Korea Zinc Fails to Deny Core Facts: Director Choi Yun-birm's Prior Personal Investments Were Followed by Subsequent Investments Using Company Funds

Securities and Futures Commission Minutes Also Confirm Substantial Follow-On Investments, Through OneAsia Partners, in Unlisted Entertainment and Content Companies

Young Poong and MBK Partners: "Korea Zinc and Its Shareholders Are the Victims. What Is Needed Now Is an Independent Investigation Into Director Choi's Pursuit of Private Gain."

"Despite Suspected Misuse of Corporate Funds, the Current Audit Committee Has Remained Silent. An Independent Audit Committee Member Must Be Elected at the September 9 EGM."

Young Poong and MBK Partners stated that although Korea Zinc issued a statement late on August 25 invoking legal action and claiming that the materials in question were "unconfirmed," the company failed to deny the central facts: that Korea Zinc's funds were subsequently invested in unlisted entertainment and content companies in which Korea Zinc Director Choi Yun-birm and members of his family had previously invested.

"The essence of this matter is that OneAsia Partners, effectively funded by Korea Zinc, made follow-on investments in companies in which Director Choi and related parties had first invested, creating a significant possibility that the valuations of those unlisted companies rose and that Director Choi's side stood to realize private gains," Young Poong and MBK Partners said.

Young Poong and MBK Partners previously disclosed, in their proxy solicitation materials, six follow-on investment cases totaling KRW 69 billion involving three companies identified in criminal case records: Arc Media, Hi-Hat and Slingshot Studio. In addition, the minutes of the Securities and Futures Commission, publicly released on August 7, confirm that Korea Zinc funds were invested through OneAsia Partners into a total of four entertainment and content companies. Accordingly, the total amount invested appears to exceed KRW 69 billion.

"Even in the Securities and Futures Commission proceedings, representatives for Director Choi's side were unable to deny the investment structure itself," Young Poong and MBK Partners said. "Likewise, in its August 25 statement, Korea Zinc failed to directly refute any of the core facts: Director Choi's prior personal investments, Korea Zinc's large-scale capital commitments to OneAsia Partners, OneAsia Partners' follow-on investments in the same companies, and the fact that those companies were entertainment and content businesses unrelated to Korea Zinc's core operations."

Korea Zinc committed approximately KRW 560 billion in aggregate to OneAsia Partners, a newly established private equity firm with no prior investment track record. In six of the eight funds, Korea Zinc was effectively the sole investor.

OneAsia Partners then invested at least KRW 69 billion in four unlisted companies unrelated to Korea Zinc's core business, in which Director Choi and his family had already invested. Against this backdrop, it is difficult to reasonably accept any explanation suggesting that Director Choi, then the company's chief executive officer, was unaware of this structure.

Young Poong and MBK Partners characterized the matter as "not a mere failed investment or accounting error, but a suspected case of private misuse of corporate funds and breach of fiduciary duty, in which investment risks that should have been borne personally by Director Choi may have been supported by the funds of Korea Zinc and its shareholders."

Responding to Korea Zinc's assertion that the company was recognized as a victim in the relevant criminal case, Young Poong and MBK Partners said, "That is precisely the point. Korea Zinc and its shareholders are the victims. The issue is the allegation that company and shareholder funds were used in furtherance of Director Choi's private interests. What is needed now is not rhetoric about legal action, but an independent investigation into the allegations involving Director Choi and appropriate follow-up measures."

"If the company is indeed the victim, the board of directors and the audit committee should have immediately investigated how the harm occurred, where the funds flowed, who bears responsibility, and whether Director Choi and related parties were involved or conflicted," they added. "Yet despite repeated requests for an investigation, the current audit committee has failed to take any meaningful action."

Young Poong and MBK Partners emphasized that this case demonstrates why an audit committee member independent of management must be elected at the extraordinary general meeting scheduled for September 9.

"This vote is not merely an extension of a management control dispute. It is a question of whether shareholders will establish an independent oversight mechanism to protect their rights and assets," Young Poong and MBK Partners said. "Given that the current audit committee has remained silent on allegations that corporate funds were misused in connection with Director Choi, shareholders must now act to restore internal controls by electing an independent audit committee member."