

## **[MUST ACT]: MUST Asset Management's Proposal for Enhancing Shareholder Value and Corporate Governance of Young Poong Corporation**

As a long-standing participant in the capital markets, MUST Asset Management has been closely following the ongoing developments involving the current management of Korea Zinc, MBK Partners, and Young Poong Corporation (referred to as the “Korea Zinc Event”). Recognizing the significant interest this event has generated among participants and stakeholders in Korea’s capital markets, we sincerely hope it will lead to the establishment of exemplary practices and precedents for corporate governance and shareholder value.

As a shareholder of Young Poong, we wholeheartedly support and hope that this event results in the restoration and enhancement of the value of Korea Zinc’s equity held by Young Poong, as well as the rights of its shareholders (with Korea Zinc’s current market price at KRW 946,000 per share, even conservatively valuing it at KRW 660,000 per share would attribute approximately KRW 3.5 trillion in intrinsic value to Young Poong—a figure that represents roughly 70% of Young Poong’s estimated net asset value of KRW 5 trillion).

Furthermore, as a non-controlling shareholder holding over 2% of Young Poong’s shares, we hope that the value of one share held by controlling shareholders and the value of one share held by minority shareholders will be treated with equal rights. Unfortunately, Young Poong is currently trading at a market capitalization of approximately KRW 711 billion, which is only 0.14 times its estimated net asset value of KRW 5 trillion (major assets include a KRW 3.5 trillion stake in Korea Zinc and approximately KRW 1.0 trillion in investment properties such as buildings). This is among the lowest valuations for listed companies with a market capitalization of over KRW 500 billion, alongside exceptions like E-Mart (0.16x) and Hyundai Steel (0.15x), which are heavily influenced by their significant intangible assets. In other words, despite 90% of Young Poong’s net assets consisting of high-quality assets such as its stake in Korea Zinc and buildings in central Seoul, it is effectively trading at the lowest valuation in the Korean stock market. This unusually poor valuation is believed to stem from the capital market’s deep disappointment in Young Poong’s corporate governance and shareholder policies.

### **1. Full Retirement of Treasury Shares**

At a press conference on September 27, 2024, Young Poong’s CEO, Sung-Doo Kang, strongly criticized Korea Zinc’s treasury share policy, stating, **“Treasury shares that are not intended for retirement should not be acquired. This is not in the best interest of shareholders.”** While market participants, including Korea Zinc’s shareholders, acknowledged the validity of this statement, they found it perplexing that Young Poong has retained 6.62% of its shares as treasury stock for over a decade without retiring them. It is a contradictory situation that could only arise if Young Poong had forgotten about its own treasury shares or disregarded the fact that, as a publicly listed company, it has responsibilities to minority shareholders. It was a deeply disheartening moment of realization, shedding light on why Young Poong is trading at the lowest valuation relative to its liquidation value in Korea. This feeling was further reinforced when reviewing the list of new executive candidates for Korea Zinc disclosed by MBK Partners and Young Poong. We urge Young Poong to honor its own words by fully retiring all existing treasury shares and to amend its articles of incorporation at the upcoming shareholders’ meeting to include a provision prohibiting the retention of treasury shares without

retirement.

## **2. Bonus Issue or Stock Split**

We also request the implementation of a bonus issue. Young Poong's limited number of floating shares and low trading volume create significant inconveniences for minority shareholders when trading. Despite this, the company has made no policy efforts to address these issues. Young Poong's net asset value per share exceeds KRW 2 million, meaning that even at a PBR of 0.5x, its market price would exceed KRW 1 million per share. Currently, there are no companies in the Korean market (with a market capitalization of over KRW 500 billion) trading at a share price above KRW 1 million. The highest-priced stock is Korea Zinc at KRW 946,000, which is an exceptional case. If no action is taken by the company, Young Poong will become a highly unusual case where trading inconveniences for shareholders are left unaddressed. Therefore, we believe that implementing a 1,000% bonus issue or a 10-to-1 stock split is an essential shareholder-friendly policy to alleviate this issue. Given the relative simplicity of the procedures involved, we request that the company swiftly implement a bonus issue through a board resolution to enhance operational efficiency.

## **3. Put Option on Korea Zinc Shares**

One of the most critical aspects of evaluating Young Poong's corporate value is the management cooperation agreement with MBK Partners. As shareholders of Young Poong, we do not request the disclosure of the full agreement prior to the conclusion of the Korea Zinc event. However, we would appreciate responses to a few specific questions that carry no significant risk of adverse impact while helping shareholders better understand the situation.

Regarding the call option frequently mentioned in the media, as this is a right held by MBK and a passive obligation for Young Poong, we will not raise questions about it. However, we do have several questions regarding the put option, which is an active right held by Young Poong. These are limited to key issues:

- 1) Number of Shares Subject to the Option: Is it correct that the put option covers approximately 60% of Young Poong's holdings in Korea Zinc shares? If providing an exact figure is difficult, a range would also suffice.
- 2) Timing of Option Exercise: According to disclosures, the put option can be exercised on the earlier of (i) one year after the completion of the public tender offer, or (ii) six months after the securing of a majority on the board. Once the option exercise period begins, we believe that immediately exercising the put option to secure approximately KRW 2 trillion in cash would be a sound management decision. Do you plan to exercise the put option immediately when the exercise period becomes available?
- 3) Allocation of Shares Under the Option: The put option agreement applies exclusively to Young Poong and Jang Hyung-Jin (Chairman of Young Poong) as shareholders, and disclosures state that Young Poong has the authority to determine how the optionable shares are allocated between the two parties. We believe that allocating the optionable shares proportionally to the respective equity stakes of Young Poong and Jang Hyung-Jin would be a reasonable approach. At the time of exercising the put option, do you plan to determine the allocation ratio accordingly?

## **4. Revaluation of Investment Properties**

Young Poong owns several prime real estate assets, including two major buildings in central

Seoul, with a combined market value significantly exceeding the company's current market capitalization. These properties are critical assets for the company. However, these properties have not been revalued for an extended period, leaving their true market value not reflected in the company's book value. This makes it difficult for market participants and shareholders to accurately assess their value. Accordingly, we request a revaluation of these assets to ensure that their fair market value is accurately reflected and accessible to shareholders and the market.

## **5. Value-Up Disclosure Or Forward Guidance**

Finally, in the event that the put option on Korea Zinc shares is exercised, resulting in a cash inflow equivalent to 2–3 times the current market capitalization, we ask that the company disclose a clear plan for utilizing this cash. Considering the current reality of Young Poong trading at a PBR of 0.14, we strongly suggest that at least 30% of the incoming cash be allocated toward shareholder returns (e.g., cash dividends, share buybacks) to ensure that the company's assets are managed for the benefit of all shareholders. We believe that announcing such a plan would position Young Poong as a leading example of value-up practices in the Korean capital market, while also significantly addressing and improving the company's current undervaluation.

In conclusion, we have briefly outlined our requests and inquiries as a shareholder of Young Poong and a participant in the capital markets. As you may know, all of these points, along with detailed background explanations, have already been communicated to Young Poong through multiple private letters and meetings over an extended period. However, given the lack of substantive responses and the challenges we have faced in this dialogue, we are now making this statement publicly. We kindly request your response by Friday, November 29.

Should the public response also fail to deliver meaningful efforts to improve corporate governance and enhance shareholder value, we, as an asset management firm dedicated to the Korean capital market, will take every possible measure to address the current situation of Young Poong, which is subject to the lowest valuation in Korea.

We humbly seek the support and guidance of various participants and stakeholders in the Korean capital market. Above all, we strongly hope that Young Poong will become a listed company that takes proactive and independent steps toward meaningful change.

Thank you.

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