

THE  
INVESTOR

# DECODED X

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## WHEN GOING THROUGH HELL, KEEP GOING



If there's one man going through hell these days, that's Lee Jae-yong, heir-apparent of Samsung Group.

Lee was quite emotional at his final hearing when he asked forgiveness for bad judgement. One thing he didn't do, however, is plead guilty.

The special counsel is asking for 12 years, and legal sources say it's likely to come down to around five. Unless Lee can prove Samsung never even met Choi Soon-sil or the former president, he won't walk because there needs to be a fall guy in the last chapter of this unfortunate saga.

Read on for this week's **DECODED X**.



## **KNOCK, KNOCK, KNOCKING ON SAMSUNG'S DOOR...**

Ads are a main source of income for media companies. And it's not wrong to ask for them. But it does become a problem when it's requested in return for preferential treatment.

[Recent reports from Korean weekly magazine Sisain](#) showed this was exactly what is going on. Expected as it was, it was still a shock to see how many media executives were demanding ads in return for watered-down stories.

But even that can be considered a kind of norm. Asking for personal favors, such as getting their kids into Samsung companies was going too far. Way too far. It's actually Choi Soon-sil all over again. The media might not have money, but it does have influence, and in a way, the requests can be seen as a mild form of blackmail.

That the Korean media is so dependent on a single company is at the core of the problem, along with the fact that people won't pay for news content and that the media is not putting out stories worth buying.

A losing situation for all.

## **FALL OF THE CHAIRMEN**

It's truly a case of never a dull moment for corporate owners these days. Actually, it's not like anything's new, but with a liberal government in power and the social theme being what it is, conglomerates are under much closer scrutiny.

Remember the head of ChongKunDang who was questioned for staff abuse and handing out company drugs without prescriptions? Well, this time, it's the head of Daewoong Pharmaceutical, a former prosecutor who inherited the firm from his dad.

The man is known to lash out at employees, who are said to have recordings of the "abuse." Any moment now, they could go to the press.

Therapy, in particular, anger management therapy, for CEOs and company owners is definitely in order.



## **MIND THE “GAP”**

The situation with Korean franchisers being “gap” – the often used word to describe those who abuse their power, has reached fever pitch, and now, a new committee has been born to undertake the job of reforming the entire sector.

The Franchise Reformation Committee, kicked off on Aug.10, with the aim of reforming the age-old negative practices in the sector.

Unfortunately, the committee has no binding authority, and at most, it can hand out recommendations. But there is expected to be a LOT of whistle blowing going on, now that there’s someone to tattle to, other than the Fair Trade Commission which has its hands full going after the big wigs.

## **AND THE LAME SHALL WALK...**

Kolon Life Science is being accused of crying wolf. The company has been working for 18 years on an arthritis treatment – Invossa – but clinical trials showed the performance was not at all stellar.

Kolon had been advertising it as a “miracle drug” that can make the lame walk.

That’s not all. Kolon is preparing the IPO of its American subsidiary TissueGene, and because the firm’s worth is tied with Invossa, TissueGene’s corporate value is also slipping.

## **LOANS, ANYONE?**

Even for conglomerates, there comes a moment when they can’t get any more loans. And just like individuals, they go to loan sharks.

At Yeouido, the financial heart of Seoul, there are men, usually shabbily dressed to throw off undercover cops, who are said to hold the key to such loan sharks.

Employees at several well-known Korean firms who shall remain nameless for now have been ordered to hunt down such men. It’s a dark underbelly of corporate Korea, and it can’t be legal, but on some levels, the sharks do provide some relief.



## DECODED X

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