

# **Innovation Works**

**Media Report**

**(Selected)**

## News Release Conference



## **Dr. Kai-Fu Lee Leaves Google, Starts Innovation Works**

### ***Supported by Industry Giants, Plans \$115 Million Investment to Enable Chinese Entrepreneurs Develop Next Wave of High-Tech Companies in China***

Beijing (September 7, 2009) – Innovation Works, a business creation platform focused on establishing the next wave of Chinese high-technology companies founded by Dr. Kai-Fu Lee, launches today. This announcement follows news of Dr. Lee’s resignation as Google Vice President and President of Google Greater China and introduces a new business paradigm into the Chinese start-up environment.

Led by Dr. Lee, Innovation Works will concentrate on Internet, mobile Internet, and cloud computing technology advancements targeted at the Greater China market, and build “dream teams” to collect, analyze, prioritize and execute on the most promising ideas. Innovation Works will accelerate an entrepreneur’s ability to prove ideas, obtain additional external funding, and then spin-off into an independent company.

Innovation Works will be funded with \$115 million from an elite group of venture capital groups and investors including Steve Chen (Co-Founder of YouTube), Foxconn Technology Group, Legend Group and New Oriental Education & Technology Group. WI Harper Group is the lead venture capital investor.

“The Chinese entrepreneurial environment is still in its formative stage, with significant barriers for the early-stage entrepreneur: the lack of management experience and coaching, the reluctance of venture capitalists to invest in companies in the formation stage, and the lack of networking and experience to pull a company together,” said Dr. Kai-Fu Lee, Innovation Works founder, Chairman and Chief Executive Officer. “These barriers all contribute to a dearth of high-tech start-ups in China. Innovation Works is matching entrepreneurs, engineers, ideas, and capital with a unique business model that improves success rates and speeds time-to-market.”

Dr. Lee continued, “Innovation Works will be the de-facto institution for launching the most promising technology ideas in China. Through the rigorous development and testing of prototypes, and identification of a ‘founding executive’ to lead the venture, Innovation Works will provide capital, manpower, legal, financial and IT support. Our commitment is to mentoring and supporting the next-generation of Chinese entrepreneurs so that they can focus on building great products without distraction.”

Said Steve Chen, co-founder of YouTube, “As a co-founder of YouTube and PayPal, I deeply believe that passion and dedication are critical success factors of start-ups. Every time I visited China, I am encouraged by the enthusiasm and commitment shown by the entrepreneurs there. I am convinced that Innovation Works will provide the best platform for these entrepreneurs to realize their dreams.”

Terry Gou, Chairman of Foxconn, said: “I have known Dr. Lee since he worked for Apple, and I have followed Dr. Lee’s brilliant work from Apple to Microsoft to Google. I am confident that

his creative ideas and charismatic leadership will be fully unleashed at Innovation Works. I am very pleased to be one of the founding investors of his new venture.”

Beijing Vice Mayor Gou Zhongwen endorsed Dr. Lee’s move, saying, “I hope Innovation Works will build on the advantages of Beijing Zhongguancun Science Park, China’s Silicon Valley, to foster more entrepreneurs, valued Chinese brands, intellectual property and high-end information technology. With Dr. Lee’s rich experience in technology innovation, Innovation Works will undoubtedly play a significant role in the next wave of advancements.”

Mr. Liu Chuanzhi, Chairman of Legend Group, said, “With the resilience of the Chinese economy, the abundance of late-stage funding, the newly established China Growth Market Second Board, the emerging 3G and cloud computing, and the exceptional talent pool in China, this is the perfect timing for Dr. Lee’s Innovation Works platform.”

Added WI Harper Chairman Peter Liu, “Every year Innovation Works will spin-off three to five companies and WI Harper is delighted to help those companies build an institutional investor syndicate to grow and flourish. Dr. Lee’s experience positions him perfectly to guide these new ventures to successful outcomes, and in doing so deliver value to all shareholders.”

# Business Week

## Interview: Google China's Kai-Fu Lee Debuts Innovation Works

Posted by: Rob Hof on September 06

Kai-Fu Lee became famous in 2005 when the engineering whiz left Microsoft, where he had created Microsoft Research Asia, to head search giant Google's operation in China. Microsoft sued, charging that he violated a noncompete agreement, but eventually settled. This time, as Lee leaves Google, he's sure to avoid a lawsuit, because he's starting his own venture, which launches Monday morning in Beijing.

Innovation Works is intended to be something of an incubator for new Chinese companies in mobile computing, e-commerce, and cloud computing. Lee (who hates the term "incubator" because of the failure of so many in the U.S. dot-com crash) intends to brainstorm ideas, find entrepreneurs and engineers to prove them out, and provide seed funding.

Lee says Innovation Works will fill a void in China today. Entrepreneurs don't have much experience creating companies and building them to the point that they are ready to get multimillion-dollar funding from what he says is an abundance of later-stage funding sources in China. The operation is funded with \$115 million from the likes of YouTube cofounder Steve Chen; Terry Gou, chairman of electronics manufacturer Foxconn; Legend Group Chairman Liu Chuanzhi; and Yu Minhong, chairman of educational services firm New Oriental Education and Technology Group. WI Harper Group is the lead venture investor.

Lee helped Google gain some ground in China, nearly doubling its share of searches. But it has continued to lag far behind leader Baidu. Lee's departure won't help Google, since he was instrumental in attracting talent.



# TechCrunch

## Will China's Best Coders Flock to Kai-Fu Lee's New Incubator?

by Sarah Lacy on September 6, 2009



Kai-Fu Lee has confirmed reports that he's leaving his post as head of Google China to start something called Innovation Works, a mix between an incubator, a development lab and an angel investing firm. The plan is to hire 100-150 smart young Chinese engineers, help nurture their ideas, then spin off 50-75 of them a year, with seed funding from Innovation Works. He'll hire up another 50-75 more smart, scrappy kids to fill that gap and keep the cycle going.

Incubators have certainly had mixed records in the U.S. Idealab flamed out in the Internet bust along with some of its once-brightest companies. Even incubators that spawn successes—like Max Levchin's MRL Ventures that spawned Slide and Yelp or Evan Williams' Obvious that was an early home to Twitter—frequently dissolve once a hot idea is found. Y Combinator and TechStars have been lauded as launch pads for the Web 2.0 generation, but it's too early to tell if any truly huge home runs will emerge from them.

But in China, things are different and Lee sees a much greater need for something like Innovation Works. He says the country is at an inflection point in entrepreneurship, thanks to cultural changes encouraging people to be more risk adverse, huge market opportunities in mobile, ecommerce and cloud computing and billions of later stage venture capital in the country.

The trouble is there's a dearth of angel capital and early stage coaching, Lee says. In other words, smart would-be entrepreneurs need both a push and a helping hand. "In terms of maturity start-ups and companies in China are 15 years or more behind the Valley, but it won't take that long to catch up," Lee says. Indeed, Lee says this new company is playing a transitional role in China—one that may not be needed in another ten years.

The \$115 million investment funds came from WI Harper Group, YouTube founder Steve Chen, Foxconn Technology Group, Legend Group and New Oriental Education & Technology Group.

Chinese market opportunities are certainly there, and we've written before about the \$20 billion in capital chasing Chinese high-growth ideas. So the biggest gamble in Lee's analysis is whether or not that culture of risk taking is indeed changing in China. The question isn't whether he'll find 100-150 kids to employ, it's whether he'll be able to pull the best ones.

In the past, it was a no-brainer that the smartest kids would go to Google, Microsoft or another big multinational because of the prestige and the comparatively outsized paycheck, Lee said. Indeed, he enjoyed those magnets as a vice president of Microsoft and head of Google China.

With the new venture, Lee doesn't expect the bulk of people he's hired in the past would come work for him now, nor does he necessarily want them to. "Employees from the multinationals are good at working on global problems, but they're not necessarily entrepreneurial or scrappy because they're not in a Darwinian environment," Lee said in an interview earlier this weekend. "I'm not going to offer Google salaries. If a smart engineer trusts me, he should come join me. We'll do an idea and if it fails, we'll do the next idea."

# Venture Beat

## Google China's Kai-Fu Lee on his new Chinese startup incubator

September 6, 2009 | Kim-Mai Cutler

Kai-Fu Lee, who led Google's China operations until last week, is launching a new early-stage investment fund and startup incubator based in Beijing called Innovation Works.

Lee says Innovation Works' approach will be highly tailored for the Chinese market. It will have more hands-on mentoring, build projects in-house and then spin them out for larger rounds of funding later. The idea is to find young, hungry engineers in Beijing's top universities, hire them, give them the room to experiment with ideas and then help them grow their projects later.

He says the Chinese market needs a more intensive approach in funding entrepreneurs because the education system is poor and company founders lack experience. There also isn't as strong a financial ecosystem for supporting very young technology ideas.

He's financing Innovation Works with \$115 million from investors including Steve Chen, who co-founded YouTube, Foxconn Technology Group, Legend Group and New Oriental Education & Technology Group. WI Harper Group is the lead venture capital investor.

Lee built up Google's China team, bringing the company's market share in search to about 20 percent against Chinese competitor Baidu's 76 percent, according to iResearch. He came to Google in 2005 after a highly publicized legal battle between the company and Microsoft, which sued Google and alleged that Lee had violated his employment contract when he switched jobs.

# **IDG News: PC World**

## **Google's Departing China Boss Opens \$115M Investment Fund**

Owen Fletcher, IDG News Service

Sep 7, 2009 6:40 pm

Kai-Fu Lee, who left his job as Google's China head last week, launched an angel investment fund on Monday that aims to cultivate three to five new high-tech companies per year in China.

The fund, named Innovation Works, launched with US\$115 million in investment from major IT players including Foxconn and Legend Group, the parent company of Lenovo, it said in a statement. The fund will use the money to train young entrepreneurs and help them build companies that could later be sold or listed on a stock market. It will focus on the Internet, mobile Internet and cloud computing industries in China.

The fund aims to develop 50 companies and train 500 people in 10 years, and may eventually seek a public listing itself, Lee told reporters at a briefing.

"My hope is there will be a company in these 50 that becomes a world-class company," he said.

Innovation Works will speed the growth of its companies by giving them shared resources, such as software and server room space, and potentially by helping them partner with the fund's own investors, such as Legend, Lee said.

The fund is launching in a market where entrepreneurial skills are currently scarce, Lee said. Compared to most angel investment outfits, the fund will both keep a larger cut from the sale or listing of its offspring and give them more support, Lee said. The fund may be able to spin off companies within its first year, and it will pay back its investors when it begins doing so more regularly after three to five years, Lee said.

China's Internet industry is booming as incomes rise in the country and more people get online. Official statistics say China had nearly 340 million Internet users at the end of June, more than the population of the U.S.

Other investors in Innovation Works include venture capital firm WI Harper Group and Steve Chen, a co-founder of YouTube.

Lee left Google last week after four years as the company's president of Greater China, during which he led the company's growth into a formidable player in China's online search market.

# Wall Street Journal

## Kai-Fu Lee, “The Single Largest Talent Magnet In China”

Kai-Fu Lee, who resigned last week as Google Inc.’s head of China operations, has opened the doors of Beijing-based incubator program Innovation Works, saying it will be the beginning of a much-needed network of entrepreneurs, engineers and early-stage investors.

Bloomberg News In an interview this past weekend, Lee certainly wasn’t shy about the potential for his program.

“I am the single largest talent magnet in China,” Lee said. “I’ve hired nearly 3,000 people in China, for Microsoft and for Google. I have a reputation for finding talent, and nurturing talent.”

Lee is raising a \$115 million inaugural fund for the program, he said. Among the investors in Innovation Works’ first fund are YouTube Inc. co-founder Steve Chen, Taiwan-based electronics company Foxconn Electronics Inc., Beijing-based investment holding company Legend Group, education company New Oriental Education and Tech Group Inc. and venture firm WI Harper Group.

“It’s difficult, in general, raising funds,” Lee said. “But I’m an exception. In four weeks, I’ve met with 12 people. Nine of them wrote checks.”

Innovation Works may take some time to build up speed, Lee said, but once it is up and running, the program will likely provide seed rounds of about \$500,000 to 10 start-ups per year, and Series A rounds of about \$2 million to five companies per year.

Lee has his eyes on mobile-technology, cloud computing and Internet start-ups, he said.

Other investors – including Kleiner Perkins Caufield & Byers’ former front man in China, Joe Zhou, who now heads Beijing-based Keytone Ventures – says there is no lack of talent in China, but that the culture there contributes to a high failure rate among start-up companies.

Lee acknowledged that China lacks the openness and idea-sharing that is common among entrepreneurs in places like Silicon Valley, and he said he aims to change that.

“Talent is plentiful, you just have to have the trust,” he said. “People keep things to themselves.”

This guardedness has kept angel investing, which often involves a leap of faith, from flourishing, he said.

“Early-stage is a huge challenge in China,” he said.

Lee said Innovation Works will foster camaraderie and sharing among entrepreneurs, making their world less opaque for potential investors. The program will also offer extensive help with research

and development, networking, fund-raising and other important milestones.

The program aims to spin several start-ups per year into successful, independent companies.

# Fox Business

## Former Google Executive to Launch Chinese Tech Incubator

The former chief executive of Google (GOOG: 463.97, 5.35, 1.17%) in China is planning his own tech firm incubator, according to reports.

Kai-Fu Lee, who announced his departure from Google just last week, plans to launch a \$115 million investment firm designed to help provide financing to Chinese Web start-ups, according to a report in The Wall Street Journal.

Lee said the company, called Innovation Works, will give financial support to entrepreneurs and will strive to launch five new businesses a year, maintaining 10% to 20% ownership in each of them, the paper said.

The venture already has some backing from some big names in the industry, including electronics manufacturer Hon Hai Precision Industry, venture capital group WI Harper Group, YouTube co-founder Steve Chen, and PC-maker Lenovo Group's largest shareholder Legend Holdings Ltd.

Lee was hired on with Google in 2005 to help bolster the company's business in China, but his employment with Google prompted Microsoft to sue for violation of Lee's non-compete agreement. Google has said it will divide Lee's responsibilities into two separate positions. Engineering responsibilities will be taken over by Boon-Lock Yeo, who has been working as director of Google's engineering office in Shanghai; the position of vice president of sales and operations will be taken over by John Liu, who has been leading the company's sales team in Greater China, according to reports.

# Reuters Blogs

## Google to \$115 million in 4 months

Kai-Fu Lee, Google's former China head, has officially launched his new firm, Innovation Works, an idea conceived while Lee was sick in a hospital and dogged by an investigation.

Lee said the idea for his new company, a venture capital-like fund aimed at high-tech start-ups, and the \$115 million to fund it have all come since June.

"I was sick in the hospital and we were under that pornography investigation," Lee told reporters, recalling the moment when the idea for his new company first came to him.

"So I was just lying in bed thinking, 'what should I do next?'"

The former Microsoft executive leaves behind Google as it battles Baidu in the world's largest Internet

market by users and Beijing regulators who want to censor searches that lead to pornographic sites. Lee said his battles with regulators were not behind his unexpected exit from Google, but he conceded that business models focusing on information and media were not in his sights.

"Media, in my mind, is not a big growth area," he said.

Executives from Google and other foreign Internet and media companies such as Yahoo have testified before angry U.S. lawmakers concerned about their role in helping Beijing authorities censure the Internet.

"We are thinking about growth areas that are practical and those that coincidentally happen to be commercial and simpler to patent," Lee said.

Innovation Works is targetting start-ups focusing on the Internet, mobile Internet and cloud computing.

The company has attracted venture capital from Foxconn Technology Group, Legend Group and WI Harper Group, New Oriental Education & Technology Group and Steve Chen, a cofounder of YouTube, said Lee.

# Seattle Post Intellegencer

## Flash report

Kai-Fu Lee, the former Microsoft vice president and founding director of Microsoft Research Asia, has quit as head of Google China and has raised \$115 million to create an incubator for high-tech startups in China, as Bob reported. The new organization, Innovation Works, is based in Beijing and is backed by investors including WI Harper Group, Foxconn Technology Group, the Legend Group, the New Oriental Education & Technology Group, and YouTube co-founder Steve Chen. Lee's incubator will focus on building startups in the Internet, mobile, e-commerce, and cloud computing spaces.

# Thestreet.com

## Google's Ex-China Chief Resurfaces

Kai Fu-Lee's departure from Google was confirmed last week, with reports suggesting that he was working on his own venture. The Wall Street Journal reported Tuesday that Lee is forming a new tech-incubation company, called Innovation Works, which is already capitalized with \$115 million from "several prominent backers."

Lee, who discussed his plans with reporters Monday, expects Innovation Works to produce up to five start-ups a year, according to The Journal. The executive said that the company is backed by contract manufacturing giant Hon Hai Precision Industry, Lenovo parent company Legend Holdings and venture capitalist W.I. Harper Group.

The former Microsoft(MSFT Quote) executive and assistant professor at Carnegie Mellon University joined Google in 2005 to develop the company's Chinese business and was later appointed president of its greater China operation. In this role, Lee was credited with expanding Google's Chinese presence despite stiff competition from local rival Baidu and government censorship issues.

The Mountain View, Calif.-based firm has nonetheless shrugged off Lee's departure. In a news conference earlier this week, the two Google executives appointed to fill his role told reporters that they are confident that the search firm can continue to grow in China.

Globally, Google also faces the challenge of Microsoft's recently-announced search partnership with Yahoo! (YHOO Quote), although Google is said to be planning its own partnerships around Web searches and advertising.

# examiner.com

## China to produce next innovative internet entrepreneurs?

While President Obama is focusing on the redistribution of wealth and Collectivism in the United States, in China opportunities for Internet entrepreneurs is being encouraged. In that country a search has already begun to find talented engineers and help them develop the next generation of Internet and mobile computing technologies.

Kai-Fu Lee, former head of Google's China operation, has already raised \$115 million that would finance high-tech start-ups in that country. Innovation Works plans to

“...collect the best ideas, and we are going to hire the best engineers and entrepreneurs. After one year, we'll send the companies into the open. If they get venture capital funding, great; if they don't, they won't live.”

Peter Liu, chairman of WI Harper, one of the investors, said:

“ Part of the logic behind forming the company was the lack of early-stage financing of high-tech start-ups in China: angel investors who could provide financing and coaching of young companies. Talented managers now working for technology companies are primed to leave those companies to become great entrepreneurs.”

According to the latest reports, China's top 500 enterprises exceeded that of their counterparts in the United States. Although net profits for the Chinese heavyweights are down 12.4 percent from a year ago, those in the U.S. fell 84.67 percent, the worst decline in 55 years.

Obama continues to surround himself with those advocating Collectivism, which is instead of free enterprise, the use of principles or a system of ownership and control of the means of production and distribution by the people collectively, usually under the supervision of a government. If China continues on the road to capitalism, it is only a matter of time before it overtakes the United States economically and in world leadership.

# localtechwire.com

## Latest Lenovo chairman news – Now he's a venture capitalist

MORRISVILLE, N.C. – Liu Chuanzhi, Lenovo's chairman and new chairman of parent firm Legend Holdings, just keeps making news. Now he's also a venture capitalist, having invested in a new startup launched by Google's former top executive in China.

Plus, in an interview with The Financial Times published Wednesday, Liu offered insight into how he plans to change Legend Holdings into an industrial conglomerate largely free of ties to the Chinese government. (See Tuesday's Skinny about the maneuverings that have put Liu in charge of Legend and how the Chinese Science Academy is lessening its role in Legend, thus impacting Lenovo as well.)

Talking with The FT's Kathrin Hille in Beijing, Liu said he wants to free Legend from links to the Chinese government because he believes that will lead to more business opportunities overseas.

Remember back when Lenovo first acquired IBM's PC division that was largely based here in the Triangle and then made a major sale to the U.S. State Department? An uproar ensued with critics charging Lenovo could bug the hardware since it was linked to the Chinese government.

Liu obviously hasn't forgotten. He told The FT that Lenovo had encountered "difficulties in the past with government-related orders as it was seen as a state-controlled company."

"There will be further changes to Legend's shareholding structure," he added.

The reconfigured Legend plans to invest heavily in companies outside of Lenovo, which is based in Morrisville but maintains most of its operations in China.

As for his personal interests, Liu is among the identified investors for "Innovation Works," the "business creation" platform that Kai-Fu Lee launched this week. In announcing his new venture, the former president of Google Greater China said he had raised \$115 million from "an elite group of venture investors."

Those include: Liu; Steve Chen, a co-founder of YouTube; Terry Gou, chairman of Foxconn; and Yu Minghong, Chairman of New Oriental. The lead corporate venture investor is WI Harper Group.

Lee plans to focus on Internet, mobile computing and cloud computing as well as mentoring Chinese entrepreneurs.

"With the resilience of the Chinese economy, the abundance of late-stage funding, the newly established China Growth Market Second Board, the emerging 3G and cloud computing, and the exceptional talent pool in China, this is the perfect timing for Dr. Lee's Innovation Works platform," Liu said in a statement.

Apparently Liu also believes the time is right to grow Legend – and Lenovo along with it.

# Global times

## Ex Google China chief Kai-Fu Lee starts Innovation Works

Kai-Fu Lee, who abruptly left as president of search giant Google Inc's Greater China operation September 4, debuts his own venture Innovation Works ([en.innovation-works.com](http://en.innovation-works.com)) in Beijing Monday morning.

The 47-year-old chairman and CEO, announced that Innovation Works is a business creation platform that focuses on helping to establish the next wave of Chinese high-technology companies. Internet, mobile Internet, and cloud computing technology are three main areas the company is focused on.

According to Lee, Chinese start-up entrepreneurs encounter significant obstacles, such as the lack of management experience and coaching, the reluctance of venture capitalists to invest in companies in the formation stage, and the lack of networking and experience to pull a company together.

"These barriers all contribute to a dearth of high-tech start-ups in China," Lee explained. "Innovation Works will match entrepreneurs, engineers, ideas, and capital with a unique business model that improves success rates and speeds up time-to-market."

Lee's new venture has won widespread and powerful support from investors around the globe. Innovation Works is funded with

Although the majority are institutional investors, Steve Chen, the co-founder of YouTube and PayPal, has contributed to Lee's startup as an individual investor. As a remarkable entrepreneur who made a fortune in his 30s, Chen expressed how much he was heartened by the enthusiasm and commitment shown by Chinese entrepreneurs. "I deeply believe that passion and dedication are critical success factors of start-ups," Chen said at the press conference.

Peter Liu, Founder and Chairman of WI Harper Group who is widely regarded as a pioneer among venture capitalists in Asia, says WI Harper is delighted to help companies like Innovation Works in order to "build an institutional investor syndicate to grow and flourish."

"Lee's experience positions him perfectly to guide these new ventures to successful outcomes, and in doing so deliver value to all shareholders." Liu added.

A friend for almost 20 years, Terry Guo, president of Foxconn Technology Group, came from Taiwan to show his support. "I am confident that his creative ideas and charismatic leadership will be fully unleashed at Innovation Works," he says.

# TopNews

## Innovation Works unveiled today

Today, Innovation Works was launched - it is a business creation platform concentrating on creation of the next wave of Chinese high-technology companies founded by Dr. Kai-Fu Lee.

The announcement, which initiates a new business paradigm into the Chinese start-up environment, comes after news of Dr. Lee's resignation as Google Vice President and President of Google Greater China.

The main aim of Innovation Works, which will be led by Dr. Lee, will be to focus on Internet, mobile Internet, and cloud computing technology advancements aimed at the Greater China market, and to develop "dream teams" to collect, analyze, prioritize and execute the most promising ideas.

With the launch of Innovation Works, an entrepreneur's capability to ideas, get hold of additional external funding, and then transform into an independent company, would definitely be enhanced.

An elite group of venture capital groups and investors - including Steve Chen (Co-Founder of YouTube), Foxconn Technology Group, Legend Group and New Oriental Education & Technology Group - will fund Innovation Works with \$115 million. The lead venture capital investor is WI Harper Group.

Dr. Kai-Fu Lee, Innovation Works founder, Chairman and Chief Executive Officer said: "The Chinese entrepreneurial environment is still in its formative stage, with significant barriers for the early-stage entrepreneur: the lack of management experience and coaching, the reluctance of venture capitalists to invest in companies in the formation stage, and the lack of networking and experience to pull a company together."

He added: "These barriers all contribute to a dearth of high-tech start-ups in China. Innovation Works is matching entrepreneurs, engineers, ideas, and capital with a unique business model that improves success rates and speeds time-to-market."

# The New York Times

## Google's Ex-China Head to Fund Start-Ups

SHANGHAI — Three days after announcing that he was resigning as the head of Google's China operations, Kai-Fu Lee said Monday that he had raised \$115 million to create a company that would finance high-tech start-ups in China.

That company, Innovation Works, will search for talented Chinese engineers and entrepreneurs and help them develop the next generation of Internet and mobile computing technologies, Mr. Lee said in a telephone interview.

"We're going to collect the best ideas, and we're going to hire the best engineers and entrepreneurs," he said. "After one year, we'll send the companies into the open. If they get venture capital funding, great; if they don't, they won't live."

Innovation Works is being backed by the YouTube co-founder Steve Chen, Foxconn Technology, Legend Holdings, New Oriental Education & Technology Group and WI Harper Group. Foxconn is one of the world's biggest electronics manufacturers, whose products include the Apple iPhone and Hewlett Packard computers. Legend is the parent company of Lenovo, the Chinese computer maker.

Mr. Lee, 47, who was born in Taiwan and grew up in the United States, said he was leaving Google after four years because he had simply found a new challenge.

He dismissed as "outrageously wrong" the notion that his departure had anything to do with Google's difficulties in complying with China's strict censorship rules or with fierce competition from China's leading search engine, Baidu.

"In my career, I've never run away from anything — I run toward things," he said. "There's clear evidence Google has doubled its market share in China under my leadership. It's on the upturn."

In a telephone conference call with Peter Liu, chairman of WI Harper, one of the lead investors, Mr. Lee said part of the logic behind forming the company was the lack of early-stage financing of high-tech start-ups in China: angel investors who could provide financing and coaching of young companies.

Talented managers now working for technology companies in China are primed to leave those companies to become great entrepreneurs, he said.

“Our experience is in company building,” he said. “I can coach them with my many years of experience.”

China is already a hotbed of high-tech growth, with fast-growing Internet companies like Baidu, Tencent, Shanda and Alibaba already worth billions of dollars. Venture capital funds are aggressively scouting out new companies that can capture share in what is already the world’s largest Internet market, with over 300 million users.

Innovation Works recently signed a lease to rent part of a building in Beijing’s high-tech district, next to Google’s offices, and the company will house its start-ups there.

Despite the economic downturn, Mr. Liu of WI Harper said he had no trouble raising the money for Innovation Works.

“We raised the money in less than 30 days,” he said, and called the hiring of Mr. Lee “a miracle.”

“He can identify the next Google in China or the next Baidu,” he said.

# TechSTOX

## Former China Google head starts new firm

2009 (United Press International) -- The head of a new Chinese firm says he has raised \$115 million to invest in promising start-up companies in the country.

Lee Kai-Fu, who last week announced his resignation as chief of Google's (NASDAQ:GOOG) China operations, told Monday's New York Times that his new company, Innovation Works, is being backed by YouTube co-founder Steve Chen and other venture capitalists, and is seeking to help develop a new generation of Chinese Internet and mobile computing entrepreneurs.

"We're going to collect the best ideas, and we're going to hire the best engineers and entrepreneurs," Lee told the newspaper. "After one year, we'll send the companies into the open. If they get venture capital funding -- great; if they don't, they won't live."

Other backers of Innovation Works reportedly include Foxconn Technology -- a manufacturer producing Apple's iPhone -- the Legend Group, New Oriental Educational and Technology Group and the American venture capital firm WI Harper Group.

Lee, 47, told the Times reports that his departure from Google was connected to its clashes with China's strict censorship rules or the fierce competition it is facing from Baidu, China's leading search engine, were "outrageously wrong."

# CNBC

## **Dr. Kai-Fu Lee Leaves Google, Starts Innovation Works Supported by Industry Giants**

BEIJING, Sep 06, 2009 (BUSINESS WIRE) -- Innovation Works, a business creation platform focused on establishing the next wave of Chinese high-technology companies founded by Dr. Kai-Fu Lee, launches today. This announcement follows news of Dr. Lee's resignation as Google Vice President and President of Google Greater China and introduces a new business paradigm into the Chinese start-up environment.

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