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Tan Chin Tuan's knack for good buys - local and abroad

The late Mr Tan always looked for financially sound firms with good growth, profit potential

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FORMER OCBC Bank chairman Tan Chin Tuan, who died on Nov 13 at the age of 98, is well-known for his prodigious efforts at building up a stable of local household names around the bank.

These include insurer Great Eastern Holdings, department store operator Robinson & Co, conglomerate and beverage giant Fraser & Neave (F&N), property company Straits Trading and beer maker Asia Pacific Breweries.

Perhaps less well-known though is that, Mr Tan, whose birthday falls today, also had an astute nose for sniffing out foreign buys that made sense for OCBC and its related companies. For example, he spent the World War II years in Sydney and India helping OCBC maintain its overseas operations.

He developed close ties with the Bank of New South Wales - now the Westpac Banking Corp - when he was in Sydney and went on to buy a significant stake in it.

Later on, he bought into Hongkong & Shanghai Banking Corp (HSBC), and took up a 4 per cent stake in Britain's Midland Bank, which is now also owned by HSBC.

He had explained that these deals met dual aims: 'The main object of buying into them is investment.

'For instance, I started to buy Midland Bank in 1973 when prices were very low. I was confident that the depressed price did not reflect anything fundamental, and subsequent and current prices have justified my confidence in the Midland Bank, and much goodwill has resulted from this investment. We have strengthened a valuable relationship.'

'The second objective is to establish strong ties with leading indigenous banks,' Mr Tan had said, adding that 'our customers can go to almost any branch of the bank...and they will be welcomed as if they were the banks' own customers'.

Underlying all his investment picks was the philosophy that the firm must be financially sound, with good growth and profit potential.

His lifestyle did not stand in the way of investments. As one observer said: 'For a man who did not drink, he liked brewers. That was because of their strong cash flow and their property assets.' He even bought the 'small and broken down' Leopard Brewery and the Lion Brewery in New Zealand.

When corporate raider Sir Ron Brierley of Brierley Investments fame tried to interest Mr Tan in a corporate takeover of the Lion Brewery, Mr Tan refused to even meet his associate.

He had said that 'I believe in mergers, not takeovers'. With the latter, 'you create resentment'.

One of his most notable foreign picks was in 1983, when he found himself up against one of Australia's most powerful businessmen - John Elliott, the head of what was then Australian conglomerate Elders IXL, now called Foster's.

Australia's Carlton United Breweries became a takeover target by Elders in 1983. However, Elders' offer of A\$3.82 per share for Carlton was seen to be much lower than its real value.

Straits Trading, which only a few months earlier had taken a small stake in Carlton, raised its holdings quietly to protect its interests.

With a 4.59 per cent stake, Straits Trading held the key to the success of the Elders takeover. Mr Elliott even flew to Singapore to meet Mr Tan, and warned that dividends would be withheld from investors if the offer was not accepted.

But Mr Tan was unfazed. He knew that Elders - the largest shareholder in Carlton - needed the cash flow from dividends.

Finally, Elders had to cave in, and the offer price was raised by 74 Australian cents to A\$4.56.

In seven months, Straits Trading had made some \$70 million. The papers billed this as Straits Trading's 'biggest stock market killing since its incorporation in 1887'.

Back home, it was Mr Tan's savvy eye that spotted assets up for sale as the British were leaving in the 1950s and 1960s, such as F&N and Wearnes Brothers.

After acquiring them, he went about forging a business empire that involved creating interlocking directorships and cross-shareholdings.

Mr Tan believed that this gave control over the boards; it also gave rise to shared strengths between the companies. For example, F&N could buy foreign exchange through OCBC; people could mortgage their homes with OCBC and insure them with Great Eastern.

He said: 'When I got control of these companies, I insisted they bring their business to OCBC...(But) both sides were told to do their best for their companies. It's a two-way street.'

His strategy paid off.

Take OCBC for example: An investor who had 1,000 shares, at \$1,306 in 1947, when Mr Tan became a director, would have seen their value multiply to around \$476,000 by 1983, when he retired as chairman.

Or Singapore's largest listed insurer, Great Eastern: A thousand shares were worth \$2,850 in 1962. Their value had soared to nearly \$500,000 by 1992, when Mr Tan retired.

At Robinson, shareholders too saw the value of their stocks rise, from \$2,000 in 1950 to \$95,000 in 1976.

Straits Trading shareholders would also have enjoyed large gains. One lot of shares valued at \$24,650 in 1954 would have made their owner a millionaire to the tune of \$2.1 million by 1992.

Mr Tan's legacy, therefore, was one of investing honorably, treating small shareholders fairly, and delivering well-managed, profitable companies.

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SOLID RETURNS: Former OCBC chairman Tan Chin Tuan was well known for spotting good investments and building up a stable of local household names around the bank. He sat on various company boards and contributed to the value of the firms.

Company	Year of joining board	Value of one lot (\$)	Year retired	Value (\$)*
Asia Pacific Breweries	1951	5,200	1983	177,914
Fraser & Neave	1950	3,100	1983	192,548
Great Eastern	1962	2,860	1992	499,646
OCBC	1947	1,306	1983	476,554
Robinson	1950	2,013	1976	94,883
Straits Trading	1954	24,650	1992	2,157,897
WBL	1967	1,380	1983	12,532

* including dividends less rights subscriptions

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