

**REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**To the Board of Directors of Hesai Group  
(incorporated in the Cayman Islands with limited liability)**

**Introduction**

We have reviewed the condensed consolidated financial statements of Hesai Group (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages IA-3 to IA-29, which comprise the condensed consolidated balance sheet as of June 30, 2025 and the related condensed consolidated statement of operations and comprehensive (loss) income, changes in shareholder’ equity and cash flows for the six-month period then ended, and certain explanatory notes. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of Review**

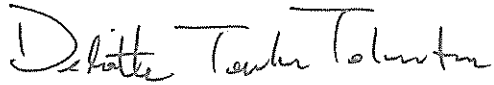
We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“HKSRE 2410”) as issued by the HKICPA. A review of these condensed consolidated financial statements consists of making 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.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with U.S. GAAP.

## Other Matter

We draw attention to the fact that the comparative condensed consolidated statement of operations and comprehensive loss, changes in shareholders' equity and cash flows for the six-month period ended June 30, 2024 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

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

## APPENDIX IA

UNAUDITED CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED BALANCE SHEET

AS OF JUNE 30, 2025

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

	Notes	As of	As of June 30,	
		December 31,	2025	
		2024	2025	
		RMB	RMB	US\$
		(audited)	(unaudited)	(unaudited)
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents		2,838,966	2,734,345	381,700
Restricted cash		3,594	4,079	569
Short-term investments	3	362,195	110,514	15,427
Notes receivable		22,341	33,020	4,609
Accounts receivable, net (net of allowance of RMB54,972 and RMB59,213 as of December 31, 2024 and June 30, 2025, respectively)	4	765,027	1,057,372	147,603
Contract assets, net (net of allowance of RMB9,901 and RMB9,901 as of December 31, 2024 and June 30, 2025, respectively)		9,909	9,909	1,383
Amounts due from related parties		5,039	–	–
Inventories	5	482,137	599,252	83,652
Prepayments and other current assets, net	6	193,448	273,777	38,218
<b>Total current assets</b>		<b>4,682,656</b>	<b>4,822,268</b>	<b>673,161</b>
<b>Non-current assets:</b>				
Property and equipment, net	7	944,218	1,014,431	141,609
Intangible assets, net		76,554	89,844	12,542
Land-use rights, net		39,879	39,447	5,507
Long-term investments	8	31,798	131,776	18,395
Operating lease right-of-use assets		114,260	92,580	12,924
Other non-current assets		100,246	71,739	10,014
<b>Total non-current assets</b>		<b>1,306,955</b>	<b>1,439,817</b>	<b>200,991</b>
<b>TOTAL ASSETS</b>		<b>5,989,611</b>	<b>6,262,085</b>	<b>874,152</b>

## APPENDIX IA

UNAUDITED CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS

	Notes	As of	As of June 30,	
		December 31,		
		2024	2025	
		RMB	RMB	US\$
		(audited)	(unaudited)	(unaudited)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities:</b>				
Short-term borrowings	9	345,253	478,230	66,758
Notes payable		10,096	120,498	16,821
Accounts payable	10	345,011	461,879	64,476
Contract liabilities		32,994	31,669	4,421
Amounts due to related parties	15	335,253	—	—
Accrued warranty liability		43,607	57,605	8,041
Accrued expenses and other current liabilities	11	516,726	365,951	51,084
<b>Total current liabilities</b>		<b>1,628,940</b>	<b>1,515,832</b>	<b>211,601</b>
<b>Non-current liabilities</b>				
Operating lease liabilities	12	98,370	77,313	10,792
Long-term borrowings	9	269,438	273,435	38,170
Other non-current liabilities		61,132	40,271	5,622
<b>Total non-current liabilities</b>		<b>428,940</b>	<b>391,019</b>	<b>54,584</b>
<b>TOTAL LIABILITIES</b>		<b>2,057,880</b>	<b>1,906,851</b>	<b>266,185</b>
<b>Commitments and contingencies</b>	17			
<b>Shareholders' equity</b>				
Class A Ordinary Shares (US\$0.0001 par value, 50,000,000 shares authorized, 30,015,905 and 26,998,861 shares issued and outstanding as of December 31, 2024 and June 30, 2025, respectively)		19	17	2
Class B Ordinary Shares (US\$0.0001 par value, 900,000,000 shares authorized, 101,143,806 and 106,660,850 shares issued, 101,143,806 and 105,877,327 shares outstanding as of December 31, 2024 and June 30, 2025, respectively)		70	73	11
Additional paid-in capital		7,577,113	7,651,112	1,068,054
Subscription receivables		(292,721)	—	—
Accumulated other comprehensive income		56,975	87,220	12,175
Accumulated deficit		(3,409,725)	(3,383,188)	(472,275)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>3,931,731</b>	<b>4,355,234</b>	<b>607,967</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>5,989,611</b>	<b>6,262,085</b>	<b>874,152</b>

## APPENDIX IA

UNAUDITED CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTSCONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND  
COMPREHENSIVE (LOSS) INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2025  
(Amounts in thousands, except share and per share data and otherwise noted)

	Notes	Six months ended June 30,		
		2024	2025	
		RMB	RMB	US\$
		(unaudited)	(unaudited)	(unaudited)
Net revenues	13	817,982	1,231,690	171,937
Cost of revenues		(471,934)	(711,977)	(99,388)
Gross profit		346,048	519,713	72,549
Operating expenses:				
Sales and marketing expenses		(97,709)	(92,857)	(12,962)
General and administrative expenses		(134,913)	(117,807)	(16,445)
Research and development expenses		(393,011)	(382,525)	(53,398)
Other operating income, net		45,354	62,880	8,778
Total operating expenses		(580,279)	(530,309)	(74,027)
Loss from operations		(234,231)	(10,596)	(1,478)
Interest income		56,392	41,488	5,792
Interest expenses		(5,620)	(11,552)	(1,613)
Foreign exchange gain, net		5,038	7,960	1,111
Other income (loss), net		71	(713)	(100)
Net (loss) income before income tax and share of loss in equity method investments		(178,350)	26,587	3,712
Income tax expenses		(615)	(27)	(4)
Share of loss in equity method investment		(19)	(23)	(3)
Net (loss) income attributable to ordinary shareholders of the Company		(178,984)	26,537	3,705
(Losses) Earnings per share:				
Basic	16	(1.40)	0.20	0.03
Diluted	16	(1.40)	0.19	0.03
Weighted average shares used in computation:				
Basic	16	128,208,174	131,937,885	131,937,885
Diluted	16	128,208,174	138,952,264	138,952,264
Net (loss) income		(178,984)	26,537	3,705
Other comprehensive income, net of tax of nil:				
Foreign currency translation adjustments		6,021	30,245	4,222
Comprehensive (loss) income, net of tax of nil		(172,963)	56,782	7,927

## APPENDIX IA

UNAUDITED CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 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	Total Shareholders' equity
	Number	RMB	Number	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	-	-	-	-	-	-	(178,984)	-	(178,984)
Foreign currency translation	-	-	-	-	-	-	-	6,021	6,021
Share-based compensation	-	-	-	-	65,962	-	-	-	65,962
Issuance of Ordinary Shares upon the exercise of share options and vesting of restricted share units	-	-	2,729,425	2	17,379	-	-	-	17,381
Balance as of June 30, 2024 <i>(unaudited)</i>	30,033,379	19	99,724,535	69	7,507,203	(292,721)	(3,486,333)	44,461	3,772,698
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 income	-	-	-	-	-	-	26,537	-	26,537
Foreign currency translation	-	-	-	-	-	-	-	30,245	30,245
Share-based compensation	-	-	-	-	55,384	-	-	-	55,384
Issuance of Ordinary Shares upon the exercise of share options and vesting of restricted share units	-	-	1,716,477	1	18,615	-	-	-	18,616
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 June 30, 2025 <i>(unaudited)</i>	26,998,861	17	105,877,327	73	7,651,112	-	(3,383,188)	87,220	4,355,234

## APPENDIX IA

UNAUDITED CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2025

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

	Six months ended June 30,		
	2024	2025	
	RMB	RMB	US\$
	(unaudited)	(unaudited)	(unaudited)
Cash flows from operating activities:			
Net (loss) income .....	(178,984)	26,537	3,705
Adjustments to reconcile net (loss) income to net cash used in operating activities:			
Depreciation and amortization .....	61,419	77,477	10,815
Share-based compensation .....	66,294	55,384	7,731
Provision for allowance for credit loss ...	823	7,862	1,097
Loss from disposal of property and equipment .....	8,729	1,466	205
Fair value change of short-term investments .....	1,240	(319)	(45)
Share of loss in equity method investee ..	19	23	3
Foreign exchange (gain) loss, net .....	(994)	806	113
Non-cash lease expenses .....	24,797	9,206	1,285
Inventory write-down .....	25,900	18,333	2,559
Changes in operating assets and liabilities:			
Notes receivable .....	(4,250)	(10,679)	(1,491)
Accounts receivable .....	(174,091)	(301,382)	(42,071)
Inventories .....	(207,435)	(141,694)	(19,780)
Prepayments and other current assets ....	(34,334)	(74,571)	(10,410)
Amounts due from related parties .....	–	5,039	703
Other non-current assets .....	–	(1,738)	(243)
Amounts due to related parties .....	–	(8,997)	(1,256)
Contract liabilities .....	(35,490)	(1,323)	(185)
Accounts payable .....	91,225	116,876	16,315
Notes payable .....	20,924	110,402	15,412
Accrued expenses and other current liabilities .....	(22,060)	(125,547)	(17,526)
Operating leases liabilities .....	(11,324)	(7,733)	(1,079)
Other non-current liabilities .....	(5,770)	(20,860)	(2,912)
Net cash used in operating activities .....	<u>(373,362)</u>	<u>(265,432)</u>	<u>(37,055)</u>

**APPENDIX IA**
**UNAUDITED CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS**

	Six months ended June 30,		
	2024	2025	
	RMB	RMB	US\$
	(unaudited)	(unaudited)	(unaudited)
<b>Cash flows from investing activities:</b>			
Purchases of short-term investments .....	(3,185,144)	(180,000)	(25,127)
Maturity of short-term investments .....	4,263,392	432,000	60,304
Purchases of property and equipment .....	(135,906)	(114,874)	(16,036)
Purchases of intangible assets .....	(2,982)	(17,744)	(2,477)
Purchases of equity securities .....	—	(100,000)	(13,959)
<b>Net cash provided by investing activities ...</b>	<b>939,360</b>	<b>19,382</b>	<b>2,705</b>
<b>Cash flows from financing activities:</b>			
Cash distribution to former shareholders of Shanghai Hesai in connection with the 2021 Reorganization .....	—	(292,721)	(40,862)
Cash contribution from shareholders in connection with the 2021 Reorganization .....	—	292,721	40,862
Proceeds from long-term borrowings .....	56,632	64,216	8,964
Repayment of long-term borrowings .....	(8,077)	(58,225)	(8,128)
Proceeds from short-term borrowings .....	168,263	311,777	43,522
Repayment of short-term borrowings .....	(111,682)	(180,794)	(25,238)
Payment of offering costs .....	—	(12,242)	(1,709)
Proceeds from issuance of Ordinary Shares upon the exercise of share options .....	12,951	18,217	2,543
<b>Net cash provided by financing activities ...</b>	<b>118,087</b>	<b>142,949</b>	<b>19,954</b>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>684,085</b>	<b>(103,101)</b>	<b>(14,396)</b>
<b>Cash, cash equivalents and restricted cash, beginning of the period .....</b>	<b>1,558,124</b>	<b>2,842,560</b>	<b>396,806</b>
Effect of foreign exchange rate changes on cash, cash and cash equivalents and restricted cash .....	1,985	(1,035)	(141)
<b>Cash, cash equivalents and restricted cash, end of the period .....</b>	<b>2,244,194</b>	<b>2,738,424</b>	<b>382,269</b>



## APPENDIX IA

UNAUDITED CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS

	Six months ended June 30,		
	2024	2025	
	RMB	RMB	US\$
	(unaudited)	(unaudited)	(unaudited)
<b>Cash paid during the period for:</b>			
Income taxes .....	–	425	59
Interest (net of capitalized amount of RMB756 and RMB651 for the six months ended June 30, 2024 and 2025, respectively) .....	5,537	11,668	1,629
<b>Supplemental disclosure of non-cash investing and financing activities:</b>			
Accrued purchases of property and equipment .....	163,304	118,185	16,498
Accrued offering cost .....	–	11,281	1,575
Decrease in lease liabilities due to partial termination of lease contract .....	–	28,787	4,019
Increase in right-of-use assets in exchange for leases liabilities .....	–	16,324	2,279

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

	As of June 30,		
	2024	2025	
	RMB	RMB	US\$
	(unaudited)	(unaudited)	(unaudited)
Cash and cash equivalents .....	2,240,631	2,734,345	381,700
Restricted cash .....	3,563	4,079	569
<b>Cash, cash equivalents and restricted cash .....</b>	<b><u>2,244,194</u></b>	<b><u>2,738,424</u></b>	<b><u>382,269</u></b>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Amount in thousands, except share and per share data and otherwise noted)**1. GENERAL INFORMATION**

Hesai Group (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 Company date September 8, 2025 (the “Prospectus”).

The Company together with its subsidiaries (collectively, the “Group”) engaged in the development, manufacturing and sales of three-dimensional light detection and ranging or LiDAR, solutions.

**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****2.1 Basis of presentation**

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). In addition, the condensed consolidated financial statements include applicable disclosure 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. Certain information and note disclosure normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. Accordingly, these condensed consolidated financial statements should be read in conjunction with the Historical Financial Information for the years ended December 31, 2022, 2023 and 2024 and three months ended March 31, 2025 included in the Accountants’ Report as set out in Appendix I to the Prospectus. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year.

**2.2 Summary of significant accounting policies**

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2025 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2024.

*Use of estimates*

The preparation of condensed consolidated financial statements 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 statements and the reported amounts of revenues and expenses during the reporting 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 Group’s condensed consolidated financial statements mainly include the estimated project progress towards certain services revenue, warranty reserves, incremental borrowing rates of lease liabilities, inventory write-down, allowance for credit losses, the useful lives and impairment of property and equipment, intangible assets and land-use rights, valuation of 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, 2024 (audited)**

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 June 30, 2025 (unaudited)**

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 . . . . .	–	110,514	–

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 condensed consolidated statement 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 six months ended June 30, 2024 and 2025, the Group recorded fair value changes of short-term investments of RMB10,110 (unaudited) and RMB1,994 (unaudited) as interest income in the condensed consolidated statement of operations and comprehensive (loss) income, respectively.

*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.

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.

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 RMB5,719 (unaudited) and RMB3,006 (unaudited) for extended warranty services, for the six months ended June 30, 2024 and 2025, respectively.

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

	Six months ended June 30,	
	2024	2025
	RMB	RMB
	(unaudited)	(unaudited)
Balance as of the beginning of the period . . . . .	28,425	43,607
Warranty provision, net . . . . .	11,416	20,264
Consumption . . . . .	(6,314)	(6,266)
Balance as of the end of the period . . . . .	<u>33,527</u>	<u>57,605</u>

## APPENDIX IA

## UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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) income as reported on the Group’s condensed consolidated statement of operations. The CODM uses performance measure to monitor budget versus actual results. See Note 13 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 condensed consolidated statement of operations to manage the Group’s operation. Additional disaggregated significant segment expenses that are not separately presented on the Group’s condensed consolidated statement 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 the CODM.

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

	Six months ended June 30,	
	2024	2025
	RMB	RMB
	(unaudited)	(unaudited)
Net Revenues . . . . .	817,982	1,231,690
Less:		
Cost of revenues . . . . .	471,934	711,977
Payroll expenses in sales and marketing expenses* . . . . .	63,589	70,067
Payroll expenses in general and administrative expenses . . . . .	75,658	62,250
Payroll expenses in research and development expenses . . . . .	274,247	269,330
Other segment items** . . . . .	111,538	91,529
Net (loss) income . . . . .	(178,984)	26,537

\* 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, other income (loss), net and professional service expenses as reported in Group’s condensed consolidated statement of operations.

### 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.

## APPENDIX IA

## UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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. The Group aggregated its customers into two portfolio segments. Category 1 consists of 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 expected credit loss rates for each Category as of December 31, 2024 and June 30, 2025 are as follows:

	As of December 31,	As of June 30,
	2024	2025
	(audited)	(unaudited)
Category 1 . . . . .	0.83%	0.79%
Category 2 . . . . .	89.06%	98.67%

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 six months ended June 30, 2024 and 2025:

	Six months ended June 30,	
	2024	2025
	(unaudited)	(unaudited)
Customer A . . . . .	32.4%	23.7%
Customer B . . . . .	*	21.0%

The following customers accounted for 10% or more of the Group's accounts receivable and contract assets as of December 31, 2024 and June 30, 2025:

	As of December 31,	As of June 30,
	2024	2025
	(audited)	(unaudited)
Customer A . . . . .	23.5%	27.7%
Customer B . . . . .	16.8%	14.0%
Customer C . . . . .	11.8%	*

## APPENDIX IA

## UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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 condensed consolidated balance sheet, condensed consolidated statement of operations and comprehensive (loss) income and condensed consolidated statement of cash flows from RMB into US\$ as of and for the six months ended June 30, 2025 are solely for the convenience of the readers and were calculated at the rate of US\$1.00=RMB7.1636 representing the noon buying rate set forth in the H.10 statistical release of the United States as of June 30, 2025.

### 3. SHORT-TERM INVESTMENTS

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

	As of December 31,	As of June 30,
	2024	2025
	RMB	RMB
	(audited)	(unaudited)
Structured bank financial products . . . . .	362,195	110,514

### 4. ACCOUNTS RECEIVABLE, NET

Accounts receivable and expected credit losses as of December 31, 2024 and June 30, 2025 are as follows:

	As of December 31,	As of June 30,
	2024	2025
	RMB	RMB
	(audited)	(unaudited)
Accounts receivable . . . . .	819,999	1,116,585
Less: allowance for expected credit losses . . . . .	(54,972)	(59,213)
<b>Total accounts receivable, net . . . . .</b>	<b>765,027</b>	<b>1,057,372</b>

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 June 30,
	2024	2025
	RMB	RMB
	(audited)	(unaudited)
Within 6 months . . . . .	757,045	1,047,066
7 months to 1 year . . . . .	41,483	13,402
1 to 2 years . . . . .	19,006	55,473
Over 2 years . . . . .	2,465	644
<b>Total . . . . .</b>	<b>819,999</b>	<b>1,116,585</b>
Less: allowance for expected credit losses . . . . .	(54,972)	(59,213)
<b>Total accounts receivable, net . . . . .</b>	<b>765,027</b>	<b>1,057,372</b>

## APPENDIX IA

## UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The roll-forward of the allowance for credit losses related to accounts receivable for the year ended December 31, 2024 and the six months ended June 30, 2025 consists of the following activity:

	For the year ended December 31,	For the six months ended June 30,
	2024	2025
	RMB	RMB
	(audited)	(unaudited)
Balance at beginning of year/period . . . . .	49,132	54,972
Provision for expected credit losses . . . . .	5,840	7,862
Write-off . . . . .	—	(3,621)
Balance at end of year/period . . . . .	<u>54,972</u>	<u>59,213</u>

### 5. INVENTORIES

	As of December 31,	As of June 30,
	2024	2025
	RMB	RMB
	(audited)	(unaudited)
Raw materials . . . . .	191,578	333,231
Work-in-process . . . . .	225,726	195,970
Finished goods . . . . .	64,833	70,051
Total . . . . .	<u>482,137</u>	<u>599,252</u>

Inventory write-off was RMB25,900 (unaudited) and RMB18,333 (unaudited) respectively, for the six months ended June 30, 2024 and 2025.

### 6. PREPAYMENTS AND OTHER CURRENT ASSETS, NET

Prepayments and other current assets, net as of December 31, 2024 and June 30, 2025 were as follows:

	As of December 31,	As of June 30,
	2024	2025
	RMB	RMB
	(audited)	(unaudited)
Advances to suppliers . . . . .	112,385	151,158
Deposits . . . . .	11,033	10,897
Prepaid expenses . . . . .	23,076	46,661
Value-added tax recoverable . . . . .	28,468	45,611
Others . . . . .	18,486	19,450
Total . . . . .	<u>193,448</u>	<u>273,777</u>



## APPENDIX IA

## UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net as of December 31, 2024 and June 30, 2025 are as follows:

	As of December 31,	As of June 30,
	2024	2025
	RMB	RMB
	(audited)	(unaudited)
<b>Cost</b>		
Land . . . . .	39,312	41,902
Buildings . . . . .	342,673	342,717
Electronic equipment . . . . .	139,418	184,656
Leasehold improvements . . . . .	81,431	89,822
Machinery and equipment . . . . .	350,483	393,044
Furniture and fixture . . . . .	193,190	200,427
Transportation vehicles . . . . .	6,487	8,024
<b>Total cost . . . . .</b>	<b>1,152,994</b>	<b>1,260,592</b>
Less: Accumulated depreciation . . . . .	(274,177)	(340,722)
<b>Property and equipment, net . . . . .</b>	<b>878,817</b>	<b>919,870</b>
Construction in progress . . . . .	65,401	94,561
<b>Total . . . . .</b>	<b>944,218</b>	<b>1,014,431</b>

The buildings as of June 30, 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 June 30, 2025 represents the Group's renovation and upgrade of certain production line in Hertz factory. Depreciation expenses were RMB58,512 (unaudited) and RMB67,628 (unaudited) for the six months ended June 30, 2024 and 2025, respectively.

### 8. LONG-TERM INVESTMENTS

	As of December 31,	As of June 30,
	2024	2025
	RMB	RMB
	(audited)	(unaudited)
Investments in equity securities without readily determinable fair value . . . . .	30,000	130,000
Investments in equity method investee . . . . .	1,798	1,776
<b>Total . . . . .</b>	<b>31,798</b>	<b>131,776</b>

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. The Group recorded this investment in equity securities without readily determinable fair value.

# APPENDIX IA

# UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 9. BORROWINGS

The short-term and long-term borrowings as of December 31, 2024 and June 30, 2025 were as follows:

	As of December 31,	As of June 30,
	2024	2025
	RMB	RMB
	(audited)	(unaudited)
<b>Short-term borrowings:</b>		
Short-term bank borrowings . . . . .	148,800	51,776
Secured bank borrowings related to discounted intercompany notes receivable . . . . .	80,000	310,000
Long-term bank borrowings, current portion . . . . .	116,453	116,454
<b>Total . . . . .</b>	<b>345,253</b>	<b>478,230</b>
<b>Long-term borrowings:</b>		
Long-term bank borrowings . . . . .	269,438	273,435

The principal maturities of the long-term borrowings as of December 31, 2024 and June 30, 2025 are as follows:

	As of December 31,	As of June 30,
	2024	2025
	RMB	RMB
	(audited)	(unaudited)
2026 . . . . .	116,453	58,227
2027 . . . . .	119,355	119,355
2028 and after . . . . .	33,630	95,853
<b>Total . . . . .</b>	<b>269,438</b>	<b>273,435</b>

## 10. ACCOUNTS PAYABLE

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

	As of December 31,	As of June 30,
	2024	2025
	RMB	RMB
	(audited)	(unaudited)
Within 6 months . . . . .	344,802	459,459
7 months to 1 year . . . . .	--	2,056
1 to 2 years . . . . .	--	155
Over 2 years . . . . .	209	209
<b>Total . . . . .</b>	<b>345,011</b>	<b>461,879</b>

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

# APPENDIX IA

# UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities as of December 31, 2024 and June 30, 2025 are as follows:

	As of December 31,	As of June 30,
	2024	2025
	RMB	RMB
	(audited)	(unaudited)
Salaries and welfare payables . . . . .	232,927	131,363
Payables for purchase of property and equipment . . . . .	124,333	118,185
Accrued expenses . . . . .	111,877	65,209
Current portion of operating lease liabilities . . . . .	16,103	21,933
VAT and other tax payables . . . . .	28,563	26,736
Advances from employees . . . . .	2,923	2,525
<b>Total . . . . .</b>	<b>516,726</b>	<b>365,951</b>

## 12. LEASES

The Group has operating leases for offices and factories. For the six months ended June 30, 2024 and 2025, operating lease expenses were RMB26,727 (unaudited) and RMB10,502 (unaudited), respectively.

The maturities of lease liabilities as of December 31, 2024 and June 30, 2025 were as follows:

	As of December 31,	As of June 30,
	2024	2025
	RMB	RMB
	(audited)	(unaudited)
2025 . . . . .	18,963	12,227
2026 . . . . .	24,672	24,411
2027 . . . . .	24,672	24,411
2028 . . . . .	27,139	23,799
2029 . . . . .	27,139	20,352
<b>Total lease payment . . . . .</b>	<b>122,585</b>	<b>105,200</b>
Less: imputed interest . . . . .	(8,112)	(5,954)
<b>Present value of minimum operating lease payments . . . . .</b>	<b>114,473</b>	<b>99,246</b>
Less: Current operating lease liabilities . . . . .	(16,103)	(21,933)
<b>Long-term operating lease liabilities . . . . .</b>	<b>98,370</b>	<b>77,313</b>

## APPENDIX IA

## UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 13. NET REVENUES

The following table presents the Group's net revenues for the six months ended June 30, 2024 and 2025.

	Six months ended June 30,	
	2024	2025
	RMB	RMB
	(unaudited)	(unaudited)
<b>Product revenues</b>		
LiDAR products . . . . .	759,881	1,205,621
Other products . . . . .	3,662	4,467
<b>Service revenues</b>		
Engineering design, development and validation services . .	47,419	16,843
Other services . . . . .	7,020	4,759
<b>Total</b> . . . . .	<b>817,982</b>	<b>1,231,690</b>

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

	Six months ended June 30,	
	2024	2025
	RMB	RMB
	(unaudited)	(unaudited)
Revenues recognized at a point in time . . . . .	817,982	1,231,690

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

	Six months ended June 30,	
	2024	2025
	RMB	RMB
	(unaudited)	(unaudited)
<b>Revenues by geographic location</b>		
Mainland China . . . . .	527,895	998,299
North America . . . . .	146,419	142,906
Europe . . . . .	110,057	59,599
Other regions . . . . .	33,611	30,886
<b>Total</b> . . . . .	<b>817,982</b>	<b>1,231,690</b>

### 14. SHARE-BASED COMPENSATION

#### Employee share options

On March 10, April 22 and May 26, 2025 under the 2021 Plan, the Company granted 1,228,800 share options to certain employees, the vesting schedule of the awards include:

- (1) Twenty-five percent (25%) of the 1,186,212 options to be vested on each of the first, second, third and fourth anniversaries of the vesting commencement date.
- (2) One forty-eighth (1/48) of the 42,588 options to be vested on each calendar month, from the first full calendar month following the vesting commencement date though the forty-eighth (48th) month.

## APPENDIX IA

## UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 six months ended June 30, 2024 and 2025:

	Six months ended June 30,	
	2024	2025
	(unaudited)	(unaudited)
Expected volatility . . . . .	84.00% – 86.00%	99.00% – 103.00%
Risk-free interest rate (per annum) . . . . .	4.25% – 4.50%	4.10% – 4.22%
Expected dividend yield . . . . .	0.00%	0.00%
Employee forfeiture rate (per annum) . . . . .	7.50% – 11.30%	15.06% – 15.63%
Exercise multiples . . . . .	2.50	2.50
Expected term . . . . .	7.00	7.00
Fair value of underlying Ordinary Share (per share) . . . . .	US\$3.62 – 4.53	US\$13.09 – 21.26
Fair value of awards on valuation date . . . . .	US\$3.14 – 4.44	US\$11.65 – 17.11

The following table summarizes the activities of the Group's share options classified as equity for the six months ended June 30, 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 . . . . .	1,228,800	21.00	93.06	–	–
Forfeited . . . . .	407,283	10.89	–	–	–
Exercised . . . . .	1,620,230	11.66	–	–	150,805
Outstanding at June 30, 2025 (unaudited) . . . . .	9,118,796	12.24	47.39	5.32	878,390
Vested and expected to vest as of June 30, 2025 (unaudited) . . . . .	9,118,796	12.24	47.39	5.32	878,390
Exercisable as of June 30, 2025 (unaudited) . . . . .	2,512,610	16.32	49.41	3.65	240,140

The weighted-average grant-date fair value of options granted during the six months ended June 30, 2024 and 2025 was RMB24.49 (unaudited) and RMB93.06 (unaudited), respectively. The total intrinsic value of options exercised during the six months ended June 30, 2024 and 2025, was RMB30,010 (unaudited) and RMB150,805 (unaudited), respectively.

Total compensation expense recognized for the six months ended June 30, 2024 and 2025 was RMB62,746 (unaudited) and RMB51,997 (unaudited), respectively.

As of June 30, 2025, there was RMB252,394 (unaudited) of unrecognized compensation expenses, which is expected to be recognized over a weighted average period of 3.07 years.

### Restricted share units ("RSUs")

On February 7, March 10 and April 22, 2025 under the 2021 Plan, the Company granted 30,608 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 12,750 RSUs to be vested on each of the first, second, third and fourth anniversaries of the vesting commencement date.

## APPENDIX IA

## UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the activities of the Group's RSUs classified as equity for the six months ended June 30, 2025:

	Numbers of RSUs	Weighted average grant date fair value
		RMB
Outstanding at January 1, 2025 . . . . .	550,347	38.25
Granted . . . . .	30,608	112.50
Forfeited . . . . .	42,579	39.43
Vested . . . . .	96,247	47.98
Outstanding at June 30, 2025 (unaudited) . . . . .	<u>442,129</u>	<u>41.16</u>

The weighted-average grant-date fair value of share units granted during the six months ended June 30, 2024 and 2025 was RMB28.52 (unaudited) and RMB112.50 (unaudited), respectively. The total intrinsic value of share units exercised during the six months ended June 30, 2024 and 2025 was RMB1,066 (unaudited) and RMB10,337 (unaudited), respectively.

Total compensation expense recognized for the six months ended June 30, 2024 and 2025 was RMB3,216 (unaudited) and RMB3,387 (unaudited), respectively.

As of June 30, 2025, there was RMB15,753 (unaudited) of unrecognized compensation expenses, which is expected to be recognized over a weighted average period of 2.57 years.

### Tandem award

In April 2024, share options were exercised and converted into equity. Total compensation expense recognized for the six months ended June 30, 2024 and 2025 was RMB332 (unaudited) and nil (unaudited), respectively.

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

The Group recorded share-based compensation expense of RMB66,294 (unaudited) and RMB55,384 (unaudited) for the six months ended June 30, 2024 and 2025, respectively, which were classified in the condensed consolidated statement of operations as follows:

	Six months ended June 30,	
	2024	2025
	RMB	RMB
	(unaudited)	(unaudited)
Cost of revenues . . . . .	3,933	4,258
Sales and marketing expenses . . . . .	6,547	8,784
General and administrative expense . . . . .	20,419	8,756
Research and development expenses . . . . .	35,395	33,586
Total . . . . .	<u>66,294</u>	<u>55,384</u>

# APPENDIX IA

# UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 15. RELATED PARTY TRANSACTIONS

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

Name/Identity of the related parties	Relationship
Mr. Kai Sun . . . . .	Founding Shareholder
Mr. Yifan Li . . . . .	Founding Shareholder
Mr. Shaoqing Xiang . . . . .	Founding Shareholder
Shanghai Leyi Technology L.P . . . . .	An affiliate of the shareholder of the Group
Investee . . . . .	An associate of Founding Shareholders of the Group

- (a) Other than disclosed in Note 8, for the six months ended June 30, 2024 and 2025, significant related party transactions and balances were as follows:

	Six months ended June 30,	
	2024	2025
	RMB	RMB
	(unaudited)	(unaudited)
<b>Payment for equity acquisition consideration</b>		
Founding Shareholders and certain shareholders . . . . .	—	292,721
<b>Total</b> . . . . .	—	<u>292,721</u>

	Six months ended June 30,	
	2024	2025
	RMB	RMB
	(unaudited)	(unaudited)
<b>Subscription consideration received from shareholders</b>		
Founding Shareholders and certain shareholders . . . . .	—	292,721
<b>Total</b> . . . . .	—	<u>292,721</u>

## (b) Transaction with the Investee

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 newly acquired as disclosed in Note 8, 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.

## (c) Amounts due from related parties

The amounts 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 June 30, 2025.

# APPENDIX IA

# UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## (d) Amounts due to related parties

	As of December 31,	As of June 30,
	2024	2025
	RMB	RMB
	(audited)	(unaudited)
Amounts due to related parties, net of allowance		
Founding Shareholders and certain shareholders . . . . .	326,256	—
An affiliate of the shareholder of the Group . . . . .	8,997	—
Total . . . . .	<u>335,253</u>	<u>—</u>

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. An amount of nil and RMB292,721 has been settled for the six months ended June 30, 2024 and 2025, respectively. The above amounts are non-trade, interest free, repayable on demand and have been settled as of June 30, 2025.

## 16. (LOSSES) EARNINGS PER SHARE

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

	Six months ended June 30,	
	2024	2025
	RMB	RMB
	(unaudited)	(unaudited)
<b>Numerator</b>		
Net (loss) income attributable to ordinary shareholders of the Company – basic and diluted . . . . .	(178,984)	26,537
<b>Denominator</b>		
Weighted average number of ordinary shares outstanding – basic . . . . .	128,208,174	131,937,885
Incremental weighted-average ordinary shares from assumed exercise of share options and nonvested restricted stocks . . . . .	—	7,014,379
Weighted average number of ordinary shares outstanding – diluted . . . . .	<u>128,208,174</u>	<u>138,952,264</u>
(Losses) Earnings per share – basic . . . . .	<u>(1.40)</u>	<u>0.20</u>
(Losses) Earnings per share – diluted . . . . .	<u>(1.40)</u>	<u>0.19</u>

For the six months ended June 30, 2024 and 2025, the following share options, restricted share units and tandem award were excluded from the calculation of diluted net (loss) income per ordinary share, as their inclusion would have been anti-dilutive for the period prescribed.

	Six months ended June 30,	
	2024	2025
	(unaudited)	(unaudited)
Shares issuable upon exercise of share options . . . . .	9,641,534	141,024
Shares issuable upon vest of restricted share units . . . . .	307,492	—
Shares issuable upon exercise of tandem award . . . . .	60,000	—
Total . . . . .	<u>10,009,026</u>	<u>141,024</u>



## APPENDIX IA

## UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 17. COMMITMENTS AND CONTINGENCIES

#### Capital expenditure commitments related to the manufacturing facilities

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

	As of June 30, 2025
	RMB
	(unaudited)
The remaining of 2025 . . . . .	88,376

#### Royalty fee commitments

The Group is obligated to make royalty payments to a third party from 2020 through 2030. The actual royalty fees for the six months ended June 30, 2024 and 2025 were RMB12,268 (unaudited) and RMB14,228 (unaudited), respectively.

#### Contingencies

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 June 30, 2025, the accrued contingent liability was nil.

### 18. RECONCILIATION BETWEEN U.S. GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

The condensed consolidated financial statements are 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 and inventory write-downs during the interim period are immaterial and will not be reconciled, and the effects of material differences between condensed consolidated financial statements prepared under U.S. GAAP and IFRSs are as follows:

#### Reconciliation of Condensed Consolidated Statement of Operations and Comprehensive (Loss) Income

	For the six months ended June 30, 2024 (unaudited)			
	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	RMB	RMB
Cost of revenues . . . . .	(471,934)	(325)	–	(472,259)
Sales and marketing expenses . . . . .	(97,709)	(1,653)	–	(99,362)
General and administrative expenses . . . .	(134,913)	6,728	–	(128,185)
Research and development expenses . . . .	(393,011)	(4,730)	–	(397,741)
Net loss attributable to ordinary shareholders of the Company . . . . .	(178,984)	20	–	(178,964)
Other comprehensive income				
Foreign currency translation adjustments .	6,021	–	2,006	8,027
Comprehensive loss . . . . .	(172,963)	20	2,006	(170,937)

## APPENDIX IA

UNAUDITED CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2025 (unaudited)

Condensed Consolidated Statement of Operations and Comprehensive Income (Extract)	Amounts as reported under U.S. GAAP	IFRS adjustments				Amounts as reported under IFRSs
		Share-based compensation	Listing expense	Subscription receivables	Long-term investments	
		(Note (b))	(Note (c))	(Note (d))	(Note (e))	
	RMB	RMB	RMB	RMB	RMB	RMB
Cost of revenues . . . . .	(711,977)	589	-	-	-	(711,388)
Sales and marketing expenses . . . . .	(92,857)	(440)	-	-	-	(93,297)
General and administrative expenses . . . . .	(117,807)	1,328	(20,470)	-	-	(136,949)
Research and development expenses . . . . .	(382,525)	4,937	-	-	-	(377,588)
Other operating income, net . . . . .	62,880	-	-	-	79,595	142,475
Net income attributable to ordinary shareholders of the Company . . . . .	26,537	6,414	(20,470)	-	79,595	92,076
Other comprehensive income						
Foreign currency translation adjustments . . . . .	30,245	-	-	(33,179)	-	(2,934)
Comprehensive income . . . . .	56,782	6,414	(20,470)	(33,179)	79,595	89,142

## Reconciliation of Condensed Consolidated Balance Sheet

As of December 31, 2024 (audited)

Condensed 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, net . . . . .	193,448	-	-	-	326,956	520,404
Total assets . . . . .	5,989,611	-	-	-	326,956	6,316,567
Shareholders' 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 income (loss) . . . . .	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

# APPENDIX IA

# UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2025 (unaudited)

Condensed 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	Long-term investments	
		(Note (a))	(Note (b))	(Note (c))	(Note (e))	
	RMB	RMB	RMB	RMB	RMB	RMB
Prepayments and other current assets, net . . .	273,777	-	-	(20,470)	-	253,307
Long-term investments . . . . .	131,776	-	-	-	79,595	211,371
<b>Total assets . . . . .</b>	<b>6,262,085</b>	<b>-</b>	<b>-</b>	<b>(20,470)</b>	<b>79,595</b>	<b>6,321,210</b>
<b>Shareholders' equity</b>						
Additional paid-in capital . . . . .	7,651,112	1,577,476	92,811	29,363	-	9,350,762
Accumulated other comprehensive income (loss) . . . . .	87,220	(379,139)	-	-	-	(291,919)
Accumulated deficit . . . . .	(3,383,188)	(1,198,337)	(92,811)	(49,833)	79,595	(4,644,574)
<b>Total shareholders' equity . . . . .</b>	<b>4,355,234</b>	<b>-</b>	<b>-</b>	<b>(20,470)</b>	<b>79,595</b>	<b>4,414,359</b>

## Notes:

### (a) Classification and measurement of redeemable shares

Under U.S. GAAP, the Group classified the redeemable shares as mezzanine equity in the condensed consolidated balance sheet 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 condensed consolidated statement 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 increase in additional paid-in capital of RMB1,577,476 and decrease in accumulated deficit, for the accretion impact that exhausted the additional paid-in capital, of RMB1,198,337 in the condensed consolidated balance sheet as of December 31, 2024 and June 30, 2025, respectively.

### (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 RMB20 and RMB6,414 for the six months ended June 30, 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 condensed consolidated statement of operation and comprehensive (loss) income of nil and RMB20,470 for the six months ended June 30, 2024 and 2025, respectively and a difference in shareholders' equity of RMB29,363 and RMB49,833 as of December 31, 2024 and June 30, 2025, respectively, in relation to the listing expenses incurred during the initial public offering and listing of the Company's ADSs on the Nasdaq in February 2023 and the listing on the Hong Kong Main Board of the Stock Exchange.

(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, 2024 and June 30, 2025, respectively and recognition of foreign currency translation differences of RMB2,006 and RMB33,179 in the condensed consolidated statement of operations and comprehensive (loss) income for the six months ended June 30, 2024 and 2025, respectively.

(e) Long-term investments

Under U.S. GAAP, for equity securities, the investment without readily determinable fair values could be measured by applying an accounting policy choice. The Group elects the measurement alternative to record these equity investments without readily determinable fair values at cost, less impairment, and plus or minus subsequent adjustments for observable price changes.

Under IFRSs, these investments were classified as financial assets at fair value through profit or loss and measured at fair value with changes in fair value recognized through profit or loss. Fair value changes of these long-term equity investments were recognized in the profit or loss. Furthermore, deferred tax arising from change in fair value change would be recognized accordingly.

Accordingly, the reconciliation includes increases in other income (loss), net of nil and RMB79,595 due to the fair value increase of the Group's long-term investments during the six months ended June 30, 2024 and 2025, respectively.

**19. DIVIDENDS**

No dividends have been declared or paid by the Company in respect of the six months ended June 30, 2024 and 2025, respectively.

**20. SUBSEQUENT EVENTS**

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

In August 2025, the Company, through a partnership, indirectly disposed its entire equity interest in the Investee as disclosed in Note 8 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.

In August 2025, the Group granted a total of 1,573, 45,101, 284,084 and 13,400 share options at the exercise price of US\$0.10, US\$2.60, US\$4.66 and US\$5.15, respectively, and 1,900 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 RMB51,670.

**21. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The condensed consolidated financial statements have been approved and authorized for issue by the board of the directors of the Company on September 8, 2025.