



ASIA

AFFINITY CLOSES TWO DEALS IN ONE WEEK WITH LOSCAM, FIRST ENGINEERING BUYOUTS

Affinity Equity Partners has cranked up the pace yet higher in Asian private equity's busiest ever summer, with two deals in one week. Straight after a S\$74.4 million (\$44.2 million) investment in Singapore's First Engineering Ltd., Affinity announced the secondary buyout of Australia's Loscam from DB Capital Partners, for A\$250 million (\$188.7 million). This means that Affinity's \$700 million Affinity Asia Pacific Fund II, raised only nine months ago (see *AVCJ Nov 1, 2004*), is now around 50% invested, with five deals already at a total transaction value of over \$1 billion.

"We have had a good run in the last nine months, but in the next 12 months, who knows?" Kok-Yew Tang, Chairman and Managing Partner of Affinity, said, adding, "I don't think any firm has done more than five deals in nine months."

First Engineering is a Singapore-listed specialist manufacturer of precision-molded plastic components and molds for a variety of applications. Affinity bought a 28.2% stake in the company from the founding Wang family. Loscam is a Returnable Packaging Hire (RPH) company supplying wooden pallets and containers to service supply chains.

"It's the first time we've done a secondary transaction in our entire history. It goes to show that secondary transactions are going to grow in Asia," Tang said of the Loscam deal. As for DB's motives for exiting the investment, he noted "like most private equity funds, there's a time to buy and a time to



Kok-Yew Tang

sell," but pointed out that Affinity's Asian network gave it an edge in "a very competitive auction" for the company.

"We plan to help the company grow the Asian operation at a significantly faster rate than in the past," he told *AVCJ*. "That gave us a competitive advantage. We felt we could do more for the business. The other bidders were mainly Australian private equity houses."

Tang anticipates excellent prospects for Loscam across the region. "This was an Australian company that had managed to take strong to dominant market share in six Asian countries," he told *AVCJ*. "This is a good cash cow. They've got a good position in Australia, where they're Number Two. As countries develop and logistical operations modernize,

this returnable palette model will fit in very well. Once the retail trade modernizes, there's tremendous potential for growth in Asia."

As for First Engineering, Tang told *AVCJ*: "it's a full exit for the family. This was a family business that was started 26 years ago by an Indonesian entrepreneur. He passed away, and the shares ended up with his seven children. Many of them are no longer involved in the business, their objectives are different, and they were looking to exit."

Tang said, "We like the business because it's a very specialized niche. Everything they do is ultra-high precision." However, he added, "This is buying out a founding family. We're going to see more and more of this in Asia. The founders will not sell, but the second generation, who are educated professionals, have less problem selling." -PSM

CHINA

SEQUOIA LAUNCHES CHINA FUND

Doing an about-face from statements just a few years earlier about not understanding China well enough to invest there, Sequoia Capital is raising a dedicated fund to invest in China. Partner Mark Stevens told *AVCJ* that fund-raising is almost complete and noted that the fund will be "modestly sized," while declining to specify the dollar amount of Sequoia Capital China I.

While Sequoia has many portfolio companies with significant business operations in China, this fund will be the first that the prestigious Sand Hill Road player will invest specifically in mainland China-domiciled companies.

"We've had a lot of genuine interest in China by our limited partners and it is largely the same LPs who have been with us who are behind this fund," Stevens said.



Neil Shen

While the fund will invest in early- and late-stage deals, the focus will clearly be on the information technology sector. Stevens predicted that Sequoia will close its first deal in China before the end of 2005. Newly recruited partners Neil Shen (see *AVCJ Aug 15*) and Fan Zhang (see *AVCJ Aug 22*) are sourcing deals for Sequoia in the mainland. "We feel that the best approach is to have our own team on the ground in China," Stevens said.

"China is coming into the modern age of telecommunications and has a lot of young, indigenous companies being started up by returnees to China," said Stevens, explaining why Sequoia decided to take the plunge now. He noted that several Sequoia partners have been making the rounds in China over the past few years. -RAF