



**64th Annual General Meeting
of Shareholders Reference
Material**

Hwasung Industrial co.,Ltd.

Dear valued shareholders,

Hello, I am Lee, Jong-won, Chairman&CEO of Hwaseong Industrial

On behalf of the Board of Directors, we invite shareholders to the 64th Annual General Meeting of Shareholders. This document contains background information on the agenda proposed at this year's AGM. We would be very grateful if you could exercise your valuable voting rights by referring to this document. In particular, the agenda for this year's AGM includes the agenda for the shareholders' proposal along with the agenda for the BOD. Because there is a dispute over the management rights of the company caused by another CEO Lee, hong-joong, whose term expires on the date of this year's AGM. He is attempting to seize management rights by enforcing a self-shareholder proposal against the BOD. So this year's AGM will be the AGM that determines the future of the company.

For this year's AGM, the BOD proposed Choi, Jin-yeop (3-1), and Lim, Ki-young (3-2), professional managers from large companies with abundant overseas construction experience in connection with the appointment of the executive directors. The BOD expects them to increase their expertise in each business sector harmonized with innovative, and flexible leadership, so encourages you to vote for agenda 3-1 and agenda 3-2.

This AGM, Lee, hong-joong proposed himself (3-3) and Shim, myeong-yong(3-4) for executive directors by shareholder proposals. However, Lee, hong-joong is being investigated by the prosecution for alleged breach of trust in illegally selling a 9% stake in the company owned by Hwaseong Development, an affiliate of the company, to Dongjin Construction, which he privately controls. As in the case above, as long as those affiliated companies do the same business as the company, he always has the risk of conflicts of interest and the risk of extortion from shareholder profits. So the BOD urges opposition to these 3-3, 3-4 who go against change and innovation. So the BOD urges opposition to these 3-3, 3-4 who go against change and innovation.

Concerning agenda 4, the election of independent director, the BOD proposed Kim, hong-il(4-1), a financial expert who served as the vice president of IBK Asset Management, and Kim,hyo-seon(4-2), a financial expert who served as the CEO of KCFA Korea Carbon Finance Association. The BOD encourages you to vote for agenda 4-1, 4-2. They will increase the professionalism and diversity of the next BOD, contributing to change and innovation.

Park, jung-ho(4-3) and Kim, chang-kwon (4-4) for the election of independent director proposed by Lee, hong-joong are not in line with change and innovation, so the BOD recommends opposition to agenda 4-3, 4-4.

The BOD has decided to allocate KRW 1,000 per share in cash, higher than KRW 850 per share proposed by CEO Lee Hong-joong as a shareholder. The next BOD will promise to further accelerate shareholder-friendly policies.

Best regards,

Chairman&CEO Lee, jong-won





64th Annual General Meeting Date/Place

March 31, 2022 at 09:30 Korea Standard Time

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

INDEX

01

Agenda Overview

Explain the agenda of the 64th general shareholders' meeting proposed by the board of directors.

02

The next BOD and board skill matrix

Explain the composition (draft) of the next BOD to be approved at the 64th general shareholders' meeting.

03

Opinion of the BOD on shareholder proposal

Explain the agenda proposed by shareholders has a risk of moral hazard.

04

Governance improvement and shareholder-friendly policy

Present the corporate governance improvement program and shareholder-friendly policy that will be built with the growth of the company.

05

2030 Long-term VISION

Present the 2030 long-term vision of the company that the next BOD will pursue.



01 Agenda Overview

64th AGM AGENDA

1. Approval of 64th Financial statement
2. Approval of total remuneration limit for directors
3. Election of two(2) executive directors
 - 3-1. Election of executive director: Jin-Yeop Choi
 - 3-2. Election of executive director: Gi-Young Lim
 - 3-3. Election of executive director: Hong-Joong Lee (Shareholder Proposal)
 - 3-4. Election of executive director: Myung-Yong Sim (Shareholder Proposal)
4. Election of two(2) independent directors
 - 4-1. Election of independent director: Hong-II Kim
 - 4-2. Election of independent director: Hyo-Sun Kim
 - 4-3. Election of independent director: Jeong-Ho Park (Shareholder Proposal)
 - 4-4. Election of independent director: Chang-Kwon Kim (Shareholder Proposal)



Background of agenda confrontation

The agenda of this general shareholders' meeting included a proposal for shareholders. This shareholder proposal is a self-shareholder proposal pushed ahead by Lee, hong-joong, the current CEO and executive director in the position of a major shareholder, to be his continuous appointed and to plunder management rights.

Therefore, it became the first confrontation of agendas 3 and 4 in the company's history between the BOD and the shareholder's proposal.



BOD's dividends higher than shareholder proposals

A cash dividend of 850 KRW per share was proposed in this shareholder proposal, but the BOD resolved a higher cash dividend of 1,000 KRW per share to enhance shareholder profits, and the shareholder proposal was discarded.



Agenda 3 and 4 that determine the future of the company

The BOD believes that the future of the company will be determined by agenda 3 and 4. Shareholders' choices on these agendas will determine the direction of the company in the rapidly changing industrial environment.

AGM Agenda confrontation is as follows

BOD's

Shift of Generation

BOD members
around age of 50

01

Good entrepreneur

Moral and ethical
leadership

02

Pursuer for shareholder profits

Shareholder-friendly

03

VS.

Shareholder's

Maintain Old Generation

Old CEO age of 75 above

01

Bad entrepreneur

Unethical Galapagos
leadership

02

Conflictor of interest

loop system
for private interest

03



02 The next BOD and board skill matrix

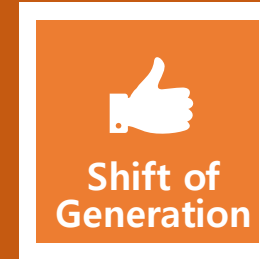
The next BOD matrix is as follows



3 Executive directors(candidate)



5 Independent directors(candidate)



Shift of
Generation



Professio-
-nalism



Innovation

3 Executive directors

- 1 new business, strategic planning, and marketing expert
- 1 construction and plant business expert
- 1 civil engineering business expert

5 Independent directors

- 1 Accounting finance expert
- 1 Technology innovation, marketing expert
- 1 Architecture professor and expert
- 1 Financial & a startup venture biz expert
- 1 ESG, climate policy expert

The first female director

By appointing a female independent director who is an ESG expert to practice gender equality and improve the company culture



Executive director candidates below will realize the 2030 long-term VISION

3-1 Candidate



Choi, Jin-yeop
(Born in 1960, M)

Graduated from Seoul National University
Architectural engineer

Hyundai Engineering & Construction
PRM business manager
Hyundai Engineering
head of the building business (executive director)
Director of HEAAN Architecture

3-2 Candidate



Lim, Ki-young
(Born in 1966, M)

Graduated from Seoul National University
Civil engineering engineer

Korea Technology Development Corporation
Daewoo Engineering & Construction
In charge of overseas construction business
Head of the Management Support Office

Choi, jin-yeop, a candidate for executive director, is an expert in construction projects. After graduating from the Department of Architecture at Seoul National University, he joined Hyundai Engineering & Construction and went through the Building Business Headquarters and PRM Business Department for 34 years until 2017. His career was mainly in the plant and housing sectors, and he was in charge of the new construction of the BAKARA nuclear power plant in Abu Dhabi, the United Arab Emirates, and the Shinhan Seoul Nuclear Power Plant No. 1 and 2.

Lim, ki-young, a candidate for executive director, is an expert in civil engineering projects. After graduating from the Department of Civil Engineering at Seoul National University, he joined Daewoo Engineering & Construction after undergoing the Korea Technology Development Corporation. He was in charge of expanding the Pakistan Expressway and Jungang Expressway and has extensive field experience in Botsnawa, Algeria, India, and Ethiopia.

Candidates for executive directors from these large companies' careers will form young and innovative BOD along with Chairman&CEO Lee, Jong-won to lead the company's change and innovation.

Independent director candidates below will realize the 2030 long-term VISION

Independent director candidate Kim, hong-il was a Global Financing expert as a senior advisor to World Bank Group IFC Seoul. He will provide the necessary global capabilities for companies seeking to enter overseas construction businesses. It will also greatly help find new growth engines for the company during the 4th Industrial Revolution as a startup expert and a venture expert who served as the CEO of D-Camp invested from the banking sector.

Independent director candidate Kim, hyo-sun is a former UN organization and an ESG management expert familiar with the global agenda, serving as vice chairman of the International Energy Association and the Korea Carbon Finance Association. She will contribute to enhancing the social responsibility and social value necessary for the company's continuous growth and protecting the rights and interests of various stakeholders through overseas and environmental projects.

4-1 Candidate



Kim, hong-il
(Born in 1966, M)

Graduated from
Kyungpook National
University

Representative of D-
Camp
IBK Asset Management
Vice President
World Bank Group
Senior advisor to IFC
Seoul
CEO of K-Unicorn
Investment

4-2 Candidate



Kim,hyo-seon
(Born in 1960, W)

Graduated from Yonsei
University
Arizona Graduate
School

UNDP New York
Headquarters Officer
Director of KOPRI Polar
Research Institute
Representative
Representative/chief
vice president of the
KCFA Korea Carbon
Finance Association



03

Opinion of the BOD on shareholder proposal

Opinion of the BOD on shareholder proposal is as follows

The BOD recommends opposition to the shareholder proposal. The shareholder proposer(Lee, hong-joong) is inappropriate to carry out the director's duties for the following reasons, so all agendas proposed by him must be rejected. If the shareholder proposal is approved, there will be concerns about serious damage to shareholder profits and the company's future will not be guaranteed.



Conflicts of interest and the possibility of pursuing private interests

There is suspicion that shareholder proposer(Lee, hong-joong) have accumulated wealth by creating a loop system that pursues private interests using affiliates while serving as CEO for the past 30 years. The loop system can be broken only when shareholder agendas are rejected.



Old and dogmatic Galapagos leadership

Shareholder proposer took office as CEO in the era of working as the abacus and has been running the company arbitrarily for a long time. Nowadays is the era of working on smartphones. Galapagos leadership is no longer needed



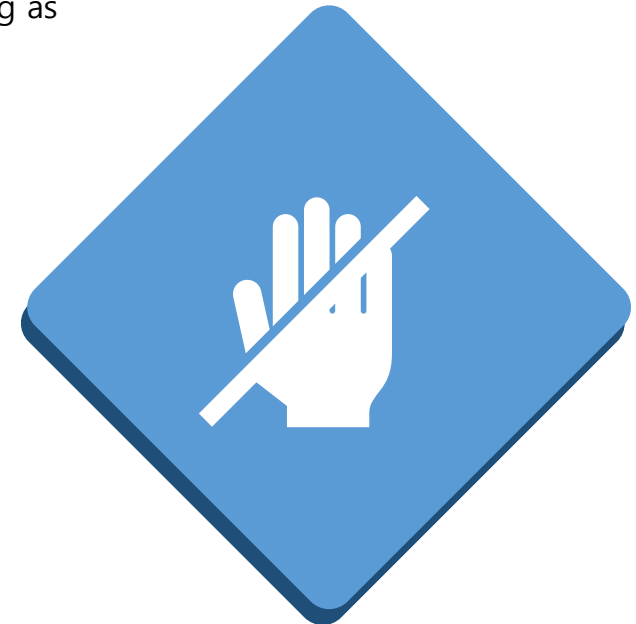
An incompetent entrepreneur, ignoring the growth of the company

Shareholder proposer put the company in a bankruptcy crisis due to the 1997 IMF crisis and the 2008 financial crisis, but the company was barely able to overcome the crisis thanks to the distribution business sector. However, since then, he has been enthusiastic about taking control of the company, ignoring the growth of the company.



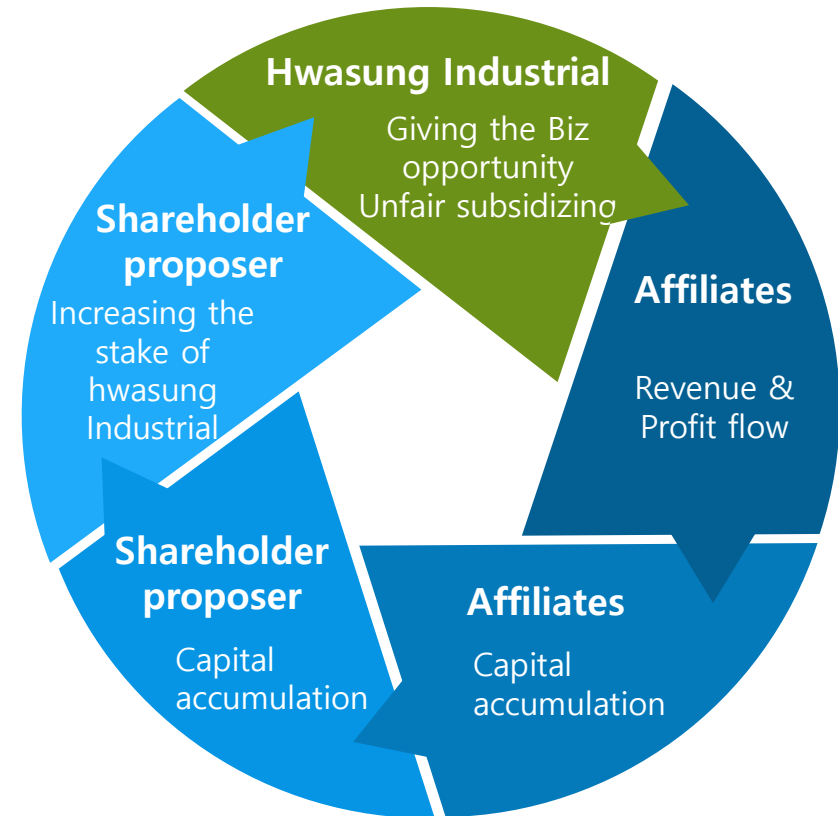
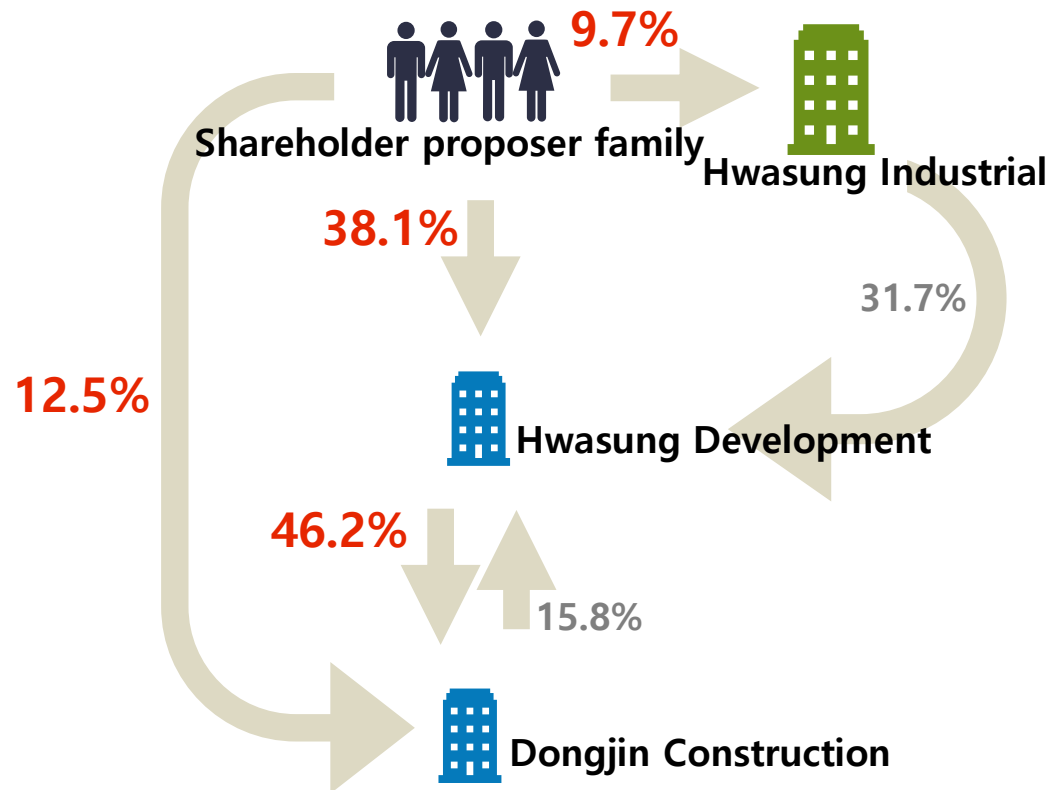
Criminal suspect

The shareholder proposer is a suspect who committed a breach of trust intending to plunder the company's management rights. As he is currently under criminal charges and investigation, whether or not to be prosecuted will be decided soon, and if the criminal charges are confirmed, a management gap is inevitable.



The conflict of interest and private interest pursuit loop system of shareholder proposer is as follows

Shareholder proposer(Lee,hong-joong) is in a position of conflict of interest in the equity structure with affiliates as long as those affiliated companies do the same business as the company. He is damaging shareholder profits by using the position of CEO of Hwaseong Industrial to transfer profits to affiliates (Hwaseong Development, Dongjin Construction) by giving the business opportunity and unfair subsidizing and finally using the accumulated capital to increase his stake of Hwasung Industrial. This loop system must be broken by opposing the shareholder agendas 3-3, 3-4, 4-3, and 4-4. Because he is trying to enter the BOD to protect the loop system.





04

Governance improvement and shareholder-friendly policy

Improve the company's governance structure to match ESG guide

The basic principle of governance improvement is to exclude executive directors from all major committees. Therefore, we will exclude executive directors from the current independent director candidate recommendation committee. And establish a compensation committee and ESG committee to establish a good ESG governance system.

At present

- Management Committee (Executive)
- Audit Committee (Independent)
- Independent Director Candidate Recommendation Committee (Executive + Independent)

In future

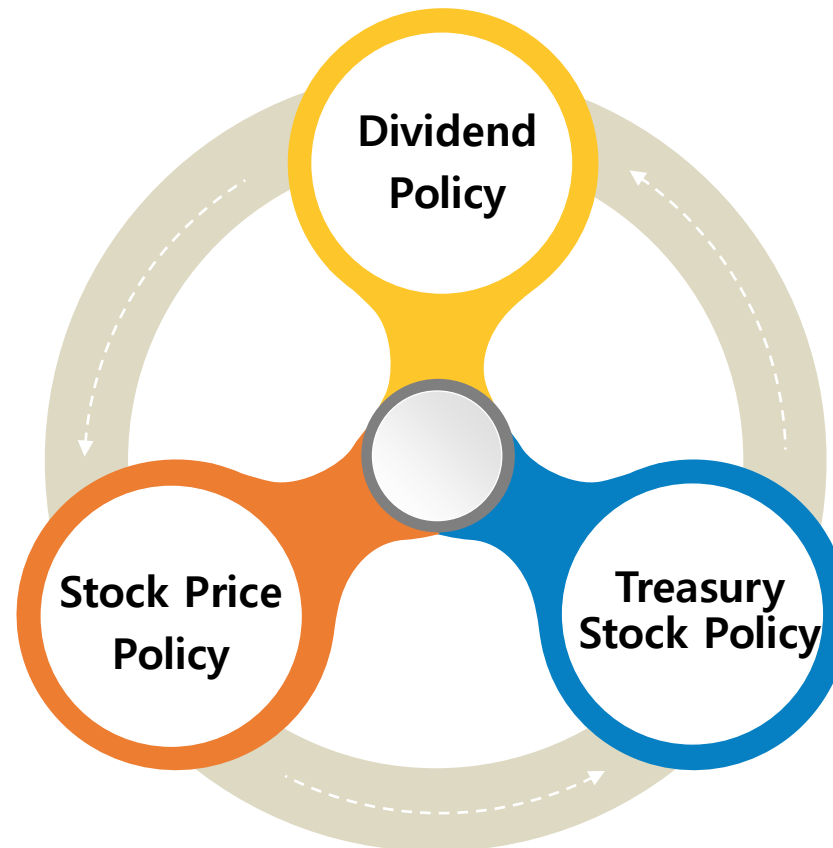
- Management committee (Executive)
- Audit Committee (Independent)
- (Change) Independent Director Candidate Recommendation Committee (Independent)
- (New) Compensation Committee (Independent)
- (New) ESG Committee (Executive + Independent + Expert Member)

Block the pursuit of private interests and strengthen shareholder-friendly policy

Shareholder-friendly is the policy to give benefits back to shareholders from the company's benefit. Until now low share prices and PBR is management's responsibility and shareholder's benefits must have been ignored by management. The next BOD will enhance shareholder interests based on TSR following three policies.

Maximization of TSR(Total shareholder return)

Total return that shareholders can obtain for a certain period of time. In general, it is calculated as a function of dividends + stock valuation gains over a certain period of time compared to the total stock value at the base point.



Specific goal(Maximization of TSR) of the shareholder-friendly policy is as follows



Stock Price Policy

Execute the strategy of Long-term VISION 2030

~ 2030 year
Stock Price 40,000 KRW @ 1 stock
PBR 0.7 above

**Stock Price
40,000 KRW
PBR 0.7**

Dividend Policy

Establishment of the principle of Basic Dividend

Basic Propensity to Dividend 30% yearly more

Propensity to Dividend 30%

Treasury Stock Policy

Establishment of the principle of incineration of treasury stock purchases

Purchase and incinerate treasury stocks 50 billion won this year
Principle of incineration of treasury stock purchases 20-30% of surplus cash flows yearly

50 billion won this year



05 2030 Long-term VISION

With a promise to make the company leap forward, present 2030 long-term VISION

The 2030 long-term VISION is a grand dream of taking the company to the next level by 2030. Through the specific implementation centered on the four axes below, the company will achieve more advanced performance in all management indicators such as sales volume, profitability, and cash flow. In addition, this process will firmly maintain the policy of prioritizing shareholder interests and fulfilling social responsibility for stakeholders.

Finding a new growth engine & business

- M&A, CVC activity
- Acquisition of assets, Merger, Stock acquisition
- ROBOT Biz, Renewable energy Biz
- Information and communication Biz
- Startup and Venture investment

Entering the front/rear Biz of the construction industry.

- Overseas construction Project
- Real estate development, planning, financing, design, operation management
- Private investment Biz
- Construction materials Biz



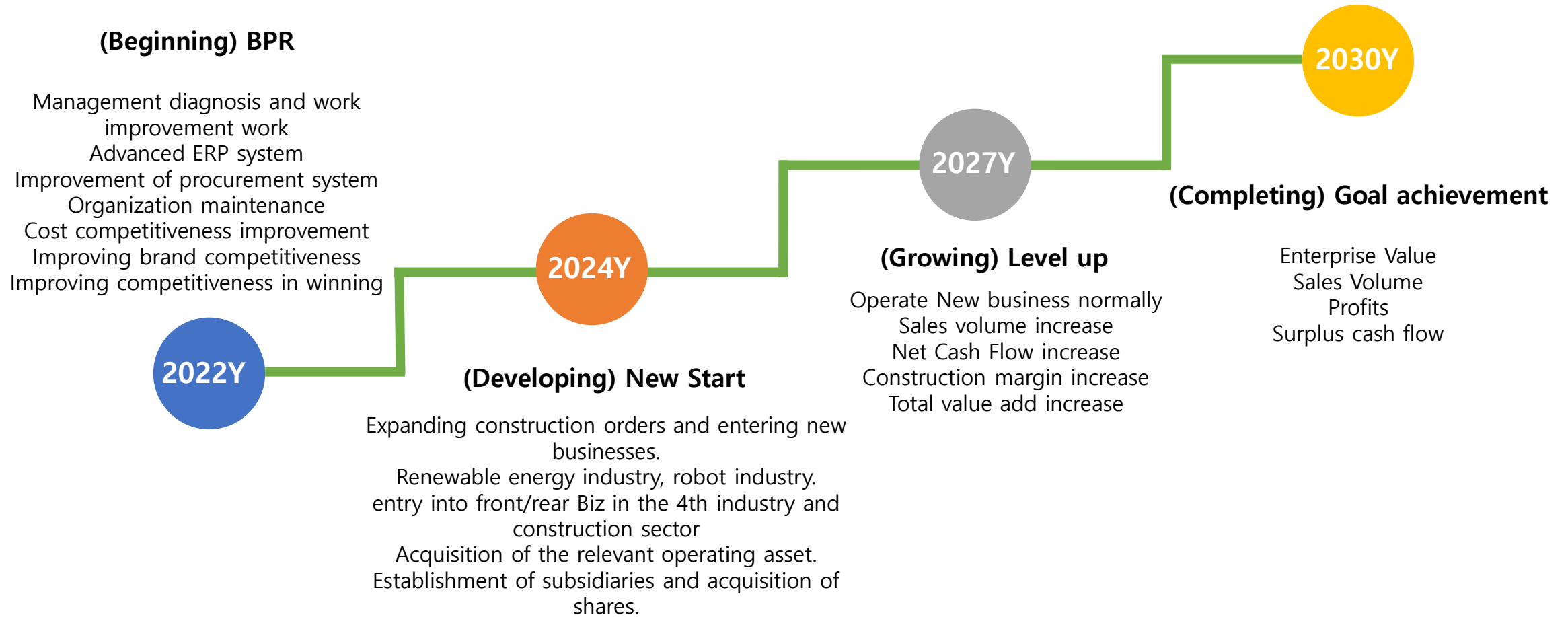
Increasing the value of the housing brand

- Making ESG partnership with advanced overseas low-carbon housing designers
- Leading ESC carbon reduction housing technology in Korea.
- Commercializing Active technology, Passive technology

Increasing cost competitiveness

- Lower construction costs by reducing procurement costs
- ERP advancement, robot construction technology introduction
- BIM Lean construction process introduction

Roadmap of 2030 Long-term VISION is as follows



Major indicator goal at by 2030

Enterprise Value(Shareholder Value) KRW 498 billion

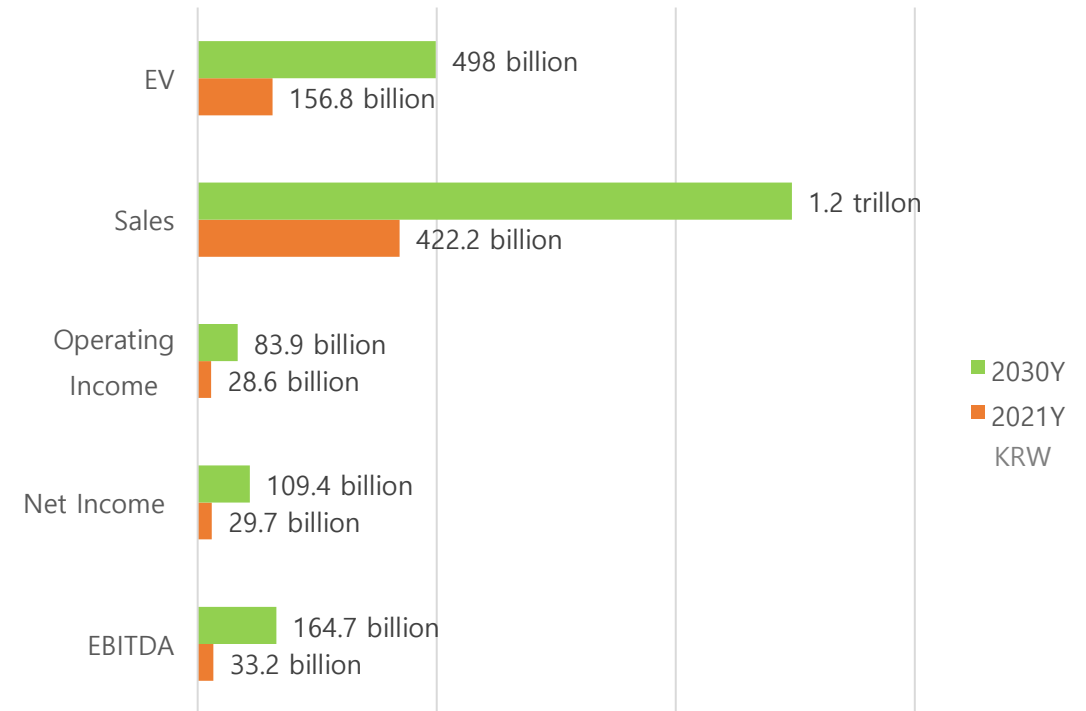
At the end of 2021, the shareholder value of KRW 156.8 billion can increase KRW 498 billion by 2030. In addition to the existing construction projects, new businesses can create new added value to significantly improve the company's profit flow and surplus cash flow. And a principle-based shareholder-friendly policy will be maintained.

Sales Volume KRW 1.2 trillion

Sales of KRW 422.2 billion in 2021 will increase to KRW 1.2 trillion by 2030. The existing construction and housing business achieve KRW 658 billion and the new business achieve about KRW 584 billion won.

Net Income KRW 109.4 billion

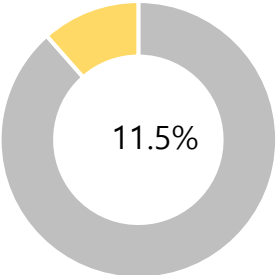
Net income of KRW 29.7 billion in 2021 will increase to KRW 109.4 billion by 2030. The existing construction and housing business achieve KRW 56.2 billion and the new business achieve about KRW 53.2 billion won.



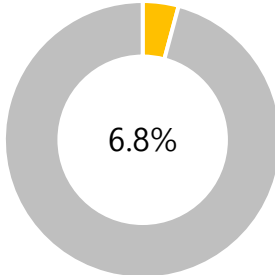
To complete the 2030 long-term vision, the following major financial indicators must be achieved

2021Y

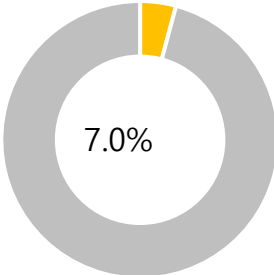
Gross Margin Ratio



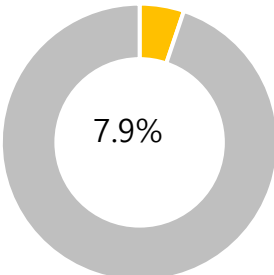
Operating Profit Ratio



Net Income Ratio

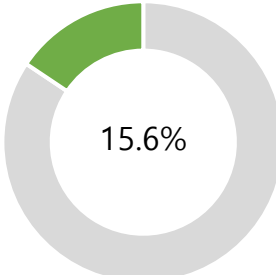


EBITDA Ratio

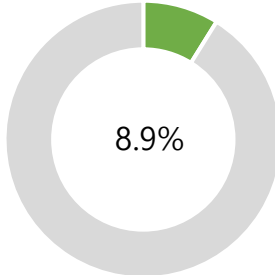


2030Y

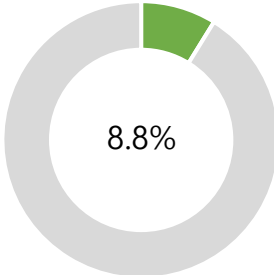
Gross Margin Ratio



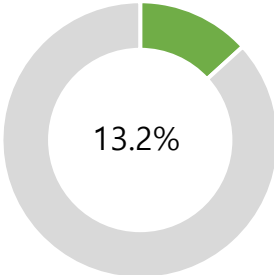
Operating Profit Ratio



Net Income Ratio



EBITDA Ratio



END