

## Samsung to merge two major units

SEOUL, SOUTH KOREA: Samsung Group announced on Tuesday the merger of two major affiliates, as the South Korean business giant accelerates restructuring efforts ahead of a generational power transfer within the founding Lee family.

The all stock deal, approved by the boards of both companies, would see Samsung's de facto holding company Cheil Industries -- which has interests from fashion to theme parks -- acquire general trade and construction affiliate Samsung C&T.

The merger, which is expected to be completed by September pending shareholder approval, will see Cheil offer 0.35 new shares for each Samsung C&T share.

The two companies are both listed on the Seoul stock market, with Cheil valued at 22 trillion won (US\$2 billion) and Samsung C&T 8.6 trillion won as of Tuesday morning.

The combined company -- which will take the Samsung C&T name -- will target annual sales of about 60 trillion won in 2020, compared with their combined sales of 34 trillion won in 2014, Samsung said in a statement.



"The two companies expect to create synergy by combining their construction businesses, while Samsung C&T's global network will help develop new opportunities overseas for Cheil's fashion, resort and catering businesses," the statement said.

Share prices of both Cheil Industries and Samsung C&T soared by the daily limit of 15 percent on Tuesday.

Tuesday's announcement was the latest in a series of moves apparently aimed at solidifying the Lee family's grip on the

sprawling behemoth.

The family-run Samsung Group, currently chaired by Lee Kun-Hee, has merged, broken out or newly listed some of its key units in recent years as he prepares to hand over the reins to his son, J.Y. Lee.

The Lee family controls the vast Samsung Group via a complex web of cross shareholdings across the group's subsidiaries, including Cheil, where J.Y. Lee has a controlling stake.

Samsung C&T has a four percent stake in Samsung Electronics -- the group's flagship unit and the world's top maker of smartphones and mobile phones.

The Lee family currently has a less than five percent stake in Samsung Electronics, a holding that will be boosted by the merger.

"This is a merger of the two most important Samsung units from the perspective of the heir," said Lee Kwang-Soo, analyst at Seoul-based Mirae Asset Securities.

Recent health problems concerning the senior Lee, currently bedridden after suffering a heart attack last year, prompted the group to step up restructuring efforts.

Cheil Industries last year merged with Samsung SDI, the world's largest smartphone battery maker.

The group also sold last year stakes in four affiliates worth \$2 billion in a move analysts said was designed to streamline businesses and to focus on key profit-making units.

The group, comprised of dozens of units ranging from electronics to hotels, earns a collective revenue equal to around 20 percent of South Korea's annual economic output.

*Source: AFP*

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