

THE BILLION RINGGIT QUESTION

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That and a Tropicana stake purchase have put Top Glove's supremo in the spotlight

LOW profile rubber glove tycoon Tan Sri Lim Wee Chai (pic) rarely hogs the limelight, preferring to address the media at pre-determined press conferences.

But this week, the 59-year-old founder and executive chairman of Top Glove Corp Bhd, worth a whopping RM2.93bil going by his 36.44% stake in the company, has been thrust into the limelight.

The story began a week ago when Lee told a press conference at Top Glove's fourth quarter results briefing that the company will be acquiring a rubber glove manufacturer that will cost it more than RM1bil.

Lim had explained say that this would be a rather attractive acquisition for Top Glove. He indicated that he was 99% convinced that he had gotten it all wrapped up and will make it public within the month.

He even narrowed the target firm to a Malaysian-based surgical and examination glove producer.

Those words created a buzz in the market and sent the stock prices of potential targets shooting up.

Speculation then narrowed down Top Glove's target to two locally listed rubber glove makers – Adventa Bhd and Supermax Corp Bhd.

Shares of the respective companies, including Top Glove, ballooned on Monday. Supermax was up 20%, Adventa spiked 27% while Top Glove hit a 21-month high of RM6.68.

So, as much as the news caused a frenzy in the market, this was blown away when Lim shot the speculation down, stating that Top Glove was neither in talks with Adventa nor Supermax.

Adventa and Supermax also cleared the air in their respective filings with the stock exchange that the news was not true and was misleading.

The fact is Adventa had disposed of its surgical glove manufacturing business to Aspion Sdn Bhd five years ago.

Following the clarifications, the share prices of these three rubber glove firms corrected, with Top Glove losing 29 sen or 4.23% to close at

RM6.39 on Tuesday. Adventa went down eight sen or 9.58% to 75.5 sen, while Supermax shed 15 sen or 7.26% to RM1.89.

Lim does not want to comment further on Top Glove's ongoing acquisition until it is formally announced.

What is noteworthy is that shares of Comfort Glove Bhd, which has a market value of RM581mil, had also gained traction.

Since Oct 6's close of 91.5 sen, Comfort's shares have risen about 20.22% at RM1.10 on Oct 23. However, it dropped to RM1.03 the following day after the clarifications.

Lim's Tropicana deal

Then a few days ago, Top Glove's Lim appeared in the news again.

This time, it was his rather surprising move to personally fork out about RM139.6mil for a 10.24% stake in property developer Tropicana Corp Bhd. This is based on Tropicana's last closing price of 93 sen on Oct 24.

With immediate effect, he was appointed to Tropicana's board as non-independent and non-executive deputy chairman.

While the transaction price was not revealed in Tropicana's filings, Lim bought the stake from Tropicana founder Tan Sri Danny Tan Chee Sing.

Following the disposal, Tan's stake of just over 70% in Tropicana has now dropped to around 60%, with Lim becoming the second largest shareholder.

Following Lim's entry, Tropicana shares rose by 9.7%, to close at 93 sen on Tuesday.

The stock was last highest on May 25, 2013 at RM1.69. Its lowest was Sept 28 at 90.5 sen.

Lim was subsequently appointed as Tropicana's deputy chairman. This has given the impression that his entry into the local builder is with the

support of Tan, the owner.

When contacted, Lim says he has always been fascinated with the property sector.

“It is a dynamic and exciting industry. The prospects can be promising,” he says.

Although the sector seems soft now, the affable Lim believes it is timely to pursue his interests in this area.

“I am optimistic that Tropicana is the right company to be with, given their good track record,” he says.

And so what role will Lim play in the company?

To this, the glove man says he believes he is able to add value to Tropicana’s business with his vast experience in various industries.

“I can bring in fresh perspectives to enrich the company’s decision-making,” he says.

And since this was a non-executive role, Lim went on to explain that it will not distract him from his glove business, which has been his passion since he took over his father’s rubber plantation and trading business.

Lim also denied the prospect of Top Glove injecting some of its land into Tropicana for development.

“Our land is earmarked for factory expansion,” he enthuses.

According to a July report, Tropicana has a total landbank of about 1,300 acres with an undeveloped gross development value in excess of RM50bil.

Lim's entry into the board of Tropicana is part of major changes taking place.

Earlier this month, Tropicana CEO Datuk Yau Kok Seng made a surprising decision to leave the company.

The 58-year-old Yau, who was made CEO in 2013, said he was leaving due to health reasons and will retire on Nov 30. Yau was previously the managing director of Sunway Holdings Bhd.

Meanwhile, Tan the owner of Tropicana has two of his sons Dion and Datuk Dickson on the company's board. On Oct 2, the same day Tropicana announced Yau's imminent departure from the company, it appointed Dion to the position of MD, while Dickson remains deputy CEO.

Meanwhile, an industry source says the two captains – Lim and Tan, have known each other for a long time now.

Lim's entry in real estate goes back to 2013 when he and Top Glove acquired the east wing of The Icon property near Jalan Tun Razak, Kuala Lumpur for RM226mil cash via his investment company, Value Add Sdn Bhd. Lim is said to control about 68% of Value Add, while Top Glove owns about 27%.

He has also invested in two other towers, namely PJD Tower in Jalan Tun Razak and The Mines 2 (office tower and retail mall) in Seri Kembangan.

Based on Friday's share price close of RM1.02, Tropicana is trading at a historical price earnings of about 10 times. At the current share price, the stock offers a gross dividend yield of 1.94%.

Earnings wise, for the second quarter ended June 30, 2017, Tropicana's net profit was up 59% to RM52.85mil from RM33.32mil, a year ago, on higher revenue of RM444.4mil from RM358mil.

The improved earnings, according to its filings, was driven by property development.

For the cumulative six months, the company posted a net profit of RM85.37mil from RM48.49mil a year ago, against a revenue of RM826.26mil from RM645mil, mainly due to higher work in progress across projects in the Klang Valley and the northern region.