This letter is from MUST Asset Management.

As an engaged participant in the capital markets, we wish to publicly convey our views to Refine Co., Ltd. (the "Company"), its largest shareholder, Realtyfine Co., Ltd., the Company's current management and board of directors, and the six directors who voted in favor of the board resolution on April 9 to issue exchangeable bonds. We also respectfully ask all other shareholders of the Company, ahead of the extraordinary general meeting ("EGM") on September 24, to carefully read this letter in full.

Since the Company's listing on the capital markets in 2021, we have been a long-term shareholder with a strong interest in its attractive business model, conducting broad and in-depth research. This year, observing changes in the controlling shareholder and management, we increased our stake in the Company, driven by expectations for positive transformation, its investment appeal, and our conviction to play a meaningful role in the capital markets. On July 18, we filed our first substantial shareholding report, and through additional purchases we now hold approximately 10.0% of the Company's shares.

[Lack of Communication from the Company]

As has been reported in the media and disclosed publicly, we, as a shareholder, requested that the Company convene an EGM. The proposed agenda was "Transfer to Retained Earnings through Capital Reserve Reduction." While one may debate the magnitude of its benefits, we firmly believe there are effectively no disadvantages to such a proposal. On July 21, we formally delivered our request for an EGM to the Company, and on July 21 and 22 received confirmation from the Company that it had been duly received. However, just as we believed constructive dialogue was beginning, we were greatly disappointed to learn on the afternoon of July 22, through a disclosure, that a conversion request had been made on the "problematic exchangeable bond." This action: (1) significantly increased the controlling shareholder's stake from 34.1% to 48.0%, thereby distorting the voting structure of the upcoming EGM; (2) suggested an intent to conceal the legal issues surrounding the exchangeable bond; and (3) effectively foreclosed a viable path to efficiently restore the damages and adverse effects caused by the issuance of the bond. Accordingly, on July 23, we filed a petition with the court for authorization to convene an EGM, thereby choosing to proceed with the meeting under the court's decision.

Subsequently, the court scheduled the first hearing for August 20. In order to re-engage in dialogue with the Company before that date, on August 13 we sent the Company a written document (the "Confidential Letter") outlining the background of our request to convene an EGM, the agenda items and their rationale, our views on the problems associated with the exchangeable bond, and a set of questions for the Company. Yet once again, without any response or communication, we discovered the very next day, on August 14, through public disclosure, that the Company had announced the convocation of an EGM. While this may appear outwardly to grant the shareholders' meeting we had requested, in substance it can only be understood as the Company's attempt to avoid convening a meeting pursuant to a court decision. The Company also declined to submit any response brief to the court. Accordingly, ahead of the EGM scheduled for September 24, we are replacing our previous non-public attempts at dialogue with this open letter, to convey our views and questions to the Company's management as well as to all its shareholders.

[The Company's Appropriate Capital Base and ROE]

The agenda item we proposed for the upcoming EGM, "Transfer to Retained Earnings through Capital Reserve Reduction," is intended as the starting point for a fundamental shift in management practices—namely, to raise the Company's return on equity (ROE), the most important measure of corporate performance, from the current level in the 10% range to above 40–50%. Our purpose is to present to all shareholders the issue that, due to inadequate shareholder returns and excessive capital retention, the Company's equity capital has grown inefficiently large relative to its appropriate capital base, thereby depressing both ROE and per-share value. Since the controlling shareholder changed this year to a private equity fund, and since both management and the board have been newly formed under its influence, we pose the following question:

"What, in the judgment of management and the board, constitutes the Company's appropriate level of equity capital for optimizing ROE?"

As the controlling shareholder and management are aware, the Company possesses an attractive business model—innovative and efficient in structure, with overwhelming competitive moats in its market—that enables it to generate earnings with remarkable consistency. What makes the Company even more compelling is that it requires virtually no capital reinvestment, allowing net income to be accumulated almost entirely in cash on a continuous basis.

Since its listing, the Company has recorded net income of more than KRW 20 billion each year, and because there is little need for reinvestment in the business, it has been able to accumulate even more cash than its net income. As of the first quarter 2025 report, the Company held over KRW 135 billion in cash, and this balance continues to grow.

For such a highly attractive business—capable of sustaining consistent net income without reinvestment—to truly flourish, management must focus on maximizing return on equity (ROE, net income ÷ shareholders' equity) through efficient capital allocation. As the renowned investor Warren Buffett has remarked, if he were to choose only one metric for management, it would be ROE. Likewise, in the private equity industry, to which the Company's controlling shareholder belongs, improvements in ROE and per-share value are regarded as key indicators of managerial competence.

Therefore, considering the Company's already excessive accumulation of cash and assets, as well as the additional cash that will continue to be generated from future earnings, we believe that very active shareholder returns are necessary, and that management must make the strategic choice of allocating capital efficiently to drive improvements in both ROE and per-share value.

- We believe that with only KRW 50 billion of equity capital, the Company can maintain the health of its business and sustain its current level of profitability.
- If the Company were to utilize conventional secured borrowing against its office building, valued at approximately KRW 38 billion, the appropriate equity capital could be reduced further to the KRW 30–40 billion range.
- Accordingly, if the Company were to manage toward an appropriate level of equity capital, its ROE could rise from the current 10% range to at least 40–50% or higher, a truly exceptional metric within the Korean capital markets.
- In fact, apart from the construction of its new office building, the Company has required virtually no capital expenditures for its business since listing. According to the 2024 annual report, only 24% of the IPO proceeds were used for operating capital, even stating: *'We have used the IPO proceeds more conservatively than initially planned… and intend to ensure that any future use of funds remains consistent with the original purposes of the offering.'*
- For reference, through our extensive long-term research, we understand there are effectively no sizable M&A opportunities available in the Company's related business areas.

[Agenda for the Extraordinary General Meeting]

"Do the Company's management and board of directors support the agenda item we have proposed for the shareholders' meeting scheduled for September 24?"

As explained above, the Company requires active shareholder returns in order to optimize its equity base and raise ROE. Accordingly, we have proposed the agenda item of transferring capital reserves to retained earnings.

- If this agenda item is approved, the Company will be able to expand its distributable profits by at least several tens of billions of KRW. While the current distributable profits of more than KRW 100 billion are not insignificant, we believe it is necessary to enlarge this capacity further considering the Company's appropriate level of equity capital.
- Accordingly, we believe that executing the maximum possible transfer amount at this shareholders' meeting would be the most prudent course of action. We have prepared the relevant calculations and rationale, and we are open to engaging in thorough discussions in advance should the Company hold a different view.
- Given that the advantages of this agenda are clear and that there are no associated drawbacks, we see no reason why any shareholder would oppose it. It should also be noted that this agenda does not itself implement dividends or other distributions, but merely prepares the ground for such actions in the future.

After receiving our request for an EGM, the Company chose to expand the controlling shareholder's voting power from 34.1% to 48.0% through the exercise of the exchangeable bond, a move that raises serious concerns about whether genuine discussion can take place at the meeting. This also leads us to worry that even an agenda item with no conceivable reason for opposition might nonetheless be voted down for other motives. We therefore ask management and the board to state their support for our shareholder proposal in advance of the EGM. Should there be any grounds for opposition, we respectfully request that they be explained convincingly to all shareholders.

[The Problematic Exchangeable Bond Issued on April 9, 2025]

We believe that the exchangeable bond (EB) issued by the Company on April 9, 2025 was an incident that should never have taken place in the Korean capital markets. It caused clear and significant financial harm to all minority shareholders outside of the controlling shareholder, and we find serious flaws both in the stated rationale for the issuance and in its detailed terms. In principle, the EB issuance should be rendered void, and the controlling shareholder who subscribed to it should restore the damage—through cancellation, return, or equivalent remedies. We believe it is the duty of the current directors to demand such corrective action. At a minimum, even if one were to concede on principle, the controlling shareholder must nevertheless make every effort to recover and restore the economic value lost by minority shareholders.

First, the very necessity of the issuance itself is in question.

As discussed earlier, what the Company needs is a proper debate on how much equity capital should be reduced to optimize ROE. Instead, by issuing approximately KRW 35.5 billion in exchangeable bonds, the Company has effectively increased its idle cash from more than KRW 100 billion to several tens of billions of KRW higher, thereby lowering ROE even further. Had the Company been guided by sound governance, approximately 13.9% of treasury shares would have been retired, resulting in an increase in per-share value. Instead, through the issuance of exchangeable bonds backed by treasury shares and the subsequent conversion request, the number of outstanding shares has increased, reducing per-share value. In short, absent a highly compelling and urgent need for financing, this issuance represents a managerial decision that weakens key performance metrics and reflects poor stewardship.

In reality, the Company pushed through this exchangeable bond issuance on an extremely accelerated timeline. On April 2, 2025, the controlling shareholder changed, and on that very day the board of directors was reconstituted, largely with individuals affiliated with the new controlling shareholder. (1) That same day, April 2, the board terminated the trust agreement governing the treasury shares; and (2) just one week later, on April 9, the board resolved to issue the exchangeable bonds, effectively transferring those treasury shares to the new controlling shareholder. In other words, the very first major action taken immediately after securing control was this EB issuance.

The stated purposes for the funds in the disclosure justifying such a hastily executed exchangeable bond issuance are highly unconvincing. A) There is insufficient explanation as to why KRW 35.5

billion was needed in the first place. B) Even if KRW 35.5 billion were deemed necessary, there is still no justification for issuing additional securities when the Company already holds over KRW 100 billion in cash and continues to generate further earnings and cash. C) It is incomprehensible why the Company chose to issue exchangeable bonds backed by treasury shares—rather than pursuing ordinary debt issuance or secured borrowing against its office building—as a means of financing. D) The items and figures presented are disconnected from the Company's actual business conditions, making the disclosure even more disappointing to those who understand the Company well.

Therefore, <u>we have reasonable grounds to suspect that the purpose and background of the problematic exchangeable bond issuance were to enable the new controlling shareholder, after reconstituting the board, to secure a favorable ownership position for itself</u>.

[Do Refine's Shares Have Different Values Depending on the Holder?]

The Company's controlling shareholder, Realtyfine Co., Ltd., acquired a total stake of approximately 48.0% through the following transactions:

1. <u>On April 2, 2025, it purchased a 34.1% stake at KRW 27,159 per share from the former controlling shareholder and related parties</u>.

2. <u>On April 9, 2025, through the issuance of exchangeable bonds and their subsequent conversion, it acquired approximately 13.9% of the Company's treasury shares at KRW 14,709 per share</u>.

- Had the treasury shares in transaction (2), which constitute property belonging to all shareholders, been sold at the same price as in transaction (1), the difference would have amounted to approximately KRW 30 billion. In other words, <u>if transaction (1) was conducted at a fair value, then transaction (2) was executed at a price roughly KRW 30 billion lower.</u>
- Strikingly, "transaction (2)" was approved by the directors appointed by the buyer in "transaction (1)," just one week after that initial deal.
- The Company's controlling shareholder, Realtyfine Co., Ltd., is a private equity fund established by Stonebridge Capital and LS Securities. It is therefore reasonable to assume that, <u>in its communications to LP investors, the KRW 27,159 price in transaction (1) was presented as a fair valuation and one capable of generating returns over time</u>. <u>Yet, only one week later, a board comprised essentially of the same decision-makers resolved to conduct transaction (2) at merely about 54% of that price. One must seriously question whether such a practice should be permissible in the Korean capital markets</u>.
- We request a convincing explanation as to why, following the arrival of the new controlling shareholder, the Company's shares were transacted at such divergent prices. If the Company's only response is to cite the formula for determining the exchange price of the

exchangeable bond as grounds for legality, then we also ask for a clear explanation of why the Company chose to issue an exchangeable bond in the first place.

[Coupon Rate of 6.0% and KRW 10.6 billion]

We were dismayed when we saw that the exchangeable bond carried a coupon rate of 6.0%. For exchangeable bonds backed by treasury shares, the coupon rate is typically 0%, and because the embedded exchange right itself has value, it should logically be set below the Company's normal cost of debt financing. Moreover, the Company has a highly stable financial structure and ample assets—such as cash and its office building—that could easily support financing at much lower rates. However, the exchangeable bond issued on April 9 carried a shocking coupon rate of 6.0%. Over its five-year maturity, this equates to a total of approximately KRW 10.6 billion.

The reason why such a figure—so problematic from legal, ethical, financial, and managerial perspectives—was chosen soon became evident. This was because, on April 21—twelve days after the exchangeable bond issuance—disclosures showed that Realtyfine Co., Ltd., the controlling shareholder, had raised financing at an interest rate of 5.89%. In other words, to cover the controlling shareholder's financing costs, the Company took on an excessive burden by paying 6.0% interest—0.11% higher than 5.89%.

We hereby address the six directors who voted in favor of the April 9 board resolution: please provide a convincing explanation of the reasons and background for setting the coupon rate at 6.0%.

[Execution of the Exchangeable Bond Conversion]

As explained earlier, on July 22—just one day after receiving our request to convene an EGM—the exchangeable bond was converted prior to maturity. As a result, it has become difficult to cancel the issuance or restore the situation to its prior state. We are deeply disappointed by the choice made by the Company and the controlling shareholder, and as shareholders we now feel compelled to consider legal action.

Furthermore, regarding the necessity of the early conversion of the exchangeable bond, the Company's controlling shareholder— the Stonebridge Capital–LS Securities consortium—stated in a media interview at the end of July that the reason for the early conversion was "to avoid the negative impact of derivative liabilities arising from the exchangeable bond on Refine's income statement due to the share price increase." We must ask whether, at the time of issuance, the Company was unaware of this negative impact—or, if it was aware, whether it truly assumed that the share price increase causing such impact would not occur at any point during the five-year maturity of the bond. This is even more perplexing given that, on the very day the conversion was exercised, the closing price was only about two-thirds of the acquisition price paid by the controlling shareholder.

Moreover, this derivative liability loss exists only on the accounting books, and given the Company's solid financial statements, it is clearly manageable. In fact, under the current level of understanding in the Korean capital markets, there are virtually no shareholders who would be concerned about such an item. For this reason, it is even more difficult to take at face value or accept the Company's stated rationale for the early conversion. For reference, we have held detailed simulation materials on the derivative liability, prepared by a major accounting firm, since that time.

Although this letter has been lengthy, as a shareholder holding approximately 10% of the Company, we respectfully state the following:

1. We request that the controlling shareholder—comprised of professional private equity managers—together with the Company's management and board of directors, provide their response regarding the problematic exchangeable bond as well as management measures for achieving optimized capital allocation to enhance ROE.
2. Should the Company's response to this letter fail to provide sufficient and convincing justification, we will proceed with further exercise of our shareholder rights and legal actions to restore the economic harm inflicted on all shareholders other than the controlling shareholder because of the exchangeable bond issuance.

For the sake of constructive discussion and communication on points (1) and (2), we request that the controlling shareholder, management, and the members of the board provide a public response and their views by September 17, one week prior to the EGM.

Thank you.

Sincerely,
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MUST Asset Management

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