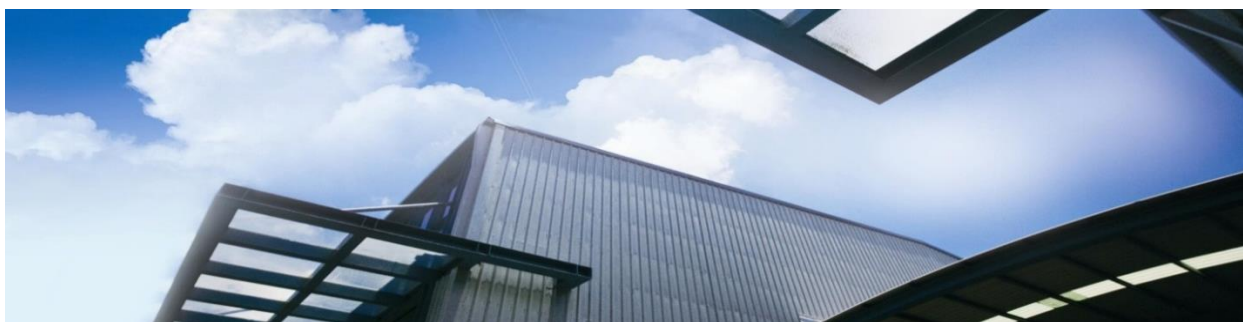




世堃塑膠股份有限公司 Shih-Kuen Plastics CO., LTD.

Minutes of 2020 Annual Shareholders Meeting



Date: June 20, 2020

Venue: Ma-Dou District Agriculture Office Building
(3F, 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: Saturday, June 20, 2020

Time: 9:30 a.m.

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

Attending Shareholders:

45,031,987 shares of attending shareholders and proxy (of which 54,563 shares were by electronic means) represents 81.85% of total outstanding shares, 55,014,000.

Attending Directors:

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

Total Number of directors: 7, Attending directors: 6

[Attendance Rate](#): 85.71%

Attending Accountants:

Tzu-Meng Liu and Director of Dong Chieh Wu of PwC Taiwan

Attending Supervisors:

Chih-Min Chen, Huann-Wen Chen

Total Number of Supervisors:3, Attending Supervisors: 2,

[Attendance Rate](#): 66.67%

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



Recorder: Lin, Hsiang-Yun



1. Call Meeting to Order ([omitted](#))
2. Chairman's Address ([omitted](#))
3. Report Items
 - (1) Business Report 2019 ([Attachment I](#))
 - (2) Supervisor's Review Financial Statement 2019 ([Attachment II](#))
 - (3) Report on Remuneration Distribution of Employees, Directors and Supervisors, 2019
 - I. Remuneration of Directors and Supervisors is NT \$3,388,413.
 - II. Employee Compensation is NT \$3,388,413.
 - III. Comparing the above-mentioned proposed amount of remuneration NT \$6,776,826 and accounting estimate NT \$7,585,932, the difference of NT \$-809,106 will be adjusted in the expense of 2020 accordingly.

4. Ratification Items

- (1) Adoption of the Business Report and Financial Statements, 2019
(Proposed by the Board of Directors)

Explanatory Notes:

- I. The Company's 2019 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 20, 2020 and reviewed by the supervisors. (See [Attachment II](#))
- II. All the financial reports listed above were audited by accountants, Mr. Yung-Chih Lin and Mr. Tzu-Meng Liu, of PwC Taiwan. (See [Attachment III](#))

Resolution:

Voting Result		For	Against	Invalid	Abstain
Attendance	44,986,424	44,865,581	-	-	107,987
E-Voting	54,563	54,563	1,081	-	2,775
Total Shares	45,031,987	44,920,144	1,081	-	110,762
		99.75%	0%	0%	0.24%

The proposal was approved with over one half of votes representing at the meeting. 2019 Business Report and Financial Statements were hereby approved and adopted as submitted.

- (2) Adoption of the Distribution of Remuneration, 2019
(Proposed by the Board of Directors)

Explanatory Notes:

- (1) After adjusting the Retained Earnings of 2019 including legal reserves and associated expenses related to dividends distribution, the Board of Directors has approved the following profit distribution plan: (See [Attachment IV](#))
1. Distributing a total of NT \$115,529,400 capital surplus in cash dividends.
 2. Issuing cash dividends only.
- (2) The Board proposes to distribute cash dividends of \$2.10 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

Voting Result		For	Against	Invalid	Abstain
Attendance	44,986,424	44,865,581	-	-	107,987
E-Voting	54,563	54,563	1,081	-	2,775
Total Shares	45,031,987	44,920,144	1,081	-	110,762
		99.75%	0%	0%	0.24%

The proposal was approved with over one half of votes representing at the meeting. The distribution of 2019 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 9:50am

Business Report 2019

The sluggish global economic growth of 2019 was the damage left by the trade disputes and rising policy uncertainty. Although US-Chinese trade war has increased new exports for US, it has drastically transformed global economies especially for the countries in Europe and Asia. The redirection of Chinese purchase has especially hit the manufacturing sectors the hardest, resulting in weak procurement and low demands for plastics goods. Taiwan could not bypass such sizable ripple effects either. Our domestic plastics industry faced declining consumer demands and suffered from deceleration in growth.

The operating revenue for FY19 was NT \$1,045,670 thousands, a decrease of 8.20% from NT \$1,139,107 thousands in FY18. While the tension in middle East was still the trigger of soaring material costs, the Company's overall production costs were controlled by the increase of 1.62%, and achieved earning per shares of NT \$ 2.34 in FY19. Even though the profits earned this year did not exceed 2018, Shih-Kuen Plastics consistently remains decent profitability during the tough time.

Looking forward, 2020 will be another challenging year as both US-Chinese trade wars and conflicts in Middle East could not be terminated shortly. The overall world economy is expected to be meandering. This uncertainly has put domestic plastics industry in an unfavorable situation with low demands forecast. To remain competitive in the market, Shih-Kuen Plastics commits to strengthen the key competitiveness. Strong supply chain is our valuable asset from quality raw material, prompt delivery and favorable purchasing cost. The Company also focuses on developing stronger alliance with existing clients in our domestic market and oversea. From the internal management perspectives, Shih-Kuen Plastics offers regular employee training, optimize production efficiency, quality and yield, and controlling operation cost.

Followings are analysis of operation performance, financial conditions strategic plans:

1. Annual Income, FY19 and FY18 (in thousands of New Taiwan Dollars):

	FY19		FY18		Change (%)
	Amount	%	Amount	%	
Operating Revenue	1,045,670	100.00	1,139,107	100.00	(8.20)
Operating Cost	(802,812)	(76.77)	(864,653)	(75.91)	(7.15)
Gross Profit	\$ 242,858	23.23	\$ 274,454	24.09	(11.51)
Operating Expense	(82,112)	(7.85)	(78,923)	(6.93)	4.04
Operating Income	\$ 160,746	15.38	\$ 195,531	17.16	(17.79)
Non-Operating Income and Expenses	1,089	0.10	21,973	1.93	(95.04)
Profit Before Income Tax	\$ 161,835	15.48	\$ 217,504	19.09	(25.59)
Income Tax Expense	(33,120)	(3.17)	(42,743)	(3.75)	(22.51)
Net Income for the Year	\$ 128,715	12.31	\$ 174,761	15.34	(26.35)

2. Values of Production and Sales, FY19 and FY18:

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

PRODUCTION	FY19				FY18			
	Volume	Value			Volume	Value		
Soft PVC	15,625	641,514	78.98	%	17,506	713,736	81.00	%
Semi-Rigid PVC	3,616	170,690	21.02	%	3,495	167,472	19.00	%
Total	19,241	\$ 812,204	100.00	%	21,001	\$ 881,208	100.00	%

SALES	FY19				FY18			
	Volume	Value			Volume	Value		
Soft PVC	15,451	827,550	79.14	%	17,115	926,873	81.37	%
Semi-Rigid PVC	3,550	218,084	20.86	%	3,374	212,196	18.63	%
Others	-	36	-	%	-	38	-	%
Total	19,001	\$1,045,670	100.00	%	20,489	\$1,139,107	100.00	%

3. Budget Execution FY19

As FY19 budget was not disclosed, budget execution is not available to discuss.

4. Profitability Analysis FY19 and FY18 (in percentage %, except EPS in New Taiwan Dollars):

	FY19	FY18
Capital Structure		
Debt Ratio	13.82	14.21
Long-Term Capital Ratio	343.28	335.69
Liquidity Analysis		
Current Ratio	633.29	605.93
Quick Ratio	571.43	525.39
Return on Assets	10.76	14.61
Return on Shareholders' Equity	12.51	17.23
Return on Capital Employed		
Operating Profits	29.22	35.54
Operating Profits Before Tax	29.42	39.54
Net Profitability	12.31	15.34
Earnings Per Share (NT\$)	\$ 2.34	\$ 3.18

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:

1. Double-Polished Normal Clear & Super Clear PVC Sheet
2. Double-Polished Super Clear PVC Sheet
3. Embossed, Translucent & Opaque PVC Sheet
4. PVC Sheet for Digital Printing and Advertisement
5. 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 incentive programs, attracting talents to join Shih-Keun Plastics and maintaining company's sustainability.

Shih-Kuen Plastics will continuously pursue rationalizing policies and implement lean human resource management, professional team division and products quality stability, aiming towards sustainability and workplace diversity in a long run.

Chairman:
Lin, Chang-Fu



General Manager:
Chen, Chun-Cheng



Chief Accountant:
Lin, Hsiang-Yun



SHIH-KUEN PLASTICS CO., LTD.

Supervisors' Review Report

The Board of Directors has prepared the Company's 2019 Business Report, Proposal for Profits Distribution, and Financial Statements audited by the accountants, Yung-Chih Lin, and Tzu-Meng Liu, 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 2020 Annual Shareholders' Meeting

Supervisors

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

March 20, 2020

SHIH-KUEN PLASTICS CO., LTD.

BALANCE SHEETS

December 31, 2018 and 2019

(in thousands of New Taiwan Dollars)

	2019		2018		
	Amount	%	Amount	%	
ASSETS					
Current Assets					
1100	Cash and Cash Equivalents	616,713	52	569,688	47
1150	Notes Receivables, Net	21,282	2	45,164	4
1170	Account Receivables, Net	148,636	13	158,085	13
1200	Other Receivables	69	-	94	-
130X	Inventories	80,997	7	116,010	10
1410	Prepayment	4,158	-	2,491	-
11XX	Total Current Assets	\$ 875,855	74	\$ 891,532	74
Non-Current Assets					
1600	Property, Plant and Equipment	297,562	25	308,629	25
1755	Right-of-Use Asset	3,265	-	-	-
1840	Deferred Income Tax Assets	10,526	1	6,961	1
1920	Guarantee Deposit Paid	2,128	-	508	-
15XX	Total Non-Current Assets	\$ 313,481	26	\$ 316,098	26
1XXX	Total Assets	\$ 1,185,336	100	\$ 1,207,630	100
LIABILITIES AND EQUITY					
Current Liabilities					
2100	Short-Term Borrowings	3,279	1	827	-
2150	Notes Payables	13,007	1	16,252	1
2170	Accounts Payable	69,210	6	58,884	5
2200	Other Payables	36,655	3	42,028	4
2230	Current Income Tax Liabilities	14,332	1	29,143	2
2280	Current Lease Liabilities	1,188	-	-	-
21XX	Total Current Liabilities	\$ 137,671	12	\$ 147,134	12

(continued)

Attachment II

Non-Current Liabilities

2580	Non-Current Lease Liabilities	2,101	-		
2640	Net Defined Benefit Liabilities- Non-Current	21,433	2	23,019	2
2645	Guarantee Deposits Received	2,665	-	1,445	-
25XX	Total Non-Current Liabilities	<u>26,199</u>	<u>2</u>	<u>24,464</u>	<u>2</u>
2XXX	Total Liabilities	<u>\$ 163,870</u>	<u>14</u>	<u>\$ 171,598</u>	<u>14</u>

EQUITY

Share Capital

3110	Share Capital - Common Shares	550,140	46	550,140	46
3200	Capital Surplus	75	-	75	-

Retained Earnings

3310	Legal Reserve	208,089	18	190,613	16
3350	Unappropriated Retained Earnings	<u>263,162</u>	<u>22</u>	<u>295,204</u>	<u>24</u>
3XXX	Total Equity - Contingent Liabilities & Unrecognized Contract Commitments	<u>\$ 1,021,466</u>	<u>86</u>	<u>\$ 1,036,032</u>	<u>86</u>
3X2X	Total Liabilities and Equity	<u>\$ 1,185,336</u>	<u>100</u>	<u>\$ 1,207,630</u>	<u>100</u>

SHIH-KUEN PLASTICS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2018 and 2019

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

	2019		2018	
	Amount	%	Amount	%
4000 Operating Revenue	\$ 1,045,670	100	\$ 1,139,107	100
5000 Operating Costs	(802,812)	(77)	(864,653)	(76)
5900 Net Operating Margin	\$ 242,858	23	\$ 274,454	24
OPERATING EXPENSES				
6100 Selling Expenses	(37,874)	(4)	(40,125)	(3)
6200 General and Administrative Expenses	(31,695)	(3)	(29,249)	(3)
6300 Research and Development Expenses	(6,823)	(1)	(8,482)	(1)
6450 Expected Credit Gain (Loss)	(5,720)		(1,067)	
6000 Total Operating Expenses	(82,112)	(8)	(78,923)	(7)
6900 Operating Profit	\$ 160,746	15	\$ 195,531	17
NON-OPERATING INCOME AND EXPENSES				
7010 Other Income	9,110	1	7,238	1
7020 Other Gains and Losses	(7,969)	(1)	14,735	1
7050 Finance Costs	(52)	-	-	-
7000 Total Non-Operating Income and Expenses	\$ 1,089	-	\$ 21,973	2
7900 Profit Before Income Tax	\$ 161,835	15	\$ 217,504	19
7950 Income Tax Expense	(33,120)	(3)	(42,743)	(4)
8200 Net Income for The Year	\$ 128,715	12	\$ 174,761	15
(Other comprehensive income (loss) or related components will not be reclassified to profit or loss)				
8311 Re-measurement of Defined Benefit Obligation	(306)	-	695	-
8349 Income Tax	61	-	115	-
8300 (Other related components of comprehensive income will not be reclassified to profit or loss.)	(245)		810	
8500 Total Comprehensive Income for the Year	\$ 128,470	12	\$ 175,571	15
EARNINGS PER SHARE				
9750 Basic Earnings per Share (in NT \$)	\$ 2.34		\$ 3.18	
9850 Diluted Earnings per Share (in NT \$)	\$ 3.33		\$ 3.17	

SHIH-KUEN PLASTICS CO., LTD.

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2018 and 2019

(in thousands of New Taiwan Dollars)

Attachment III
Financial Reports 2019

	Share Capital		Capital Surplus		Retained Earnings		Total Equity			
	Common Share		Gain / Disposal of Assets		Legal Reserve	Unappropriated Earnings				
BALANCE, JANUARY 1 ,2018	\$	550,140	\$	75	\$	176,895	265,385	992,495		
Net Income for the Years, Ended Dec. 2018	-		-		-		174,761	174,761		
Other Comprehensive Income, Ended Dec. 31,2018							810	810-		
Total Comprehensive Income, 2018							175,571	175,571		
Distribution of 2017 Net Income										
Legal Reserve						13,718	(13,718)	-		
Cash Dividends						-	(132,034)	(132,034)		
BALANCE, DECEMBER 31 ,2018	\$	550,140	\$	75	\$	190,613	\$	295,204	\$	1,036,032
BALANCE, JANUARY 1 ,2019		550,140	\$	75	\$	190,613	\$	295,204	\$	1,036,032
Net Income for the Years, Ended Dec. 2019								128,715		128,715
Other Comprehensive Income, Ended Dec. 31,2019								(245)		(245)-
Total Comprehensive Income, 2019								128,470		128,470
Distribution of 2018 Net Income										
Legal Reserve						17,476		(17,476)		-
Cash Dividends								(143,036)		(143,036)
BALANCE, DECEMBER 31 ,2019	\$	550,140	\$	75	\$	208,089	\$	263,162	\$	1,021,466

SHIH-KUEN PLASTICS CO., LTD.

STATEMENTS OF CASH FLOW

For the years ended December 31, 2018 and 2019

(in thousands of New Taiwan Dollars)

	Year Ended Dec. 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax for the year	\$ 161,835	\$ 217,504
Adjustments		
Expected Credit Loss (or Gain)	5,720	1,067
Depreciation	12,768	12,587
Gain (Loss) on Disposal of Property, Plant and Equipment	-	(55)
Interest Income	(8,182)	(6,113)
Interest Expenses	52	
Changes in Operating Assets and Liabilities		
Changes in Operating Assets		
Notes Receivable	23,882	5,910
Accounts Receivable	3,729	11,182
Other Receivables	25	(13)
Inventories	35,013	(22,869)
Prepayments	(1,667)	2,572
Changes in Operating Liabilities		
Notes Payable	(3,245)	2,161
Accounts Payable	10,326	(25,353)
Other Payables	(4,189)	2,942
Net Defined Benefit Liabilities-Non-Current	\$ (1,892)	\$ (1,878)
Cash Inflow Generated from Operations	\$ 234,175	\$ 199,644
Interest Received	8,182	6,113
Interest Paid	(52)	-
Income Tax Paid	(51,435)	(26,922)
Net Cash Inflows from Operating Activities	\$ 190,870	\$ 178,835

(continued)

Attachment III

CASH FLOWS FROM INVESTING ACTIVITIES

Cash Paid for Acquisition of Property, Plants & Equipment	(2,477)	(6,731)
Cash Received from Disposal of Property, Plants and Equipment	-	100
Prepayment for Equipment	-	(690)
Increase in Prepayment for Equipment	(1,620)	750
Net Cash Flows Used in Investing Activities	<u>\$ (4,097)</u>	<u>\$ (6,571)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in Short-Term Borrowings	2,452	(10,709)
Payment of Lease Liabilities	(384)	-
Increase (Decrease) in Guarantee Deposit Received	1,220	(2,930)
Payment of Cash Dividends	(143,036)	(132,034)
Net Cash Flows Used in Financing Activities	<u>\$ (139,748)</u>	<u>\$ (145,673)</u>

Net Increase (Decrease) in Cash and Cash Equivalents	\$ 47,025	\$ 26,591
Cash and Cash Equivalents, Beginning	569,688	543,097
Cash and Cash Equivalents, Ending	<u>\$ 616,713</u>	<u>\$ 569,688</u>

SHIH-KUEN PLASTICS CO., LTD.
STATEMENTS OF PROFIT DISTRIBUTION 2019
(in New Taiwan Dollars)

Items		Amount
Net Profit Before Tax for the Current Year	\$	128,714,812
Less: Income Tax		(244,586)
Less: Legal Reserve (=10% of Profit After Tax 2018)		(12,847,023)
Earnings Available for Distribution in 2018	\$	115,623,203
Add: Unappropriated Retained Earnings, Beginning		134,691,431
Accumulated Distributable Earnings	\$	250,314,634
Less: Cash Dividends (= NT \$2.1/shares × 55,014,000 shares)		(115,529,400)
Unappropriated Retained Earnings, Ending	\$	134,785,234

Chairman:

Lin, Chang-Fu



General Manager:

Chen, Chun-Cheng



Chief Accountant:

Lin, Hsiang-Yun

