

# Meta's \$2bn swoop on Manus blocked in warning from Beijing over AI deals

◆ Order to unwind poses problem ◆ Ruling ahead of Trump-Xi summit ◆ US and China vie for tech lead

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China has ordered Meta to unwind its \$2bn acquisition of AI app Manus, as Washington and Beijing vie for dominance over the emerging technology.

The decision marks a late-stage intervention by Beijing involving two non-Chinese companies. Meta had already begun to integrate software from Manus, which was founded in China but relocated to Singapore last year.

It was unclear how the acquisition could be unwound at such a late stage. A person briefed on Beijing's decision said the announcement could be intended as a warning for similar deals in the future.

The person said the gesture was "pretty harsh and it carries a strong intention to stop follow-on deals [like

Manus]. In reality, it's hard to unwind a done deal."

The announcement comes ahead of a summit next month between US President Donald Trump and Chinese counterpart Xi Jinping, to address longstanding tensions over trade.

Regulators began investigating in January whether China's investment rules

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had been violated by Silicon Valley-based Meta's acquisition of Manus, whose AI tools carry out complex tasks.

China's powerful National Development and Reform Commission said yesterday it would prohibit "foreign investment" in Manus and "required the relevant parties to cancel the acquisition transaction".

To U-turn at this stage, Meta might have to spin off its acquisition to a new buyer, sell it back to its former investors or find new backers. Any process would be complex, as Meta has already integrated Manus into some of its tools, the FT has reported.

A person familiar with the matter said Beijing had told the companies that the deal must be unwound completely, including returning funds, re-register-

ing the company's ownership and halting Meta's use of the Manus algorithm.

The person said that if they failed to fully undo the acquisition, Beijing could slap penalties on Meta, limit its China-related business and possibly pursue criminal charges against individuals.

Meta said: "The transaction complied fully with applicable law. We anticipate an appropriate resolution."

Manus allows users to build and run personal AI "agents" capable of independently executing complex tasks, managing files and creating software.

Its creator, AI start-up Butterfly Effect, was founded in China in 2022. Last year, it moved its headquarters and core team to Singapore following a funding round led by top US venture capital firm Benchmark Capital.

Within months, Meta swooped on the app in its bid to catch up with OpenAI and Google. The deal closed this year.

Beijing had branded the acquisition a "conspiratorial" attempt to hollow out China's tech base. In March, it stopped two Manus co-founders from leaving the country as the deal was reviewed.

Manus describes itself as an "action engine" that can "extend your human reach". It was launched in March 2025, two months after DeepSeek's debut of a powerful open-source model capable of "reasoning" panicked US tech investors over Chinese AI advances.

The Manus app was a forerunner of OpenClaw, which has taken Silicon Valley and China by storm. Both go beyond the likes of OpenAI's ChatGPT, which largely focuses on answering questions.

# Meta's Chinese stumble hints at waning tolerance for shades of grey

Last week's annual report of Chinese social network Weibo contained a warning, the same one that it has published regularly since it first went public in New York in 2014: that its corporate structure is a convoluted workaround to sidestep a Chinese curb on foreign investment in tech.

It's one of more than 100 companies that can say the same. Grey areas feature prominently in the history of US-Chinese flows.

But sometimes the grey turns suddenly to black and white. Meta Platforms, owner of Facebook, has been ordered by Chinese regulators to unwind its \$2bn purchase of Manus, a maker of AI software. Manus isn't Chinese, but it used to be: it relocated to Singapore last year, before Meta snapped it up. Beijing sees a "conspiratorial" attempt to spirit valuable technology abroad.

Practices such as "Singapore washing", as relocating to the city-state for investment reasons is known, or the "variable interest entities", VIE, that enable foreign cash to enter forbidden sectors, have brought masses of capital to companies that might otherwise have struggled to get off the ground.

While China has plenty of tech talent, it's the US that has the cash. Private investment in AI companies in the US hit \$286bn in 2025, says Stanford University; China mustered just \$12.4bn.

In the case of the VIE, which facilitated listings including Alibaba, tolerance has waned. Chinese groups that use them must get permission before listing abroad, which now rarely comes. Meanwhile, US politicians claim those who already use the VIE structure could be inadvertently advancing Chinese government goals.

AI has changed the calculus further. Unlike social media, ecommerce and gaming, the competition between Chinese and US AI rivals is more direct.

A breakthrough from China's DeepSeek just over a year ago sent a chill through the US tech sector. China's top models lag behind America's finest, but only by a few months, according to data from ArenaAI. The US already bans high-end chip sales to Chinese

## Duelling AI superpowers

Performance of top US versus Chinese LLMs, scored by ArenaAI (Elo-like score)



companies; for China to demand the unwinding of Meta's deal is a new twist, but one that fits the zeitgeist.

There may be a silver lining, though. Meta, Google, OpenAI and their peers have escaped federal regulation inhibiting their ability to develop and release ever more potent models. After all, they can argue, if US companies don't do it, China will.

Anything that drives a bigger wedge gives them a reason to argue that the AI arms race must be allowed to continue unchecked.

## EV maker Rivian offers software as a service to slower-paced rivals

Electricity has changed the rules of the road. With less difference between one model's engine and the next, car buyers are now as likely to assess the quality of a motor's software as its engine or body work.

That is a problem for many carmakers, many of which lack the tech chops to woo the latest generation of drivers.

In-house solutions have struggled: Volkswagen's Carad software unit, for example, has lost billions of euros.

Could buying software as a service from a faster-paced rival be the solution? Native electric-vehicle maker Rivian hopes so, having partnered with VW. It now wants to license its software to more of its peers.

It isn't hard to see why Rivian loses money at the operating level on actual vehicles but pulls off a gross margin of