

US fund seeks court injunction against Samsung merger

SEOUL, SOUTH KOREA: US hedge fund Elliott Associates LP said on Tuesday that it was taking legal action to block the proposed merger by Samsung Group of two major affiliates.



The planned merger, which would see Cheil Industries acquire Samsung C&T Corp through an all-stock deal, is the latest in a series of moves by Samsung's founding Lee family to boost control over the conglomerate ahead of a generational power transfer.

The fund, controlled by Paul Elliott Singer, said it had begun "legal proceedings for an injunction" at a South Korean court.

"Elliott continues to believe that the proposed takeover is clearly neither fair to nor in the best interest of Samsung C&T's shareholders, and that it is unlawful," the fund said in a statement.

Elliott, the third-largest shareholder of Samsung C&T with a 7.1 percent stake, has urged other investors to oppose the takeover. South Korea's National Pension Service is Samsung C&T's largest shareholder, with a 10 percent stake.

Cheil is the de facto holding company for Samsung Group, a \$270bn business empire.

Samsung says the combined entity arising from the merger with general trade and construction affiliate Samsung C&T would target annual sales of about 60tn won (US \$53.65bn) in 2020.

The family-run group, currently controlled 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 between the group's subsidiaries, including Samsung Electronics - the group's flagship unit and the world's top maker of smartphones and mobile phones.

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

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

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