

## Mayfield's China Affiliate, GSR Ventures, Closes Fund II

By Russ Garland, Dow Jones VentureWire

1/26/2007

GSR Ventures, a Chinese venture firm sponsored by Mayfield Fund, has closed its second early-stage technology fund at \$200 million with Mayfield stepping up from a limited to a general partner.

Mayfield Managing Director Kevin Fong becomes GSR's fifth managing director. James Beck, a Mayfield managing director and the firm's chief financial officer, also will serve as CFO of the China firm, which has offices in Mayfield's Menlo Park, Calif., headquarters and in Beijing.

Fong said that even as a limited partner Mayfield played an active role in guiding GSR and that he would not be reducing his investment activities at Mayfield as a result of the GSR partnership change. "Basically, we are following the entrepreneur and the technology wherever they are in the world," he said of Mayfield's strategy.

GSR Managing Director Richard Lim said the firm's \$75 million initial fund, which closed last year, has invested in 11 Chinese technology start-ups, and Mayfield has co-invested in seven of them. He said the fund has "greatly exceeded our expectations and Mayfield's expectations" and is now "a strategic part of their global strategy."

The original partnership was limited to two funds, Lim said, and the structural change creates "a sustainable long-term relationship." Mayfield will invest in China through GSR once the first fund is deployed and will not make further investments in new Chinese companies from its \$375 million U.S. fund. Lim said GSR's first fund should be done making new investments within the first half of this year, having financed 13 to 15 companies.

Limited partners in GSR Ventures II include Horsley Bridge, which also backed the first fund. Lim said all LPs in the first fund returned for the second. Fong said some Mayfield LPs invested in the initial GSR fund and many others stepped up for the second, which was quickly raised in the last three months of 2006.

GSR has backed Internet, semiconductor and wireless companies since it started investing the first fund in 2005. Portfolio companies include dating service Baihe Online, Internet television provider United ITV and sports betting company SportsGG.

Through GSR, Fong said Mayfield remains start-up focused. "We are truly carrying on the Silicon Valley early-stage investing tradition in China," he said. Although venture investors are intensely interested in China, many are doing later-stage deals, leaving plenty of room for early-stage specialists in the giant and rapidly developing

country, Fong said.

Lim said "valuations are still significantly more attractive in China than they are in the United States," although they are much higher than three years ago.

Mayfield also has launched an initiative in India, announcing its first two investments there earlier this month. One was a commitment to Seedfund, an Indian early-stage venture fund; the other an investment in network equipment maker Tejas Networks India Ltd.