

BACKGROUND OF THE YOUNG POONG – KOREA ZINC MANAGEMENT DISPUTE

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MBK
PARTNERS

After the Establishment of Korea Zinc, the Chang Family Managed Young Poong, the Choi Family Managed Korea Zinc

- In 1949, Young Poong Industry (“Young Poong”) was established by the two co-founders, the late Messrs. Chang Byung-hee and Choi Ki-ho.
- In 1970, Young Poong built Korea’s first zinc smelter at Seokpo, Bonghwa County, Kyeongbook Province, near the Yeonhwa mine.
- Later, the Park Chung-hee administration offered Young Poong the opportunity to invest in a new non-ferrous metal industrial complex in Onsan. As a result, Young Poong established Korea Zinc as a subsidiary in 1974. Since then, the Chang Family has been managing Young Poong, while the Choi Family has been managing Korea Zinc.
 - Over time, the Seokpo Smelter began to have environmental issues because of its location in the upper reaches of the Nakdong River. Expansion was also limited due to the surrounding mountainous terrain.
 - To the contrary, Korea Zinc’s Onsan Smelter continued to grow rapidly, benefiting from fewer environmental issues and logistical advantages due to its proximity to Onsan Port and its location inside an industrial complex.

The History of Young Poong Group

- 1949 ○ Young Poong Industry co-founded by Messrs. Chang, Byung-hee and Choi, Ki-ho.
- 1952 ○ Young Poong Shipping established by the two co-founders.
- 1960 ○ Young Poong Mining acquires Yeonhwa Mine located in Bonghwa County.
- 1970 ○ **Seokpo Smelter begins operations.**
- 1974 ○ **Korea Zinc co-founded as a subsidiary of Young Poong Industry.**
- 1976 ○ Young Poong Corporation listed.
- 1978 ○ Young Poong Corporation changes name to Young Poong.

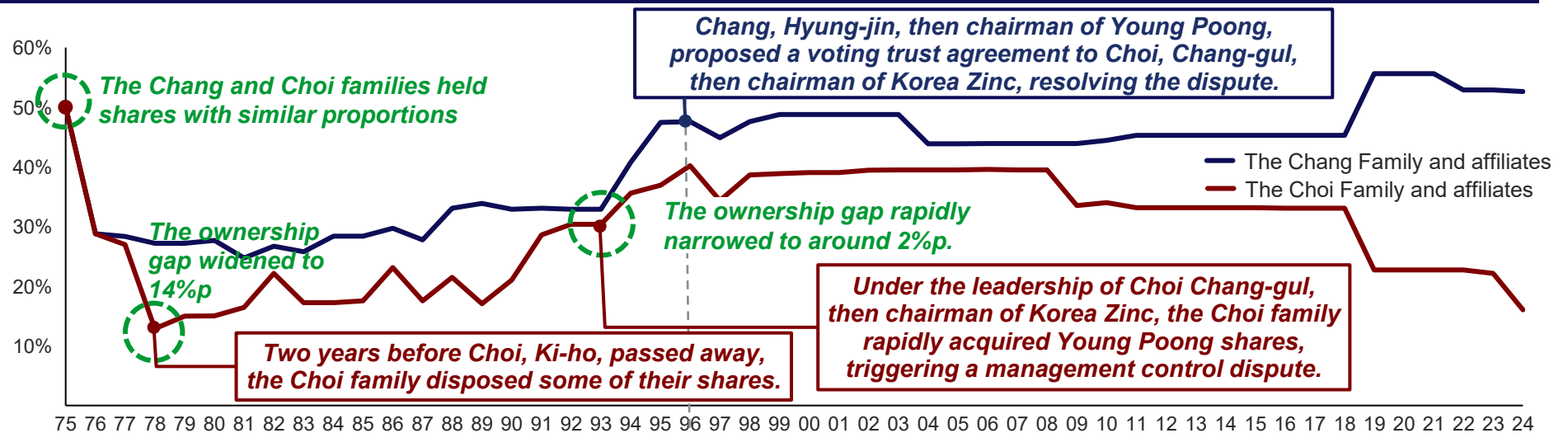
The Location of Seokpo and Onsan Smelters



The Chang Family mediated past management disputes within the Choi Family

- Initially, the Chang Family and the Choi Family each held 50% of Young Poong's shares. However, after Young Poong went public in 1976, the Choi Family's collective ownership decreased to slightly over 10%, about 14%p less than Chang Family's ownership.
- In 1993, Choi Chang-gul⁽¹⁾ and the Choi Family started a management dispute by acquiring additional shares of Young Poong, narrowing the ownership gap to roughly 2%p. In response, the Chang Family secured additional shares, widening the gap again.
- As share prices increased during the dispute, Chang Hyung-jin, then chairman of Young Poong, proposed a voting trust agreement to Chairman Choi Chang-gul to prevent further disputes and restore the business partnership. This agreement was extended once until it expired in 2016. Since no further disputes arose, both parties agreed not to renew the agreement continuing as a gentlemen's agreement until Choi, Yun-birm's appointment as Chairman.
 - In 1996, the 10-year agreement was signed stipulating that (i) both sides respect each other's management rights and (ii) key decisions such as issuing new shares that could affect both parties' respective ownership requires mutual consent.
- Meanwhile, a management dispute broke out within the Choi family, but the Chang family supported Choi, Chang-gul and further solidified the business partnership. In 2009, David Choi⁽²⁾ attempted to join the board of Young Poong Precision through a shareholder proposal, but the Chang Family helped Choi Chang-gul support Chairman Choi Chang-gyu⁽³⁾, defending his control.

Young Poong's Ownership



(1) The honorary chairman of Korea Zinc, the son of the late Choi Ki-ho and the father of Choi, Yun-birm.

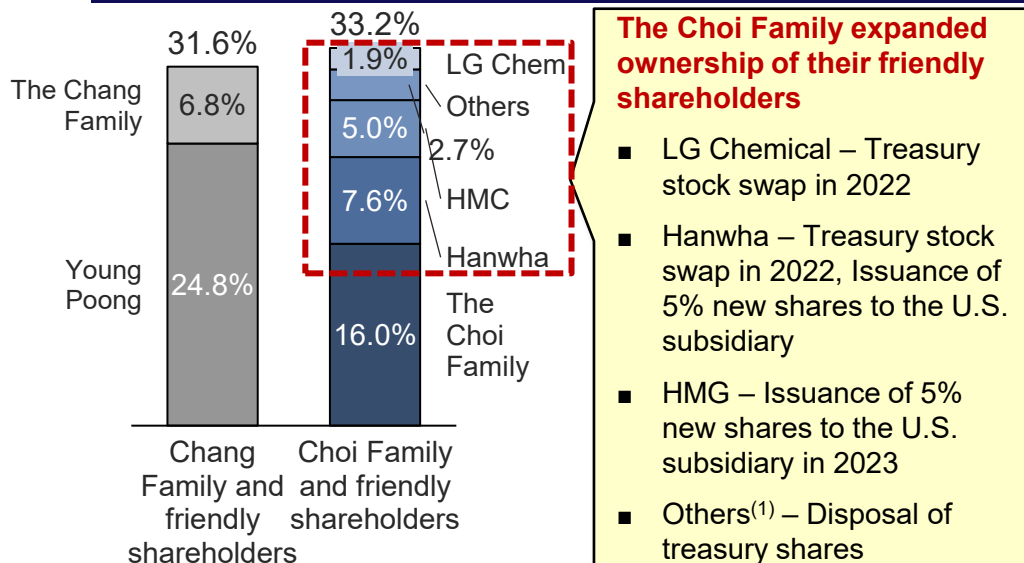
(2) The eldest son of Choi Chang-gul and Choi Yun-birm's older brother.

(3) Choi Chang-gul's younger brother and Choi Yun-birm's uncle.

The Management Dispute Re-ignited After Choi Yun-birm's Appointment to Chairman of Korea Zinc

- The business partnership continued until 2022, when Choi, Yun-birm initiated a series of actions to exclude Young Poong, violating the fundamental spirit of the voting trust agreement.
 - **August 2022**, new shares worth 5% issued to Hanwha's U.S. subsidiary → **November 2022**, treasury shares worth 6% distributed to LG Chemical, Hanwha → **September 2023**, new shares worth 5% issued to Hyundai Motor Group's ("HMG") overseas affiliates → **March 2024**, attempted to revise the Articles of Incorporation ("AOI"), deleting the clause restricting new share issuance at the AGM.
- In addition to his attempts to exclude Young Poong, concerns have been raised over Choi, Yun-birm's management capability and transparency.
 - The KRW 560 billion investment in OneAsia Partners, a startup fund managed by his close friend.
 - The KRW 580 billion investment in Igneo, which was seemingly conducted without adequate valuation due diligence.
- In response to these attempts to exclude Young Poong, Young Poong opposed the revision of the AOI. At the March 2024 AGM the proposal to revise the AOI was rejected.

Korea Zinc's Major Ownership as of Dec 31, 2023



Proposed AOI Revision at the 2024 AGM

Existing Clause	Proposed Amendment
If the company issues new shares to an <u>overseas joint venture</u> for business needs, the board can allocate shares to non-shareholders.	To achieve business objectives such as introducing new technologies or improving financial structure, the board may grant the opportunity to subscribe for new shares to <u>specific individuals, including the company's shareholders</u> , by board resolution.

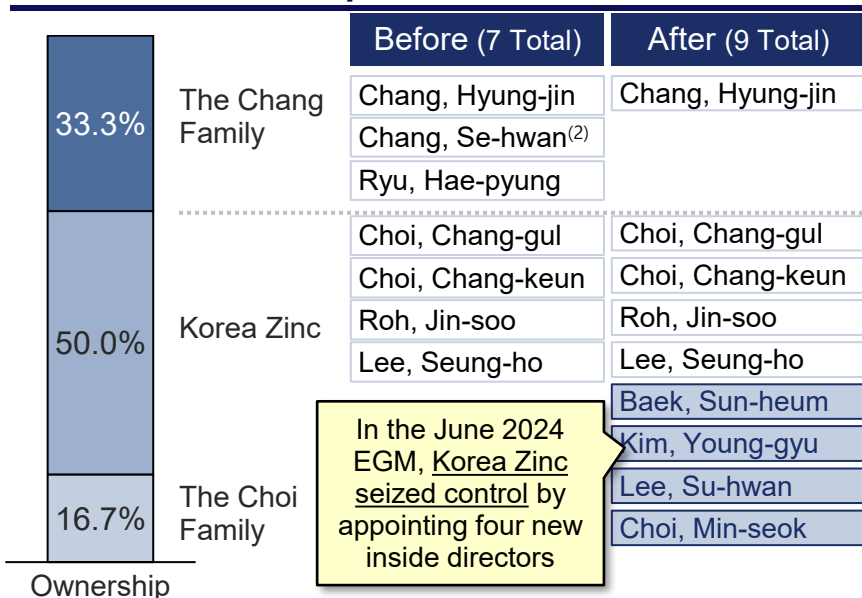
3 (1) Korea Investment and Securities, Morgan Stanley, Urion.

Source: Top Daily, "Korea Zinc's Chairman Choi, Yun-birm 'Reverses' Ownership with Friendly Shareholders," Sep. 6, 2023.

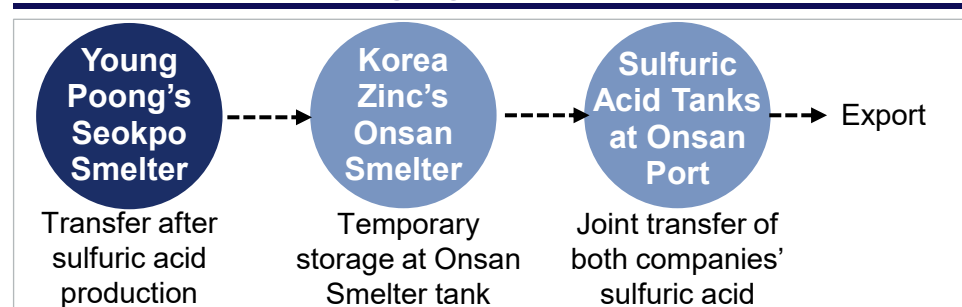
Attacks on Young Poong Intensified, Bringing an End to the 75-year Partnership

- After the proposal to revise the AOI related to the new share issuance restriction was rejected, Choi Yun-birm initiated a full-blown attack against Young Poong.
 - In March 2024, the Choi family seized control of the board of Sorin Corporation (“Sorin,” currently “KZ Trading”) and took away control from Young Poong in June 2024. Sorin is an affiliate that sells non-ferrous metal produced by both Korea Zinc and Young Poong. Its largest shareholder is Korea Zinc but was managed by Young Poong, symbolizing the business partnership between the two families. However, Korea Zinc took control, violating the spirit of the voting trust agreement again.
 - In April 2024, Korea Zinc unilaterally notified that it is ending its sulfuric acid handing agreement⁽¹⁾ with Young Poong, which has been in effect since 2003. The termination of this agreement can potentially disable Young Poong’s zinc production and dealing a blow to Young Poong’s very existence.
- As tensions escalated, Young Poong and the Chang Family decided to end their 75-year partnership with the Choi Family and partner with MBK Partners to initiate the tender offer process.

Sorin’s Board Composition



Sulfuric Acid Handling Agreement



Terminating the agreement is a serious blow to Young Poong

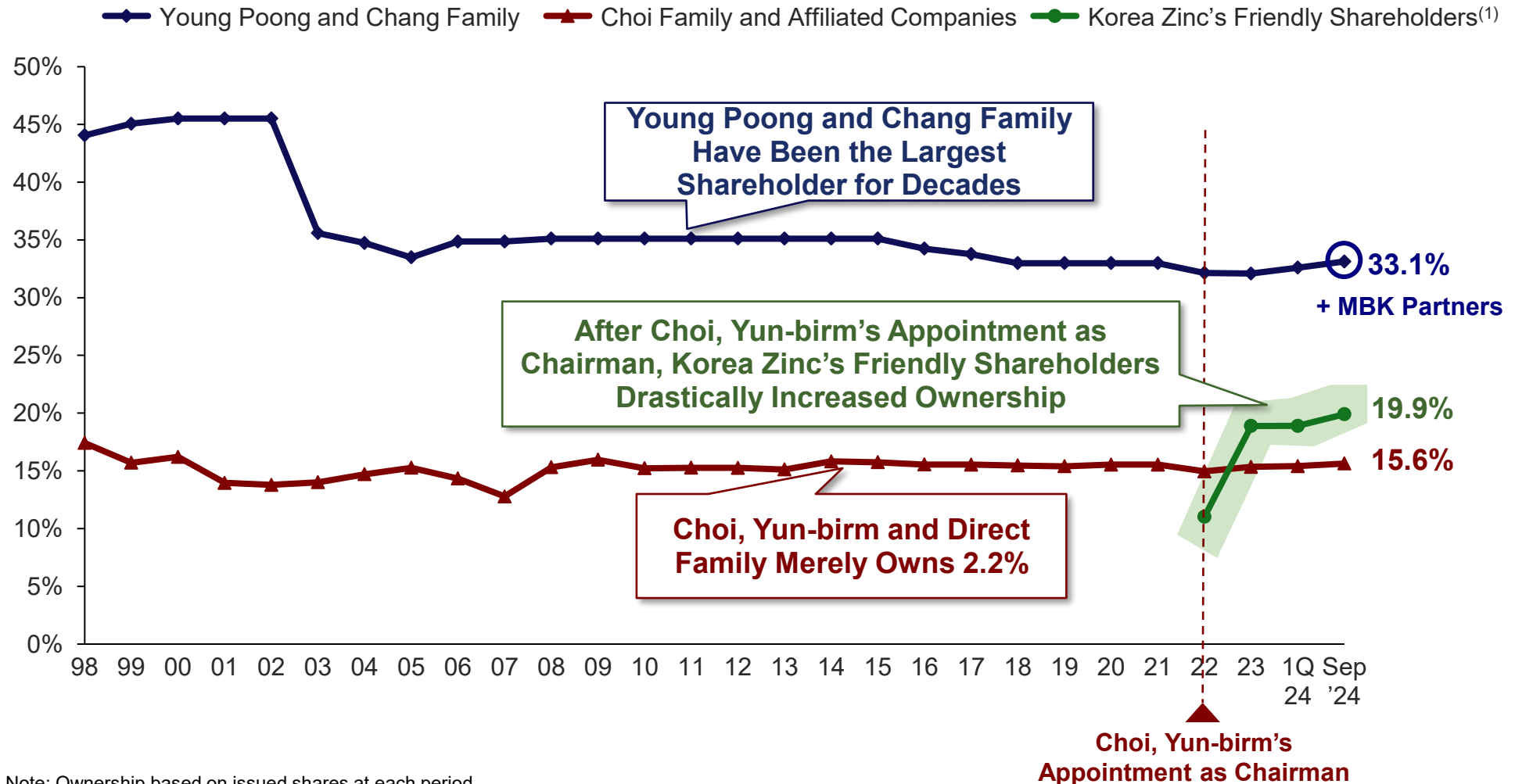
- Sulfuric acid is a byproduct of zinc refining and is sold as raw material for semiconductor production, etc. If sulfuric acid is not processed on time, zinc production is disrupted. Therefore, if Young Poong fails to secure tanks, it must reduce production.
- If Onsan Port becomes inaccessible, Young Poong is unable to export sulfuric acid⁽³⁾.

(1) Based on the agreement signed in 2003, sulfuric acid produced at Young Poong’s Seokpo smelter may be transported and stored using Korea Zinc’s tanks and pipelines at the Onsan smelter at a cost. The contract has been renewed annually and maintained for the past 20 years; (2) The second son of Chang, Hyung-jin; (3) Sulfuric acid can only be exported through Donghae Port and Onsan Port on the East Coast. Since Donghae Port is already saturated, exports must be carried out through Onsan Port.

Appendix.

Young Poong and Chang Family Have Been the Undisputed Largest Shareholder of Korea Zinc

Korea Zinc's Ownership



Note: Ownership based on issued shares at each period.

(1) HMG, Hanwha Group, LG Chemical, Trafigura, etc.