%
Risk-free interest rate (per annum)	1.94% – 3.83%	3.57% – 4.47%	3.74% – 4.50%	4.30% – 4.32%	4.10%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Employee forfeiture rate (per annum)	3.80% – 3.92%	2.40% – 7.50%	7.50% – 13.30%	7.50%	15.60%
Exercise multiples	2.50	2.50	2.50	2.50	2.50
Expected term	7.00	7.00	7.00	7.00	7.00
Fair value of underlying ordinary share (per share) . .	US\$18.11 – 19.91	US\$7.95 – 15.47	US\$3.62 – 5.06	US\$3.62 – 4.39	US\$16.01
Fair value of awards on valuation date	US\$12.93 – 17.11	US\$5.38 – 10.51	US\$3.11 – 4.74	US\$3.14 – 4.63	US\$13.83

(1) Expected volatility

Expected volatility was estimated based on historical volatility of comparable companies for the period before the valuation date with length commensurate to contractual life of the share option.

(2) Risk-free interest rate (per annum)

Risk-free interest rate was estimated based on the US Government Bond around the valuation date.

(3) Expected dividend yield

The dividend yield was estimated as zero based on the plan to retain profit for corporate expansion and no dividend will be distributed in the near future.

(4) Employee forfeiture rate (per annum)

Employee forfeiture rate was estimated by the management using employee resignation statistics.

(5) Exercise multiple

Assumption on exercise multiple is made with reference to academic research.

(6) Expected term

The expected term was the life of options extracted from option agreements.

(7) Fair value of underlying ordinary share (per share)

The fair value was the Group's stock price on valuation date.

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The following table summarizes the activities of the Group's share options classified as equity for the three months ended March 31, 2025:

	Number of options	Weighted average exercise price	Weighted average grant date fair value	Weighted average remaining contract life	Aggregate intrinsic value
		RMB	RMB	Years	RMB
Outstanding at January 1, 2025	9,917,509	11.52	42.10	5.41	887,259
Granted	372,780	25.33	99.38	—	—
Forfeited	273,765	10.10	—	—	—
Exercised	942,508	12.74	—	—	84,552
Outstanding at March 31, 2025	9,074,016	10.09	43.02	5.04	881,695
Vested and expected to vest as of March 31, 2025	9,074,016	10.09	43.02	5.04	881,695
Exercisable as of March 31, 2025	2,838,448	11.43	48.10	3.68	271,860

The weighted-average grant-date fair value of options granted during the years 2022, 2023, and 2024 and three months ended March 31, 2024 and 2025 was RMB121.62, RMB55.08, RMB25.34, RMB22.53 (unaudited) and RMB99.38, respectively. The total intrinsic value of options exercised during the years ended December 31, 2022, 2023, and 2024 and three months ended March 31, 2024 and 2025, was nil, RMB74,380, RMB370,257, RMB38,098 (unaudited) and RMB84,552, respectively.

Total compensation expense recognized for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025 was RMB104,750, RMB228,312, RMB109,391, RMB36,000 (unaudited) and RMB24,502, respectively.

As of March 31, 2025, there was RMB209,250 of unrecognized compensation expenses, which is expected to be recognized over a weighted average period of 2.83 years.

Restricted share units ("RSUs")

On February 7 and March 10, 2025 under the 2021 Plan, the Company granted 22,166 RSUs to eligible management team, the vesting schedule of the awards include:

- (1) Fifty percent (50%) of the 17,858 RSUs to be vested on each of the first and second anniversaries of the vesting commencement date.
- (2) Twenty-five percent (25%) of the 4,308 RSUs to be vested on each of the first, second, third and fourth anniversaries of the vesting commencement date.

The following table summarizes the activities of the Group's RSUs classified as equity for the three months ended March 31, 2025:

	Numbers of RSUs	Weighted average grant date fair value
		RMB
Outstanding at January 1, 2025	550,347	38.25
Granted	22,166	118.90
Forfeited	20,623	30.54
Vested	52,385	45.27
Outstanding at March 31, 2025	499,505	41.42

The Group did not grant RSUs during the years 2022. The weighted-average grant-date fair value of share units granted during the years 2023 and 2024 and three months ended March 31, 2024 and 2025 was RMB76.52, RMB31.22, RMB27.75 (unaudited) and RMB118.90, respectively. The total intrinsic value of share units exercised during the years ended December 31, 2023 and 2024 and three months ended March 31, 2024 and 2025 was RMB2,252, RMB7,789, RMB1,281 (unaudited) and RMB5,626. Total compensation expense recognized for the years ended December 31, 2023 and 2024 and three months ended March 31, 2024 and 2025 was RMB5,646, RMB6,507, RMB1,633 (unaudited) and RMB1,684.

As of March 31, 2025, there was RMB20,171 of unrecognized compensation expenses, which is expected to be recognized over a weighted average period of 2.48 years.

Tandem award

In May 2022, the Company granted an employee with a share option award of 60,000 shares with a per share exercise price of US\$18.65, which is based on the fair value of the ordinary share at the date of the grant. The options will vest ratably over a four-year period with 25% vested every year. The option agreement includes a provision whereby the grantee can choose to receive cash payment at US\$8 per share for any options that are vested but not exercised if his employment upon termination of employment when such grantee continuously work for the Group for four years. Exercise of share options cancels the cash award, and the cash redemption cancels all the vested share options. The Company considered this award as a combination grant of a cash settlement component with compensation cost measured based on the combined value.

This tandem award was originally classified as liability. In April 2024, share options were exercised and converted into equity. Total compensation expense recognized for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025 was RMB469, RMB666, RMB166, RMB166 (unaudited) and nil, respectively.

Share-based compensation for all employee share options, restricted share units and tandem award

The Group recorded share-based compensation expense of RMB105,219, RMB234,624, RMB116,064, RMB37,800 (unaudited) and RMB26,186 for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025, respectively, which were classified in the accompanying consolidated statements of operations as follows:

	For the year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
				<i>(unaudited)</i>	
Cost of revenues	8,037	16,245	6,932	2,249	1,935
Sales and marketing expenses	6,291	20,682	12,972	2,782	4,158
General and administrative expenses	48,998	63,326	27,776	14,948	4,193
Research and development expenses	41,893	134,371	68,384	17,821	15,900
Total	<u>105,219</u>	<u>234,624</u>	<u>116,064</u>	<u>37,800</u>	<u>26,186</u>

25. RELATED PARTY TRANSACTIONS

Major related parties that transacted with the Group and their respective relationship to the Group listed as below:

Name of the related parties	Relationship
Mr. Kai Sun	Founding Shareholder
Mr. Yifan Li	Founding Shareholder
Mr. Shaoqing Xiang	Founding Shareholder
Mr. Minglie Hu	Shareholder
Mr. Min Ai	Shareholder
Shanghai Leyi Technology L.P	An affiliate of the shareholder of the Group

- (a) For the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025, significant related party transactions were as follows:

	For the year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB	RMB	RMB	RMB	RMB
				<i>(unaudited)</i>	
Payment for equity acquisition consideration					
Founding Shareholders and certain shareholders	–	17,506	–	–	292,721
Total	–	<u>17,506</u>	–	–	<u>292,721</u>
	=	=	=	=	=

	For the year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB	RMB	RMB	RMB	RMB
				<i>(unaudited)</i>	
Subscription consideration received from shareholders					
Founding Shareholders and certain shareholders	–	17,506	–	–	292,721
Total	–	<u>17,506</u>	–	–	<u>292,721</u>
	=	=	=	=	=

- (b) The amounts due from related parties for the end of each Track Record Period represent the proceeds receivable from an affiliate of the shareholder of the Group for exercises of employee share options which are non-trade in nature. The amounts have been settled as of the date of this report.

(c) The amounts due to related parties represent:

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Amounts due to related parties, net of allowance				
Founding Shareholders and certain shareholders (i) . . .	334,283	326,028	326,256	—
An affiliate of the shareholder of the Group (ii)	—	14,023	8,997	5,335
Total	334,283	340,051	335,253	5,335

Notes:

- (i) In May 2021, as an integrated step of the 2021 Reorganization, in order to comply with certain PRC foreign currency control rules and regulations, the Founding Shareholders and certain investors are in the process of applying for permissions to pay the subscription consideration to the Company. Once they obtained the approval to pay the subscription receivables at Cayman Company level, the Group will then settle the consideration payable for the acquisition of their equity interests in Shanghai Hesai to facilitate their payment of the subscription receivable for the ordinary shares of the Company as part of the reorganization. The amounts due to Founding Shareholders and certain shareholders are non-trade in nature. An amount of RMB507,620, RMB17,506 and RMB292,721 has been settled in 2021, 2023 and the first quarter of 2025, respectively. All payables or subscription receivables related to the 2021 Reorganization were settled as of March 31, 2025.
- (ii) The balances are non-trade, interest free, repayable on demand and have been settled as of the date of this report.

26. LOSS PER SHARE

The following table sets forth the computation of basic and diluted losses per share for the years and periods indicated:

	For the year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
				<i>(unaudited)</i>	
Numerator					
Net loss	(300,765)	(475,968)	(102,376)	(106,925)	(17,549)
Deemed dividend	(446,419)	—	—	—	—
Net loss attributable to ordinary shareholders of the Company	(747,184)	(475,968)	(102,376)	(106,925)	(17,549)

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	For the year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
				<i>(unaudited)</i>	
Denominator					
Weighted average number of ordinary shares outstanding-basic and diluted	115,534,593	124,783,013	129,188,125	127,336,569	131,456,631
Basic and diluted net loss per share attributable to ordinary shareholders (RMB)	(6.47)	(3.81)	(0.79)	(0.84)	(0.13)

For the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025, the following share options were excluded from the calculation of diluted net loss per ordinary share, as their inclusion would have been anti-dilutive for the period prescribed.

	For the year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
				<i>(unaudited)</i>	
Shares issuable upon exercise of share options.	9,608,634	10,191,721	9,917,509	11,141,927	9,074,016
Shares issuable upon vest of restricted share units .	—	153,321	550,347	309,644	499,505
Shares issuable upon exercise of tandem award	60,000	60,000	—	60,000	—
Total	9,668,634	10,405,042	10,467,856	11,511,571	9,573,521

27. EMPLOYEE BENEFIT

Mainland China Contribution Plan

Full time employees of the Group in the PRC participate in a government-mandated defined contribution plan pursuant to which certain pension benefits, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. PRC labor regulations require that the Group to accrue for these benefits based on a certain percentage of the employees' salaries. The total contribution for such employee benefits were RMB82,877, RMB122,844, RMB133,066, RMB28,149 (unaudited) and RMB32,010 for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025, respectively. The Group has no ongoing obligation to its employees subsequent to its contributions to the PRC plan.

28. STATUTORY RESERVES AND RESTRICTED NET ASSETS

The Group's entities in the PRC are required under PRC laws to distribute its after-tax profits of the current year and set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of their registered capital. The statutory reserve funds are not distributable as cash dividends. The Group has no statutory reserve balance as of December 31, 2022, 2023 and 2024 and March 31, 2025.

The PRC entities with the Group are restricted from transferring their net assets to the Company, which include paid-in capital and statutory reserves. As of March 31, 2025, the balance of restricted net assets was RMB3,363,394.

29. COMMITMENTS AND CONTINGENCIES

Capital expenditure commitments related to the manufacturing facilities and investment commitments.

Future minimum capital payment under non-cancelable agreements are as follow:

	As of March 31, 2025
	<u>RMB</u>
The remaining of 2025	<u>188,878</u>

Royalty fee commitments

The Group is obligated to make royalty payments to a third party from 2020 through 2030. For each year starting from 2023, the royalty payment is determined to be the greater amount of a base payment of US\$3.0 million (except for the year of 2030, where the base payment shall be US\$0.3 million) or amount calculated based on a tiered percentage of net revenues. In particular, the percentage should be 4%, 3% and 2% for the net revenues of rotational scanning product from US\$0 to US\$425,000, from US\$425,000 to US\$2,925,000, and from US\$2,925,000 to above, respectively. Net sales do not include (a) taxes, tariffs, customs duties, excise, or other governmental charges (except income tax) levied and that are separately stated in an invoice, (b) reasonable charges for freight or insurance that are separately stated in an invoice and borne by the Group or its affiliates.

The actual royalty fees for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025 were RMB18,044, RMB35,288, RMB24,542, RMB6,869 (unaudited) and RMB6,522, respectively.

Contingencies

The Group may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business.

On April 7, 2023, the Company and certain of its officers, directors, authorized U.S. representative, and IPO underwriters were named as defendants in a putative securities class action filed with federal court, alleging that the Company made false and misleading statements in its IPO registration statement.

On April 11, 2023, Ouster Inc. ("Ouster") filed a complaint against the Company with the United States District Court for the District of Delaware ("Delaware Action") for alleged patent infringement relating to the production, use, sale and/or importation of certain LiDAR systems and/or components thereof. In March 2025, the District Court of Delaware dismissed Ouster's complaint without any conditions, financial settlement or injunctive relief imposed.

The Group does not believe that any currently pending legal or administrative proceeding to which the Group is a party will have a material adverse effect on the financial statements. As of March 31, 2025, the accrued contingent liability was nil.

30. PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION

The parent company only condensed financial information has been provided pursuant to the requirements of Rule 12-04(a) and 5-04(c) of SEC Regulation S-X when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. The Company does not include condensed financial information as to the changes in deficit as such financial information is the same as the consolidated statements of changes in shareholders' deficit.

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Condensed balance sheets of parent company

	As of December 31,		
	2022	2023	2024
	RMB	RMB	RMB
ASSETS			
Cash and cash equivalents	35,411	363,778	1,056,383
Short-term investments	–	581,962	–
Prepayments and other current assets	1,041	8,005	4,100
Investments in subsidiaries	2,806,201	2,929,800	2,915,337
Property and equipment, net	7	5	–
TOTAL ASSETS	2,842,660	3,883,550	3,975,820
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' (DEFICIT) EQUITY			
Amounts due to subsidiaries	–	14,024	8,997
Accrued expenses and other current liabilities	927	7,208	35,092
TOTAL LIABILITIES	927	21,232	44,089
Mezzanine equity			
Redeemable shares (US\$0.0001 par value, 54,551,513, nil, nil and nil shares issued and outstanding as of December 31, 2022, 2023 and 2024 and March 31, 2025, respectively)	5,986,910	–	–
Shareholders' (deficit) equity			
Class A Ordinary Shares (US\$0.0001 par value, 35,000,000, 50,000,000, 50,000,000 and 50,000,000 shares authorized, 30,033,379, 30,033,379, 30,015,905 and 26,998,861 shares issued and outstanding as of December 31, 2022, 2023 and 2024, and March 31, 2025, respectively)	19	19	19
Class B Ordinary Shares (US\$0.0001 par value, 150,000,000, 900,000,000, 900,000,000 and 900,000,000 shares authorized, 30,949,701, 99,626,332, 101,143,806 and 106,660,850 shares issued, 30,949,701, 96,995,110, 101,143,806 and 105,155,743 shares outstanding as of December 31, 2022, 2023 and 2024, and March 31, 2025, respectively)	20	67	70
Additional paid-in capital	–	7,423,862	7,577,113
Subscription receivables	(310,227)	(292,721)	(292,721)
Accumulated other comprehensive (loss) income	(3,608)	38,440	56,975
Accumulated deficit	(2,831,381)	(3,307,349)	(3,409,725)
TOTAL SHAREHOLDERS' (DEFICIT) EQUITY	(3,145,177)	3,862,318	3,931,731
TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' (DEFICIT) EQUITY	2,842,660	3,883,550	3,975,820

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ACCOUNTANTS' REPORT

Condensed statements of operations and comprehensive loss for the years ended December 31, 2022, 2023 and 2024

	For the year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Net revenues	—	—	—
Sales and marketing expenses	—	—	(6,741)
General and administrative expenses	(37,105)	(98,099)	(67,475)
Interest income	—	42,402	50,754
Foreign exchange gain (loss)	2	(12)	(9)
Equity in deficit of subsidiaries	(263,662)	(420,259)	(78,905)
Net Loss	(300,765)	(475,968)	(102,376)
Deemed dividend	(446,419)	—	—
Net loss attributable to ordinary shareholders of the Company	(747,184)	(475,968)	(102,376)
Net Loss	(300,765)	(475,968)	(102,376)
Comprehensive (loss) income, net of tax of nil:			
Foreign currency translation adjustments	(12,073)	42,048	18,535
Comprehensive (loss) income	(312,838)	(433,920)	(83,841)

Condensed statements of cash flows for the years ended December 31, 2022, 2023 and 2024

	For the year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Cash flows from operating activities:			
Net loss	(300,765)	(475,968)	(102,376)
Adjustments to reconcile net loss to net cash used in (provided by) operating activities:			
Depreciation and amortization	2	3	3
Loss from equity in deficit of subsidiaries	263,662	420,259	78,905
Share-based compensation	33,342	42,379	11,922
Fair value change of short-term investments	—	(12,500)	12,500
Foreign exchange (gain) loss, net	(2)	12	9
Changes in operating assets and liabilities:			
Prepayments and other current assets	(545)	(1,544)	3,905
Accrued expenses and other current liabilities	2,611	6,281	27,885
Net cash (used in) provided by operating activities	(1,695)	(21,078)	32,753
Cash flows from investing activities:			
Purchases of short-term investments	—	(742,287)	(309,349)
Maturity of short-term investments	—	176,302	878,812
Purchases of property and equipment	(10)	—	—
Payment and collection of loans to and investments in subsidiaries	—	(379,237)	55,792
Net cash (used in) provided by investing activities	(10)	(945,222)	625,255
Cash flows from financing activities:			
Cash contribution from shareholders in connection with the 2021 Reorganization	—	17,506	—
Proceeds from issuance of ordinary shares	—	1,225,470	—
Payment of offering costs	—	(22,828)	—
Proceeds from issuance of ordinary shares upon the exercise of share options	—	2,872	34,139
Collection and payments of amounts due to subsidiaries	—	14,024	(15,710)

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	For the year ended December 31,		
	2022	2023	2024
	RMB	RMB	RMB
Net cash provided by financing activities	–	1,237,044	18,429
Net (decrease) increase in cash and cash equivalents .	(1,705)	270,744	676,437
Cash and cash equivalents, beginning of the year . .	36,160	35,411	363,778
Effect of foreign exchange rate changes on cash and cash equivalents	956	57,623	16,168
Cash and cash equivalents, end of the year	<u>35,411</u>	<u>363,778</u>	<u>1,056,383</u>
Supplemental disclosure of non-cash financing activities:			
Accrued offering cost	480	–	–

- (a) The condensed financial information has been prepared using the same accounting policies as set out in the Historical Financial Information except that the equity method has been used to account for investments in its subsidiaries. For the parent company, the Company records its investments in subsidiaries under the equity method of accounting as prescribed in ASC 323, Investments — Equity Method and Joint Ventures. Such investments are presented on the balance sheets of the Company as “Investment in subsidiaries” and the subsidiaries’ loss as “Loss from equity in deficit of subsidiaries” on the condensed statements of operations and comprehensive (loss) income. Ordinarily under the equity method, an investor in an equity method investee would cease to recognize its share of the losses of an investee once the carrying value of the investment has been reduced to nil absent an undertaking by the investor to provide continuing support and fund losses. For the purpose of this parent company only condensed financial information, the parent company has continued to reflect its share, based on its proportionate interest, of the losses of subsidiaries regardless of the carrying value of the investment even though the parent company is not obligated to provide continuing support or fund losses.
- (b) As of December 31, 2022, 2023 and 2024, there were no material contingencies, significant provisions of long-term obligations, guarantees of the Company.

31. DIRECTORS' EMOLUMENTS

Directors’ and chief executive’s remuneration for the Track Record Period, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	For the year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB	RMB	RMB	RMB	RMB
				(unaudited)	
Salaries, allowances and benefits in kind	5,302	6,110	5,653	1,692	1,209
Performance related bonuses	3,551	9,737	6,600	1,627	1,621
Share-based compensation expense	43,301	45,979	14,412	11,178	651
Contributions to retirement benefits scheme	<u>252</u>	<u>272</u>	<u>284</u>	<u>72</u>	<u>72</u>
Total paid salaries, bonuses and other benefits	<u>52,406</u>	<u>62,098</u>	<u>26,949</u>	<u>14,569</u>	<u>3,553</u>

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The emoluments of the directors of the Company on a named basis for the year ended December 31, 2022 are as follows:

	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based compensation expense	Contributions to retirement benefits scheme	Total paid salaries, bonuses, and other benefits
	RMB	RMB	RMB	RMB	RMB
Dr. Yifan Li (<i>note (i)</i>)	834	989	–	63	1,886
Dr. Kai Sun (<i>note (ii)</i>)	821	989	–	63	1,873
Mr. Shaoqing Xiang (<i>note (iii)</i>) . .	821	989	–	63	1,873
Mr. Louis T. Hsieh (<i>note (iv)</i>) . . .	2,000	241	42,349	–	44,590
Ms. Cailian Yang (<i>note (v)</i>)	826	343	952	63	2,184
	<u>5,302</u>	<u>3,551</u>	<u>43,301</u>	<u>252</u>	<u>52,406</u>

The emoluments of the directors of the Company on a named basis for the year ended December 31, 2023 are as follows:

	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based compensation expense	Contributions to retirement benefits scheme	Total paid salaries, bonuses, and other benefits
	RMB	RMB	RMB	RMB	RMB
Dr. Yifan Li (<i>note (i)</i>)	886	1,101	–	68	2,055
Dr. Kai Sun (<i>note (ii)</i>)	884	1,101	–	68	2,053
Mr. Shaoqing Xiang (<i>note (iii)</i>) . .	893	1,101	–	68	2,062
Mr. Louis T. Hsieh (<i>note (iv)</i>) . . .	2,000	5,972	42,172	–	50,144
Ms. Cailian Yang (<i>note (v)</i>)	654	462	2,871	68	4,055
Ms. Yi Zhang (<i>note (vi)</i>)	529	–	624	–	1,153
Dr. Jie Chen (<i>note (vi)</i>)	264	–	312	–	576
	<u>6,110</u>	<u>9,737</u>	<u>45,979</u>	<u>272</u>	<u>62,098</u>

The emoluments of the directors of the Company on a named basis for the year ended December 31, 2024 are as follows:

	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based compensation expense	Contributions to retirement benefits scheme	Total paid salaries, bonuses, and other benefits
	RMB	RMB	RMB	RMB	RMB
Dr. Yifan Li (<i>note (i)</i>)	1,312	1,695	–	71	3,078
Dr. Kai Sun (<i>note (ii)</i>)	939	1,907	–	71	2,917
Mr. Shaoqing Xiang (<i>note (iii)</i>) . .	943	1,909	–	71	2,923
Mr. Louis T. Hsieh (<i>note (iv)</i>) . . .	725	333	11,922	–	12,980
Ms. Cailian Yang (<i>note (v)</i>)	667	756	1,445	71	2,939
Ms. Yi Zhang (<i>note (vi)</i>)	711	–	697	–	1,408
Dr. Jie Chen (<i>note (vi)</i>)	356	–	348	–	704
	<u>5,653</u>	<u>6,600</u>	<u>14,412</u>	<u>284</u>	<u>26,949</u>

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The emoluments of the directors of the Company on a named basis for the three months ended March 31, 2024 are as follows:

	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based compensation expense	Contributions to retirement benefits scheme	Total paid salaries, bonuses, and other benefits
	RMB	RMB	RMB	RMB	RMB
Unaudited					
Dr. Yifan Li (<i>note (i)</i>)	310	401	–	18	729
Dr. Kai Sun (<i>note (ii)</i>)	225	477	–	18	720
Mr. Shaoqing Xiang (<i>note (iii)</i>)	229	477	–	18	724
Mr. Louis T. Hsieh (<i>note (iv)</i>)	500	83	10,558	–	11,141
Ms. Cailian Yang (<i>note (v)</i>)	162	189	359	18	728
Ms. Yi Zhang (<i>note (vi)</i>)	177	–	174	–	351
Dr. Jie Chen (<i>note (vi)</i>)	89	–	87	–	176
	<u>1,692</u>	<u>1,627</u>	<u>11,178</u>	<u>72</u>	<u>14,569</u>

The emoluments of the directors of the Company on a named basis for the three months ended March 31, 2025 are as follows:

	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based compensation expense	Contributions to retirement benefits scheme	Total paid salaries, bonuses, and other benefits
	RMB	RMB	RMB	RMB	RMB
Dr. Yifan Li (<i>note (i)</i>)	296	526	–	18	840
Dr. Kai Sun (<i>note (ii)</i>)	237	427	–	18	682
Mr. Shaoqing Xiang (<i>note (iii)</i>)	240	474	–	18	732
Ms. Cailian Yang (<i>note (v)</i>)	167	194	389	18	768
Ms. Yi Zhang (<i>note (vi)</i>)	179	–	175	–	354
Dr. Jie Chen (<i>note (vi)</i>)	90	–	87	–	177
	<u>1,209</u>	<u>1,621</u>	<u>651</u>	<u>72</u>	<u>3,553</u>

Notes:

- Dr. Yifan Li is the Co-Founder of the Group and has served as chief executive officer and director since inception.
- Dr. Kai Sun is the Co-Founder of the Group and has served as chief scientist and director since inception.
- Mr. Shaoqing Xiang is the Co-Founder of the Group and has served as chief technology officer and director since inception.
- Mr. Louis T. Hsieh had served as global chief financial officer since April 2021 and director since June 2021, he resigned from the position for personal and family reasons on May 13, 2024.
- Ms. Cailian Yang has served as vice president of operations and director since November 2017.
- Ms. Yi Zhang and Dr. Jie Chen were appointed as independent directors on January 30, 2023.

The directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Group. Additionally, there was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

32. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included 1 director for the years ended December 31, 2022, 2023 and 2024, and 3 directors for the three months ended March 31, 2024 and 2025, respectively, details of whose remuneration are set out in Note 31 above. Details of the remuneration of the remaining non-director employees are as follows:

	For the year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	RMB	RMB	RMB	RMB	RMB
				(unaudited)	
Salaries, allowances and benefits in kind	6,489	6,222	6,154	767	782
Performance related bonuses	1,489	3,727	6,642	648	626
Contributions to retirement benefits scheme	245	336	276	35	86
Share-based compensation	6,291	21,548	7,691	1,956	1,019
Total paid salaries, bonuses and other benefits	14,514	31,833	20,763	3,406	2,513

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	For the year ended December 31,			Three months ended March 31,	
	2022	2023	2024	2024	2025
	No. of employees	No. of employees	No. of employees	No. of employees	No. of employees
				(unaudited)	
HK\$900,001 to HK\$1,000,000	-	-	-	1	-
HK\$1,000,001 to HK\$1,500,000	-	-	-	-	2
HK\$2,000,001 to HK\$2,500,000	-	-	-	1	-
HK\$2,500,001 to HK\$3,000,000	1	-	-	-	-
HK\$4,000,001 to HK\$4,500,000	2	-	-	-	-
HK\$4,500,001 to HK\$5,000,000	-	1	1	-	-
HK\$5,000,001 to HK\$5,500,000	-	-	1	-	-
HK\$5,500,001 to HK\$6,000,000	1	1	1	-	-
HK\$6,500,001 to HK\$7,000,000	-	1	-	-	-
HK\$7,000,001 to HK\$7,500,000	-	-	1	-	-
HK\$18,000,001 to HK\$18,500,000	-	1	-	-	-
	4	4	4	2	2
	=	=	=	=	=

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

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ACCOUNTANTS' REPORT

33. RECONCILIATION BETWEEN U.S. GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Historical Financial Information is prepared in accordance with U.S. GAAP, which differ in certain respects from International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. The differences in operating leases, long-term investments and inventory write-downs during the Track Record Period are immaterial and will not be reconciled, and the effects of material differences between the Historical Financial Information prepared under U.S. GAAP and IFRSs are as follows:

Reconciliation of Consolidated Statements of Operations and Comprehensive (Loss) Income

For the year ended of December 31, 2022						
Consolidated Statement of Operations and Comprehensive (Loss) income (Extract)	Amounts as reported under U.S. GAAP	IFRS adjustments				Amounts as reported under IFRSs
		Classification and measurement of redeemable shares	Share-based compensation	Listing expense	Subscription receivables	
		(Note (a))	(Note (b))	(Note (c))	(Note (d))	
	RMB	RMB	RMB	RMB	RMB	RMB
Cost of revenues	(730,683)	–	(4,467)	–	–	(735,150)
Sales and marketing expenses . . .	(104,835)	–	(4,968)	–	–	(109,803)
General and administrative expenses.	(201,007)	–	(14,060)	(6,078)	–	(221,145)
Research and development expenses.	(555,179)	–	(27,929)	–	–	(583,108)
Other income (loss), net	(2,161)	(20,723)	–	–	–	(22,884)
Net loss	(300,765)	(20,723)	(51,424)	(6,078)	–	(378,990)
Deemed dividend	(446,419)	446,419	–	–	–	–
Net loss attributable to ordinary shareholders of the Company . .	(747,184)	425,696	(51,424)	(6,078)	–	(378,990)
Other comprehensive income (loss)						
Foreign currency translation adjustments	(12,073)	(622,093)	–	–	28,387	(605,779)
Comprehensive (loss) income . . .	(312,838)	(642,816)	(51,424)	(6,078)	28,387	(984,769)

For the year ended of December 31, 2023						
Consolidated Statement of Operations and Comprehensive (Loss) income (Extract)	Amounts as reported under U.S. GAAP	IFRS adjustments				Amounts as reported under IFRSs
		Classification and measurement of redeemable shares	Share-based compensation	Listing expense	Subscription receivables	
		(Note (a))	(Note (b))	(Note (c))	(Note (d))	
	RMB	RMB	RMB	RMB	RMB	RMB
Cost of revenues	(1,215,611)	–	(1,904)	–	–	(1,217,515)
Sales and marketing expenses . . .	(148,798)	–	(13,297)	–	–	(162,095)
General and administrative expenses.	(320,144)	–	17,028	(20,770)	–	(323,886)
Research and development expenses.	(790,547)	–	(2,115)	–	–	(792,662)
Other income (loss), net	34	149,435	–	–	–	149,469
Net loss	(475,968)	149,435	(288)	(20,770)	–	(347,591)
Net loss attributable to ordinary shareholders of the Company . .	(475,968)	149,435	(288)	(20,770)	–	(347,591)
Other comprehensive income (loss)						
Foreign currency translation adjustments	42,048	182,341	–	–	3,933	228,322
Comprehensive (loss) income . . .	(433,920)	331,776	(288)	(20,770)	3,933	(119,269)

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For the year ended on December 31, 2024

Consolidated Statement of Operations and Comprehensive (Loss) income (Extract)	Amounts as reported under U.S. GAAP	IFRS adjustments		Amounts as reported under IFRSs
		Share-based compensation	Subscription receivables	
		(Note (b))	(Note (d))	
		RMB	RMB	
Cost of revenues	(1,192,572)	1,317	—	(1,191,255)
Sales and marketing expenses	(193,032)	(5,531)	—	(198,563)
General and administrative expenses	(316,913)	10,142	—	(306,771)
Research and development expenses	(855,641)	351	—	(855,290)
Net loss	(102,376)	6,279	—	(96,097)
Net loss attributable to ordinary shareholders of the Company	(102,376)	6,279	—	(96,097)
Other comprehensive income (loss)				
Foreign currency translation adjustments	18,535	—	4,807	23,342
Comprehensive (loss) income	(83,841)	6,279	4,807	(72,755)

For the three months ended on March 31, 2024 (unaudited)

Consolidated Statement of Operations and Comprehensive (Loss) income (Extract)	Amounts as reported under U.S. GAAP	IFRS adjustments		Amounts as reported under IFRSs
		Share-based compensation	Subscription receivables	
		(Note (b))	(Note (d))	
		RMB	RMB	
Cost of revenues	(219,898)	289	—	(219,609)
Sales and marketing expenses	(41,964)	(2,845)	—	(44,809)
General and administrative expenses	(68,767)	5,537	—	(63,230)
Research and development expenses	(194,402)	(3,720)	—	(198,122)
Net loss	(106,925)	(739)	—	(107,664)
Net loss attributable to ordinary shareholders of the Company	(106,925)	(739)	—	(107,664)
Other comprehensive income (loss)				
Foreign currency translation adjustments	3,088	—	559	3,647
Comprehensive (loss) income	(103,837)	(739)	559	(104,017)

For the three months ended on March 31, 2025

Consolidated Statement of Operations and Comprehensive (Loss) income (Extract)	Amounts as reported under U.S. GAAP	IFRS adjustments		Amounts as reported under IFRSs
		Share-based compensation	Subscription receivables	
		(Note (b))	(Note (d))	
		RMB	RMB	
Cost of revenues	(306,067)	606	—	(305,461)
Sales and marketing expenses	(50,546)	418	—	(50,128)
General and administrative expenses	(54,087)	765	—	(53,322)
Research and development expenses	(183,306)	2,525	—	(180,781)
Net loss	(17,549)	4,314	—	(13,235)
Net loss attributable to ordinary shareholders of the Company	(17,549)	4,314	—	(13,235)

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For the three months ended of March 31, 2025

Consolidated Statement of Operations and Comprehensive (Loss) income (Extract)	Amounts as reported under U.S. GAAP	IFRS adjustments		Amounts as reported under IFRSs
		Share-based compensation	Subscription receivables	
		(Note (b))	(Note (d))	
		RMB	RMB	
Other comprehensive income (loss)				
Foreign currency translation adjustments	31,898	—	(33,179)	(1,281)
Comprehensive (loss) income	14,349	4,314	(33,179)	(14,516)

Reconciliation of Consolidated Balance Sheets

As of December 31, 2022

Consolidated Balance Sheet (Extract)	Amounts as reported under U.S. GAAP	IFRS adjustments				Amounts as reported under IFRSs
		Classification and measurement of redeemable shares	Share-based compensation	Listing expense	Subscription receivables	
		(Note (a))	(Note (b))	(Note (c))	(Note (d))	
		RMB	RMB	RMB	RMB	
Prepayments and other current assets	126,452	—	—	(8,593)	335,722	453,581
Total assets	3,839,396	—	—	(8,593)	335,722	4,166,525
Financial liabilities at fair value through profit or loss	—	7,369,985	—	—	—	7,369,985
Total liabilities	997,663	7,369,985	—	—	—	8,367,648
Mezzanine equity	5,986,910	(5,986,910)	—	—	—	—
Shareholders' (deficit) equity						
Additional paid-in capital	—	79,758	105,216	—	—	184,974
Subscription receivables	(310,227)	—	—	—	310,227	—
Accumulated other comprehensive (loss) income	(3,608)	(561,480)	—	—	25,495	(539,593)
Accumulated deficit	(2,831,381)	(901,353)	(105,216)	(8,593)	—	(3,846,543)
Total shareholders' deficit	(3,145,177)	(1,383,075)	—	(8,593)	335,722	(4,201,123)

As of December 31, 2023

Consolidated Balance Sheet (Extract)	Amounts as reported under U.S. GAAP	IFRS adjustments				Amounts as reported under IFRSs
		Classification and measurement of redeemable shares	Share-based compensation	Listing expense	Subscription receivables	
		(Note (a))	(Note (b))	(Note (c))	(Note (d))	
		RMB	RMB	RMB	RMB	
Prepayments and other current assets	208,082	—	—	—	322,149	530,231
Total assets	5,662,543	—	—	—	322,149	5,984,692
Shareholders' (deficit) equity						
Additional paid-in capital	7,423,862	1,577,476	105,504	29,363	—	9,136,205
Subscription Receivables	(292,721)	—	—	—	292,721	—
Accumulated other comprehensive (loss) income	38,440	(379,139)	—	—	29,428	(311,271)
Accumulated deficit	(3,307,349)	(1,198,337)	(105,504)	(29,363)	—	(4,640,553)
Total shareholders' equity	3,862,318	—	—	—	322,149	4,184,467

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As of December 31, 2024

Consolidated Balance Sheet (Extract)	Amounts as reported under U.S. GAAP	IFRS adjustments				Amounts as reported under IFRSs
		Classification and measurement of redeemable shares	Share-based compensation	Listing expense	Subscription receivables	
		(Note (a))	(Note (b))	(Note (c))	(Note (d))	
	RMB	RMB	RMB	RMB	RMB	RMB
Prepayments and other current assets	193,448	-	-	-	326,956	520,404
Total assets	5,989,611	-	-	-	326,956	6,316,567
Shareholders' (deficit) equity						
Additional paid-in capital	7,577,113	1,577,476	99,225	29,363	-	9,283,177
Subscription receivables	(292,721)	-	-	-	292,721	-
Accumulated other comprehensive (loss) income	56,975	(379,139)	-	-	34,235	(287,929)
Accumulated deficit	(3,409,725)	(1,198,337)	(99,225)	(29,363)	-	(4,736,650)
Total shareholders' equity	3,931,731	-	-	-	326,956	4,258,687

As of March 31, 2025

Consolidated Balance Sheet (Extract)	Amounts as reported under U.S. GAAP	IFRS adjustments			Amounts as reported under IFRSs
		Classification and measurement of redeemable shares	Share-based compensation	Listing expense	
		(Note (a))	(Note (b))	(Note (c))	
	RMB	RMB	RMB	RMB	RMB
Shareholders' (deficit) equity					
Additional paid-in capital	7,615,445	1,577,476	94,911	29,363	9,317,195
Accumulated other comprehensive (loss) income . . .	88,873	(379,139)	-	-	(290,266)
Accumulated deficit	(3,427,274)	(1,198,337)	(94,911)	(29,363)	(4,749,885)
Total shareholders' equity	4,277,134	-	-	-	4,277,134

Notes:

(a) Classification and measurement of redeemable shares

Under U.S. GAAP, the Group classified the redeemable shares as mezzanine equity in the consolidated balance sheets because they were redeemable at the holders' option upon the occurrence of certain deemed liquidation events that outside the Group's control. The redeemable shares were recorded initially at fair value, net of issuance costs. The Group recognized accretion as deemed dividend to the respective redemption value of the redeemable shares over the period starting from issuance date to the earliest redemption date. The accretion was recognized and charged against retained earnings, or in the absence of retained earnings, by charges against additional paid-in capital. Once additional paid-in-capital has been exhausted, additional charges are recorded by increasing the accumulated deficit.

Under IFRSs, the redeemable shares, which were contingently redeemable at the option of the holders, were classified as financial liabilities. The redeemable shares were designated as financial liabilities at fair value through profit or loss, which were initially and subsequently measured at fair value. Subsequent to initial recognition, the Group considered that the amounts of changes in fair value of the redeemable shares that were attributed to changes in credit risk of the redeemable shares recognized in other comprehensive income (loss) were insignificant. The amount of change in the fair value of the financial liability was presented as other income (loss) in consolidated statements of operations and comprehensive (loss) income.

Due to the difference in classification of redeemable shares under U.S. GAAP and IFRSs, the reconciliation includes the decrease of mezzanine equity of RMB5,986,910, nil, nil and nil as of December 31, 2022, 2023 and 2024 and March 31, 2025, respectively. In relation to the accretion of mezzanine equity under U.S. GAAP, the reconciliation includes the decrease of accretions of RMB446,419, nil, nil, nil and nil in the consolidated statements of operations and comprehensive (loss) income for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025, respectively and also increase in additional paid-in capital of RMB79,758, RMB1,577,476, RMB1,577,476, RMB1,577,476 and RMB1,577,476 and decrease in accumulated deficit, for the accretion impact that exhausted the additional paid-in capital, of RMB901,353, RMB1,198,337, RMB1,198,337 and RMB1,198,337 in the consolidated balance sheets as of December 31, 2022, 2023 and 2024 and March 31, 2025, respectively.

In regard of the classification of financial liability under IFRSs, the reconciliation includes the increase of financial liabilities of RMB7,369,985, nil, nil and nil in the consolidated balance sheets as of December 31, 2022, 2023 and 2024 and March 31, 2025, respectively. Thus, the reconciliation also includes the fair value change of the redeemable shares of RMB20,723, RMB149,435, nil, nil and nil, and foreign currency translation differences of RMB622,093, RMB182,341, nil, nil and nil in the consolidated statements of operations and comprehensive (loss) income for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025, respectively.

All the redeemable shares of the Company were converted into ordinary shares upon the completion of the Company's IPO in United States on February 9, 2023. Consequently, there was no such reconciliation item in classification and measurement of redeemable shares between U.S. GAAP and IFRSs subsequently.

(b) Share-based compensation

Under U.S. GAAP, the Group has elected to recognize compensation expense using the straight-line method for all employee equity awards granted with graded vesting over the requisite service period. Additionally, the Group has chosen to account for forfeitures when they occur.

Under IFRSs, the accelerated method is required to recognize compensation expense for all employee equity awards granted with graded vesting. Forfeitures must be estimated, and share-based compensation expenses were recognized net of estimated forfeitures.

Accordingly, the reconciliation includes differences in operating cost and expenses of RMB51,424, RMB288, RMB6,279, RMB739 and RMB4,314 for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025, respectively.

(c) Listing expense

Under U.S. GAAP, specific incremental costs considered directly attributable to the offering of equity securities ("listing expenses") may be deferred and capitalized against the gross proceeds of the offering.

Under IFRSs, only those listing expenses considered directly attributable to the issuance of new shares to investors can be capitalized. Those listing expenses considered directly attributable to the listing of existing shares on a stock exchange are not considered transaction costs that qualify for capitalization. Such costs should be expensed as incurred instead.

Accordingly, the reconciliation includes an expense recognition difference in the consolidated statements of operations and comprehensive (loss) income of RMB6,078, RMB20,770, nil, nil and nil for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025, respectively and a difference in shareholders' deficit of RMB8,593, RMB29,363, RMB29,363 and RMB29,363 as of December 31, 2022, 2023 and 2024 and March 31, 2025, respectively, in relation to the listing expenses incurred during the IPO and listing of the Company's ADSs on the Nasdaq in February 2023.

(d) Receivables from shareholders

Under U.S. GAAP, shareholders' subscription consideration to the Company's equity that has not been paid is accounted for as a contra-equity account in subscription receivables using the historical exchange rates.

Under IFRSs, such shareholders' subscription consideration is recognized as a financial asset measured at amortized cost. Financial asset is a monetary item measured into the reporting currency using the exchange rate at the balance sheet date.

Accordingly, the reconciliation includes reclassification of subscription receivables of RMB310,227 to prepayments and other current assets as of December 31, 2022, 2023 and 2024 and March 31, 2025, respectively and recognition of foreign currency translation differences of RMB28,387, RMB3,933, RMB4,807, RMB559 and RMB33,179 in the consolidated statements of operations and comprehensive (loss) income for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2024 and 2025, respectively.

34. SUBSEQUENT EVENTS

The Group has the following material subsequent events from April 1, 2025 and up to the date of this report:

In April, May and August 2025, the Group granted a total of 44,161, 778,233, 80,300, 284,084 and 13,400 share options at the exercise price of US\$0.10, US\$2.60, US\$4.29, US\$4.66 and US\$5.15, respectively, and 10,342 RSUs to certain employees under the 2021 Plan, with the vesting period of 4 years. Based on the Company's preliminary assessment, the aggregate fair value of the share options and RSUs granted amounted to approximately RMB129,780.

In April 2025, the Company, through a partnership, indirectly subscribed approximately 10% equity interest in an early-stage technological company (the "Investee"), an associate of Founding Shareholders of the Group, for a cash consideration of US\$13.9 million, equivalent to approximately RMB100,000.

In May 2025, the Group entered into an intellectual property licensing and transfer agreement (the "IP Licensing and Transfer Agreement") with a subsidiary of the Investee, pursuant to which (i) the subsidiary of the Investee agreed to acquire certain of the Group's internally-generated know-how at a consideration of approximately RMB36,967, which was determined based on the appraised value of such internally-generated know-how assessed by an independent third-party professional valuation firm, and (ii) the Group agreed to transfer such internally-generated know-how to the subsidiary of the Investee and grant to it licenses for the use for a period up to the completion of such acquisition. The transfer has been completed in August 2025.

In August 2025, the Company, through a partnership, indirectly disposed its entire equity interest in the Investee to two independent third-party investors for a cash consideration of US\$38.4 million, equivalent to RMB275,286. The gain on the indirect disposal of the Investee after deduction of the related taxes and expenses would be approximately US\$20.7 million, equivalent to RMB148,358.

35. DIVIDENDS

No dividends have been declared or paid by the Company in respect of the Track Record Period.

36. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Group, the Company or any of the companies now comprising the Group in respect of any period subsequent to March 31, 2025 and up to the date of this report.

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this appendix does not form part of the accountants' report on the historical financial information of the Group for each of the three years ended December 31, 2024 and for the three months ended March 31, 2025 (the "Track Record Period") (the "Accountants' Report") prepared by the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering (as defined in the Prospectus) on the unaudited consolidated tangible assets of the Group attributable to ordinary shareholders of the Company as of March 31, 2025 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as of March 31, 2025 has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as of March 31, 2025 or any future dates following the Global Offering. It is prepared based on the audited consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as of March 31, 2025 as derived from the Accountants' Report in Appendix I to this Prospectus, and adjusted as described below.

Audited consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as of March 31, 2025	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as of March 31, 2025	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as of March 31, 2025 per Share	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as of March 31, 2025 per ADS	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as of March 31, 2025 per Share	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as of March 31, 2025 per ADS
RMB'000	RMB'000	RMB'000	RMB	RMB	HK\$	HK\$
Note 1	Note 2		Note 3	Note 4	Note 5	Note 5
Based on the indicative offer price of HK\$228.00 per Offer Share . . .						
4,197,371	3,389,941	7,587,312	50.87	50.87	55.61	55.61

Notes:

- (1) The unaudited consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as of March 31, 2025 are based on consolidated net assets of the Group attributable to ordinary shareholders of the Company as of March 31, 2025 of approximately RMB4,277,134,000, after netting off intangible assets of the Group as of March 31, 2025 of approximately RMB79,763,000 as shown in the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 17,000,000 Offer Shares at the indicative offer share price of HK\$228.00 (equivalent to RMB208.55) per Offer Share after deduction of the estimated listing expenses and share issue costs (including underwriting fees and other related expenses) expected to be incurred by the Company subsequent to March 31, 2025 and without taking into account any allotment and issuance of any Shares upon the exercise of the Offer Size Adjustment Option and/or the Over-allotment Option, 946,293 Class B Ordinary Shares issued upon the vesting of restricted share units ("RSUs") and the exercise of options under the 2021 Plan between April 1, 2025 and August 29, 2025, the Latest Practicable Date, and 558,814 Class B Ordinary Shares (as of August 29, 2025) issued to Depositary for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under the 2021 Plan, and any issuance or repurchase of Shares and/or ADSs by the Company. For the purpose of calculating the estimated net proceeds from the Global Offering, the translation of Hong Kong dollars into Renminbi was made at the exchange rate of HK\$1.00 to RMB0.9148, which is derived from the respective exchange rate of Hong Kong dollars and Renminbi against U.S. Dollars on August 29, 2025 set forth in the H.10 statistical release of the Federal Reserve Board. No representation is made that Hong Kong dollars have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 149,154,604 Shares are in issue assuming that the Global Offering had been completed on March 31, 2025, without taking into account any allotment and issuance of any Shares upon the exercise of the Offer Size Adjustment Option and/or the Over-allotment Option, 946,293 Class B Ordinary Shares issued upon the vesting of RSUs and the exercise of options under the 2021 Plan between April 1, 2025 and August 29, 2025, and 558,814 Class B Ordinary Shares (as of August 29, 2025) issued to Depositary for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under the 2021 Plan, and any issuance or repurchase of Shares and/or ADSs by the Company.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company per ADS is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that one ADS represents one Share.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company to reflect any trading result or other transactions of the Group entered into subsequent to March 31, 2025. In particular, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as shown on II-1 have not been adjusted to illustrate the effect of the indirect disposal of equity interest as disclosed in the Note 20 "Subsequent Events" to Appendix IA in this prospectus.

After taking into account the net gain on the indirect disposal of equity interest of approximately RMB148,358,000 as disclosed in the Note 20 "Subsequent Events" to Appendix IA in this prospectus, assuming that the indirect disposal had been completed as of March 31, 2025, and the estimated net proceeds from the Global Offering at the indicative offer price of HK\$228.00 (equivalent to RMB208.55) per Offer Share, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company would have been approximately RMB7,735,670,000 and the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company per ordinary share and per ADS would have been RMB51.87 and RMB51.87 (equivalent to HK\$56.70 and HK\$56.70), respectively.

- (6) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company, the balances stated in Renminbi are converted into Hong Kong dollars at the exchange rate of RMB1.00 to HK\$1.0932, which is derived from the respective exchange rate of Hong Kong dollars and Renminbi against U.S. Dollars on August 29, 2025 set forth in the H.10 statistical release of the Federal Reserve Board. No representation is made that Hong Kong dollars have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Hesai Group

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Hesai Group (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at March 31, 2025 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated September 8, 2025 (the “Prospectus”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Global Offering (as defined in the Prospectus) on the Group’s financial position as at March 31, 2025 as if the proposed Global Offering had taken place of March 31, 2025. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s historical financial information for each of the three years ended December 31, 2024 and the three months ended March 31, 2025, on which an accountants’ report set out in Appendix I to the Prospectus has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as of March 31, 2025 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

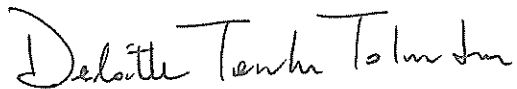
The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

A handwritten signature in black ink, appearing to read "Deloitte Touche Tohmatsu", written in a cursive, flowing style.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
September 8, 2025