

THE ROLE OF ALIBABA AND ANT GROUP IN MEGVII'S OWNERSHIP STAKE STRUCTURE

October 7, 2020

As of the most recently disclosed financial information, Alibaba Group and Ant Group (fka Ant Financial) both appear to be substantial shareholders of Megvii Technology Ltd. through indirectly owned subsidiaries. Additionally, both Alibaba and Ant are connected to Megvii through transactions and partnerships over the usual course of business.

This information was disclosed by Megvii Technology Ltd. (Megvii) on its draft prospectus released July 29, 2019.¹ Reports from February 2020 indicated that Megvii Technology was planning to refile for a Hong Kong IPO following the lapse of its previous application, filed six months earlier, due to the impact of the coronavirus epidemic and Megvii's inclusion in October 2019 on the "Entity List" administered by the Bureau of Industry and Security under the U.S. Department of Commerce. At the time, Megvii was expected to refile as soon as the end of March 2020, when Deloitte finished auditing the company's 2019 financials.² As of October 2020, however, Megvii does not appear to have refiled for an IPO.

Controlling Shareholders

According to public records, Megvii's controlling shareholders are comprised of founders Yin Qi, Tang Wenbin, and Yang Mu, Gaga and Inch's, Opxitan Holdings, Youmu Holdings, Infinite Game Holdings Ltd., Himalaya Development Ltd., Youmu Group Ltd., the IG Trust (via its holding in Infinite Game Holdings), the Himalaya Trust (via its holding in Himalaya Development) and the Youmu266 Trust.

Principal Investors and Shareholding History

To attract foreign investors, founders Yin Qi, Tang Wenbin, and Yang Mu, through their respective offshore investment holding companies, incorporated Megvii Technology Ltd. in the

¹ <https://ipvm-uploads.s3.amazonaws.com/uploads/f19d/2a89/megvii-ipo-doc.pdf>

² <https://www.reuters.com/article/megvii-ipo/chinese-ai-firm-megvii-to-refile-for-hong-kong-ipo-sources-idUSL4N2AL2VJ>

Cayman Islands on January 30, 2013. The three co-founders appear to own a combined 16.8% stake in Megvii, but, according to reports, have majority voting power through a dual-class share structure common with technology start-ups listing on public markets.³

- [Gaga and Inch's Holdings Inc. \(8.21%\)](#)

Gaga and Inch's Holdings is wholly owned by Infinite Game (IG) Holdings Ltd., which is, in turn, entirely held by Cititrust Private Trust (Cayman) Ltd. under a discretionary trust named the IG Trust established by co-founder Yin Qi, the beneficiaries of which are Yin Qi and his family members.

- [Opxitan Holdings Inc. \(5.90%\)](#)

Opxitan Holdings is wholly owned by Himalaya Development Ltd., which is, in turn, entirely held by TMF (Cayman) Ltd. under a discretionary trust named the Himalaya Trust established by co-founder Tang Wenbin, the beneficiaries of which are Tang Wenbin and his family members.

- [Youmu Holdings Inc. \(2.72%\)](#)

Youmu Holdings is wholly owned by Youmu Group Limited, which is, in turn, entirely held by TMF (Cayman) Ltd. under a discretionary trust named the Youmu266 Trust established by co-founder Yang Mu, the beneficiaries of which are Yang Mu and his family members.

The other principal investors in Megvii include Alibaba Group and Ant Financial through indirectly owned subsidiaries. Both companies have made what Megvii's company filings have characterized as "meaningful" investments in Megvii, i.e., investments that amount to above 5% of the total issued and outstanding shares at the time of disclosure.⁴

- [Taobao China Holding Ltd. \(14.33%\)](#) is indirectly wholly owned by Alibaba Group Holding Ltd., according to company filings. It owns an aggregate 20,579,483 shares of preferred stock through its participation in Megvii's Series C-3, Series D, and Series D-1 funding rounds.

- [API \(Hong Kong\) Investment Ltd. \(15.08%\)](#) is indirectly wholly owned by Ant Small and Micro Financial Services Group Co., Ltd. (Ant Financial), according to company filings. It owns an aggregate 21,655,548 shares of preferred stock through its participation in Megvii's Series B, Series B+, and Series C funding rounds.

³ <https://www.cnn.com/2019/08/27/tech/china-ai-megvii-ipo-hong-kong/index.html>

⁴ <https://ipvm-uploads.s3.amazonaws.com/uploads/f19d/2a89/megvii-ipo-doc.pdf>

Megvii's parent entity is Beijing Kuangshi Technology Co., Ltd., established by founders Yin Qi, Tang Wenbin, and Yang Mu as a limited liability company in the PRC on October 8, 2011. Several shareholding changes appear to have taken place since its establishment, reflecting capital contributions and equity interest transfers between various investment vehicles. These past shareholders include Shanghai Yunxin Venture Capital Co., Ltd. (fka Shanghai Yunxin Asset Management Co., Ltd.), a wholly-owned subsidiary of Ant Financial.

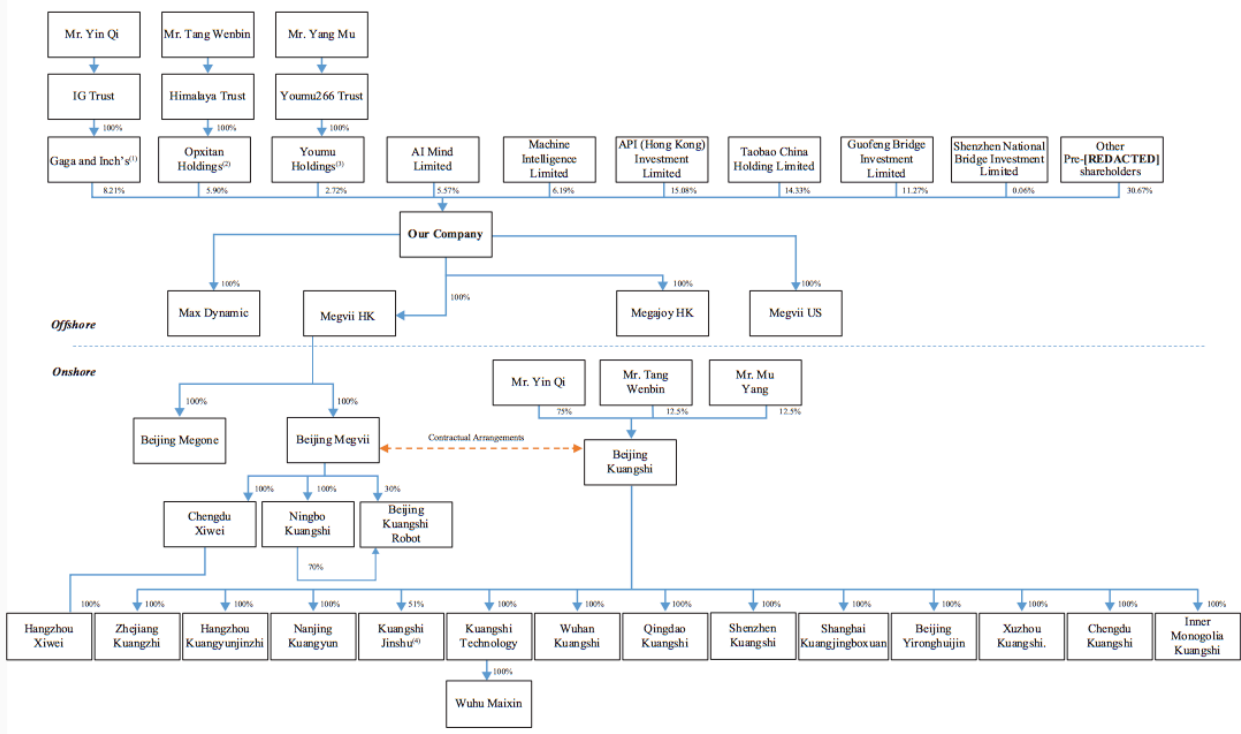
- On September 23, 2014, Shanghai Yunxin Venture Capital subscribed to 15% of the then total equity interest in Beijing Kuangshi.
- On July 15, 2015, Shanghai Yunxin Venture Capital subscribed to an additional 10% of Beijing Kuangshi, upon completion of which it held 25% of the company.
- On May 16, 2019, Shanghai Yunxin transferred its 25% equity interest to co-founders Yin Qi, Tang Wenbin, and Yang Mu.⁵ The other three independent third-party shareholders (Tianjin Legend/Levovo Star, Nayuan Mingzhi, and Beijing Beimeihong) also exited the company at this time.
- Beijing Kuangshi is presently owned 75%, 12.5% and 12.5% by Yin Qi, Tang Wenbin, and Yang Mu, respectively.

⁵ <https://finance.sina.com.cn/roll/2019-07-26/doc-ihytcitm4693142.shtml>

CORPORATE AND SHAREHOLDING STRUCTURE

Corporate Structure Before the [REDACTED]

The following diagram illustrates our simplified corporate and shareholding structure immediately prior to completion of the [REDACTED]:



Source: Megvii Technology Ltd. 's draft prospectus released on July 29, 2019, HKEX.

Transactional Ties and Partnerships

Megvii has entered business agreements and formed strategic partnerships with investors Alibaba and Ant, among other industry leaders.⁶

- Zhima (Sesame) Credit Management Co., Ltd., a credit scoring service provider and subsidiary of Ant Financial, reportedly uses Megvii's cloud-based Face ID technology to provide identity verification solutions to some of its business customers. Beijing Kuangshi entered into a cooperation agreement on August 21, 2019, with Zhima Credit.

⁶ <https://ipvm-uploads.s3.amazonaws.com/uploads/f19d/2a89/megvii-ipo-doc.pdf>

- Alibaba Cloud Computing Co. Ltd., a subsidiary of Alibaba, which is the parent of Taobao China, provides various cloud services, storage, and technical support to Megvii through a cloud services framework agreement with Beijing Kuangshi. Megvii began utilizing Alibaba Cloud's infrastructure before Taobao China became a shareholder in 2016 and 2017.

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