



世堃塑膠股份有限公司

SHIH-KUEN PLASTICS CO., LTD.

Minutes of 2018 Annual Shareholders Meeting



Date: June 22, 2018 at 9:00 a.m.

Venue: 3F, Ma-Dou District Agriculture Office Building
(56 Xing Sheng North Road, Ma-Dou District, Tainan)

Translation Summary

This English translation is prepared in accordance with the Mandarin version for reference purposes only. Please prevail the Mandarin version if there are any discrepancy with the translation.

Date: Friday, June 22, 2018

Time: 9:25 a.m.

Venue: 3F Meeting Room, Ma-Dou District Agriculture Office Building
(56 Xing Sheng North Road, Ma-Dou District, Tainan)

Attending Shareholders:

47,376,080 shares of attending shareholders and proxy (of which 9,775,101 shares were by electronic means) represents 86.11% of total outstanding shares, 55,014,000.

Attending Directors:

Chang-Fu Lin, Chun-Cheng Chen, Man-Ling Huang,
Liang-Cheng Chou (Independent Director), Zhi-Cheng Hong, Chao-Yu Huang,
Szu-Cheng Chou (Independent Director)

Total Number of directors: 7, Attending directors: 7,

[Attendance Rate](#): 100%

Attending Supervisors:

Ma, Hui- Chen, Chih-Min Chen, Huann-Wen Chen

Total Number of Supervisors:3, Attending Supervisors: 3,

[Attendance Rate](#): 100%

Chairman: Chang-Fu Lin, Chairman of the Board of Directors



Recorder: Yu-Chieh Lin



1. Call Meeting to Order [\(omitted\)](#)

2. Chairman's Address [\(omitted\)](#)

3. Report Items

- (1) Business Report 2017
- (2) Supervisor's Review Financial Statement 2017
- (3) Report on Remuneration Distribution of Employees, Directors and Supervisors, 2017.
The Board has approved the following Remuneration Distribution Plan on March 21, 2018:
 - I. Remuneration of Directors and Supervisors is NT \$3,479,798.
 - II. Employee Compensation is NT \$3,479,798.
 - III. Comparing the above-mentioned proposed amount of remuneration NT \$6,959,596 and accounting estimate NT \$7,219,240, the difference of NT \$-259,644 will be adjusted in the expense of 2018 accordingly.

4. Ratification Items

- (1) Adoption of the Business Report and Financial Statements, 2017
(Proposed by the Board of Directors)

Explanatory Notes:

- I. The Company's 2017 Financial Statements, including Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity, and Cash Flow Statement, were approved at the Board on March 21, 2018 and reviewed by the supervisors.
- II. All the financial reports listed above were audited by accountants Mr. Yung-Chih Lin and Mr. Chien-Chih Wu, of PwC Taiwan.
- III. Operating revenue of FY 17 was NT \$1,186,966 thousands and operating profit was NT \$192,593 thousands; profit before tax was NT \$166,771 thousands, and NT \$137,177 thousands after tax. The earnings per share of FY17 is NT \$2.49.

Resolution

A total of 47,376,080 votes were represented at the meeting.

Vote Results

	Votes	%
For	43,119,200	91.01
Against	52	0.00
Invalid	0	0.00
Abstain	4,256,828	8.99

The proposal was approved with over one half of votes representing at the meeting. 2017 Business Report and Financial Statements were hereby approved and adopted as submitted.

- (2) Adoption of the Distribution of Remuneration, 2016.
(Proposed by the Board of Directors)

Explanatory Notes:

- I. After adjusting the Retained Earnings of 2017 with legal reserves and associated expenses related to dividends distribution, the Board of Directors has approved the following profit distribution plan:
 - Distributing a total of NT \$132,033,600 capital surplus in cash dividends.
 - Issuing cash dividends only.
- II. The Board proposes to distribute cash dividends of NT \$2.40 per share. According to *the Company Act*, the approval of the shareholders meeting authorizes the Board of Directors to resolve the ex-dividend date, payment date, and other relevant issues. The Board shall adjust the cash dividends based on the number of actual shares outstanding on the record date.

Resolution

A total of 47,376,080 votes were represented at the meeting.

Vote Results

	Votes	%
For	43,119,200	91.01
Against	51	0.00
Invalid	0	0.00
Abstain	4,256,829	8.99

The proposal was approved with over one half of votes representing at the meeting. The distribution of 2017 Remuneration is hereby approved and adopted as the proposal.

5. Questions and Motions

There being no other business and special motion.

6. Meeting Adjourned at 9:45am

SHIH-KUEN PLASTICS CO., LTD.

Supervisors' Review Report

The Board of Directors has prepared the Company's 2017 Business Report, Proposal for Profits Distribution, and Financial Statements audited by the accountants, Yung-Chih Lin and Mr. Chien-Chih Wu, of the PwC Taiwan. We as the Supervisors of the Company have examined the aforementioned documents and confirmed no unconformities. According to the Article 219 of *Company Act*, we hereby submit this report. Please be advised accordingly.

Submitted to:

The Company's 2018 Annual Shareholders' Meeting

Supervisors

Ma, Hui- Chen
Chen, Chih-Min
Chen, Huann-Wen

March 21, 2018

Business Report 2017

The operating revenue for FY17 was NT \$1,186,966 thousands, an increase of 0.11% from NT \$1,185,630 thousands in FY16. The average price of the PVC resin and DINP, main raw material for PVC Sheet, both had increased by 4.38% and 14.15% respectively, comparing the prices in FY16. The average PVC sheet selling price has increased by 5.57% in FY17.

The operating expense of FY17 was NT \$915,522 thousands, an 1.2% increase comparing to NT \$904,682 thousands in FY16; the operating income decreased from NT \$199,127 thousands to NT \$192,593 thousands at 3.28%.

The profit before tax was NT \$166,771 thousands, a decrease of NT \$34,329 thousands from NT \$201,100 thousands in FY16; The net profit after tax in FY17 was NT \$137,177 thousands, a decrease of NT \$27,886 thousands in FY16. The earning per share was NT \$2.49.

Followings are analysis of financial conditions, operation results and strategic plans:

1. Values of Production and Sales, FY17 and FY16:

(Volume in tons. Value in thousands of New Taiwan Dollars):

PRODUCTION	FY17				FY16			
	Volume	Value		Volume	Value			
Soft PVC	18,649	772,752	83.67 %	19,844	768,968	82.54 %		
Semi-Rigid PVC	2,950	150,793	16.33 %	3,304	162,652	17.46 %		
Total	21,599	\$ 923,545	100.00 %	23,148	\$ 931,620	100.00 %		

SALES	FY17				FY16			
	Volume	Value		Volume	Value			
Soft PVC	18,241	997,570	84.18 %	19,195	998,148	84.20 %		
Semi-Rigid PVC	2,942	187,473	15.82 %	3,177	187,366	15.80 %		
Total	21,183	\$1,185,043	100.00 %	22,372	\$1,185,514	100.00 %		

2. Annual Income, FY16 and FY15 (in thousands of New Taiwan Dollars):

	FY17		FY16		Change (%)
	Amount	%	Amount	%	
Operating Revenue	1,186,966	100.00	1,185,630	100.00	0.11
Operating Cost	(915,522)	(77.13)	(904,682)	(76.30)	1.20
Gross Profit	\$ 271,444	22.87	\$ 280,948	23.70	(3.38)
Operating Expense	(78,851)	(6.64)	(81,821)	(6.90)	(3.63)
Operating Income	\$ 192,593	16.23	\$ 199,127	16.80	(3.28)
Non-Operating Income and Expenses	(25,822)	(2.18)	1,973	0.16	(1,408.77)
Profit Before Income Tax	\$ 166,771	14.05	\$ 201,100	16.96	(17.07)
Income Tax Expense	(29,594)	(2.49)	(36,037)	(3.04)	(17.88)
Net Income for the Year	\$ 137,177	11.56	\$ 165,063	13.92	(16.89)

3. Profitability Analysis FY16 and FY15 (in percentage %, except EPS in New Taiwan Dollars):

	FY17	FY16	Change (%)
Return on Assets	11.67	14.36	(18.73)
Return on Shareholders' Equity	13.85	17.00	(18.53)
Operating Income to Capital Stock	35.00	36.20	(3.32)
Income Before Tax to Capital Stock	30.31	36.55	(17.07)
Net Profitability	11.56	13.92	(16.95)
Earnings Per Share (NT\$)	\$ 2.49	\$ 3.00	(17.00)

4. Budget Execution FY17 (in thousands of New Taiwan Dollars):

	FY17 Execution		FY17 Budget		Accomplish Rate (%)
	Amount	%	Amount	%	
Operating Revenue	1,186,966	100.00	1,180,648	100.00	100.54
Operating Cost	(915,522)	(77.13)	(918,609)	(77.81)	99.66
Gross Profit	271,444	22.87	262,039	22.19	103.59
Operating Expense	(78,851)	(6.64)	(79,948)	(6.77)	98.63
Operating Income	\$ 192,593	16.23	\$ 182,091	15.42	105.77
Non-Operating Income and Expenses	(25,822)	(2.18)	(35,309)	(2.99)	73.13
Profit Before Income Tax	\$ 166,771	14.05	\$ 146,782	12.43	113.62
Income Tax Expense	(29,594)	(2.49)	(24,953)	(2.11)	118.60
Net Income for the Year	\$ 137,177	11.56	\$ 121,829	10.32	112.60

5. Research and Development:

While Shih-Kuen Plastics continuously supports clients with quality PVC Sheet by fulfilling diverse market demands, the Company offers versatile customization options from printing, cold-crack, high-resistance, waterproof to anti-mod features.

There are the five major product categories available in mass production:

- I. Double-Polished Normal Clear & Super Clear PVC Sheet
- II. Double-Polished Super Clear PVC Sheet
- III. Embossed, Translucent & Opaque PVC Sheet
- IV. PVC Sheet for Digital Printing and Advertisement
- V. Impact-Resistant PVC Sheet

6. Strategic Plan:

- I. Developing stronger bond with domestic clients to secure stable order demands and simultaneously expanding international markets.
- II. Establishing long-term supplier relationship to ensure provision of supplies and mitigate price volatility.
- III. Providing regular employees training to excel in professions and managerial skills.
- IV. Optimizing machinery performance to enhance efficiency, product quality, yield, and control production cost.
- V. Improving administrative management and employee reward system, attracting talents to join Shih-Keun Plastics and maintaining company's sustainability.

Chairman:
Lin, Chang-Fu



General Manager:
Chen, Chun-Cheng



Chief Accountant:
Lin, Yu-Chieh



SHIH-KUEN PLASTICS CO., LTD.

BALANCE SHEETS

December 31, 2016 and 2017

(in thousands of New Taiwan Dollars)

	2017		2016		
	Amount	%	Amount	%	
ASSETS					
Current Assets					
1100	Cash and Cash Equivalents	543,097	46	524,659	45
1150	Notes Receivables, Net	51,074	4	44,335	4
1170	Account Receivables, Net	170,334	14	180,564	15
1200	Other Receivables	81	-	4	-
130X	Inventories	93,141	8	88,254	8
1410	Prepayment	5,063	1	1,893	-
11XX	Total Current Assets	\$ 862,790	73	\$ 839,709	72
Non-Current Assets					
1600	Property, Plant and Equipment	314,849	27	317,184	27
1840	Deferred Income Tax Assets	5,735	-	5,756	1
1915	Prepayment for the Equipment	-	-	-	-
1920	Guarantee Deposit Paid	1,258	-	4,418	-
15XX	Total Non-Current Assets	\$ 327,358	27	\$ 327,358	28
1XXX	Total Assets	\$ 1,184,632	100	\$ 1,167,067	100
LIABILITIES AND EQUITY					
Current Liabilities					
2100	Short-Term Borrowings	11,536	1	17,021	2
2150	Notes Payables	15,845	2	15,462	1
2170	Accounts Payable	84,237	7	63,775	5
2200	Other Payables	34,341	3	34,318	3
2230	Current Income Tax Liabilities	12,211	1	18,856	2
21XX	Total Current Liabilities	\$ 162,170	14	\$ 149,432	13

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Non-Current Liabilities

2640	Net Defined Benefit Liabilities- Non-Current	25,592	2	26,621	2
2645	Guarantee Deposits Received	4,375	-	3,085	-
25XX	Total Non-Current Liabilities	<u>29,967</u>	2	<u>29,706</u>	2
2XXX	Total Liabilities	<u>\$ 192,137</u>	16	<u>\$ 179,138</u>	15

EQUITY**Share Capital**

3110	Share Capital- Common Shares	550,140	47	550,140	47
3200	Capital Surplus	75	-	75	-

Retained Earnings

3310	Legal Reserve	176,895	15	160,389	14
3350	Unappropriated Retained Earnings	<u>265,385</u>	22	<u>277,325</u>	24
3XXX	Total Equity - Contingent Liabilities & Unrecognized Contract Commitments	<u>\$ 992,495</u>	84	<u>\$ 987,929</u>	85
3X2X	Total Liabilities and Equity	<u>\$ 1,184,632</u>	100	<u>\$ 1,167,067</u>	100

SHIH-KUEN PLASTICS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2016 and 2017

(in thousands of New Taiwan Dollars, except earnings per share)

	2017		2016	
	Amount	%	Amount	%
4000 Operating Revenue	\$ 1,186,966	100	\$ 1,185,630	100
5000 Operating Costs	(915,522)	(77)	(904,682)	(76)
5900 Net Operating Margin	\$ 271,444	23	\$ 280,948	24
OPERATING EXPENSES				
6100 Selling Expenses	(41,857)	(4)	(39,843)	(3)
6200 General and Administrative Expenses	(28,690)	(2)	(33,696)	(3)
6300 Research and Development Expenses	(8,304)	(1)	(8,282)	(1)
6000 Total Operating Expenses	(78,851)	(7)	(81,821)	(7)
6900 Operating Profit	\$ 192,593	16	\$ 199,127	17
NON-OPERATING INCOME AND EXPENSES				
7010 Other Income	5,304	1	3,055	-
7020 Other Gains and Losses	(31,126)	(3)	(1,060)	-
7050 Finance Costs	-	-	(22)	-
7000 Total Non-Operating Income and Expenses	\$ (25,822)	(2)	\$ 1,973	
7900 Profit Before Income Tax	\$ 166,771	14	\$ 201,100	17
7950 Income Tax Expense	(29,594)	(2)	(36,037)	(3)
8200 Net Income for The Year	\$ 137,177	12	\$ 165,063	14
(Other comprehensive income (loss) or related components will not be reclassified to profit or loss)				
8311 Re-measurement of Defined Benefit Obligation	(695)	-	(4,929)	-
8349 Income Tax	118	-	838	-
(Other related components of comprehensive income will not be reclassified to profit or loss.)	(577)		(4,091)	
8500 Total Comprehensive Income for the Year	\$ 136,600	12	\$ 160,972	14
EARNINGS PER SHARE				
9750 Basic Earnings per Share (in NT \$)	\$ 2.49		\$ 3	
9850 Diluted Earnings per Share (in NT \$)	\$ 2.49		\$ 2.99	

SHIH-KUEN PLASTICS CO., LTD.

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2016 and 2017

(in thousands of New Taiwan Dollars)

	Share Capital		Capital Surplus	Retained Earnings		Total Equity				
	Common Share		Gain / Disposal of Assets	Legal Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1 ,2016	\$	550,140	\$	75	\$	144,108	\$	259,166	\$	953,489
Distribution of 2015 Net Income										
Legal Reserve						16,281		(16,281)		-
Cash Dividends						-		(126,532)		(126,532)
Net income, Ended Dec. 31, 2016						-		165,063		165,063
Other Comprehensive Income, Ended Dec. 31,2016						-		(4,091)		(4,091)
BALANCE, DECEMBER 31 ,2016	\$	550,140	\$	75	\$	160,389	\$	277,325	\$	987,929
Distribution of 2016 Net Income										
Legal Reserve		-		-		16,506		(16,506)		-
Cash Dividends								(132,034)		(132,034)
Net Income for the Years, Ended Dec. 2017		-		-		-		137,177		137,177
Other Comprehensive Income, Ended Dec. 31,2017								(577)		(577)
BALANCE, DECEMBER 31 ,2017	\$	550,140	\$	75	\$	176,895	\$	265,385	\$	992,495

Remuneration Distribution

(in thousands of New Taiwan Dollars)

	2016	2015
Directors and Supervisors	\$ 4,094	\$ 4,125
Employees	\$ 4,094	\$ 4,125

Remuneration in 2015 and 2016 had been deducted from the statement of the comprehensive income.

SHIH-KUEN PLASTICS CO., LTD.

STATEMENTS OF CASH FLOW

For the years ended December 31, 2016 and 2017

(in thousands of New Taiwan Dollars)

	Year Ended Dec. 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax for the year	\$ 166,771	\$ 201,100
Adjustments		
Depreciation	2,103	10,989
Gain on Disposal of Property, Plant and Equipment	-	(177)
Interest Income	(4,675)	(2,517)
Interest Expense	-	22
Changes in Operating Assets and Liabilities		
Changes in Operating Assets		
Notes Receivable	(6,739)	(3,794)
Accounts Receivable	8,127	(27,365)
Other Receivables	(77)	15
Inventories	(4,887)	(14,618)
Prepayments	(3,170)	4,977
Changes in Operating Liabilities		
Notes Payable	(1,371)	(6,082)
Accounts Payable	20,462	(11,895)
Other Payables	3,584	(1,305)
Net Defined Benefit Liabilities-Non-Current	\$ (1,724)	\$ (1,665)
Cash Inflow Generated from Operations	\$ 190,535	\$ 147,685
Interest Received	4,675	2,517
Interest Paid	-	(22)
Income Tax Paid	(36,100)	(37,936)
Net Cash Inflows from Operating Activities	\$ 159,100	\$ 112,244

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CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Paid for Acquisition of Property, Plants & Equipment	(7,603)	(18,725)
Cash Received from Disposal of Property, Plants and Equipment	-	200
Increase in Prepayment for Equipment	3,160	-
Increase in Guarantee Deposits Paid	-	-
Net Cash Flows Used in Investing Activities	<u>\$ (4,443)</u>	<u>\$ (18,525)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in Short-Term Borrowings	(5,485)	17,021
Increase (Decrease) in Guarantee Deposit Received	1,290	1,929
Payment of Cash Dividends	(132,034)	(126,532)
Net Cash Flows Used in Financing Activities	<u>\$ (136,229)</u>	<u>\$ (107,582)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 18,438</u>	<u>\$ (13,863)</u>
Cash and Cash Equivalents, Beginning	<u>524,659</u>	<u>538,522</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 543,097</u></u>	<u><u>\$ 524,659</u></u>

SHIH-KUEN PLASTICS CO., LTD. STATEMENTS OF PROFIT DISTRIBUTION 2016

(in New Taiwan Dollars)

Items	Amount
Net Profit Before Tax for the Current Year	\$ 166,770,661
Less: Income Tax	(29,594,260)
Net Profit After Tax for the Current Year	137,176,401
Less: Legal Reserve (=10% of Profit After Tax 2017)	(13,717,640)
Less: Actuarial Losses Adjusted in 2017	(577,154)
Earnings Available for Distribution in 2017	\$ 122,881,607
Add: Unappropriated Retained Earnings, Beginning	128,784,585
Accumulated Distributable Earnings	\$ 251,666,192
Less: Cash Dividends (=2.4/shares × 55,014,000 shares)	(132,033,600)
Unappropriated Retained Earnings*, Ending	\$ 119,632,592

* Breakdown of Unappropriated Earnings

(in New Taiwan Dollars)

2017	3,280,290	2009	3,884,761
2015	18,481,895	2008	2,575,763
2014	15,212,424	2007	4,961,348
2013	28,438,620	2006	12,785,979
2012	27,463,904	2005	250,772
2010	2,296,836		
		TOTAL	\$119,632,592

Chairman:

Lin, Chang-Fu



General Manager:

Chen, Chun-Cheng



Chief Accountant:

Lin, Yu-Chieh

