



HS HWASUNG

67th Annual General Meeting of Shareholders **Reference Material**

This document is to provide information on HS Hwasung's agenda items that will be proposed at the upcoming FY2025 AGM

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CEO MESSAGE

Dear Shareholders,

It is my pleasure to welcome you to the 67th Annual General Meeting of Shareholders. On behalf of the Board of Directors, I extend my sincere gratitude for your continued trust and support in HS Hwasung.

In recent years, the Korean construction industry has encountered significant challenges, driven by prolonged economic downturns and external pressures such as rising exchange rates, escalating production costs, and increased operating expenses, including transportation and electricity costs. As expected, 2024 was no exception. A slowdown in the housing market resulted in project delays and cancellations, further exacerbating industry-wide difficulties.

Despite these headwinds, HS Hwasung remained committed to financial stability, prioritizing disciplined fiscal management even at the expense of revenue contraction.. We successfully maintained solid profitability relative to our industry peers. In 2024, our revenue totaled KRW 612.8 billion, representing a 33% year-over-year decline, while operating profit decreased by only 6% to KRW 23.7 billion. Furthermore, we made significant improvements to our financial structure.. From a financial stability perspective, HS Hwasung remains among the industry's strongest, well-positioned to navigate the prolonged economic downturn. Our debt ratio and reliance on borrowings stand at 118% and 25%, respectively, which is significantly lower than the industry averages of 412% and 38%. Building on this solid foundation, the Board of Directors has decided to maintain a dividend of KRW 500 per share, consistent with the previous year.

Looking ahead to 2025, political and economic uncertainties are expected to persist. In this challenging environment, we remain dedicated to prudent and disciplined management while strategically pursuing growth. Leveraging our strengthened financial foundation, we aim to expand our revenue base by broadening our market reach beyond our traditional stronghold in the Daegu and Gyeongbuk regions. In particular, we will focus on securing redevelopment and reconstruction projects in the metropolitan area.

Since late last year, we have successfully secured two project sites in Anyang, Gyeonggi Province, and two additional sites near Myeonmok Station in Seoul. I am pleased to report that we have delivered on our commitment to shareholders by securing three to four off-region contracts in the Seoul metropolitan area during the fourth quarter of last year. In our core regional market, we have continued to achieve steady success, including projects such as the Daegu Metro Line 4. Additionally, we have launched our new premium brand, "EHCRA," and entered into a strategic collaboration with Samsung C&T to enhance our presence in the metropolitan area.

Our long-term vision extends beyond national borders as we strive to establish HS Hwasung as a globally competitive construction company. Internationally, we are expanding into residential improvement projects in South and Southeast Asia, particularly in Pakistan and Indonesia, aligning with both financial growth objectives and greenhouse gas reduction initiatives.

As the Company embarks on new opportunities across diverse sectors and geographies, it is imperative to strengthen our Board with directors who can drive agility, informed decision-making, and strategic execution. To this end, we propose the appointment of Ki Young Lim and Hyun Oh Kim as new inside directors. While this will result in a slight reduction in the proportion of outside directors, the Board remains fully committed to its oversight and supervisory functions. To reinforce our governance framework, we also propose the appointment of Taek Jn Nam as an additional independent director, ensuring that all major board committees remain composed entirely of independent directors.

We deeply appreciate the trust and support of our shareholders, and hope you find this material useful to make well-informed voting decision at this AGM.

Sincerely,

Lee Jng-won, Chairman & CEO of HS Hwasung



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**NOTICE
OF
MEETING**

NOTICE OF THE 67TH AGM

Notice is hereby given that the 67th Annual General Meeting of Shareholders of HS Hwasung will be held as described hereunder and your attendance is cordially requested.

1. **DATE/TIME** : March 25, 2025 at 09:30 AM Korea Standard Time
2. **PLACE** : 7th Floor Meeting Room, HS Hwasung Co.,Ltd, 111, Dongdaegu-ro Susoeng-gu ,
Daegu, Republic of Korea
3. **AGENDA ITEMS TO BE VOTED ON**
 - Agenda item 1 : Approval of 67th Financial Statements and Allocation of Dividends
 - Agenda item 2 : Election of two(2) Inside Directors
 - Item 2-1 : Election of Inside Director Ki Young Lim
 - Item 2-2 : Election of Inside Director Mr. Hyun Oh Kim
 - Agenda item 3 : Election of Outside Director Mr. Taek Jn Nam
 - Agenda item 4 : Election of Audit Committee Member Mr. Tek-Jn Nam
 - Agenda item 5 : Approval of Director Remuneration Limit

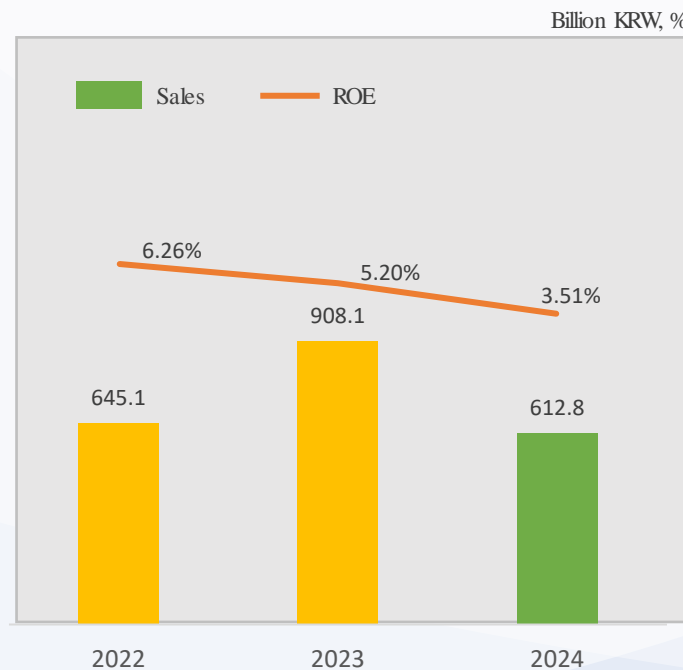
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**FY2024 FINANCIAL
HIGHLIGHTS AND
DIVIDENDS**
(Agenda Item 1)

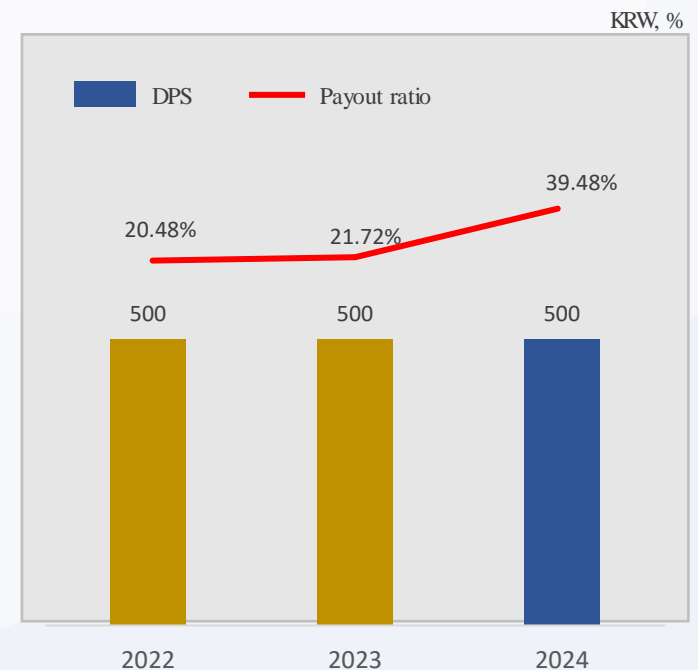
FINANCIAL HIGHLIGHTS

- In 2024, the Company reported sales performance of KRW613 billion and an operating profit of 24 billion, representing decreases of 32.6% and 6%, respectively, compared to the previous year. While these declines were due to the ongoing real estate market recession, the Company achieved outstanding profitability compared to its peers.
- The net income amounted to KRW 13 billion, also reflecting a decrease of 29.9% compared to the previous year, primarily attributed to non-operating expenses resulting from fluctuations in the marketability of existing reconstruction projects.
- 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% and 21.7% in 2023 and 2024, respectively.
- While the economic and political uncertainty is expected to continue into 2025, the Board recommends a final dividend of KRW500 per share, which is the same as last year, resulting in an increased dividend payout ratio of 39.48%.

3 Years Financial Performance



3 Years Dividends



SUMMARY OF FINANCIAL STATEMENT

Balance Sheet

Million KRW

Title of Account	2022	2023	2024
Assets	746,128	991,688	833,478
Current Assets	544,991	798,252	518,244
Assets held for sale	1,500	1,500	1,500
Non-current assets	199,637	191,936	313,734
Liabilities	389,175	622,246	450,538
Current liabilities	222,647	344,306	367,207
Non-current liabilities	166,528	277,941	313,734
Equity	356,952	369,441	382,941
Retained earnings	278,158	294,201	301,505

SUMMARY OF FINANCIAL STATEMENT

Income Statement

Million KRW

Title of Account	2022	2023	2024
Revenue	645,707	908,069	612,780
Cost of Sales	597,681	823,450	538,410
Gross Profit	48,026	84,619	74,370
Operating Expense	33,481	59,365	50,636
Operating Profit	14,545	25,254	23,734
Other Gain (Loss)	4,477	1,392	1,030
Financial Gain (Loss)	1,155	(7,006)	(11,700)
Investment Gain (Loss)	9,297	4,389	4,108
Net Income Before Taxes	29,474	24,028	17,172
Income Expense	6,802	4,820	3,705
Net Income	22,672	19,208	13,468

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**Election of two(2)
Inside Directors
(Agenda Item 2)**

At the 2025 AGM, we will appoint three new inside director nominees, Mr. Ki Young Lim (Agenda 2-1), Mr. Hyun Oh Kim (Agenda 2-2), Mr. Taek Jin Nam (Agenda 3) to replace the resigning directors, Mr. Jin Yeop Choi, Mr. Hong Il Kim, and Mr. Hyo Seon Kim, whose terms are expiring.

Please see below for the current board composition as of December 2024.

	LEE Jng Won	CHOI Jn Yeop*	KWON Up	KIM Hong Il*	KIM Hyo Seon*	SON Won-jo
Classification	Executive Chairman / Co-CEO	Co-CEO	Independent	Independent	Independent	Independent
Age	1972	1960	1954	1966	1967	1954
Gender	Male	Male	Male	Male	Female	Male
Director Since	Mar 2008	Mar 2022	Mar 2021	Mar 2022	Mar 2022	Mar 2023
Term Expiring	Mar 2026	Mar 2025*	Mar 2027	Mar 2025*	Mar 2025*	Mar 2026
Committees						
Management	●	○				
Compensation			○	●	○	
Independent Director Nomination			●	○	○	○
Audit			○	○		●
Board Meeting Attendance	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* All directors with expiring term will resign as of 2025 AGM

● Chair of the Committee

BOARD COMPOSITION AS OF 2024

Item 2-1 : Election of Inside Director Ki Young Lim

DIRECTOR CANDIDATE



Ki Young Lim

- Birth: October 1966
- Gender: Male
- Role: Inside Director

Current
Vice President

Educations & Experiences

- Civil Engineering Construction Professional
- Director of Strategy Planning and Management Support Team of Daewoo Engineering & Construction ("Daewoo E&C")
- Manager of Overseas Civil Engineering and Construction Projects of Daewoo E&C
- Head of Civil Engineering Planning Team / Head of Civil Engineering Outsourcing Team of Daewoo E&C
- Korea Engineering Consultants Corp
- Graduated from Seoul National University

Background of Board Recommendation

Mr. Ki Young Lim, a candidate for election as an inside director, is currently serving as the Vice President of the Company.

Prior to joining Hwasung, Mr. Lim held several leadership positions at Daewoo Engineering & Construction, where he was responsible for planning, executing, and overseeing civil engineering projects before transitioning into a strategy planning and management support role.

Since his appointment as Vice President in 2022, Mr. Lim has delivered strong leadership in driving Hwasung's civil engineering projects across both domestic and international markets. With the Company's strategic focus on civil engineering in the coming years, his appointment to the Board is increasingly critical.

As part of its long-term growth strategy, the Company has announced several key initiatives for 2025, including business diversification, expansion into metropolitan markets, and overseas market development. As civil engineering remains a core component of these initiatives, Mr. Ki is expected to play a pivotal role in advancing the Company's strategic expansion. His expertise will be instrumental as Hwasung seeks to secure an additional contract for the Daegu Urban Rail Line 4 next year, further strengthening its leadership in urban rail construction.

By appointing Mr. Lim, an expert in this field, the Board will benefit from his specialized knowledge and insights into key civil engineering initiatives, facilitating more informed and strategic discussions.

Item 2- 2 : Election of Inside Director Mr. Hyun Oh Kim

DIRETOR CANDIDATE



Mr. Hyun Oh Kim

- Birth: December 1966
- Gender: Male
- Role: Inside Director

Current

Head of Architectural
Development Projects

Educations & Experiences

- HS Hwasung CSO
- Archetectural Engineer
- Head of Quality Control Team at HS Hwasung
- Head of Archetectural Team at HS Hwasung
- Construction Management Director at HS Hwasung
- Graduated from Yeungnam University

Background of Board Recommendation

Mr. Hyun-Oh Kim, a candidate for election as an inside director, is a highly accomplished architectural engineer with an extensive career in leadership roles within the Company.

He began his career at HS Hwasung as the Quality Control Team Leader, where he demonstrated exceptional expertise in architecture and construction management. His leadership capabilities were further recognized when he was appointed Head of the Architectural Team, successfully leading numerous high-profile projects.

As Construction Management Director, Mr. Kim oversaw large-scale construction projects, applying a strategic vision and innovative approach that ultimately led to his appointment as Chief Strategy Officer (CSO). In this role, he played a pivotal part in shaping the Company's long-term goals and strategies.

Currently serving as Head of Architectural Development Projects, Mr. Kim continues to drive the Company's growth and success through his deep expertise in architectural engineering and construction management.

Mr. Kim's diverse background in architectural engineering makes him a strong candidate. He is expected to provide the Board with industry-specific insights and knowledge, helping them stay relevant in their decision-making processes. Having held various positions, including engineer, quality control specialist, construction manager, and project development leader, Mr. Kim is positioned to share with the Board the unique opportunities and challenges the Company may face, enabling the Board to make more informed decisions.

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**Election of Outside
Director**
(Agenda Item 3 and 4)

Item 3 & 4: Election of Outside Director Mr. Tek-Jin Nam and Election of Mr. Tek-Jin Nam as an Audit Committee Member

DIRECTOR CANDIDATE



Mr. Taek Jn Nam

- Birth: January 1969
- Gender: Male
- Role: Inside Director

Current

- Professor, Department of Industrial Design, Korea Advanced Institute of Science and Technology (KAIST)
- Vice President, International Association of Societies of Design Research (IASDR)
- Judge, Seoul Design Award

Educations & Experiences

- Chief Design Officer (CDO), Angel Robotics
- Ph.D. in Design, Brunel University London, UK
- Bachelor's and Master's degrees in Industrial Design, Korea Advanced Institute of Science and Technology (KAIST)

Background of Board Recommendation

Mr. Taek Jn Nam, who is up for election to become an outside director, is a Professor from the Korea Advanced Institute of Science and Technology (KAIST).

He possesses exceptional expertise in interactive product and system design, user-centered interaction design, and his research spans various topics including augmented reality, physical computing, and emotional experience design.

Industrial design has become a recent focus area for HS Hwasung as it seeks to explore new growth opportunities through the development of eco-friendly and innovative designs in the construction industry. We believe that his expertise will immensely contribute to guiding the Board in assessing this potential alongside the management team by providing expert knowledge and insight in this field of industrial design that HS Hwasung is relatively new in.

Also, the Board believes his extensive experience and professional knowledge will significantly contribute to the strategic decision-making. He has successfully led numerous interaction design projects, demonstrating his problem-solving abilities through creative and innovative approaches. As the Company strives to expand its territory, which will face challenges, his experience and knowledge will be valuable asset to the Board.

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 Mgmt / Entrepreneurship	Civil Engineering / Construction	Acct/Finance	Business Strategy/Marketing	Industrial Design	Global Experience
Jong Won LEE	Executive (Chairman & CEO)	M	●			●		
Ki Young LIM*	Executive (Vice President)	M		●				●
Hyun Oh KIM*	Executive (Head of Architectural Development)	M		●		●		
Yeop KWON	Independent	M	●			●		
Wonjo SON	Independent	M			●			
Tek-Jin NAM*	Independent	M					●	

*Newly appointed director nominees up for election at this Annual General Meeting.

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**DIRECTOR
REMUNERATION**
(Agenda Item 5)

DIRECTOR REMUNERATIONS

	FY2025 (To be voted)	FY2024	FY2023
Remuneration Limit (KRWmillion)	2,500	2,500	2,500
Remuneration Paid (KRWmillion)	-	1,122	1,045
Number of Directors (Inside/Outside)	6 (3/3)	6 (2/4)	6 (2/4)

CONTACT US

HS Hwasung 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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