

South Korea to Rise as Next Investment among International Exchanges

Overseas financial institutions including US and UK stock exchanges start paying attention to Korea as a new investment.

SF Investment, a consulting company for investment, held a seminar called 'Capital Express 2009' under the theme of global finance and investment at Grand Hyatt Seoul on Wednesday in cooperation with New York Stock Exchange (NYSE), National Association of Securities Dealers Automated Quotations (NASDAQ) and London Stock Exchange (LSE).

Chiefs covering Asian region for international major stock exchanges visited Korea for the first time and delivered their know-how to list companies overseas.

Eric Landheer - head of Nasdaq at the Asia Pacific region - said that 50 percent to 60 percent out of Korean enterprises which have already got through the initial public offering (IPO) are stuck with being undervalued.

"It is a right time for them to take a positive investigation on to enter into security markets overseas," he added.

"Targets for investment are not just for Korea itself, but blue chips in Korea. For instance, if you invest on Microsoft, you don't invest on the U.S. itself but the company," he highlighted.

He took Gmarket Inc., South Korea's top online retailer, as one of best examples having benefits of being listed overseas.

Gmarket went public through Nasdaq



SF Investment, a consulting company for investment, held a seminar called 'Capital Express 2009' under the theme of global finance and investment at Grand Hyatt Seoul on Wednesday. Ahn Byung-yup, chairman of Capital Express and former Minister of Information and Communications is giving a keynote speech during the opening session.

market with an initial public offering worth 139 million dollars in common stock and now the company doubled its market value from less than 50 million dollars in June of 2006 to more than 100 million dollars as of 19th of this month.

Mr. Landheer explained that Gmarket has once reached its highest value in 2007 at 130 million dollars, highlighting that the heavy tech stock market is supplying every service in order for more companies from Asia Pacific area to incubate them in the new exchange market.

Political tension between Seoul and Pyongyang does not seem to bother these experts from foreign exchanges looking for investment from and to Korea.

Josh Kurtzig - head covering Asia Pacific region of DAC Management dealing with 500 million dollars in the area - said that most investors are well aware of the circumstances around Korean peninsula in terms of risk and they are more interested in economy's fundamental along with volatility in local currency.

Capital Express, the hosting international network for this seminar, has a plan to invest

Korean identities with 500 billion won of funds from investors worldwide.

The private funding company consists of 70 expert groups specialized in a variety of fields ranging from merger and acquisition (M&A) to initial public offering to back door listing. The network is going to provide 700 invitees from Korean corporations with consultation services how to publicize in the overseas markets in the seminar.

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US likely taking majority ownership of GM

In the end, General Motors' massive cash needs likely trumped any chance of the automaker avoiding a bankruptcy court-supervised reorganization.

General Motors Corp. is expected to announce early Wednesday that only a small fraction of the holders of its \$27 billion in bonds agreed to swap that unsecured debt for a 10 percent equity share of a recapitalized GM.

Reaching such an agreement was one of the requirements of the Obama administration, which already has committed \$19.4 billion in aid and said it would only provide more funds if bondholders and unionized workers made concessions that substantially reduced GM's costs.

There was a small hope Tuesday that GM could avoid a bankruptcy filing when the United Auto Workers union disclosed that it would take a 20 percent stake in GM -- down from the original plan of 39 percent. That seemingly would have allowed the Detroit-based company to sweeten the pot for its recalcitrant bondholders.

But GM's need for as much as \$50 billion in additional financing from the government to pay off secured lenders and keep the company operating during a complicated restructuring means instead that the government's stake will probably rise from 50 percent to as much as 70 percent, according to The Wall Street Journal. In exchange for the roughly \$8 billion in aid it is expected to pony up as well, the Canadian government also will likely receive a small stake in the automaker.

Such an arrangement would leave bondholders back where they started -- and a Chapter 11 filing all but certain. The deadline for GM's bondholders to tender their debt was midnight Tuesday. If bondholders representing 90 percent of GM's unsecured debt -- about \$24 billion -- didn't agree to the exchange, GM has said it will file for bankruptcy protection.

Meanwhile, crosstown rival Chrysler LLC heads to court Wednesday to ask a bankruptcy judge for permission to sell the bulk of its assets to a group headed by Italy's Fiat Group SpA in hopes of saving itself from liquidation. Attorneys for Chrysler maintain that the Fiat deal is the company's only hope to avoid being sold off piece by piece, but car dealers, bondholders, former employees and others are protesting what they see as the government speeding Chrysler through the bankruptcy process without regard for certain creditors.

As the global recession has reduced demand for new vehicles. But GM and Chrysler have been particularly hobbled by promises to cover the health and pension costs of tens of thousands of unionized retirees -- along with recent record-high gasoline prices that reduced demand for their low-mileage trucks and SUVs.

The UAW disclosed Tuesday it agreed to take a much smaller 17.5 percent stake in GM, plus a warrant for an added 2.5 percent stake to partially fund the \$20 billion that GM must put into a trust that will start paying retiree health care costs next year.

In exchange for agreeing to a lower equity ownership stake, GM promised the union \$6.5 billion of preferred shares that pay 9 percent interest, plus a \$2.5 billion note. The union, facing the possibility that it may not be able to quickly sell GM shares to fund its trust, preferred the certainty of the \$585 million annual dividend that accompanies the preferred shares.

The remaining \$10 billion will come from health care trust funds that GM already has set up. The trust will get a seat on GM's board as well, although it will have to vote at the direction of GM's other independent directors. The concession deal, on which roughly 61,000 workers will vote by Thursday, also froze wages and cut retiree health care benefits, performance bonuses and cost-of-living raises.

When GM announced its debt exchange last month, the company offered bondholders 225 shares of common stock for every \$1,000 in debt -- or a 10 percent stake in the restructured company. In addition to the UAW's share, the federal government would take 50 percent for exchanging a combined \$20 billion of their debt to equity. Current stockholders would end up owning just 1 percent of the company.

"It wasn't particularly generous" to the bondholders, said Shelly Lombard, senior credit analyst at New York-based bond research firm GimmeCredit. "I think it's one of those things where GM now figures bankruptcy is inevitable."

A committee representing GM's biggest bondholders -- mostly big banks and other institutional investors -- has opposed the debt-for-equity swap from the start. A spokesman for the group declined to comment Tuesday on the progress of the exchange. Smaller, "retail" bondholders -- individual investors like retirees and families -- have also railed against the terms of the exchange. A retiree group called The

"Pay Attention to Undervalued Korean Companies"

"We are paying attention to undervalued Korean companies with high barriers."

Roth Capital Partners, one of top 10 capital firms in the U.S., visited Korea to look for blue chips and invest on them. Roth Capital focuses on Asian companies centered on China. Its main business is to



Mitch Truelock, managing director of Roth Capital

billion dollars.

AJ News had an interview with Mitch Truelock, managing director of Roth Capital, and listened about his opinion on which Korean companies he keeps an eye for investment.

- What is the most attractive thing in investing on Korean companies?

"Korea retains the world's best ability of research and development (R&D) and professional skills. I am interested largely in the financial market in Korea as well as Korean enterprises. One of reasons for paying attention to Korea is that there are few Korean enterprises listed in overseas markets right now."

- Roth Capital is investing on enterprises of middle standing and venture businesses. Is there any field of which take notice in Korea?

possibility of growing into global ones, we are willing to invest with sparing no expenses. We are keeping an eye on especially undervalued Korean companies with high barriers. Of course, future profitability is considered as the essential part for evolution."

- Roth Capital had invested on China among Asia Pacific regions at first. Is there any special reason for that?

"We have commenced to invest on Asia Pacific regions in 2005 for the first time. At that time, China was growing at a terrific rate. The Chinese market itself was not that big, but there were undervalued companies with high growth potential in China. This is the reason that we could not help select China and decide it to the region for investment."

"It depends on how to structure SPAC in Korea. SPAC refers to companies with only cash and those with sales capacity. For this reason, the two companies could raise corporate values and stock prices. I think there is still a synergistic effect enough for positive future."

- There is a movement to enhance regulation on SPAC in Korea. Do you know about that?

"Enhancing a policy of prohibition on SPAC is not positive for Korean enterprises. The U.S. does not pay attention to the company itself to be listed, but SPAC executives evaluate whether it has a growing potential enough to invest. I think the regulation on the company itself is actually to restrict its au-