

DECODED X

June 5 2017

AGE OF INNOCENCE

As a member of the press, the past week has been an embarrassment.

Watching the local press masquerading as a judge on the Chung Yoo-ra case, throwing stories around like subpoenas was uncannily like a circus.

Granted, her mother is guilty, and Chung may eventually be found as an accomplice. But until charged as such, she is innocent. But looking at the reports, you would think the courts have released a serial killer by rejecting the arrest warrant.

And what is with this obsession with clothes? Yes, she could have chosen something less cheery than a smiley-faced t-shirt, but unless it had a swastika on it, case closed.

Speaking of fashion, our next victim-slash-martyr is Professor Kim Sang-jo.

A well-known crusader when it comes to fighting the Chaebol, Kim was appointed to head the anti-trust agency. Unsurprisingly, his history of fake addresses put him on the spot.

But seriously, headlines about his “worn and battered” briefcase – saying such frugality must surely make him the man for the job – seems like an insult in disguise.

Who cares if he carries around an old briefcase or a spanking new Louis Vuitton tote? What if he drives around in a Mercedes or if he doesn’t own a car? As long as he didn’t steal them, it shouldn’t matter. Totally irrelevant.

Read on for this week’s DECODED X.

THE BIG BAD WOLF

Who’s afraid of the big bad **North Korea**?

A nuclear North Korea is not exactly a fun situation, but for some, it’s less intimidating than bad **corporate governance**.

According to **Cho Myeong-hyeon**, head researcher at the **Asian Institute of Corporate Governance** – headed by



Jang Ha-sung who was recently named chief staff of policy – investors at an IR held in Hong Kong by top Korean firms such as Samsung Electronics and Samsung BioLogics said they were more concerned about governance issues than North Korea.

Their logic was that the nuclear crisis cannot be contained anyway, whereas corporate governance – once it is corrected – would be a quick fix for the value discount of Korean stock value.

Compared to their Taiwanese firms, Korean firms' stock worth is 30 percent lower. Cho said 25 percent of that is due to corporate governance.

Cho is also the man who introduced the **Stewardship Code** in Korea. This code is a set of guidelines directed at institutional investors with voting rights to more proactively take part in making decisions on corporate governance issues. This is to ensure that these investors exercise more caution in managing funds. The **National Pension Fund** is now preparing to adopt the Stewardship Code.

OINK

Only in Korea (and perhaps a number of other countries we don't know about) is there such a thing called "**M&A benefits**." This is kind of a "pay-off" given to companies being acquired, and if the union isn't happy with the amount, the M&A itself can go down the drain.

Samsung is no exception, and according to The Investor sources, **HP** shouldered half of the 110 billion won Samsung's union proposed as benefits when it signed on to acquire Samsung's **printer business** in 2016. The deal itself was 1.09 trillion won (US\$1.05 billion). It's going to be closed this year.

MODEL BEHAVIOR

The fight is getting dirty. This time, it's between **Hyundai Motor** and a 27-year-old model.

The details are a bit icky, but here goes.

The lady, named **Rachel Rickert**, said she lodged a complaint with the **Equal Employment Opportunity Commission** against Hyundai Motor USA. She claims during a motor show in April, Hyundai personnel forced her



to stay positioned with no restroom breaks. After she complained to her agency, she says her contract was unilaterally terminated.

Hyundai told The Investor it was all about performance. “Ms. Rickert was dismissed for poor performance,” said an official who didn’t want to be identified. The Equal Employment Opportunity Commission had no comment.

PAYING CUSTOMERS ONLY

The goings-on in China never ceases to surprise its neighbors.

This time, it’s about how the press functions. For any kind of company that wants press coverage in China, they have to pay up. Unless the firm has a name that speaks for itself, Chinese media firms will invariably ask to be paid for providing coverage.

Netmarble – publisher of **Lineage II: Revolution** – told The Investor that it once paid off seven media companies to promote its games.

In fact, the games themselves are geared toward the **paying customers**. Unlike in Korea where gaming companies cater to both paying and non-paying users, Chinese firms are strictly focused on the former.

I WANT TO BREAK FREE

Uniqlo in Korea operates as a joint venture between **Uniqlo Japan** and **Lotte Shopping**. But recently, Uniqlo has been acting like it wants to break free, at least in terms of brand.

As a first step, Uniqlo no longer offers customers “L points,” short for Lotte points that can be used likecash later. New Uniqlo shops also are looking for spots outside of Lotte.

Lotte, on the other hand is focusing on household and consumer goods brand **Muji** as its next pet project from Japan.



DAVID VS. GOLIATH

It's not unusual for food and beverage companies to offer **sweepstakes**. But now, they better be sure of what they are offering.

Starbucks Korea was recently sued by an attorney who was acting on the behalf of a consumer who won a sweepstake for what was for free drinks for one year. Starbucks claimed there was a mistake, and that it was actually just **one free drink**. The company later secretly deleted the words "one year" on its website.

The court ruled against Starbucks, ordering it to pay up 2.29 million won (US\$2,045) to cover beverage costs for **364** days.

The same attorney had made headlines back in 2010 when she won another sweepstake case, this time against ice cream brand **Baskin-Robbins**. As sweepstakes, Baskin Robbins Korea offered a free trip to Japan but delayed delivery. It also eventually reduced the prize. When the attorney won the case, the ice cream company refused to pay the damages, causing the courts to seize its air conditioners as collateral. This attorney later donated the entire proceeds. Kudos!

GOING DOWN UNDER?

Korean online casino game-developer **DoubleUGames** was in a bit of a tangle recently when The Investor reported that it would be undertaking cost-cutting measures including **layoffs** to streamline **Double Down Interactive**, a North American company it acquired.

Under the **M&A agreement**, DoubleUGames guaranteed job security over the next couple of years. DDI is now throwing a fit, now questioning the credibility of DoubleUGames. Our sources tell us the deal itself was quite hostile. Hopefully, we'll be able to provide more in our next issue.

In case you are wondering, DoubleUGames has been making headlines last week after its IPO when stock prices took a nosedive. News about acquiring DDI helped prices inch back up.



DECODED X

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