Samsung heir apparent to tighten grip on group firms

REUTERS, *Seoul*

Samsung Group heir apparent Jay Y Lee is moving to acquire small stakes in two of the group's financial firms, which analysts say will help the scion solidify control of South Korea's largest conglomerate as a succession looms.

Lee is seeking regulatory approval to purchase 0.1 percent each of Samsung Life Insurance Co Ltd and Samsung Fire & Marine Insurance Co Ltd, Samsung Group said in a statement. He is reinvesting after-tax proceeds of 25.2 billion won ($23.97 million) from selling Samsung Asset Management Co Ltd shares to Samsung Life earlier this year.

Although the companies are already firmly in Samsung Group's grasp, analysts said direct ownership would allow Lee to formally influence how they are managed. Samsung Life is also at the heart of Samsung's complicated shareholding structure and will play an important role in any succession planning.

Samsung declined to comment on why Jay Y Lee was buying the shares.

Samsung patriarch Lee Kun-hee has been hospitalized since May following a heart attack, putting impetus on his children to ensure a stable transfer of control. Jay Y Lee, who is the only son, is widely expected to take over crown jewel Samsung Electronics Co Ltd, as well as the financial firms.

Jay Y Lee

"I think we're now seeing efforts to establish a Jay Y Lee regime in earnest," said Chung Sun-sup, CEO of research firm Chaebul.com.

Korea Investment Trust Management fund manager Baik Jae-yer said going through the regulatory approval process for Samsung Life now could also serve as a test run ahead of an eventual inheritance of his father's shares in the insurer. The elder Lee is Samsung Life's biggest single stakeholder at 20.8 percent.

"I think this process helps him identify any potential legal hurdles when he looks to inherit those shares," Baik said. The Financial Services Commision will likely decide whether to approve the purchases on Wednesday, said an official at the financial regulator who declined to be named.

Samsung Group said the younger Lee had no plans to buy more shares in Samsung Life or Samsung Fire & Marine at present. Analysts saw no need for additional purchases to bolster his influence and believed he was more likely to prepare for the inheritance of his father's Samsung Life stake.

The conglomerate has pushed through major initiatives to streamline its structure, including a merger of Samsung Heavy Industries Co Ltd and Samsung Engineering Co Ltd approved by shareholders on Monday.

Chaebul.com's Chung said Jay Y Lee could buy shares in other key group companies such as Samsung C&T Corp and Samsung Heavy Industries to further tighten his grip, in line with the strategy pursued by his father. "Though they may not be big, Lee Kun-hee owns shares in the key affiliates to ensure that he can exert direct control," Chung said.

"Eventually, the shareholding structure will need to become more streamlined but that will take a lot of time and resources, so such stake purchases by Jay Y Lee will help to maintain control in the meantime."

Apple CEO fires back as retailers block Pay

REUTERS, *California*

Apple Inc CEO Tim Cook fired back at CVS and Rite Aid on Monday after the drugstore chains blocked the iPhone maker's mobile payments service, saying there were plenty of other retailers around the world to sign up.

Apple Pay launched about a week ago and saw more than a million credit cards registered over the first 72 hours. It already totes up more transactions than all other "contactless" payment methods combined, Cook said, citing Visa and Mastercard data. Such services, through which a user pays by holding a smartphone close to a specially designed terminal, have failed to catch on in the United States despite the backing of Google Inc and other influential players.

News emerged over the weekend that the two retailers had opted out of Apple Pay in favor of a rival system that roughly 50 chains, including Wal-Mart and Best Buy, are developing for in-house use. "We've got a lot more merchants to sign up, we've got a lot of banks to sign up and we've got the rest of the world," Cook told the Wall Street Journal Digital Live conference, in the company's most extensive comments on the blockade so far.

In launching Apple Pay, the iPhone maker hopes to lock in more customers for its mobile devices by enhancing their overall utility. Industry experts say it stands a chance of becoming the first widely used payments feature on smartphones.

CVS and Rite Aid have not explained their surprise move.

But the driving force behind developing a retailer-owned mobile payment solution is to avoid paying credit card transaction fees to card companies like Visa and Mastercard, analysts said. Fees range between 2 percent and 3 percent of costs per transaction.

Rite Aid stopped accepting Apple Pay last week at its 4,572 stores. Spokeswoman Ashley Flower said the company was evaluating various forms of mobile payment technologies.

CVS did not respond to queries seeking comment but a visit to two of its stores showed that the NFC (Near Field Communications) reader on which Apple Pay was used had been deactivated.

It remains to be seen, despite early signs of success, whether mobile payments will become widely adopted.

Cook argued on Monday that Apple Pay offered better security and privacy than competing services, and that retailers risked alienating customers by limiting choices at checkout.

Alibaba open to work with Apple on payments: Ma

REUTERS, *California*

Alibaba Group Holdings Ltd executive chairman Jack Ma said he's open to working with Apple Inc on mobile payments, as China's richest person prepares to call on Hollywood this week in search of media partners.

Alibaba affiliate Alipay is China's largest payments service, while Apple just this month debuted its own version of a mobile wallet, letting iPhone 6 users make payments at retailers with their smartphones.

Ma told a Wall Street Journal Digital Live conference on Monday that he has tremendous respect for Apple CEO Tim Cook.

"I hope we can do something together," he said when asked if Alipay and Apple Pay might tie up.

Ma, who amassed a fortune estimated at $25 billion partly through his stake in recent market debutante Alibaba, is a frequent visitor to the United States. This week, he plans to visit a number of Hollywood studios, reportedly to strike up content deals."I want to come here looking for partners," he said, adding that China will eventually become the world's largest movie market.

Alibaba, which handles more e-commerce transactions than Amazon.com Inc and eBay Inc combined, does not have much of a presence among American retail customers and Ma said his focus for now was on serving his Chinese clientele.

Holcim, Lafarge lodge merger plan with EU Commission

REUTERS, *Paris*

Building materials groups Holcim and Lafarge said on Tuesday they had formally notified the European Commission of their merger plan to create the world's biggest cement group.

The move kicks off official scrutiny in Europe of a deal that was designed from the start to be accompanied by billions of dollars worth of asset disposals in order to secure regulatory approval worldwide.

The all-share combination, which requires approval from regulators around the world, already has the green light from seven countries, executives told reporters on a conference call.

In a statement, the partners who plan to create the group with over $40 billion in annual sales also said they had adjusted slightly their European disposals plan after "constructive pre-notification discussions" with the Commission.

The pair plan to keep Lafarge's Mannersdorf plant in Austria, and divest all of Holcim's assets in Slovakia.

They said they were in ongoing talks with buyers of assets, and that they still plan to close the deal - announced in April - during the first half of next year.

On a conference call with reporters, Lafarge CEO Bruno Lafont and Holcim CEO Bernard Fontana would not be drawn on the value of what was for sale or the prices being offered, but Lafont said the assets represented around 12 percent of combined annual sales.

Combined sales in 2013 were about 31.5 billion euros.

Lafont said the pair were talking to both financial and industrial buyers.

Several people familiar with the matter told Reuters earlier in October that Irish cement maker CRH had teamed up with Mexican rival Cemex to explore a bid for all the assets Lafarge and Holcim plan to sell.

Germany's HeidelbergCement and Brazilian firm Votorantim Cimentos SA are also considering a joint bid for the entire portfolio, the sources said.

StanChart profit tumbles

REUTERS, *Hong Kong*

Standard Chartered Plc said operating profit for the third quarter dropped 16 percent and earnings would fall in the second half as a whole, hurt by a jump in bad loans and higher regulation and compliance costs.

The Asia-focused bank also said on Tuesday it would target a further $400 million in cost reductions for 2015, as it reshapes itself to combat a downturn in emerging markets which had previously been a tremendous engine of growth, driving it to 10 straight years of record profits before 2013.

"Whilst some of these actions will impact near term performance, they are crucial to getting us back to a trajectory of sustainable, profitable growth," Chief Executive Peter Sands said in a statement.

Operating profit for the July-September quarter fell to $1.5 billion from $1.8 billion in the same period a year ago.

StanChart said it now expected underlying profits in the second half to be lower than the same period last year, partly due to a higher UK bank tax and regulatory and restructuring costs.

It had previously said it expected profits to fall in 2014 for a second straight year, but that earnings in the second half would be higher than a year ago.

By 0715 GMT, its Hong Kong listed shares were down 3.6 percent.

The lender has been hit by losses in South Korea and other challenges including a slowdown in growth in many of its core emerging markets and weak trading activity.

"Standard Chartered will struggle to drive returns above cost of capital in the next 12-18 months. Structural issues around competition and reliance on low RoA (return on assets) businesses are biting," said Bernstein analyst Chirantan Barua.

Japan's SoftBank invests $627m in Snapdeal

REUTERS, *Mumbai*

Japanese telecom and media group SoftBank Corp has set its sights on Indian e-commerce in its aggressive expansion drive, saying it will invest about $10 billion in the booming sector as it took a strategic stake in one of its rising stars.

Masayoshi Son, chief executive of SoftBank, laid out a 10-year investment plan for India on Tuesday, starting with the purchase of a $627 million stake in fast-growing online marketplace Snapdeal. Son's global ambitions flared into public view last year when SoftBank bought No. 3 US mobile carrier Sprint Corp for $21.6 billion.

The Snapdeal purchase comes as international investors hunt deals in online retail in India, which has the world's third-largest Internet user base but where e-commerce is still relatively underdeveloped. For cash-rich SoftBank, owner of a third of newly listed Chinese e-commerce giant Alibaba, the move is the latest in a series of deals designed to counter sluggish growth at home.

"I have a strong willingness to invest more like $10 billion in the next 10 years," Son said in an interview on Indian CNBC after his company announced plans to buy in Snapdeal, which connects small businesses with customers in an online marketplace. "I strongly believe that Snapdeal has the potential to be like the Alibaba of India."

In a separate deal announced on Tuesday, SoftBank said it will lead a $210 million investment round with existing investors in ANI Technologies Pvt. Ltd, which owns a mobile application for taxi bookings that competes with the likes of Uber.

SoftBank didn't disclose how big a stake it will have in Snapdeal, which will use funds to expand operations to compete with bigger, free-spending rivals Flipkart.com and Amazon.com.

The company did say it will become the biggest investor in Snapdeal, where sales of everything from clothes to computers have brought in around 25 million registered users and 50,000-plus merchants, attracting international shareholders like e-commerce operator eBay Inc and investment firm BlackRock Inc.

One person with knowledge of the deal told Reuters SoftBank will own about 30 percent of New Delhi-based Snapdeal, buying new shares in the firm, valuing all of Snapdeal at around $2 billion. Snapdeal declined to comment on the terms of the deal.

"SoftBank is a major investor in the internet space and them putting in a large sum of money validates the growth of Indian e-commerce," said Niren Shah, managing director at venture capital firm Norwest Venture Partners. Pressure had been growing on Snapdeal to raise funds to compete as online retail surges in India, with local industry leader Flipkart raising $1 billion in July, and global e-commerce giant Amazon.com pledging to invest a further $2 billion in its India unit.

AFP

A woman walks past Japanese auto giant Honda Motor's vehicles at the company's showroom in Tokyo yesterday. Honda said its six-month net profit jumped almost 19 percent, but the Japanese automaker cuts its earnings outlook for the full fiscal year. The Civic and Accord maker posted a 288.41 billion yen net profit in the six months through September, up from 242.87 billion yen a year earlier.

Novartis profits soar 45pc

AFP, *Zurich*

Swiss pharmaceuticals giant Novartis on Tuesday said strong sales of new products had helped push its net profit up 45 percent in the third quarter, despite competition from copycat generic drugs.

For the July to September period, the company saw its net profit jump to $3.2 billion (2.6 billion euros), while sales swelled four percent compared to the year-ago quarter to $14.7 billion.

The firm thus beat the expectations of analysts polled by the AWP financial news agency, who had expected to see sales of $14.4 billion for the quarter.

AFP

Microsoft yesterday announced it is temporarily trimming the price of its Xbox One video game consoles in the United States in a move aimed at boosting holiday season sales. Beginning on November 2 and continuing through the end of this year, the price of Xbox One consoles will be cut $50 at US retail outlets, according to Microsoft. In what amounts to the second price reduction since the new-generation consoles were launched a year ago, Xbox One will be available starting at $349.

One-third of Africans have entered middle class

AFP, *Johannesburg*

More than one in three Africans have entered the middle class in the past decade, and their numbers are set to swell thanks to rapid economic growth, a study showed Monday.

At least 370 million Africans, or 34 percent of the continent's 1.1 billion people, are now middle class, according to a survey by the African Development Bank.

In turn, the emergent class will help drive further economic growth and development, the Tunis-based AfDB study said.

By 2060 the group should represent 42 percent of the population, according to the study launched in Johannesburg nearly 20 years ago.

"There is a stable middle class and it is growing," said Mthuli Ncube, the AfDB's chief economist and a senior research fellow with Oxford University's Blavatnik School of Government.

"It is a big driver for investment in Africa," he added at a news conference in Johannesburg.

The International Monetary Fund forecasts that Africa's economic growth, boosted by rising investment in natural resources and infrastructure, will reach 5.1 percent this year, up from 4.7 percent in 2013.

It should climb to 5.8 percent next year, the IMF predicts.

The study, which defined the middle class as having a purchasing power parity of between $2.20 and $20 (15 euros) a day, found that the middle class is strongest in countries with a robust and growing private sector.

North Africa leads the pack with at least 77 percent of its population counted among the middle class, surprisingly followed by the central African region with 36 percent of its people falling in that category -- though many are considered to be vulnerable.

The southern African region, home to the continent's most developed economy, South Africa, is in third place, level with west Africa with around 34 percent of their people classified as middle class.

East African countries are at the bottom of the ranking, having just a quarter of their nationals in the middle class.

Consumption and ownership of items such as a television set, car and refrigerator, and the type of flooring in dwellings were among the yardsticks used to define the class.

Other measurements included access to electricity, sources of drinking water and types of toilets.

Based on a survey of 37 African countries, the study polled nearly 800,000 households and concluded that most of the countries saw a rise in the size of the middle class over the past decade.

Ownership of cars and motorcycles has jumped by 81 percent in Ghana.

"Africa's middle class has increased in size and purchasing power as strong economic growth over the past two decades has helped reduce poverty," said the report titled 'The Emerging Middle Class in Africa'.

But many in the new middle class struggle to save for the future amid the consumption boom.

Johannesburg-based author and development activist Tsitsi Musasike said the so-called "middle class syndrome" of people who are "perpetually broke living from pay check to pay check" will have to end and they must embrace the culture of saving.