PSSI PERSPECTIVES — 39

HESAID, SHE SAID: EXAMINING HESAI TECHNOLOGY AND THEIR CLAIMS

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EXECUTIVE SUMMARY

Hesai Technology, a Shanghai-based leader in lidar sensors for autonomous vehicles, controls 37% of the global market and is listed on NASDAQ (HSAI). Despite its commercial success, the company faces growing scrutiny over national security concerns. In 2024, the U.S. Department of Defense designated Hesai as a Chinese military company under the 1260H list, citing links to China's defense industrial base, which was later upheld by a federal court in 2025.

Hesai claims its technology is purely civilian and unsuitable for military use, yet open-source evidence appears to contradict these assertions. Its lidar sensors have been visibly deployed on Chinese military vehicles showcased at defense exhibitions and in Chinese state media, while the company's previous reliance on CETC, a PLA-affiliated defense contractor sanctioned by the U.S., further seems to undermine its claims of military separation. Moreover, Hesai may have one or more facilities within the Military-Civil Fusion Zone in Jiading District, Shanghai.

While Hesai asserts independence from Chinese government influence, CEO David Li is a member of the Chinese Communist Party and praised in state documents for aligning with national goals. Key investors in Hesai are closely tied to Chinese state institutions, raising questions about potential state influence through capital channels.

Hesai also insists its sensors do not store or transmit data, but U.S. and European national security agencies have raised broader concerns about Chinese lidar-equipped vehicles collecting sensitive infrastructure and behavioral data. A growing body of reporting and government assessments suggests lidar can support surveillance functions, particularly when integrated with facial recognition systems. Hesai's partnership with UISEE, a company developing autonomous patrol vehicles with facial recognition capabilities, raises further red flags, given that the Chinese government has integrated both lidar technology and autonomous patrol vehicles into mass surveillance systems in the Xinjiang region.

Hesai exemplifies the challenge of balancing open capital markets with national security. Despite its publicly traded status in the U.S., the company's deep entanglements with Chinese state-linked entities and the potential defense uses of its technology make it vulnerable to further regulatory action, including sanctions or delisting. For institutional investors, the reputational and compliance risks of exposure to Hesai are mounting. The case highlights the need for more rigorous scrutiny of companies operating at the intersection of authoritarian states, advanced technologies, and global capital markets.

INTRODUCTION

Hesai Technology, founded in 2014 and headquartered in Shanghai, is the global leader in Lidar solutions for automobiles. Led by co-founder and CEO David Li (李一帆), Hesai today holds 37% of the total global market share, and is projected to continue leading the market for the foreseeable future. It is listed on the NASDAQ stock exchange under the ticker symbol HSAI.

Hesai was added to the U.S. Department of Defense (DoD) Chinese Military Companies List on January 31, 2024. This list, also known as the 1260H list, is a compilation of companies determined to be owned, controlled, or acting on behalf of the PRC military or contributing to China's defense industrial base or military modernization. This includes contributing to China's military-civil fusion strategy, such as by being "affiliated with the Chinese Ministry of Industry and Information Technology" or "residing in or affiliated with a military-civil fusion enterprise zone."

On May 13, 2024, Hesai sued the U.S. Government over its inclusion on the list, claiming "No Chinese governmental or military entity has sought to exert influence or control over the Hesai Group's management, strategy, or research-and development operation." In August that year, the DoD reportedly decided to remove Hesai from the 1260H list, although the DoD never made any official announcement on this, nor are there any updates to the U.S. Government Federal Register reflecting any changes to the list. On October 21, 2024, the DoD officially removed Hesai from the 1260H list, which was then immediately reinstated. A supplemental notice from the DoD stated that Hesai was removed "on the basis of the original listing record" but added to the list again "based on the latest information available," implying new, additional information. On July 12, 2025, the U.S. District Court for the District of Columbia ruled in favor of the DoD, citing substantial evidence that Hesai contributes "to the Chinese defense industrial base."

HESAI TECHNOLOGY'S DISTANCING FROM THE CCP, PLA, AND MILITARY APPLICATIONS

Hesai Technology has repeatedly emphasized its independence from the Chinese military or Chinese government control, stating it does not "contribute to or have any connection with the Chinese military" and operates "independently, free of government control or military involvement." The company asserts its products "are strictly for commercial and civilian use" having "no connection to the Chinese military or any other military body," claims repeated as recently as July 2025. As quoted in the Financial Times, CEO David Li has also claimed that Hesai has not received "any investment" from Chinese state-linked entities.

These statements reflect three key claims:

1) a complete separation from the Chinese military;
2) an independence from Chinese government influence;
3) an absence of investment from Chinese state-linked entities.

Hesai has also sought to highlight the benign nature of their technology, arguing in a November 2023 press release:

4) "Hesai Lidars Do Not Store or Wirelessly Transmit Data";
5) "Hesai Lidars Cannot Be Used for Surveillance Because They Do Not Capture Facial Features";
6) "Hesai Lidars [...] Are Not Suitable for Military Use."

Due to their overlapping nature, the section on Claim 1, regarding Hesai's separation from the Chinese military, will cover and include Claim 6, that "Hesai Lidars [...] Are Not Suitable for Military Use."

Accordingly, these five claims will serve as the basis for this report.

CLAIM 1) A SEPARATION FROM THE MILITARY, AND MILITARY APPLICATIONS AND SUITABILITY

Hesai Technology, seeking to distance itself from its association with the U.S. Department of Defense (DoD) Chinese Military Companies List upon which it is placed, is vigorous in claiming a complete separation from the PLA or any other military, insisting that their technology is "unsuitable for use in any military defense systems."

In August 2023, a report from the U.S. Congressional Research Service highlighted that "Hesai makes equipment used in autonomous warfighting vehicles" and is "reportedly tied to the military's China Electronics Technology Group Corporation [CETC]." CETC is a major state-owned enterprise and a key supplier to the PLA, claiming to be "the main force of military electronics"[1] in China, in support of "the development of a strong country and a strong military." CETC was Hesai's third largest supplier in 2019, according to Hesai's Shanghai Stock Exchange IPO prospectus. More specifically, the supplier is identified as the CETC 13th Research Institute, which has been sanctioned over national security concerns by the U.S. Government since August 2018.

Hesai's lidar sensors have appeared prominently on top of various Chinese military vehicles boasting autonomous driving capabilities.

1 Originally "作为军工电子主力军." Unless otherwise specified, translations in this report are the authors' own. PSSI disclaims any responsibility for errors, inaccuracies, or unintended omissions as a result of this process.

A lidar sensor, clearly marked Hesai, was spotted on an unmanned military vehicle manufactured by Dongfeng Motors, seemingly a CSK-131, in a report aired on Chinese state TV in October 2023.

Stills from the CCTV-7 program Lijian showing a HESAI-marked lidar sensor (source)

The report focused on the PLA's "Pioneers of the Future Battlefield," as part of the military-focused TV program *Lijian* (砺剑, "Sharpening the Sword"). *Lijian* features in--depth coverage of the PLA and its weapons systems, training exercises, defense strategies, and technological advancements, and is broadcasted on CCTV-7, a state-run broadcasting channel dedicated to military and national defense programming.

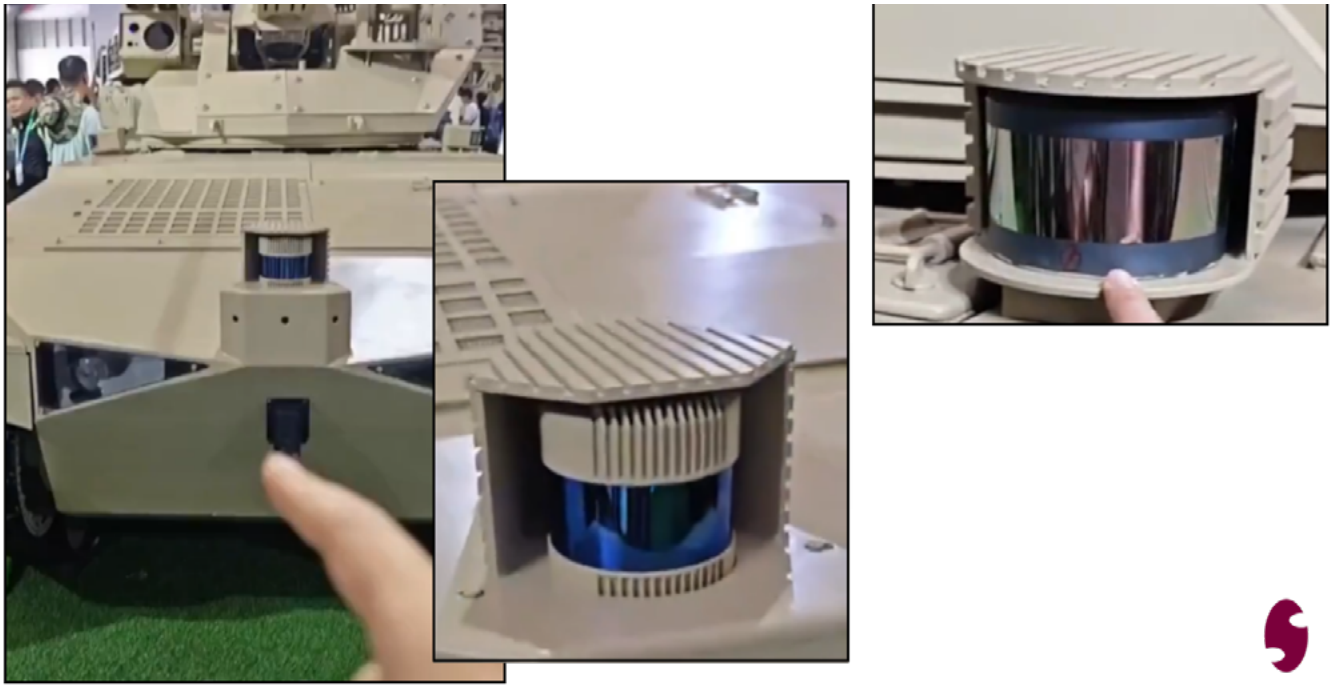
The 15th China International Aviation & Aerospace Exhibition, also known as the Zhuhai Airshow, was held over six days in November 2024. This exhibition was the first to include a dedicated area for unmanned systems -- including separate dedicated areas for both unmanned surface and aerial vehicles – and showcased the Chinese military's newest generation of autonomous warfighting vehicles. Of these, multiple appear to use Hesai's lidar sensors. This armored fighting vehicle manufactured by NORINCO appears to feature a Hesai lidar sensor, with the brand name blurry but distinguishable.

NORINCO-manufactured autonomous fighting vehicle (left) and a press image of a Hesai sensor (top right) (main image source, inset image source)

The lidar sensor, and its brand marking, on this vehicle was later painted over at some point during the exhibition. Although the reasons behind this paint job are unknown -- whether to ensure the sensor's color is consistent with the rest of the vehicle, or an effort to cover up the brand name -- it is noteworthy that the side-mounted lidar sensors, which do not feature any visible brand names, remain unpainted.

NORINCO-manufactured autonomous fighting vehicle (image source)

This difference between the lidar sensors can be more clearly seen in a private video filmed by an attendee of the exhibition and uploaded to X.



A comparison of the forward-mounted lidar sensor (left, center) with the side-mounted sensors (top right). Stills taken from a video posted on X (source)

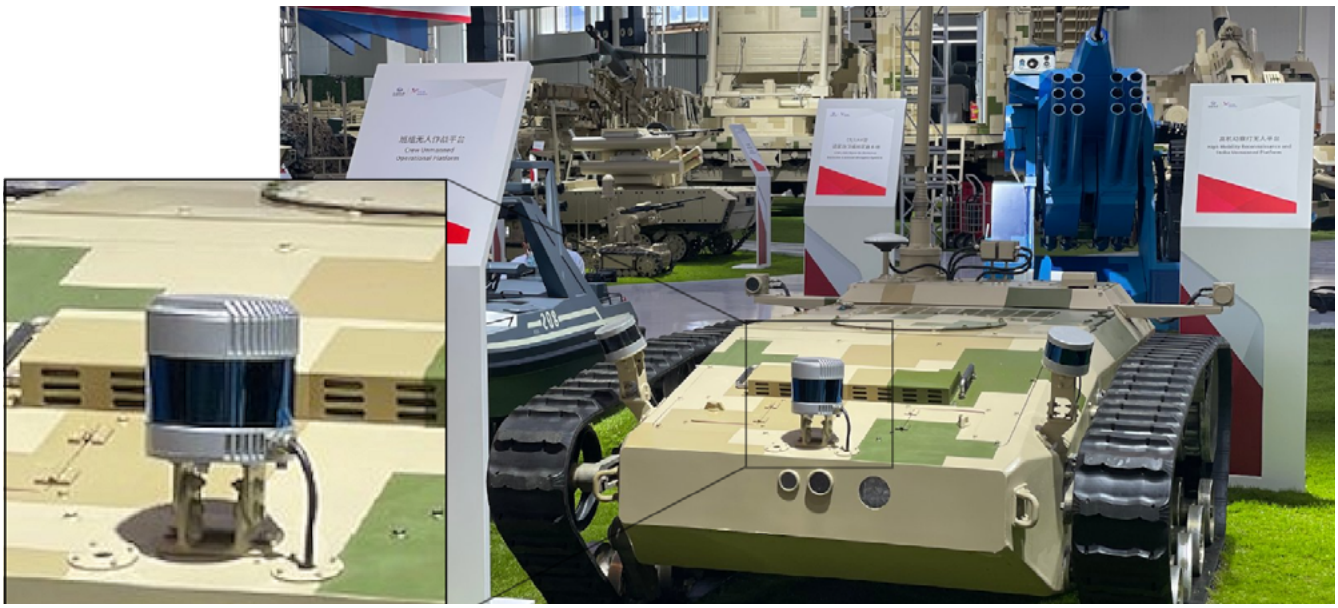
Despite the covering up or removal of the brand markings, reviewing the product lineups[2] of the principal Chinese lidar sensor manufacturers highlights the unique and recognizable design of Hesai's sensors compared to their primary competitors[3]. In particular, the baffles running along the top and the sides have not been found by the authors of this report on any competitor's product, but appear to be unique to Hesai's *Pandar* range of sensors.

2 Disclaimer: although great effort has been made to ensure an exhaustive and complete review of the product lineups of the companies in question, PSSI can not guarantee that no sensor has been missed. This risk of error partially stems from the lack of publicly accessible information on the matter, particularly as relates to military procurement and defense contracts in China.

3 The companies selected for review in this report are those highlighted in the Lidar for Automotive 2024 report by Yole Intelligence, published June 2024, filtered by country of origin.

This image is not an exhaustive representation of the product lineups reviewed by the authors of this report, but serves as a representative sample of what similar products from competitors look like in comparison with Hesai.

Although the brand markings of this lidar sensor have been removed from this NORINCO-manufactured autonomous vehicle, the design and shape of the sensor strongly suggests that this is a Hesai product.



NORINCO-manufactured autonomous vehicle (image source)

The lidar sensors of Hesai's Chinese competitors have also been seen on other military vehicles manufactured by various state-run defense conglomerates. One example is this CSSC-manufactured autonomous vehicle using a Robosense lidar sensor.

A CSSC-manufactured autonomous fighting vehicle (image source)

These are not the only examples of actors in the defense sector showing interest in Hesai's lidar sensors. In March 2021, Hesai announced a partnership with Kodiak Robotics to integrate their lidar sensors into Kodiak's self-driving platform. Kodiak is a leading self-driving technology developer for the trucking and defense markets, and was recently awarded a U.S. Department of Defense contract to develop autonomous U.S. Army ground vehicles "for reconnaissance, surveillance, tactical maneuver, and other high-risk military missions."

Hesai's patents also clearly highlight the military use of lidar technology, although their own sensors are not explicitly linked to these uses. One Hesai patent states: "The laser radar is widely applied to the fields of **aerospace, military countermeasure,** remote sensing mapping, weather and disaster early warning and the like, particularly, the performance requirements of the vehicle-mounted laser radar in the fields of auxiliary driving, unmanned driving and the like are remarkably increased in recent years[…]" Another patent held by Hesai links lidar technology with anti-aircraft and counter-missile capabilities, with the patent stating: "Lidar is a radar system that uses laser beams to detect the position, speed, and other characteristics of a target. […] After appropriate processing, relevant information about the target, such as distance, direction, altitude, speed, orientation, and even shape, can be obtained. This enables the detection, tracking, and identification of targets like **aircraft and missiles**."[4] Such capabilities would likely garner particular interest at an Aviation & Aerospace Exhibition.

The companies which Hesai regards as its most comparable competitors are all highly involved in defense matters. In its corporate disclosures for the Shanghai Stock Exchange, Hesai names three publicly listed companies as "companies with comparable business." The first of these is Raytron (睿创微纳), whose products are "mainly used in military and civilian fields" including for "night vision, precision guidance, […] and military vehicle assisted driving systems." The second named company, Autel Intelligent Technology (道通科技), was found by a congressional probe to be "openly affiliated with the People's Liberation Army (PLA) and poses a direct threat to U.S. national security," and that their products have been "leveraged by PRC public security officials to conduct surveillance operations" including in Xinjiang. The third named company, Wuhan Guide Infrared Co., (高德红外), "provides the national defense industry with the new high-tech WQ system" according to Hesai's corporate disclosure documents. In Wuhan Guide Infrared Co.'s own corporate filings, they describe themselves as having "successfully built a high-tech military industry group with a complete system," and being "the only private enterprise to obtain the overall development of the complete WQ system and provide the main combat WQ system to our army." In their 2022 Annual Report, Wuhan Guide Infrared Co. highlighted improving the safety controls of the research and production of "WQ ammunition," and the need to meet the requirements of the "State Council, the Central Military Commission, and the State Administration of Science, Technology and Industry for National Defense," as a manufacturer of "infrared thermal imaging products for national defense equipment." This system is likely to refer to an infrared-guided anti-tank missile system.

Hesai may also have one or more facilities within the Military-Civil Fusion Zone in Jiading District, Shanghai. Although the zone's official boundaries are not publicly known, there are nonetheless indications that this is the case. One such facility is its recently constructed "Maxwell Center" on 3188 Baoqian Road, Jiading District, "an advanced R&D center where we design and build automated lidar production lines." Baidu Map appears to give an accurate location for this Hesai facility, with its satellite imagery matching Hesai's own press images. This location is further corroborated by construction permits granted to Hesai by the city of Shanghai.

4 Emphasis is the authors' own.

Maxwell State-of-the-Art R&D Center for Manufacturing – Photo courtesy of Hesai Technology

A still from Baidu Maps (left, image source) and an image of Hesai's Maxwell Center (image source)

A second Hesai facility is located just a few hundred meters south of the Maxwell Center, on 468 Xinlai Road, Jiading District, Shanghai. This address has been listed as Hesai's headquarters in past corporate filings.

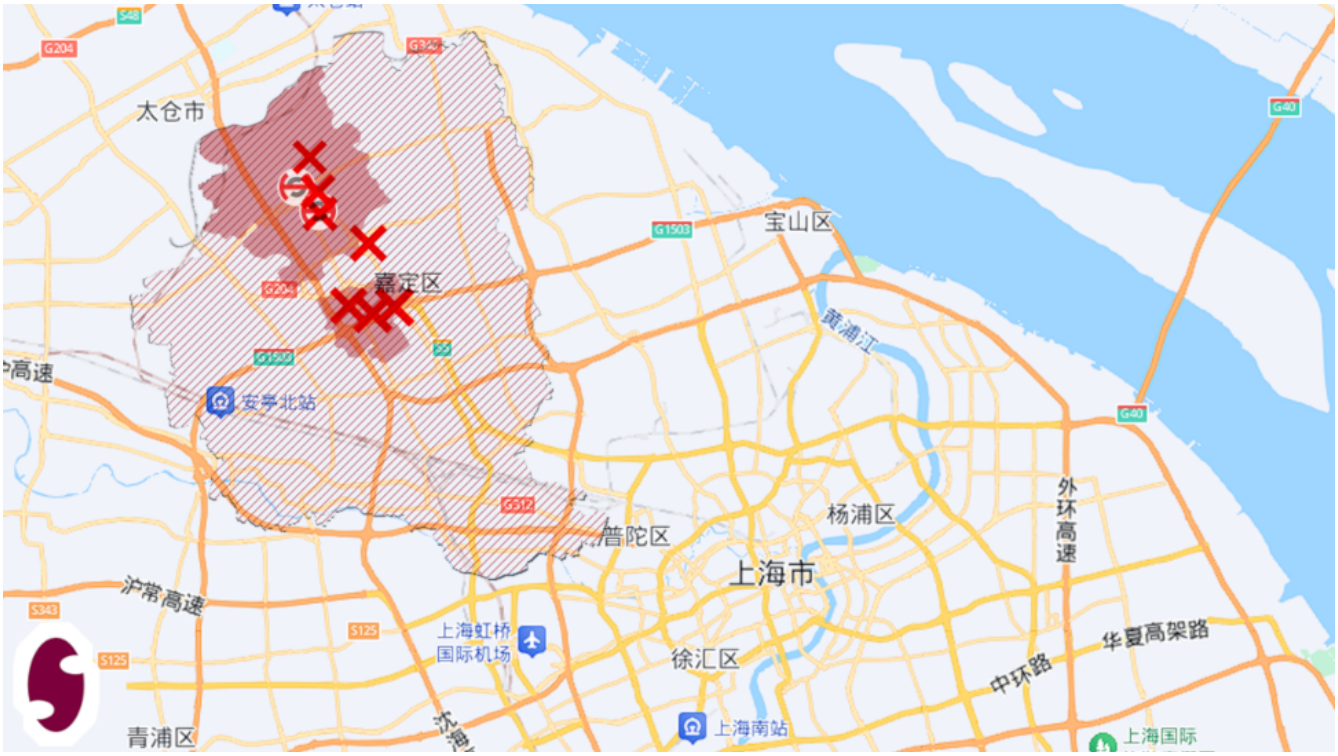
The locations of two Hesai facilities on Baidu Maps (source) with Jiading District (diagonal stripes) and Jiading Industrial Zone (dark red) marked (image source)

Both facilities are within the northern section of the Jiading Industrial Zone (marked in dark red) within Jiading District (diagonal stripes). Although it is unclear what facilities are referred to or if they are still in use, the Shanghai municipal government stated in a December 2024 press release that the "Jiading

Industrial Zone provided them [Hesai] with free factory buildings and helped the company actively introduce talents in the laser field."

Although the boundaries of the Jiading District Military-Civil Fusion Zone are not publicly known, a press release on the establishment of the Shanghai Jiading Industrial Zone Military-Civilian Integration Industry Alliance revealed the names of 24 companies in the alliance.

One of three photos showing the Jiading Military-Civil Fusion Zone Alliance members (image source, cropped)



The locations of two Hesai facilities, alongside the facilities of several Jiading Military-Civil Fusion Zone Alliance members

Marked by red crosses in the image above, the facilities of many Shanghai Jiading Industrial Zone Military-Civilian Integration Industry Alliance members are near Hesai's facilities. The three closest crosses to Hesai's facilities belong to 麦格纳新能源, 天舟融智, and 钧嵌传感技术, the latter two of which can be seen on the blue screen in the image on the previous page.

With the Military-Civil Fusion strategy including investment in private industries and talent recruitment programs, Hesai's facilities being located in the immediate vicinity of multiple Military-Civil Fusion Zone Alliance members, and the local government giving Hesai "free factory buildings" and "actively" introducing talent within the Jiading Industrial Zone, these circumstances suggest the need for further investigation.

CLAIM 2) INDEPENDENCE FROM CHINESE GOVERNMENT INFLUENCE

While finding concrete open-source evidence of direct Chinese government influence into Hesai's corporate decisions is inherently improbable, Hesai has nonetheless disclosed to the SEC that "the PRC government has significant authority in regulating our operations and may influence or intervene in our operations at any time."

Furthermore, Hesai's CEO David Li is a member of the Chinese Communist Party and has been described in Chinese local government documents as actively responding to government objectives;

Li Yifan, male, Han nationality, born in March 1986, member of the Communist Party of China, co-founder and CEO of Shanghai Hesai Technology Co., Ltd. He actively responded to a series of major national decisions and deployments such as "improving the national innovation system, accelerating the construction of a strong country in science and technology, and achieving high-level scientific and technological self-reliance" [...]

In contrast, Qiu Chunchao (邱纯潮), CEO of Robosense -- the second company found in this report with lidar sensors seemingly deployed on military vehicles -- has not been identified as a member of the CCP by the authors of this report.[5]

CLAIM 3) ABSENCE OF INVESTMENT FROM CHINESE STATE-LINKED ENTITIES

Hesai does have investors with links to the Chinese government, although the threshold for what qualifies as a link is inherently subjective. In a November 2021 press statement, Hesai named CPE among the lead investors of its Series D round of funding. CPE (CITIC Private Equity) was initially established as the private equity arm of CITIC Securities, part of CITIC Group, a state-owned enterprise and one of China's leading investment banks. Although CPE was officially spun off in 2018, CPE and CITIC Securities maintain close ties, including co-managing funds (one such example is the CPE China Fund IV, established in 2021), and maintained their management throughout the spin-off process - exemplified by CPE's current CEO Liu Lefei, who has led CPE since its launch in 2008. Alongside his role as CEO of CPE, Liu Lefei was until 2016 the Vice Chairman of CITIC Securities, and may still remain a director at CITIC Securities, although sources vary. Liu Lefei is also the son of Liu Yunshan - a former Politburo Standing Committee member who, before his retirement in 2017, was ranked fifth in the Communist Party hierarchy. Furthermore, Liu Lefei's wife, Jia Liqing, is the daughter of China's former minister of public security and chief prosecutor, with the two of them described by the New York Times as "two of the most potent arms of the Chinese Communist Party.

A second notable name is Huatai Securities, which also invested in Hesai in its Series D funding round. Huatai Securities is a regional state-owned enterprise which has received substantial subsidies from the Chinese government, including 36 million USD in 2019. Specifically, the Jiangsu State-owned Assets Supervision and Administration Commission (SASAC) owns over 30% of the company through various

5 Although Qiu Chunchao is a member of the Standing Committee of the Nanshan District CPPCC, this does not necessarily indicate party membership, as the CPPCC includes "public figures without party affiliation." In fact, "no less than 60 percent of each newly established committee"are non-Party members."

subsidiaries. This outsized ownership suggests that strategic decisions, including appointments to senior management positions, may be influenced or directly determined by state authorities to ensure the company's operations align with national and regional objectives.

Another investor which has disclosed their ownership of Hesai is China Universal Asset Management (CUAM), a joint venture enterprise owned by its founders Orient Securities, China Eastern Airline Holdings and Wenhui-Xinmin United Press Group. Orient Securities is state-owned, primarily owned by the Shanghai SASAC, which grants it effective influence over the appointment of senior management. Other substantial investors include the Chinese government, the Zhejiang SASAC, and other state-run companies such as the China Securities Finance Corp. and the Shanghai United Media Group. The second owner, China Eastern Airline Holdings, is a "state-owned enterprise established in the PRC and is controlled by the PRC government." The third owner of CUAM is Wenhui-Xinmin United Press Group, which has since merged with another media company to create the Shanghai United Media Group - allegedly under the control of the Shanghai local government.

Distinguishing between state-linked entities and non-state-linked entities is particularly challenging in China due to the country's constitutional framework and the pervasive influence of the Chinese Communist Party. While the constitution mandates the establishment of Party organizations in various institutions and enterprises, China's Cybersecurity Law grants the government extensive authority to access data held by companies operating within the country. Thus, despite some entities appearing fully independent, they often operate within, and are subjected to, a political and regulatory environment shaped by the CCP's priorities and demands.

CLAIM 4) HESAI LIDARS DO NOT STORE OR WIRELESSLY TRANSMIT DATA

This claim by Hesai has been partially verified, with two of their Lidar sensors certified to international cybersecurity standards and unable to directly store or transmit data. Instead, the data is directly sent to the vehicle's onboard computer for processing. Hesai states that the "data is owned, stored and controlled by a vehicle's manufacturer and owner."

This arrangement, however, is not without issue. In February 2024, the Biden administration ordered an investigation into the potential national security concerns of so-called "connected" cars from China, which use "their cameras and sensors to record detailed information on U.S. infrastructure" and "collect large amounts of sensitive data on their drivers and passengers." Half a year later, the U.S. Department of Commerce Bureau of Industry and Security (BIS) announced it "found that certain technologies originating from the PRC or Russia present an undue risk to both U.S. critical infrastructure and those who use connected vehicles."

The Estonian Foreign Intelligence Service highlighted this threat in its 2024 annual report, stating "We have credible information about a Chinese manufacturer working on Lidar systems for self-driving cars that are intended to scan the car's entire surroundings and transmit the information to a database in China. While a device collecting data for autonomous operation should delete any non-essential data, this Chinese company aims to transfer the complete environmental data to a Chinese database. This raises concerns that Chinese technology-enabled self-driving cars could be vulnerable to exploitation for intelligence purposes." Sightings of connected cars built by Chinese state-owned car manufacturers at sites of strategic importance have also raised alarms in other countries, such as in a September 2024 case at Ørland Main Air Station. The airbase is notable for being home to Norway's entire F-35 fighter jet fleet, an important NATO training base, and the only permanent forward air base in Northern Europe with the ground handling equipment for NATO E-3 AWACS aircraft. Following the September 2024 incident, experts in both Norway

and Denmark called for policies "to prevent Chinese 'spy cars' from being unwittingly used for espionage at military facilities."

These concerns have prompted the U.S. Commerce Department to pursue a ban on the sale of connected and autonomous vehicles that rely on Chinese or Russian software and hardware. U.S. Secretary of Commerce Gina Raimondo emphasized the national security and privacy risks posed by these vehicles, explaining, "Cars today have cameras, microphones, GPS tracking, and other technologies connected to the internet."

Hesai's lidar sensors are highly versatile, applicable to a range of purposes beyond autonomous driving. Hesai's lidar sensors are used in drones for high-resolution mapping and surveying and in airports for "passenger tracking" and "passenger behaviour analysis," as well as in a wide range of other pointcloud generation applications "For Asset Managers, Miners, Military and Pointcloud Analytics Services."

While Hesai maintains that the data their sensors generate remains with the vehicle's manufacturer and owner, the U.S. government's stance suggests that the potential for sensitive data capture and misuse -- whether intentional or not -- poses a significant risk.

CLAIM 5) HESAI LIDARS CANNOT BE USED FOR SURVEILLANCE BECAUSE THEY DO NOT CAPTURE FACIAL FEATURES

While it is difficult to independently verify whether or to what extent Hesai's lidar sensors capture facial features, facial recognition is not a necessity for effective surveillance - evidenced by Hesai's lidars being deployed in airports for "passenger tracking" and "passenger behaviour analysis."

As lidar allows for three-dimensional measurements in high-resolution, it is widely used for facial recognition applications through the mapping of facial features and contours, proving particularly accurate when employed in combination with cameras. Compared to using traditional cameras with image recognition software, lidar scanning offers many benefits for facial recognition - it can not be deceived by printed images of faces, works in any lighting conditions, including in darkness, and is more effective at recognizing partially obscured faces, such as those wearing masks or sunglasses

In China's Xinjiang region, lidar technology has been integrated into surveillance systems as part of the government's systematic targeting and oppression of the Uyghur and other minority populations. Notably, there is evidence of lidar being deployed on autonomous vehicles used for patrols. These surveillance vehicles are manufactured by Zhongke Tianji (Xinjiang) Aerospace Information Co.,[6] which holds patents for surveillance equipment including police scanners as well as patents pending for lidar-based navigation systems for their autonomous vehicles.

Hesai itself collaborates with UISEE, a leading autonomous driving technology company involved in developing autonomous patrol cars. In a press statement, Hesai highlighted that "the cooperation is not limited to one single product," and that they are "committed to working with UISEE" and "will continue to deepen its collaboration with UISEE, leveraging their respective technological strengths to explore broader application scenarios." UISEE claim that their patrol cars have facial recognition capabilities, as seen in this still from a promotional video, which has since been deleted from their website:

6 中科天极(新疆)空天信息有限公司

A still from a UISEE promotional video of their autonomous patrol car (source)

Given the demonstrated and widely acknowledged relationship between facial recognition and the CCP's oppression of Uighur muslims and other minority groups, the integration of facial recognition technologies into autonomous patrol vehicles, some of which are already deployed in Xinjiang, is undoubtedly worrying. Although Hesai's products have not been found by the authors of this report to be directly linked to any such application, its affiliation with UISEE may be cause for increased caution and vigilance.

CONCLUSION

Hesai Technology's inclusion in the U.S. Department of Defense's 1260H list reflects broader concerns regarding the company's seemingly close ties to the Chinese military-industrial complex. While Hesai emphasizes its complete independence from the PLA and the purely civilian nature of its sensors, a growing body of evidence, including supply chain relationships, product deployments, and patent filings, suggests a more complex reality. The presence of Hesai lidar sensors on military vehicles, its proximity to Military-Civil Fusion Zone facilities, and its partnerships with entities involved in defense applications raise significant concerns about its claims of separation from military use and state control, while its relationships with state-linked investors raises further questions. Moreover, while Hesai asserts that its lidar sensors are unsuitable for surveillance purposes and do not store or transmit sensitive data, concerns about their application in "passenger tracking" technologies and potential data misuse remain unresolved, and are exacerbated by their partnerships with organizations involved in facial recognition and surveillance.

Hesai's case illustrates the vulnerabilities of open capital markets to strategic penetration by authoritarian states. The company benefits from global investment and market access while operating in an opaque governance environment and potentially advancing China's military and surveillance capabilities.

From an investor risk perspective, this creates a landscape of both regulatory and reputational exposure. As it is listed on an American stock exchange, investors in Hesai face a growing risk of secondary sanctions, restrictions, or forced divestment, with the 1260H designation potentially serving as a precursor to broader capital markets sanctions. Moreover, as seen with other Chinese firms operating under similar scrutiny,

the possibility of delisting from U.S. exchanges or the forced unwinding of positions by institutional investors poses a real and material threat to shareholder value.

As Hesai continues to innovate in lidar sensor technology, there is a growing body of evidence to suggest that investors may be unwittingly financing capabilities that run counter to U.S. national interests. This potential entanglement with Chinese military and state interests could lead investors veering dangerously off course.

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