

Following the Disclosure Trail in the Chungho Comnet Dispute

TheBell, March 12, 2026

By Park Ki-su

As Korea Zinc's annual general meeting approaches, the focal point of the offensive by the Young Poong–MBK Partners consortium is corporate governance. At the heart of the dispute lies the so-called “Chungho Comnet allegations” raised last year.

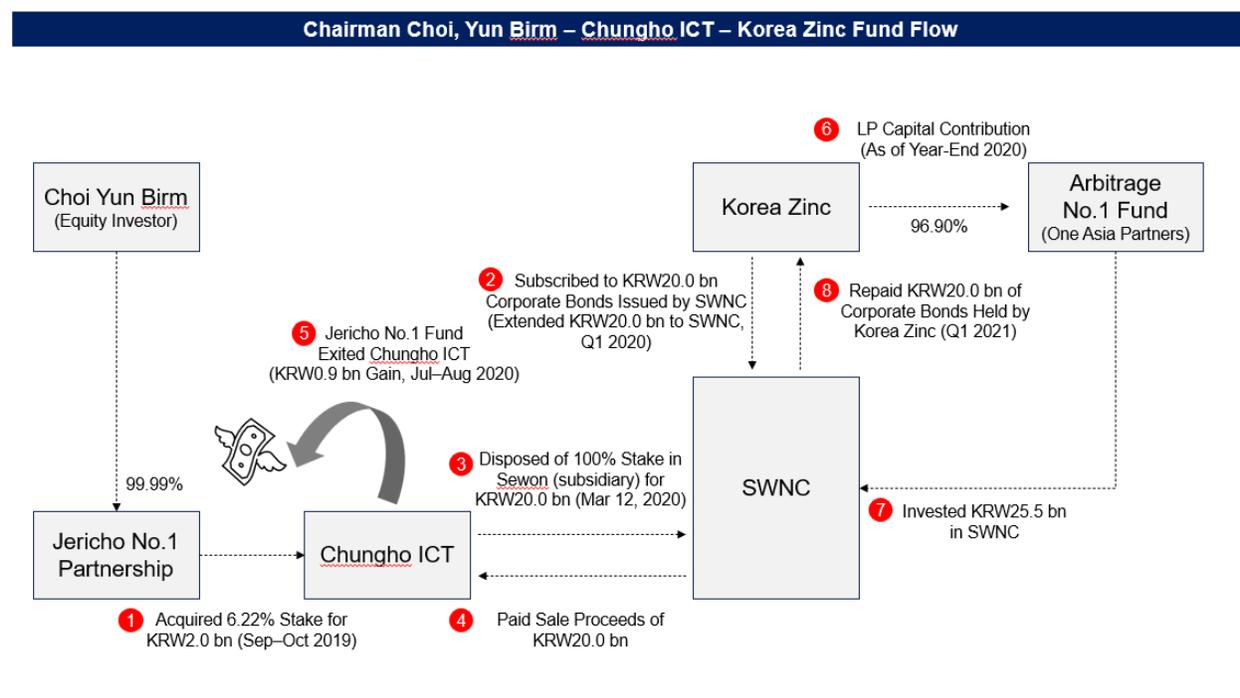
The consortium contends that Korea Zinc Chairman Choi Yun-birm indirectly deployed KRW 20 billion (approximately USD 15 million) of company funds for personal benefit, and that the company's internal controls and governance framework failed to prevent it. They warn that unless such conduct is checked, similar cases could recur.

Korea Zinc has rejected the claims as a distortion stitched together from selectively assembled facts.

In summary, Young Poong's argument runs as follows: Chungho ICT (formerly Chungho Comnet), controlled by Ji Chang-bae—an associate of Chairman Choi and former head of One Asia Partners—sold its financially troubled subsidiary Sewon to a thinly capitalized company called SWNC for KRW 20 billion.

According to the consortium, the acquisition was effectively financed by Korea Zinc. When SWNC later lacked the capacity to repay, a fund in which Korea Zinc participated as a limited partner (LP) injected capital into SWNC, and those proceeds were then used to repay the earlier loan.

The underlying suspicion is that Korea Zinc's funds may have been channeled in a manner unrelated to the interests of ordinary shareholders and instead aligned with the personal interests of Chairman Choi and his associates. Ahead of the shareholder meeting, *TheBell* reviewed both the consortium's allegations and Korea Zinc's rebuttals.



The Consortium's Case — What the Filings Show

The timeline traces back to October 2019. According to a major shareholding disclosure filed by Chungho ICT, a private equity vehicle named “Jericho No. 1 Partnership” acquired a 6.22% stake in Chungho ICT

in two tranches in late September and early October of that year, for approximately KRW 2 billion. The filing shows that Chairman Choi held a 99.9% stake in Jericho No. 1.

Chungho ICT – Report on Large Shareholding Status (October 10, 2019)

2. Details about the Large Shareholder

A. Reporting Entity

(1) Overview of Reporting Entity

Type of Report	New		Individual	
Reporting Entity	Other (Domestic)		Nationality	Republic of Korea
Name	Korean	여리고1호조합	English	Jericho No. 1 Partnership
Address	442, Gangnam-daero, Gangnam-gu, Seoul		Resident Registration No.	157-80-01461
Scope of Business	-		Relationship to the Issuer	Others
Business Contact Details and Contact Person	Affiliated Company	Chungho Comnet	Department	Management Support Division
	Title	General Manager	Phone Number	031-98*****
	Name	Kim, Kwan-Il	Fax Number	031-98*****
	E-mail Address	*****@chungho.com		

(2) Detailed Information on the Reporting Entity

Legal Status	Other (Domestic)		
Total Asset	KRW4,430,000,000	Total Liabilities	-
Total Equity	KRW4,430,000,000	Paid-in Capital	KRW4,430,000,000
Representative	Kang, Bo Young		
Decision-Making Body	General Meeting of Members		
Largest Shareholder	Choi, Yun Birm	% Ownership of the Largest Shareholder	99.9%

Chungho ICT – Report on Large Shareholding Status (October 10, 2019)

3. Number of Shares Held and Ownership Percentage

	Reporting Date	Reporting Entity		Shares, etc.		Share Certificate		Total Issued Shares with Voting Rights
		Name	No. of Related Party	No. of Shares	%	No. of Shares	%	
Previous Report	-	-	-	-	-	-	-	-
This Report	October 10, 2019	Jericho No. 1 Partnership	-	533,332	6.22	533,332	6.22	8,576,351
Changes from the Previous Report				533,332	6.22	533,332	6.22	8,576,351

2. Details on the Changes

Name	Resident Registration No.	Date of Change	Method of Acquisition/ Disposition	Types of Shares, etc.	Details of Changes			Price per Share (Acquisition/ Disposition)	Remark
					Before Change	Increase/ Decrease	After Change		
Jericho No. 1 Partnership	157-80-01461	September 25, 2019	Off-Market Purchase	Shares with Voting Rights	-	333,333	333,333	KRW3,000	Chungho Comnet
Jericho No. 1 Partnership	157-80-01461	September 1, 2029	Subscription for Newly Issued Shares	Shares with Voting Rights	333,333	199,999	532,332	KRW5,000	Subscription to Public Offering

In March 2020, Chungho ICT disclosed that it had sold 100% of Sewon to SWNC—an entity incorporated in February 2020—for KRW 20 billion. Young Poong and MBK argue that the price was excessive. At the time, Sewon's net assets stood at roughly KRW 8 billion, about half of which consisted of loan receivables extended to Chungho Comnet, which was itself in capital impairment. Sewon's operating profit was approximately KRW 300 million.

To be sure, Sewon posted revenues of KRW 26.2 billion and net income of KRW 300 million in 2019, and had generated net profits of KRW 2.9 billion and KRW 2.4 billion in 2017 and 2018, respectively.

Chungho ICT – Report on Material Events (March 5, 2020)

Decision on the Transfer of Shares and Equity Securities of Another Company

1. Issuer	Name of the Company		Sewon Corporation Ltd.		
	Nationality		Republic of Korea	Representative	Lee, Jung Woo
	Paid-In Capital		KRW1,400,000,000	Relationship with Issuer	Affiliated Company
	Total Issued Shares		280,000	Major Business	Manufacture of Gas Filtration Equipment
2. Details on Disposition	No. of Share Transferred		280,000		
	Total Consideration (A)		KRW19,999,840,000		
	Total Asset (B)		KRW72,506,900,805		
	Proportion to Total Asset (A/B)		27.58		
	Total Equity (C)		KRW24,332,928,413		
3. Shares Held and Ownership Percentage After Transfer	No. of Shares Held		-		
	Percentage of Ownership		-		
4. Purpose of Transfer	To Secure Funds for Operation and to Improve Financial Structure				
5. Scheduled Date of Transfer	March 12, 2020				
6. Counterpart	Name of the Company		SWNC Corporation Ltd.		
	Paid-in Capital		KRW300,000,000		
	Major Business		Construction, etc.		
	Address		<u>Dogok-ro 442, Songpa-gu, Seoul</u>		
7. Payment of the Total Consideration	Relationship with Issuer		-		
	- Payment Method: Cash Payment - Payment of Initial Deposit (Payable upon execution of the Agreement): KRW1,999,984,000 - Payment of Balance (Payable within five business days from the date hereof, but no later than March 12): KRW17,999,856,000				

The critical issue, however, concerns the subsequent flow of funds. Korea Zinc's first-quarter 2020 report shows that during the same period as the Sewon transaction, the company acquired KRW 20 billion worth of financial instruments classified as debt securities measured at fair value through other comprehensive income (FVOCI), secured by a pledge over 100% of Sewon's shares. The notes to the financial statements state that 280,000 shares of Sewon common stock were provided as collateral.

The consortium argues that this is the juncture at which Korea Zinc's funds were funneled into SWNC. Since SWNC held the 280,000 Sewon shares, they assert that no other party could have pledged the collateral. In effect, they contend that Korea Zinc subscribed to KRW 20 billion worth of bonds or similar instruments issued by SWNC.

Korea Zinc – Notes to the Financial Statements for Q1 2020 (May 15, 2020)

(6) Changes in Financial Assets Measured at Fair Value Through Other Comprehensive Income (FVOCI) for the Current Quarter

(Unit: KRW thousand)

Category	Equity Instruments at FVOCI		Debt Instruments at FVOCI	
	Current	Non-current	Current	Non-current
Beginning Balance	-	61,379,113	-	11,305
Acquisitions (*)	-	-	20,000,000	48,310
Valuation Gain (loss) (Before Tax Effect)	-	(14,587,773)	-	-
Disposals	-	-	-	(59,615)
Ending Balance	-	46,791,340	20,000,000	-

(*) In relation to the debt instruments newly acquired during the current quarter and classified as FVOCI, the Company received 280,000 common shares of Sewon Co., Ltd. as collateral.

(7) Changes in Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) for the Prior Period

(Unit: KRW thousand)

Category	Equity Instruments at FVOCI		Debt Instruments at FVOCI	
	Current	Non-current	Current	Non-current
Beginning Balance	-	57,192,890	199,010	4,033,413
Acquisitions (*)	-	-	9,000,000	1,068,020
Valuation Gain (loss) (Before Tax Effect)	-	4,186,223	(19,620)	795,704
Disposals	-	-	(9,179,390)	(5,885,832)
Ending Balance	-	61,379,113	-	11,305

In the first quarter of 2021, Korea Zinc disclosed that it had acquired a 96.9% interest in a private equity vehicle, "Arbitrage No. 1 Private Equity Partnership." That fund subsequently injected KRW 25.5 billion into SWNC through a disproportionate capital increase, acquiring a 93% stake. At the time, Korea Zinc stated that it anticipated synergies with its existing businesses and future expansion into new ventures.

SWNC, however, was a newly established entity. Its corporate registry lists a broad array of business purposes—holding company activities, licensing, real estate leasing, construction, resource development, import-export agency services, and consulting—but no audited financial statements were publicly disclosed at the time, leaving its operational substance unclear.

Korea Zinc – Notes to the Consolidated Financial Statements for Q1 2021 (May 17, 2021)

(2) Status of Subsidiaries

(i) Subsidiaries as of the End of the Current Period

Company Name	Ownership		Location	Fiscal Year-End	Business
	Parent	Subsidiary			
Sorin Corporation., Ltd. (*1)	49.97%	-	Korea	Dec 31	Non-ferrous metal exports
Sorin Corporation Singapore Pte., Ltd.	-	100%	Singapore	Dec 31	Wholesale & brokerage
PT. KZI Indonesia	-	99.00%	Indonesia	Dec 31	Non-ferrous metals & mineral wholesale
Sorin Shanghai Corporation Ltd.	-	100%	China	Dec 31	Trading
SINL Co.,Ltd.	-	70%	Korea	Dec 31	Waste recycling
Clean Korea Co., Ltd.	100%	-	Korea	Dec 31	Metal refining
KZ X Co., Ltd.	100%	-	Korea	Dec 31	Construction & operations
KZ Green Tech Co., Ltd.	100%	-	Korea	Dec 31	Electricity & steam supply
Zinc Oxide Corporation Ltd.	100%	-	Korea	Dec 31	Non-ferrous metal recycling & sales
Sun Metals Holdings Ltd.	100%	-	Australia	Dec 31	Arc furnace manufacturing & sales
Sun Metals Corporation Pty., Ltd.	-	100%	Australia	Dec 31	Arc furnace manufacturing & sales
Pan-Pacific Metal Mining Corporation	100%	-	Canada	Dec 31	Mining rights development
KZ Minerals Holdings PTE Ltd. (*2)	100%	-	Singapore	Sep 30	Mining investment
ICM Pachapaqui S.A.C. (*2)	-	100%	Peru	Sep 30	Mining development
KZ Minerals Bolivia S.A. (*2)	100%	-	Bolivia	Sep 30	Zinc concentrate exports
Townsville Logistics Pty., Ltd.	100%	-	Australia	Dec 31	Logistics
Townsville Marine Logistics Pty., Ltd.	100%	-	Australia	Dec 31	Logistics
Zinc Oxide Corporation Vietnam LLC	100%	-	Vietnam	Dec 31	Non-ferrous metal recycling & sales
Zinc Oxide Corporation (Thailand) Ltd.	99.98%	0.02%	Thailand	Dec 31	Non-ferrous metal exports
Korea Growth Fund No. 1	94.64%	-	Korea	Dec 31	Private equity fund
KZ Advanced Materials: KZAM Co., Ltd	100%	-	Korea	Dec 31	Asset management & investment
Arbitrage Fund No. 1	96.90%	-	Korea	Dec 31	Private equity fund

Korea Zinc – Notes to the Consolidated Financial Statements for Q1 2021 (May 17, 2021)

(*1) The financial information of Sorin Corporation., Ltd., Sun Metals Holdings Ltd., KZ Minerals Holdings PTE Ltd., and Arbitrage No. 1 represents summarized financial information included in the consolidated financial statements. Sorin Corporation., Ltd. includes the financial information of its subsidiaries Sorin Corporation Singapore Pte., Ltd., PT. KZI Indonesia, Sorin Shanghai Corporation Ltd., and SINL Co., Ltd.. Sun Metals Holdings Ltd. includes the financial information of Sun Metals Corporation Pty., Ltd., Ark Energy Corporation Pty Ltd., and Ark Energy McIntyre Pty Ltd.. In addition, KZ Minerals Holdings PTE Ltd. includes the financial information of ICM Pachapaqui S.A.C., and Arbitrage Fund No. 1 includes the financial information of its subsidiary SWNC Co., Ltd. and its subsidiaries.

35. Acquisition of Subsidiaries

(1) New Acquisition of SWNC Co., Ltd.

On January 20, 2021, Korea Zinc participated in a paid-in capital increase of SWNC Co., Ltd. and acquired a 93% equity interest. As a result, Korea Zinc obtained control over SWNC Co., Ltd. Through this acquisition of control, Korea Zinc expects to maximize synergies with its existing businesses and expand into new future growth businesses.

(i) Fair Value of Consideration Transferred at the Acquisition Date

		(Unit: KRW thousand)
	Category	Amount
	Cash	25,500,000

Young Poong and MBK contend that after SWNC received equity funding from the Korea Zinc-backed fund, it used the proceeds to redeem the KRW 20 billion in bonds previously acquired by Korea Zinc. Indeed, Korea Zinc's first-quarter 2021 report indicates that the KRW 20 billion FVOCI debt securities previously on its books had been disposed of.

Chunggho ICT – Notes to the Financial Statements for Q1 2021 (May 17, 2021)

(6) Changes in Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) for the Current Quarter

(Unit: KRW thousand)				
Category	Equity Instruments at FVOCI		Debt Instruments at FVOCI	
	Current	Non-current	Current	Non-current
Beginning Balance	-	37,575,276	20,000,000	-
Acquisitions	-	-	-	30,227,455
Valuation Gain (loss) (Before Tax Effect)	-	(6,015,504)	-	(566,400)
Disposals	-	(1,103,972)	(20,000,000)	(1,024,340)
Ending Balance	-	30,455,800	-	28,636,715

(7) Changes in Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) for the Prior Period

(Unit: KRW thousand)				
Category	Equity Instruments at FVOCI		Debt Instruments at FVOCI	
	Current	Non-current	Current	Non-current
Beginning Balance	-	61,379,113	-	11,305
Acquisitions	-	5,826,500	20,000,000	1,413,280
Valuation Gain (loss) (Before Tax Effect)	-	7,124,656	-	-
Disposals	-	(36,754,993)	-	(1,424,585)
Ending Balance	-	37,575,276	20,000,000	-

Meanwhile, Jericho No. 1 Partnership—Chairman Choi’s personal investment vehicle—exited its stake in Chunggho Comnet in mid-2020, reportedly realizing approximately KRW 2.9 billion in proceeds. Based on an initial investment of KRW 2 billion, this represents an estimated capital gain of roughly KRW 900 million.

Chunggho ICT – Report on Large Shareholding Status (August 10, 2020)

2. Details on the Changes

Name	Resident Registration No.	Date of Change	Method of Acquisition/ Disposition	Types of Shares, etc.	Details of Changes			Price per Share (Acquisition/ Disposition)	Remark
					Before Change	Increase/ Decrease	After Change		
Jericho No. 1 Partnership	157-80-01461	July 28, 2020	On-Market Sale	Share with Voting Rights	533,332	-50,000	483,332	(4,734)	-
Jericho No. 1 Partnership	157-80-01461	July 29, 2020	On-Market Sale	Share with Voting Rights	483,332	-3,000	480,332	(4,590)	-
Jericho No. 1 Partnership	157-80-01461	August 6, 2020	On-Market Sale	Share with Voting Rights	480,332	-63,332	417,000	(4,648)	-
Jericho No. 1 Partnership	157-80-01461	August 7, 2020	On-Market Sale	Share with Voting Rights	417,000	-417,000	-	(5,725)	-

Korea Zinc: “A Malicious Patchwork to Justify a Hostile M&A”

Since the allegations resurfaced late last year, Korea Zinc has characterized the consortium’s claims as “a malicious patchwork” assembled to support a hostile takeover attempt.

At the time, the company stated:

“The investment in question was carried out through lawful procedures in accordance with applicable regulations and internal rules. The deployment of surplus funds and pursuit of returns through hedging are conventional asset management practices. Much of Young Poong’s allegations are either factually incorrect or pertain to decisions made by the general partner (GP) of the private equity fund, or to transactions between third parties in which Korea Zinc was not involved.”

In response to TheBell's follow-up inquiries for this report, Korea Zinc reiterated that the transactions reflected the utilization of idle funds for asset management purposes, consistent with its prior explanation.

Korea Zinc's defense is not without formal grounding. Under Korea's regulatory framework for institutional private equity funds, limited partners are not permitted to participate directly in investment decision-making. Decisions regarding pricing, timing, and structure of investments are reserved to the GP. Absent proof of prior coordination or instruction, Korea Zinc's assertion that it "did not intervene in fund management" may hold on a strictly formal basis.

Whether that explanation will fully persuade shareholders and the market, however, is another matter. The timing of Korea Zinc's KRW 20 billion financial instrument acquisition and its subsequent participation in SWNC's capital increase appear closely aligned. Market observers also note lingering questions about the interconnected relationships among transaction counterparties and individuals close to the chairman.

At its core, the controversy raises a governance question: whether potential conflicts of interest between management and shareholders were sufficiently identified, disclosed, and controlled.