Beijing unwound a closed AI deal — and rewrote where a company comes from

On 11 August, Manus told its users it would return to operating as an independent company, completing the reversal of a $2bn acquisition Meta had already closed eight months earlier. This is the first cross-border AI transaction publicly known to have been unwound after closing under China's foreign-investment security review. The reasoning has since been written into general law: jurisdiction now follows where a technology was built, not where the holding company is registered. For anyone valuing an AI asset with engineers or code that originated in China, the exit route just changed — and the discount is not yet in the price.

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$2.0bn META'S MANUS PURCHASE, CLOSED 29 DEC 2025, ORDERED UNWOUND APR 2026	**First** PUBLICLY CONFIRMED POST-CLOSING UNWIND OF A CROSS-BORDER AI DEAL BY CHINA	**8 months** FROM COMPLETED ACQUISITION TO ANNOUNCED RETURN TO INDEPENDENCE
$100m MANUS ARR AT 8 MONTHS FROM LAUNCH, SELF-REPORTED DEC 2025	**1 Jul 2026** STATE COUNCIL DECREE 837 MAKES THE MANUS LOGIC GENERAL OUTBOUND LAW	**$510bn** RECORD GLOBAL VENTURE FUNDING, H1 2026 — CAPITAL CONCENTRATED, DID NOT FLEE

I. A finished deal came apart

Meta completed its roughly $2bn purchase of Manus, the Singapore-headquartered agentic AI company, on 29 December 2025. On 11 August 2026 Manus posted a note to its users saying it would "soon resume operating as an independent company," and that some users would need to back up their data before 07:59 SGT on 23 August. Files created on or after the closing date are scheduled for deletion on 24 August, with a restore path opening the following day.

The sequence is the point. China's National Development and Reform Commission opened a review in January 2026, prohibited the transaction on 27 April through its foreign-investment security review office, and required the parties to withdraw. Meta did not contest it. By June the two companies had severed systems and halted data sharing. A Tencent-led group is reported to be taking Meta's stake at the original price, with early backers HSG and ZhenFund participating; that ownership structure has not been formally confirmed by the parties, and should be treated as reported rather than established.

What is new is not a blocked deal — regulators block deals constantly. What is new is a deal blocked after it closed, with the acquirer already inside the target for eight months.

II. Domicile stopped being a defence

Manus was structured exactly the way Chinese-founded startups have been structured for two decades. It traced back to Beijing-registered entities, moved its headquarters to Singapore in 2025 to take foreign money, and Meta stated there would be no continuing Chinese ownership and that China operations would be discontinued. None of it worked. The NDRC, as a Morgan Lewis analysis published 6 May 2026 put it, looked through the offshore structure to the origin of the technology, using the Measures for the Security Review of Foreign Investment in force since January 2021 — a regime that already contained the power to order a completed transaction unwound, and had simply never been used this way in public.

The one-off then became a rule. On 1 June 2026 the NDRC issued outbound rules that treat Chinese-origin technology, IP and key personnel as review triggers regardless of where the target is incorporated. On 1 July, State Council Decree No. 837 took effect, extending the definition of outbound investment to VIEs, SPVs, financing and control arrangements, imposing lifecycle reporting rather than one-time approval, and establishing a formal NDRC/MOFCOM security review with forced divestiture as an available penalty. The Cayman-or-Singapore restructuring playbook is not weakened. It is answered.

III. Washington is sealing the mirror channel

Within the same fortnight, the United States moved against the equivalent workaround on its own side. Bloomberg reported on 7 August that the Bureau of Industry and Security is reviewing how Chinese AI firms reach Nvidia hardware they cannot import — by renting it remotely in third countries, which is currently legal. The trigger was capability, not paperwork: Moonshot AI's Kimi K3 posted benchmark results in the range of leading US systems, and a White House official alleged the compute behind it was obtained through an intermediary. The House has passed a bill extending export controls to cloud access; the Senate has not, and Nvidia is expected to resist.

Read together, the two moves are the same move. Beijing has decided a company's nationality is set by where its technology was made. Washington is deciding a chip's nationality is set by where it is rented from. Both are closing the arbitrage that let AI assets sit in a convenient jurisdiction while operating in an inconvenient one.

> ***"Some users will need to back up their data before 7:59 a.m. on August 23, 2026."***
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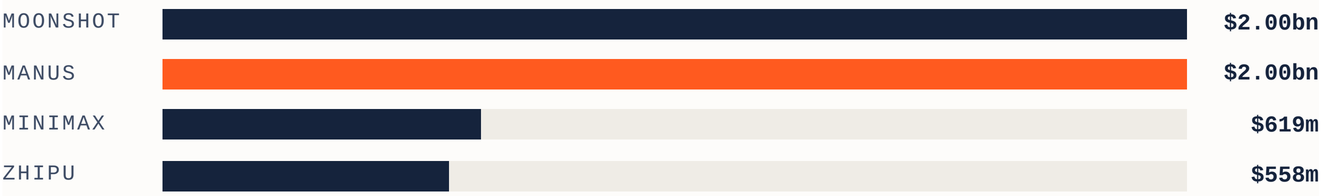
> MANUS'S NOTE TO USERS, 11 AUGUST 2026, ON RETURNING TO INDEPENDENCE — THE OPERATIONAL COST OF A REVERSED ACQUISITION LANDING ON THE CUSTOMER BASE. SOURCE: MANUS (@MANUSAI), 11 AUG 2026.

IV. The honest read: the capital stayed, the exit left

The tempting conclusion — that foreign money is being driven out of Chinese AI — is not what the data shows, and the strongest counter-evidence deserves stating plainly. Global venture funding hit a record $510bn in H1 2026, more than all of 2025, with over 70% of Q2 capital going to AI. Chinese foundation labs kept raising at scale, including a $2bn Series C for Moonshot AI in May 2026. And the public route opened: MiniMax surged 109% on its Hong Kong debut on 9 January 2026, raising $619m, days after Zhipu AI raised $558m on the same exchange.

Morgan Lewis is also explicit that the Manus precedent is proportional, not categorical: exposure depends on how much China nexus remains — founders' ties, the acquirer's China interests, the political salience of the sector. Agentic AI bought by Meta was close to a worst case on every axis. A quiet $80m acqui-hire of an infrastructure tooling team is not the same trade.

FIG. 1: CAPITAL EVENTS FOR CHINA-ORIGIN AI COMPANIES, 2026 (US$)



BARS SCALED TO THE $2.0BN MAXIMUM. ORANGE BAR IS THE TRANSACTION THAT WAS UNWOUND. MIXED EVENT TYPES — PRIVATE ROUND, TRADE SALE, IPO PROCEEDS — SHOWN TO COMPARE CAPITAL RAISED PER EVENT BY ROUTE, NOT COMPANY VALUE. SOURCES: NEURONFEED CHINA TRACKER (MOONSHOT, MAY 2026); NPR/CNBC (MANUS, DEC 2025–APR 2026); AFP VIA MALAY MAIL, 9 JAN 2026 (MINIMAX, ZHIPU).

What the figure shows is the shape of the constraint. The blocked trade sale and the largest private round are the same size; each Hong Kong listing raises under a third as much. The trade sale to a US strategic was the single largest liquidity event available to a China-origin AI company this year, and it is the one route that has now been demonstrated to be revocable after the money has moved.

V. A passport now prices into the cap table

Trace the effect through four channels. **Capital flows:** dollar-denominated funds holding China-origin AI stakes have lost their highest-value exit and must price against Hong Kong or onshore listings instead — a route that, per the January comparables, clears smaller. Reincorporating onshore to reach it is not free: it means converting dollar stakes to renminbi, renegotiating with foreign LPs, and absorbing capital-gains treatment across jurisdictions. **Market structure:** US hyperscalers can no longer buy agentic capability that originated in China, which removes supply from an already thin market and bids up US and European agentic assets. Manus was bought at roughly 20x a self-reported $100m run rate; the next comparable asset without the jurisdictional problem should clear higher.

Prices: expect an explicit origin discount in diligence — not on the corporate registry, but on where the engineers were when the model was trained. Morgan Lewis flags the trap: the restructuring steps that reduce US outbound-investment exposure can simultaneously look, to Beijing, like documented technology extraction. Risk is redistributed, not removed. **Labour:** if the value is deemed to sit where the technology was built, teams become less portable, which pushes multinationals toward licensing, joint ventures and ring-fenced arrangements rather than ownership.

VI. The second-order cost lands on users

The Manus unwind ends with customer files being deleted to satisfy a regulator. That is a new category of counterparty risk for anyone building on an agentic platform: not that the vendor fails or is acquired, but that an acquisition is reversed and the data created during it cannot lawfully survive the separation. Manus has not said how much of its run rate will come through the transition, and a general-purpose agent is exactly the kind of product whose value compounds in the user's stored context.

The wider consequence is bifurcation. If agent platforms cannot be acquired across the boundary, and the compute under them cannot be rented across it either, two agent stacks develop with separate data-governance regimes and no portability between them. Enterprises operating in both markets then carry two vendor sets, two audit trails and two sets of failure modes — a permanent compliance cost, not a transition cost.

VII. How it plays out: three scenarios

Probabilities below are analytical judgment, not measured frequencies, and are stated so they can be scored against the indicators later.

1 · Baseline: bilateral pre-clearance becomes routine ~55% 18–36 MONTHS · STEADY

Decree 837 is enforced case by case rather than categorically. Large cross-border AI deals get pre-cleared on both sides or are not attempted; smaller ones proceed quietly. China-origin AI exits route through Hong Kong and onshore listings, and an origin discount becomes standard diligence language. Watch for the first NDRC approval of an AI transaction under the new regime, for licensing and JV structures replacing acquisitions in deal announcements, and for Hong Kong AI listings pricing at or above the January comparables.

2 · Acceleration: full re-territorialisation ~25% 12–24 MONTHS · FAST

The Senate passes the cloud-access bill and BIS publishes its country lists, closing remote compute rental; Beijing pushes AI startups to reincorporate onshore as offshore listings lose regulatory favour. Two agent stacks harden with non-portable data. Watch for a Federal Register listing of offshore-rental jurisdictions, for a named Chinese AI company announcing onshore reincorporation, and for a second post-closing unwind — which would convert Manus from precedent into policy.

3 · Stall: Manus stays idiosyncratic ~20% 12–24 MONTHS · SLOW

The block reads in hindsight as specific to agentic AI, a US platform acquirer and a highly visible target. Decree 837 is applied narrowly, the Senate bill dies, and Nvidia's lobbying keeps offshore data-centre access open. Watch for a completed foreign acquisition of a China-origin AI company clearing review, for the cloud bill expiring in committee, and for Chinese AI venture funding continuing to run above the $5.5bn tracked so far in 2026 with foreign participation intact.

WHAT WOULD FALSIFY THIS THESIS

The claim here is that Beijing has acquired an effective, durable veto over exits for China-origin AI and that this will show up in asset prices. It is wrong if, within twelve months, a US or European acquirer completes a material acquisition (say above $500m) of a China-origin AI company with NDRC clearance and no unwind — that would make Manus a political one-off rather than a regime. It is also wrong if the BIS review closes without a rule and the cloud bill dies in the Senate, since the mirror-image US constraint is half the argument.

The strongest counter-case is already sourced above: Morgan Lewis describes the enforcement risk as proportional rather than binary and notes the decision establishes no categorical prohibition, while Crunchbase shows record global funding and continued billion-dollar rounds for Chinese labs. Capital access and exit optionality are different variables; only the second one is claimed to have moved.

WHAT TO WATCH, IN ORDER

1. **24–25 August 2026:** whether the Manus data deletion and restore run on schedule, and whether the company later discloses what share of its ~$100m run rate survived. Check Manus's own status posts.
2. **Nvidia's late-August 2026 results and the following quarter:** management commentary on offshore and China-adjacent demand, and whether BIS publishes its jurisdiction lists in the Federal Register.
3. **September–December 2026:** Senate action on the House-passed cloud-access bill. Committee referral without a markup is the tell for Scenario 3.
4. **Q4 2026:** the first NDRC or MOFCOM decision on an AI transaction under Decree 837. An approval matters more than another block, because it prices the regime.
5. **Next Hong Kong AI listing:** proceeds and first-day move against the January 2026 comparables ($619m and 109% for MiniMax; $558m for Zhipu). A weaker print says the substitute exit is not absorbing the demand.

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