

This letter is from MUST Asset Management.

Our firm has raised legal and ethical concerns regarding the exchangeable bonds issued by Refine Co., Ltd. (hereinafter, the “Company”) on April 9, 2025. In connection with this, and as part of our broader criticism of the Company’s unwise capital allocation, we submitted a shareholder proposal to transfer capital reserves to retained earnings. The related shareholders’ meeting was held yesterday, September 24. We would like to take this opportunity to provide an overview of the meeting to the many shareholders who have supported us, as well as to those who care deeply about the capital markets, and to briefly share our plans going forward.

[Shareholder Meeting Vote Result] – Rejected.

The proposal was voted down, with 71% of voting shareholders opposing. However, since only 68% of all shareholders cast votes, the actual number of shares that voted against was 8.37 million. Considering that the largest shareholder, RealtyFine, holds 8.31 million shares, it is effectively clear that **the opposition came solely from RealtyFine**. Aside from this, a significant 3.32 million shares were cast overwhelmingly in favor by many other shareholders.

When we requested the extraordinary shareholders’ meeting on July 21 with our shareholder proposal, the Company’s ownership by the largest shareholder stood at 34.1%. At that time—unlike the current 48%—we believed there was sufficient ground to contest the voting rights. However, as we had feared, the Company submitted an early conversion request for the exchangeable bonds the very next day, on July 22. As a result, this shareholders’ meeting became one where the outcome was determined solely by the controlling shareholder holding 48%, and the anticipated rejection materialized.

However, through the Company’s early conversion request of the exchangeable bonds and certain explanations given in that context, **additional legal and ethical concerns of the Company have either come to light or been confirmed**. **Above all, what has been halted is the transfer from the Company to RealtyFine of KRW 530 million per quarter, or KRW 2.12 billion annually, in interest expenses on the 6% exchangeable bonds. This annual amount of KRW 2.12 billion represents roughly 10% of the Company’s annual net profit—a very significant cost.**

The Company began with the explanation that “from the time of issuance, we planned to make an early conversion request,” which in turn raises the obvious question, “then why issue exchangeable bonds at all?” It then went on to state that “due to concerns about derivative accounting losses caused by an unexpected rise in share price, we rushed to request conversion.” However, this explanation is not only lacking in rationality on its own, but also logically contradicts the earlier one, resulting in nothing more than legally and morally troubling excuses. Most astonishing of all is **the Company’s admission that a prospective controlling shareholder with a 34.1% stake had, as early as six months before the issuance of the exchangeable bonds when considering the acquisition, already set out a plan to “secure treasury shares in the form of exchangeable**

bonds with a 6% interest rate” and in the process effectively dictated the Company’s decision-making.

Through this shareholders’ meeting, we came away with a few key observations:

- **Despite the proposal having clear advantages and no disadvantages**, while nearly all shareholders voted in favor, the majority shareholder, RealtyFine, almost singlehandedly voted against—without offering any explanation or rationale—thereby defeating the proposal.
- A sobering realization that, had we not raised the issue, KRW 2.12 billion per year would have continued to flow out of the Company for five years.
- From the way the meeting was conducted, it was clear that the Company has no genuine willingness to communicate with its shareholders. Instead, it resembled **a troubling parliamentary hearing on TV**, where those called to testify pretend to know nothing and claim to remember nothing.
- At the shareholders’ meeting, CEO Hosung Suh, who chaired the proceedings, **effectively blocked shareholders’ questions or responded in a shockingly dismissive manner**, saying: *“I don’t think there is any need to give management’s view on this agenda item; only the shareholders’ opinions matter,” “I did not discuss this matter with the majority shareholder, so I do not know their view,” and “I have only been in management for about half a year, so I don’t know.”*
- **Although Mr. Suh was one of the six board members who voted in favor of issuing the problematic exchangeable bonds**, we had initially thought that, as a professional manager focused mainly on operations rather than governance, his legal and moral responsibility might be somewhat limited. However, the way he conducted himself at this shareholders’ meeting completely dispelled that notion.

[Legal Action]

As stated in our previous letter, **ordinary shareholders suffered an actual economic loss of approximately KRW 40.6 billion due to the issuance of the problematic exchangeable bonds.**

In order to restore or recover this damage, one of the following must take place:

- (1) **The issuance should be canceled.**
- (2) **The six board members who made the decision should compensate the company for the damage.**
- (3) **The loss equivalent to the damage should be restored/compensated through other alternative measures.**

(4) If none of the above (1, 2, 3) is implemented or is insufficient, then legal punishment must follow.

(3) must be something that the company or the controlling shareholder should present to ordinary shareholders, and (4) is a sensitive subject when we recall the wise saying, “*Hate the sin, not the sinner.*” For this reason, we will prioritize and devote our best efforts to pursuing (1) and/or (2). On September 18, we initiated legal action by sending a demand letter to Auditor Wonkyo Suh to file a lawsuit for damages against the directors, and we will continue to proceed swiftly with legal measures.

[B2C Expansion Plans and Terms of the Exchangeable Bonds]

Following our campaign, the company made some statements through the media and on its website. However, these were brief and highly formal responses lacking any substance. Worse still, they were largely framed in a way that might sound plausible to someone with no understanding of investing, but to anyone with even a basic knowledge of finance, it was clear that there was no consideration of per-share value. They were essentially misleading statements such as, “*Isn’t it always better for a company to have more cash?*” In this letter, we would like to briefly share our perspective on three key issues among those statements.

1. Structural Problems Between Refine and RealtyFine

“We assumed early conversion immediately after the EB issuance, so we simply reflected the market average. Considering that market rates were in the high 4% range at the time, setting it at 6% was reasonable.” – Company statement in a media interview

We, too, have compiled a complete record of exchangeable bond issuances in the Korean capital market. However, we will not dwell on distorted interpretations of this data. What we must point out, however, is this: why was the EB issued at 6%, a decision that transferred KRW 10.6 billion from the company to its largest shareholder, when it could have been issued at 0%? This cannot be explained without addressing **the structural problems inherent in the Refine–RealtyFine relationship.**

Refine’s board of directors was reshuffled on April 2 of this year with appointees from RealtyFine. On that same day, and again on April 9 through board resolutions, **Refine made decisions that inflicted harm on itself. The party that ultimately benefited from these decisions was none other than RealtyFine.**

Among Refine’s board members, including Jooyoung Jo and Sujin Park from LS Securities, as well as Seungyeon Hyun and Ikhwan Sung from Stonebridge Capital, the majority are affiliated with RealtyFine. They receive no salary or performance-based compensation from Refine, but are instead compensated by RealtyFine. This is an open secret. Ordinarily, when Refine prospers,

RealtyFine prospers as well. However, as demonstrated in the case of the exchange bond issuance, this is not always the case. When decisions are made that favor RealtyFine's interests instead, the resulting harm to Refine's minority shareholders is far from negligible. **As long as this structure remains in place, Refine may once again be sacrificed for the benefit of RealtyFine, with all of the damage borne solely by Refine's other shareholders, excluding its controlling shareholder, RealtyFine.**

Therefore, **unless Refine resolves its 1) opaque governance and decision-making structure and 2) inherent conflicts of interest, there is a clear risk that a second "exchange bond problem" could arise.**

Consider, for example, the case of Executive Director Jooyoung Jo from LS Securities, who recently joined Refine's board. **His prior career was largely focused on mezzanine issuance.** Yet, rather than applying this expertise in a way that benefited Refine, it was instead deployed in an issuance structure that disadvantaged Refine while favoring RealtyFine. **Is it not reasonable, then, to question whether board members with such conflicting interests should resign, or be removed, for the sake of Refine's shareholders?**

2. On the claim that the exchangeable bond was **acceptable because it carried a 10% premium over the then-market price**

We would like to pose the following questions to Refine and RealtyFine:

Do you truly believe that the "market price" at that time reflected the fair value of Refine?

If that market price was indeed fair, why did RealtyFine purchase 34.1% of the shares at roughly twice that so-called fair value at the very same time?

And when reporting to your LPs, did you tell them:

- (1) that you purchased 34.1% at two times the fair market value, or
- (2) that you acquired 13.9% at half the fair market value?

It is obvious that you would have said (2), not (1).

If that is the truth, then RealtyFine, composed of Stonebridge Capital and LS Securities, ought to state candidly and responsibly before the courts and the capital markets that it was indeed (2), not (1).

When measuring a person's height, it is not accurate to measure from the tip of the toes to the top of the head; the correct measurement is taken while standing upright. Likewise, the market price of a listed company fluctuates significantly, and it is not always clear whether we are looking at

the “standing height” or the “sitting height.” Yet on April 2, through a transaction between the shareholders who knew the company best, Refine’s “standing height” was officially established at **KRW 27,159 per share. How, then, can it be reasonable that almost simultaneously, you claimed that a price of KRW 14,709 per share was the fair measure** of height and conducted a transaction on that basis?

Why is it that the controlling shareholder’s stake is measured by the standing height, while the other shareholders’ stakes are measured by the sitting height? The damage caused by this discrepancy amounts to as much as KRW 30 billion.

We will challenge your claim that you “measured from the tip of the toes to the top of the head and even added a 10% premium” with every legal means available before the court. And regardless of the legal outcome, we will ensure that the judgment of morality and conscience remains as part of the lasting record of Stonebridge Capital, LS Securities, and RealtyFine.

3. Entry into B2C as a New Growth Driver

Over the past three years, we have conducted thorough research into what efforts and reviews Refine has made toward entering the B2C market. As you are well aware, there have been numerous challenges, and suitable M&A targets have been extremely scarce. We are fully aware of the one M&A case that was practically the only possible candidate, as well as the approximate scale of that deal. For this reason, we cannot at all agree with the company’s explanation that a B2C M&A was the rationale for urgently issuing KRW 35.5 billion in exchangeable bonds, despite holding over KRW 130 billion in net cash. Furthermore, when we consider the lack of detail in the disclosed documents, the superficial statements on the company website, and the fact that the CEO offered no comment or answers on this matter at the shareholders’ meeting, we cannot help but question the company’s sincerity in raising capital.

The company must answer why KRW 200 billion in cash (KRW 130 billion in cash plus KRW 70 billion immediately available) was deemed insufficient, and what kind of M&A target would require KRW 235.5 billion rather than KRW 200 billion, thereby necessitating the urgent issuance of KRW 35.5 billion in exchangeable bonds on unfavorable terms. Otherwise, **the CEO and directors cannot escape legal and moral criticism that their decision to issue the exchangeable bonds was made not to protect the interests of the company and all its shareholders, but to serve the interests of a specific shareholder, RealtyFine.**

[The Outsiders – The Rediscovery of Cash]

This book, *The Outsiders* by William Thorndike, is also available in Korean translation under the title *The Rediscovery of Cash*. It highlights wise and outstanding CEOs who valued per-share value

over overall corporate value, and became more widely known after Warren Buffett praised it in his 2012 shareholder letter.

“The Outsiders is an outstanding book about CEOs who excelled at capital allocation.” – Warren Buffett

We recommend this book to the management of Refine and to RealtyFine. At the very least, it may prevent statements such as, *“Isn’t it always better for a company to simply have more cash?”* or *“Returning capital to shareholders through dividends is like killing the goose that lays the golden eggs.”* We believe it will also provide meaningful guidance for management truly focused on increasing Refine’s per-share value.

I believe that the members of RealtyFine apply a different standard when evaluating Refine, their subsidiary, compared to when they evaluate RealtyFine itself. As a private equity fund, RealtyFine is, quite naturally, assessed by its LPs on the basis of per-share value appreciation, and its performance fees are determined accordingly. Moreover, directors such as Jooyoung Jo and Seungyoon Hyun, who serve as executives of Refine while also holding key positions at RealtyFine, would have set their performance KPIs with per-share value growth as the central metric.

For example, suppose RealtyFine’s controlling shareholder stake was transacted at 27,159 won per share, but at the same time, Stonebridge Capital purchased RealtyFine’s treasury shares (hypothetically) at 14,709 won per share. Would LS Securities simply stand by in such a situation? Conversely, if LS Securities were the buyer at that price, would Stonebridge Capital simply remain silent? And if, on top of this, the transaction was structured as exchangeable bonds, allowing them to extract 10.6 billion won in interest? Naturally, such actions would invite not only severe moral criticism but also legal action.

Therefore, we respectfully ask Director Seungyoon Hyun of Stonebridge Capital, Director Jooyoung Jo of LS Securities, and CEO Hosung Suh of Refine—as those responsible for managing Refine—to remember that just as all shareholders of RealtyFine value per-share value, so too do all shareholders of Refine. **We urge you to offer a sincere apology for the many actions that have undermined Refine’s per-share value since the issuance of the exchangeable bonds on April 9, and to make every possible effort to restore and compensate the financial damages suffered by minority shareholders.** Furthermore, **we call for the resignation or removal of those directors who, while affiliated with or representing the interests of Stonebridge Capital, LS Securities, or RealtyFine, were appointed to Refine’s board.**

Finally, **we would welcome the opportunity for constructive dialogue in a face-to-face meeting around the Chuseok holiday.** We look forward to your response.

Thank you.

Sincerely,
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