

## TECHNOLOGY

# China's Xiaomi Valued at More Than \$45 Billion

Smartphone Maker Raises More Than \$1 Billion in Latest Funding Round



Visitors use mobile phones in front of a reception desk at the Xiaomi Corp. headquarters in Beijing. *BLOOMBERG NEWS*

By **JURO OSAWA**

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HONG KONG—Xiaomi Corp. is raising more than \$1 billion in its latest round of funding, valuing the fast-growing Chinese smartphone maker at more than \$45 billion and making the company one of the most valuable technology startups in the world, a

person familiar with the matter said.

The round, which could close as early as Monday, is led by All-Stars Investment, a tech investment fund run by former Morgan Stanley analyst Richard Ji, the person said. Other participants in the round include Russian investment firm DST Global and Singapore sovereign-wealth fund GIC, which are both already shareholders of Xiaomi.

Yunfeng Capital, a private-equity firm affiliated with Alibaba Group Holding Ltd. Executive Chairman Jack Ma, is also participating in the round, the source said. The person declined to say how many shares will be sold in the latest round.

A Xiaomi spokesman declined to comment.

The \$45 billion-plus valuation puts Xiaomi above most other Silicon Valley and Asian technology startups. Earlier this month, U.S. ride-sharing service Uber Technologies Inc. said a new round of funding valued it at \$41 billion.

The surge in Xiaomi's valuation over the past year indicates just how high expectations are as the company expands its business outside China, mainly in emerging markets where there is robust demand for inexpensive smartphones.

In its previous round of funding in August 2013, Xiaomi was valued at \$10 billion.

Xiaomi, founded by Lei Jun in 2010, has grown rapidly to become the top-selling smartphone vendor in China by offering affordable phones with features rivaling high-end models. Xiaomi phones come with a customized version of Google Inc.'s Android operating system, and the company often updates the software based on requests from users.

In the second quarter, Xiaomi overtook Samsung Electronics Co. as China's biggest smartphone maker by shipments for the first time, according to research firm Canalys. This year, Xiaomi expects to sell 60 million units globally, up from 18.7 million in 2013.

Still, Xiaomi's success outside China is far from guaranteed. The company faces many challenges abroad such as patent litigation and user concerns over data security, as well as poor brand recognition, industry executives and analysts say.

Earlier this month, the High Court of Delhi in India issued a temporary injunction on the sale and import of Xiaomi handsets in the country as it waited to hear a patent complaint by Swedish telecommunications-equipment maker Ericsson, which alleged

that the Chinese company was using its technology without paying royalties. Last week, the Indian court gave a temporary permission to resume the import of Xiaomi devices. Xiaomi last week declined to comment on Ericsson's allegations.

Xiaomi comprises a web of offshore and Chinese entities. At the top of its corporate structure is Xiaomi Corp., a Cayman Islands-incorporated entity. It is Xiaomi Corp. that is raising the funds from All-Stars Investment and others.

Such a structure is common among Chinese technology companies because China restricts foreign investment in certain industries such as technology. For example, e-commerce giant Alibaba is also a Cayman Islands-incorporated company, while its Chinese domestic entities hold key licenses to operate online services in China.

As Xiaomi Corp. hasn't disclosed its earnings, it is unclear how profitable Xiaomi as a whole is. Xiaomi H.K. Ltd., an offshore entity wholly owned by Xiaomi Corp., recorded a net profit of 3.46 billion yuan (\$566 million) last year, according to a confidential document viewed by The Wall Street Journal in November. Xiaomi Inc., one of the Chinese entities within Xiaomi, posted a much smaller net profit of 347 million yuan (\$56 million) last year, according to a filing by another Chinese company in which Xiaomi invested.

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