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Tongkat Ali venture proves potent

Jennifer Jacobs

MALAYSIA Venture Capital Management's (Mavcap) first investment, Phytes Biotek Sdn Bhd, is already bearing fruit.

Not three months after the largest local venture capital company in the country invested RM20 million in it, Phytes - a biotechnology company founded by a group of university professors - has sealed a five-year deal to supply RM122 million worth of Tongkat Ali extracts to a South Korean company.

The memorandum of understanding (MOU) to supply water-soluble Eurycoma Longfolia (Tongkat Ali) to Dae Seong Trading Co Ltd, a large South Korean food and beverage company, was signed yesterday. The extracts will be used to manufacture a herbal energy drink for the global market.

The signing ceremony was witnessed by Prime Minister Datuk Seri Dr Mahathir Mohamad who is on an official visit to South Korea.

Mavcap chief executive officer Mohd Azwar Mahmud pointed out that the deal is significant not only in terms of the size of the order but also the fact that it represents a breakthrough for the company and Malaysia.

"South Korea is famous for its ginseng... the predominant and most accepted herb in the country. If Phytes can sell its Tongkat Ali there, it will be able to do so anywhere else."

Mavcap is both surprised and delighted by the development, he said, adding that "we were expecting gradual market development".

"Now it is up to them (Phytes) to get their manufacturing plant up and running and deliver quality goods in acceptable timeframes. Mavcap will be working with them to ensure that they do."

Phytes, which only received the investment a little over a month ago after meeting all conditions set out in the agreement with Mavcap, is building its manufacturing plant in Glenmarie, Shah Alam. It will be ready by August.

Azwar said with this single deal, Phytes would have met almost all of its "milestones" set by Mavcap under the agreement.

Mavcap also feels vindicated for its decision to back Phytes which had derisively been dismissed as merely a "Tongkat Ali" company, he said.

"The detractors chose to ignore the technology involved and the product's global potential."

Phytes chairman and chief executive officer Dr Johari Saad pointed out that the company's edge is its patented method of extracting the active ingredients of Tongkat Ali minus the sawdust and the toxins.

"Our product's global potential is based on its no-side effects factor and its varied uses. The agreement with Dae Seong will help position it as a viable herbal alternative in South Korea's energy drink industry.

"The growing awareness, acceptance and demand for our product have opened other avenues for market penetration too," Johari said.

The company has started talks in Japan and China, but will put the European and US markets on hold for the time being until it builds up sufficient production capacity.

Under the MOU, Phytes will supply the Tongkat Ali extract and Dae Seong formulate and market the energy drinks for the domestic and international markets.

Phytes is a nutraceutical company set up by Malaysian scientists who pioneered innovative extraction of tropical herbs. Patent for the technology is pending. It has plans to tap Malaysia's diverse bio-

resources to produce other high-quality herbal extracts and nutraceutical and phyto-medicine products.

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