

A low-angle, upward-looking photograph of several modern skyscrapers with glass facades, set against a clear, light blue sky. The buildings are arranged in a way that creates a sense of height and architectural scale.

HWASUNG INDUSTRIAL

**66th Annual General Meeting
of Shareholders Reference Material**

This document is to provide information on Hwasung Industrial's agenda items that will be proposed at the upcoming FY2024 AGM

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CEO MESSAGE

Dear Shareholders,

I am delighted to welcome you to the 66th annual general meeting of shareholders. On behalf of the Board, I would like to express our sincere appreciation to our shareholders who have always supported and encouraged us with unwavering loyalty.

Last year, the domestic economy struggled with high inflation, high interest rates, and low growth, with many macroeconomic indicators deteriorating. The construction industry also suffered from a series of crises, due to the slump in the real estate market and the supply chain shocks caused by the rise in raw material prices.

Despite the challenging circumstances, I am proud to report to our shareholders that our Company achieved the highest ever annual performance last year, with sales increasing by about 40.6% from the prior year to reach a record high of KRW 908 billion. However, due to the sharp rise in costs and other factors, the Company delivered a net income of KRW 19.2 billion, 15.3% down compared to the previous year. While our current outcome may not meet the initial expectations, I would like to assure our shareholders that our management and employees fully dedicated themselves in the face of this difficult business environment. To repay the support of our shareholders, the Board has decided to pay a dividend of 500 won per share for this period.

This year, the macroeconomic and the market conditions are expected to remain highly uncertain. It is anticipated that the high-interest rate situation will persist for a while, along with the continuation of the economic downturn and the real estate. However, our Company will overcome this crisis with our solid financial soundness and our experience in overcoming many hardships. Especially, we will actively pursue many public projects that are being promoted in our region, Dae-gu, such as the construction of the Daegu-Gyeongbuk New Airport, using them as an opportunities to grow our Company to the next level.

Furthermore, we will accelerate the “change and innovation” that we are currently implementing across all aspects of our management. We will prepare for the “Next Normal,” where the industrial paradigm will be reshaped by changes in the population and social structure and the development of technology. We invite you to join us in closely watching our proud journey as we move towards becoming the leading construction company in the upcoming “Next Normal.”

Once again, we would like to thank you for your support and wish you all good health and happiness.

Sincerely,

March 2023

Lee Jong-won, Chairman & CEO



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**NOTICE
OF
MEETING**

NOTICE OF THE 66TH AGM

Notice is hereby given that the 66th Annual General Meeting of Shareholders of Hwasung Industrial will be held as described hereunder and your attendance is cordially requested.

1. **DATE/TIME** : March 22, 2024 at 09:30 AM Korea Standard Time

2. **PLACE** : 7th Floor Meeting Room, Hwasung Industrial Co.,Ltd , 111, Dongdaegu-ro Susoeng-gu ,
Daegu, Republic of Korea

3. AGENDA ITEMS TO BE VOTED ON

Agenda item 1 : Approval of 66th Financial Statements

Agenda item 2 : Approval of Amendments to Article of Incorporation

Agenda item 3 : Re-Election of Outside Director to be an Audit Committee Member (Mr. Kwon, Up)

Agenda item 4 : Approval of Director Remuneration Limit

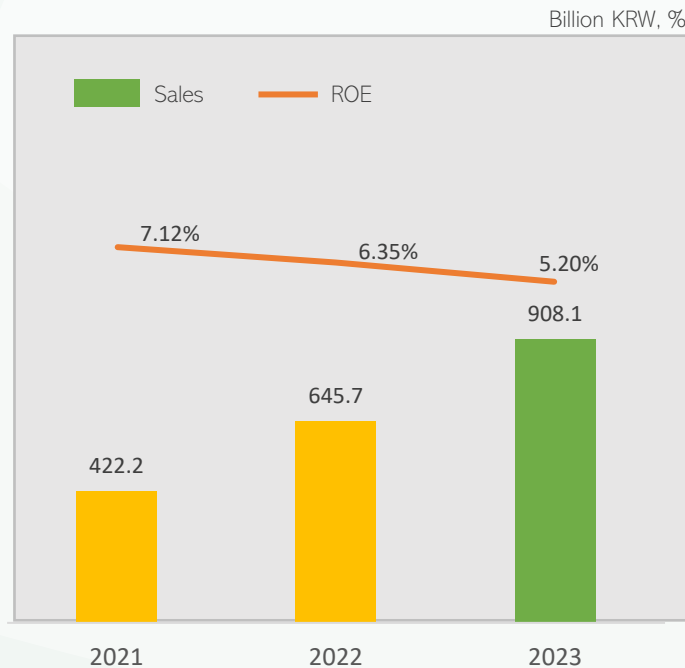
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FY2023 FINANCIAL HIGHLIGHTS AND DIVIDENDS

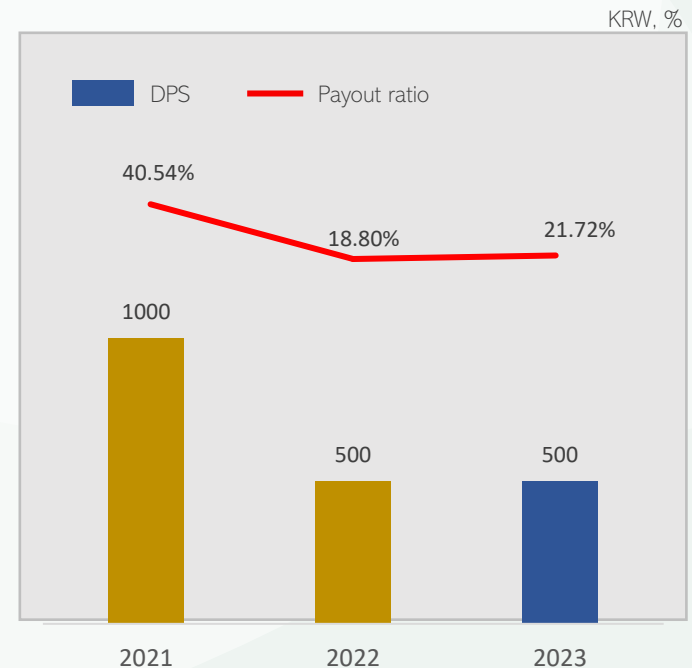
FINANCIAL HIGHLIGHTS

- In 2023, the Company achieved a record sales performance of KRW 908 billion and operating profit of 25 billion, marking increases of 40.6% and 73.6%, respectively, compared to the previous year.
- While sales and operating profit grew significantly, despite the recession in the real estate market and the rise in raw material prices, net income recorded was KRW 19 billion, reflecting a 15% decrease from the previous year mainly due to non-operating expenses stemming from marketability changes of pre-existing reconstruction projects.
- As the recession is expected to continue into 2024 due to the expansion of housing supply and intensified competition, it is necessary to secure financial resources for liquidity management. Accordingly, the Board recommends a final dividend of KRW 500 per share, which is the same as last year, resulting in a dividend payout ratio of 21.72%.

3 Years Financial Performance



3 Years Dividends



SUMMARY OF FINANCIAL STATEMENT

Balance Sheet

Million KRW

Title of Account	2021	2022	2023
Assets	807,966	746,128	991,688
Current Assets	613,675	544,991	798,252
Assets held for sale	1,500	1,500	1,500
Non-current assets	192,791	199,637	191,936
Liabilities	390,985	389,175	622,246
Current liabilities	223,572	222,647	344,306
Non-current liabilities	167,413	166,528	277,941
Equity	416,981	356,952	369,441
Retained earnings	320,930	278,158	294,201

SUMMARY OF FINANCIAL STATEMENT

Income Statement

Million KRW

Title of Account	2021	2022	2023
Revenue	422,231	645,707	908,069
Cost of Sales	367,421	597,681	823,450
Gross Profit	54,811	48,026	84,619
Operating Expense	25,792	33,269	44,021
Bad Debt Expenses	387	212	15,343
Operating Profit	28,631	14,545	25,254
Other Gain (Loss)	(2,546)	4,477	1,392
Financial Gain (Loss)	1,674	1,155	(7,006)
Investment Gain (Loss)	8,573	9,297	4,389
Net Income Before Taxes	36,333	29,474	24,028
Income Expense	6,654	6,802	4,820
Net Income	29,679	22,672	19,208

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AMENDMENTS TO ARTICLE OF INCORPORATION

CHANGES OF ARTICLE OF INCORPORATION

Current	Proposed changes	Purpose
<p>Article 31 (Company Name) 1) The Korean name of the Company shall be <u>화성산업주식회사</u> in Korean. 2) In English, it shall be indicated as <u>HWASUNG INDUSTRIAL CO., LTD.</u></p>	<p>Article 31 (Company Name) 1) The name of the Company shall be <u>에이치에스화성주식회사</u> in Korean. 2) In English, it shall be indicated as <u>HS HWASUNG CO., LTD.</u></p>	<p>Change of Company Name</p>
<p>Article 8 (Supplementary Provisions) 1. The Article of Incorporation shall come into effect as of March 24, 2023.</p>	<p>Article 8 (Supplementary Provisions) 1. (Effective Date) The Article of Incorporation shall come into effect as of March 22, 2024. <u>2. (Transitional Measures) Notwithstanding the provisions of Paragraph 1, Article 1 of these Articles shall come into effect from July 1, 2024.</u></p>	

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**ELECTION
OF
DIRECTORS**

DIRETOR CANDIDATE



Kwon Up

- Birth: July 1954
- Gender: Male
- Role: Outside Director
- Director Since: Mar 2021

Educations & Experiences

- Bachelor of Economics from Korea University
- Master of Business Administration from Georgia State University
- Ph.D. in International Marketing from the University of Alabama
- Vice President of the Industrial Management Technology Research Institute
- Professor at Keimyung University's Business School
- Outside Director of Peace Holdings
- Outside Director of Fabco
- 7th, 8th President of Daegu Technopark

Background of Board Recommendation

Mr. Kwon Up, who is up for re-election as an outside director to be an Audit Committee member, stands out for his independence, having no specific interest relationships with the Company due to transactions or concurrent positions.

Mr. Kwon, who earned a Ph.D. in International Marketing from the University of Alabama and has worked as business administration professor at Keimyung University for over 15 years, is one of the top experts in the field of business and marketing in the country. Mr. Kwon's deep understanding of corporate management and strong expertise in marketing are essential capabilities for the Company to grow beyond an ordinary construction company to a 'culture creator'.

In addition, Mr. Kwon served as the president of Daegu Technopark from 2014 to 2020. Daegu Technopark is an organization that supports the technological advancement and innovation of local industries by building an organic cooperation system among stakeholders in industry, academia, research institutes, and government. The leadership and communication skills shown by him in his role as president greatly contribute to the Company's board of directors, where communication with various stakeholders is required.

Last year, Mr. Kwon attended 100% of the board and committee meetings, diligently performing his role as a director.

The Board believes that Mr. Kwon's experience and expertise are essential to the Board and will greatly contribute to the effective and independent operation of the Board, and therefore recommends him as a candidate for outside director.

BOARD COMPOSITION AS OF 2023 DEC

	LEE Jong Won	CHOI Jin Yeop	KWON Up*	KIM Hong Il	KIM Hyo Seon	SON Won-jo
Classification	Executive (Chairman & Co-CEO)	Executive (Co-CEO)	Independent	Independent	Independent	Independent
Gender	Male	Male	Male	Male	Female	Male
Director Since	Mar 2008	Mar 2022	Mar 2021	Mar 2022	Mar 2022	Mar 2023
Committees						
Management Committee	●	○				
Compensation Committee			○	●	○	
Independent Director Nomination Committee			●	○	○	○
Audit Committee			●	○		○
Board Meeting Attendance	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* Outside Director nominee(s) of the 2024 Annual General Meeting

● Chair of the Committee

BOARD SKILLS MATRIX (AFTER AGM)

The board believes that the company has sufficient capabilities and expertise to move beyond an ordinary construction company to a 'culture creator', and regularly reviews the composition of skills and diversity for an effective board structure.

Name	Classification	Gender	Business Management /Entrepreneurship	Civil Engineering/Construction	Acct/Finance	Legal	Business Strategy/Marketing	Global Experience	Environment
LEE Jong Won	Executive (Chairman & Co-CEO)	M	●				●		
CHOI Jin Yeop	Executive (Co-CEO)	M	●	●					
KWON Yeop	Independent	M	●				●		
Kim Hong Il	Independent	M	●		●			●	
Kim Hyo Seon	Independent	F						●	●
Son Wonjo	Independent	M			●				

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DIRECTOR REMUNERATIONS

DIRECTOR REMUNERAT IONS

	FY2024 (To be voted)	FY2023	FY2022
Remuneration Limit	2,500	2,500	2,500
Remuneration Paid	-	1,045	1,358
Number of Directors (Inside/Outside)	6 (2/4)	6 (2/4)	8* (3/5)

*This number includes the former inside director LEE Hong Joong who resigned from the Board on June 30th, 2022

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**BOD
PERFORMANCE
HIGHLIGHTS**

KEY GOVERNANCE PRACTICES

- **INDEPENDENCE** – As of Dec 2023, 4 of 6 directors are independent (66.7%). We are committed to maintaining a substantial majority independence level for the Board of Directors. Pursuant to the Commercial Act of Korea, the Board is required to consist of a minimum 25% independence.
- **KEY COMMITTEES** –The Board committees include the Management Committee, the Remuneration Committee, the Independent Director Nomination Committee, and the Audit Committee. All committees aside from the Management Committee are comprised entirely of outside directors to ensure the independence of each committee.
- **BOARD DIVERSITY** – The Board of Directors appointed its first female outside director at the 2022 Annual Shareholder Meeting. Diversity is an important aspect the Board considers in its nomination process in addition to the skills and experiences of the director nominees. We believe a sufficient level of diversity will make the Board an effective decision-making body capable of successful oversight.
- **ATTENDANCE** – Overall, our directors achieved a Board meeting attendance rate of 100% in 2023.
- **MEETINGS** – The Board of Directors held 8 meetings throughout the year. The Committees were also actively operated in 2023. The Audit Committee, the Remuneration Committee, the Independent Director Nomination Committee held 7 meetings, 1 meeting, and 2 meetings, respectively.
- **PAYOUT POLICY** – The Board of Directors initially targeted a 30% dividend payment ratio at the start of the year 2022. However, due to the economic downturn that posed us with growing market uncertainties, the Board decided to focus on liquidity risk management to protect the shareholder value. and adjust the payout ratio to 20.5% in 2023 and 21.7% this year.

CONTACT US

Hwasung Industry always strives to communicate with an open attitude, listening to the opinions of shareholders. If you have any inquiries, please feel free to contact us via pjjung@hwasung.com.

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