

Chinese start-ups attract investors

Google's former China head has raised \$180m from a heavy-hitting group of LPs to invest in Chinese internet-focused companies.

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Innovation Works, a Chinese investment company founded in 2009 by Kai-fu Lee, former head of Google in China, has raised \$180 million for its debut fund, sourcing capital from a number of high profile investors.

Innovation Works Development Fund was oversubscribed, according to a statement. It will focus on companies related to China's booming internet-related sectors; the country reportedly had 485 million internet users at the end of June.

"The Chinese Internet will undoubtedly grow in usage, mobility, monetisation, e-commerce – all faster than the US market," Lee said in the statement.

Limited partners in the fund include Silicon Valley icon Ron Conway – an early investor in Google, Facebook and Twitter – and Yuri Milner – also an investor in Facebook, along with Groupon and Zynga .

Institutions including WI Harper, Silicon Valley Bank, Sequoia Capital, Foxconn, Motorola and Foundation Capital are also among the fund's LPs, as are US and Canadian pension funds and current or former executives from internet companies like Yahoo, Google, YouTube, Facebook and Amazon, according to the statement.

"Over the years, I have helped numerous companies in the US from their founding," Conway said in the statement. "When I saw that Kai-Fu's Innovation Works has built up a great team planning to do the same in China, I became very excited."

Though this is its first fund, the firm has already been busily building a portfolio and financing transactions. Since 2009, Innovation Works has made 34 investments since its inception, and helped nine of them gain funding from venture capital firms. Its portfolio companies, nine of which have an average valuation of \$40 million, include smart phone operating system Tapas and a software assistant for Android phones Wonderpod.

China continues to top investors' wish lists for emerging markets exposure. In the first six months of this year, 70 percent of the \$22.6 billion raised for emerging markets private equity funds was for vehicles focused on China, Brazil and India, with China-dedicated funds alone raising \$10.3 billion, according to the Emerging Markets Private Equity Association. Part of that surge was attributed to the continued proliferation of funds raised in local Chinese currency.

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