

# Tembusu Partners might reap massive gain from VDH Biodiesel

| BY GOOLA WARDEN |

Elegant, attractive and vivacious, Emily Goh seems an unlikely player in a biofuel venture taking shape in a war-torn area of Cambodia. Yet, as a director of Tembusu Partners, which is one of the investors in VDH Biodiesel, that's exactly what she is.

Backed by \$50 million obtained largely from local tycoons Tan Kim Seng, the founder of KS Energy Services; Tan Boy Tee, controlling shareholder of Labroy Marine; and Chew Hwa Seng, founder and chairman of Raffles Education, Tembusu kicked off operations only in January. Tembusu's fourth cornerstone investor and chairman is Andy Lim, a Cambridge-educated SAF scholar who is married to Minister of State Finance and Transport Lim Hwee Hua.



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Through one of its funds, Tembusu invested \$1 million in convertible bonds issued by VDH Biodiesel, which gives it an effective 8.33% in the biofuel company. VDH Biodiesel is in the process of being sold to **GKE International** at a valuation of \$13 million, which the listed company will fund with \$9 million in cash and an issue of 36 million new shares valued at 11 cents each. Based on filings from GKE, Tembusu could receive approximately 9.8 million new shares in GKE for its interest in VDH Biodiesel, or just under 5% of the enlarged company. At the current market price of 52.5 cents, that could well be worth some \$5.14 million — or about five times Tembusu's investment cost.

GKE plans to raise more equity capital later this year to expand VDH Biodiesel, which will further dilute Tembusu's percentage interest in the company. But if the business succeeds, Tembusu's shares in GKE could be worth even more in the future. VDH is expected to produce 100,000 tonnes of biodiesel per annum in 2009. At full capacity, the VDH management says it should be

able to produce 200,000 tonnes a year by 2011.

In the meantime, Goh and her team have other investments cooking. In January, Tembusu paid some \$3.9 million for a 20% stake in Malaysian company **TTM Industries (TTMI)**, a copper smelter based in Klang. **Advance SCT Ltd**, a Sesdaq-listed copper recycler, owns the remaining 80%. Why copper? Besides China's voracious appetite, construction activity in Singapore, fuelled by a property and infrastructure building boom, is creating massive demand. According to Terence Tea, CEO of Advance SCT, HDB flats require about 0.1kg of copper wiring per square metre.

TTMI started producing copper that has a purity of 99.6% to 99.7% in March this year. By the year-end, the start up will be producing the metal at a rate of 60,000 tonnes, which it plans to sell to customers like Mitsui Copper of Japan. "The first furnace is in operation and the second one should be ready by 3Q07," says Tembusu's Goh. "They are way ahead of schedule."

Tembusu has two other investments at the moment — synthetic textile maker **Hongwei Technologies** and technology start-up **GlobalRoam Group**. The investment group paid \$3.7 million for a 5% stake in Sesdaq-listed Hongwei in April, when the company placed out 35 million shares at 32.5 cents apiece. "We invested in Hongwei in the post-IPO placement when the P/E ratio was about five times," says Goh. "Compared to **Fibrechem Technology**, which at that point was going at double-digit P/E multiples of 13.2 times, we felt Hongwei had potential." Shares in Hongwei closed at 39.5 cents last week.

For now, Tembusu is working closely with Hongwei and following the progress of its new factory, which makes state-of-the-art synthetic cotton. "We work with them to make sure everything is ahead of schedule, if possible, and to increase production and revenue," adds Goh. Hongwei owns the rights to the manufacture of synthetic cotton that is non-flammable. Eventually, Tembusu could exit the investment through a placement.

Integrated communications company GlobalRoam Group, on the other hand, is just at the early stages of building its business. Tembusu paid \$300,000 for a 2.86% stake in April. Goh says the company is still loss-making, but hopes that it will eventually find its feet and grow.

Over time, Tembusu expects to expand its fund size to \$100 million. "Currently, our four cornerstone investors have invested \$50 million and our fund will not take in more than 30 investors. We currently have 16 investors," says Goh. She adds that Tembusu's role is to nurture start-ups, and add value where possible. In the process, Tembusu will likely help management devise and implement strategic initiatives, Goh points out. Companies such as TTMI and Advance SCT clearly fit the bill, as does VDH Biodiesel. "At the next stage of growth, we will try to bring them to IPO or look for a merger or acquisition."

The bulk of the fund — around 90% — will be invested in unlisted companies, with 5% in listed equity and 5% in start-ups. Part of the remit of the fund is to invest in companies in the oil and gas sector, base metals, reprocessing and education. So far, the fund hasn't invested in any marine and offshore plays despite three of the four cornerstone investors being entrepreneurs who made their fortunes in that sector. Goh says it's because the marine and offshore companies are now priced at very high valuations.