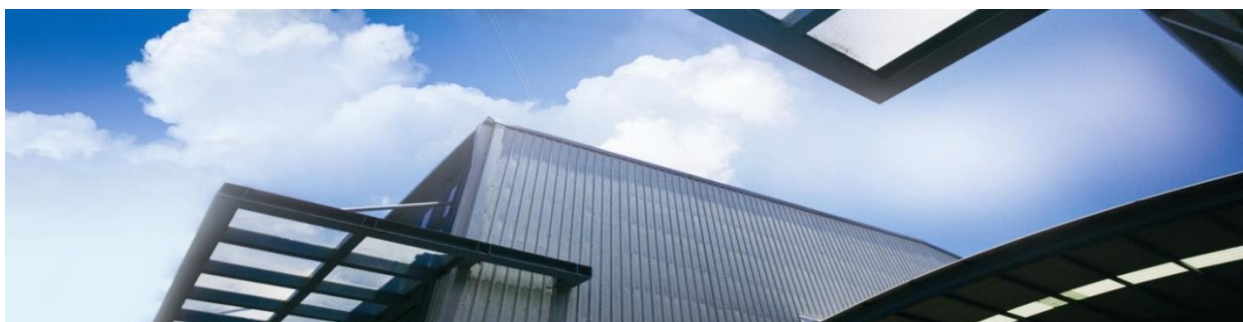




**世堃塑膠股份有限公司**  
**SHIH-KUEN PLASTICS CO., LTD.**

**Handbook for**  
**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.

# 世莒塑膠股份有限公司

## SHIH-KUEN PLASTICS CO., LTD.

### Current Shareholding of Directors and Supervisors

Record Date: April 24, 2018

<u>Title</u>	<u>Name</u>	<u>Number of Shares</u>	<u>Shareholding Ratio (%)</u>
Chairman	Lin, Chang-Fu	5,170,180	9.40
Directors	Chen, Chun-Cheng	3,654,253	6.64
	Hong, Zhi-Cheng	2,265,887	4.12
	Huang, Man-Ling	1,547,235	2.81
	Huang, Chao-Yu	1,105,007	2.01
	Chou, Liang-Cheng	-	-
	Chou, Szu-Cheng	-	-
	<b>Total Directors Shareholdings</b>		<b>13,742,562</b>
Supervisors	Chen, Huann-Wen	1,446,514	2.63
	Ma, Hui- Chen	186,720	0.34
	Chen, Chih-Min	18,711	0.03
	<b>Total Supervisors Shareholdings</b>		<b>1,651,945</b>

The total paid-up capital of the Company is NT\$550,140,000 and has fully issued a total of 55,014,000 shares.

In accordance with *the Securities Exchange Act*, the required combined shareholding of directors and supervisors are 5,501,400 and 550,140 shares respectively on the book closure date.

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# SHIH-KUEN PLASTICS CO., LTD.

## 2018 ANNUAL MEETING OF SHAREHOLDERS

### Meeting Procedure

**Date:** Friday, June 22, 2018

**Time:** 9:00 a.m.

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

**Attendants:** All shareholders or their proxy holders

**Chairman:** Mr. Chang-Fu Lin, Chairman of the Board of Directors

1. Call Meeting to Order
2. Chairman's Address
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.
4. Ratification Items
  - (1) Business Report and Financial Statements, 2017
  - (2) Profit Distribution Proposal, 2017  
Cash Dividends to Common Shareholders: NT \$2.4/share.
5. Questions and Motions
6. Meeting Adjourned

## **Report Items**

- (1) Business Overview 2017
- (2) Supervisors' Review Report 2017
- (3) Report on Remuneration Distribution of Employees, Directors and Supervisors, 2017

# SHIH-KUEN PLASTICS CO., LTD.

## Business Overview 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.

While the operating expense of FY17 was NT\$915,522 thousands, an 1.20% increase comparing to NT\$904,682 thousands in FY16, the operating income decreased from NT\$199,127thousands to NT\$192,593 thousands at 3.28%. Total material cost has increased by 6.64% comparing with FY16.

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 from NT \$ 165,063 thousands FY16. The earning per share was NT \$2.49 in FY17.

Reviewing 2017 economic status, the performance indeed exceeded market expectation. The economic recovery is mainly due to rising international oil price and robust demands. The America also had a solid recovery in 2017, and weak US dollar had encouraged more exports. Additionally, government Trump strategically introduced policy to encourage private sectors investment business helping to revitalize global business activities. German and France another two core eurozone economies also had strong market performance helping to strengthen overall EU outlook; China has underwent infrastructure reformation as scheduled. Before launching the plan, the speculation was negative towards China outlook, but the country showed steady growth with no signs of negative impact on global market. Japan economy also extended its economic growth that indicates the country was easing from the deflationary pressure. This is the positive signal for sustainable market grown in Japan, marked the longest uninterrupted growth since the financial crisis.

The economical growth will be carry on to 2018. U.S. economy is expected to remained strong, this may help to uplift plastic industry in Taiwan. However, South East Asia is expanding plastic industry and capacity that would intensify global competition. Regarding domestic demands, current low housing demand and pessimistic outlook would lead to low demand of construction plastic material in Taiwan. Another consideration is uprising material cost that may cause profit loss. The overall industry forecast indicates the Company performance remains steady despite of slight decline.

In accordance with our global economic prediction, the material price is will inevitably fluctuate imposing potential risk. Shih-Kuen Plastics will continuously cooperate with existing suppliers with steady orders in return of more competitive prices, as part of our supply chain management. It is also vital to enhance the Company's performance with internal factors including exploring opportunities in South-East Asia, Middle East and South America, offering regular employee training, optimizing production efficiency, quality and yield, and controlling operation cost.

In the upcoming year, the goal of Shih-Kuen Plastics remains solid on these strategic but will make vital adjustments to reflect market conditions. High quality of PVC sheets, strong tie with customers and stable market demands remain to be the company's focal points.

## 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 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, Huann-Wen  
Chen, Chih-Min

March 21, 2018



## **Report on Remuneration Distribution of Employees, Directors and Supervisors, 2017**

The Board has approved the following Remuneration Distribution Plan on March 21nd, 2018:

1. Remuneration of Directors and Supervisors is NT\$3,479,798.
2. Employee Compensation is NT\$3,479,798.
3. Comparing the above-mentioned proposed amount of remuneration NT\$6,959,596 and the accounting estimate NT\$7,219,240, the difference of NT -\$259,644 will be adjusted in the expense of 2018 accordingly.

## Rectification items

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

Explanatory Notes:

- (1) 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.
- (2) All the financial reports listed above were audited by accountants, Mr. Yung-Chih Lin and Mr. Chien-Chih Wu, of PwC Taiwan.
- (3) 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  
Please refer to Business report and financial statements in details, page 13-21.

Resolution:

2. Adoption of the Distribution of Remuneration, 2017.  
(Proposed by the Board of Directors)

Explanatory Notes:

- (1) 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: (see Statement of Distribution, Page 22)
  1. Distributing a total of NT \$132,033,600 capital surplus in cash dividends.
  2. Issuing cash dividends only.
- (2) The Board proposes to distribute cash dividends of \$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:

# Questions and Motions

## **Attachments**

- I. Business Report 2017
- II. Balance Sheets
- III. Statements of Comprehensive Income
- IV. Statements of Changes in Equity
- V. Statements of Cash Flow
- VI. Statements of Profit Distribution

## 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 \$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 NT27,88 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	%
<b>ASSETS</b>					
<b>Current Assets</b>					
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	<b>Total Current Assets</b>	\$ 862,790	73	\$ 839,709	72
<b>Non-Current Assets</b>					
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	<b>Total Non-Current Assets</b>	\$ 327,358	27	\$ 327,358	28
1XXX	<b>Total Assets</b>	\$ 1,184,632	100	\$ 1,167,067	100
<b>LIABILITIES AND EQUITY</b>					
<b>Current Liabilities</b>					
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	<b>Total Current Liabilities</b>	\$ 162,170	14	\$ 149,432	13

(continue)

<b>Non-Current Liabilities</b>					
2640	Net Defined Benefit Liabilities- Non-Current	25,592	2	26,621	2
2645	Guarantee Deposits Received	4,375	-	3,085	-
25XX	<b>Total Non-Current Liabilities</b>	<u>29,967</u>	2	<u>29,706</u>	2
2XXX	<b>Total Liabilities</b>	<u>\$ 192,137</u>	16	<u>\$ 179,138</u>	15
<b>EQUITY</b>					
<b>Share Capital</b>					
3110	Share Capital- Common Shares	550,140	47	550,140	47
3200	Capital Surplus	75	-	75	-
<b>Retained Earnings</b>					
3310	Legal Reserve	176,895	15	160,389	14
3350	Unappropriated Retained Earnings	<u>265,385</u>	22	<u>277,325</u>	24
3XXX	<b>Total Equity - Contingent Liabilities &amp; Unrecognized Contract Commitments</b>	<u>\$ 992,495</u>	84	<u>\$ 987,929</u>	85
3X2X	<b>Total Liabilities and Equity</b>	<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 <b>Operating Revenue</b>	\$ 1,186,966	100	\$ 1,185,630	100
5000 <b>Operating Costs</b>	( 915,522 )	(77)	(904,682)	(76)
5900 <b>Net Operating Margin</b>	\$ 271,444	23	\$ 280,948	24
<b>OPERATING EXPENSES</b>				
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
<b>NON-OPERATING INCOME AND EXPENSES</b>				
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
<b>EARNINGS PER SHARE</b>				
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
BALANCE, JANUARY 1 ,2017		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 Taiwanese 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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax for the year	\$ 166,771	\$ 201,100
<b>Adjustments</b>		
Depreciation	2,103	10,989
Gain on Disposal of Property, Plant and Equipment	-	( 177 )
Interest Income	( 4,675 )	( 2,517 )
Interest Expense	-	22
<b>Changes in Operating Assets and Liabilities</b>		
<b>Changes in Operating Assets</b>		
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
<b>Changes in Operating Liabilities</b>		
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 )
<b>Net Cash Inflows from Operating Activities</b>	\$ 159,100	\$ 112,244

(continued)

<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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	524,659	538,522
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 2017

(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)

2016	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



# Appendix

- I. Rules and Procedures of Shareholders' Meeting
- II. Memorandum and Articles of the Company

# SHIH-KUEN PLASTICS CO., LTD.

## Rules and Procedures of Shareholders Meeting

Adopted by Ordinary Resolution on June 21, 2012

### Article 1

The present regulations and procedures are established in accordance with Article 6 of *the Corporate Governance Best Practice Principles* for TWSE/GTSM Listed Companies to set guidelines for the governance, supervision, and management of the shareholders' meeting of Shih-Kuen Plastics Ltd. 世堃塑膠股份有限公司, trading under “世坤” (hereinafter referred to as the Company).

### Article 2.

Unless relevant laws and regulations or the Company's Articles of Association provided, the Company's Shareholders' Meeting (the "Meeting") shall be conducted in accordance with the *Rules and Procedures of Shareholders' Meetings* (the “Rules and Procedures”).

### Article 3

Unless otherwise specified in laws and regulations, the Meeting shall be convened by the board of directors. The Company shall deliver meeting notice and proxy form to major shareholders thirty (30) days prior the Annual Shareholders' Meetings and fifteen (15) days prior the special shareholders meetings. For shareholders holding under one thousand (1000) shares, meeting notices will only be announced on Market Observation Post System (MOPS) simultaneously. The election or dismissal of directors or supervisors, amendments of memorandum and rules of the Company, the dissolution, merger and demerger of the Company, or any matter under paragraph 1, Article 185 of *the Company Act*, Articles 26-1 and 43-6 of *the Securities and Exchange Act*, or Articles 56-1 and 60-2 of *the Regulations Governing the Offering and Issuance of Securities by Securities Issuers* shall be stated in the meeting notice and shall not be proposed in Questions and Motions.

### Article 4

For each Meeting, every shareholder may appoint a proxy to attend a general meeting and vote on his/her behalf by presenting the proxy statement which specifies the scope of authorization. Every shareholder may only submit a proxy form to designate one proxy for each Meeting. Proxy appointment shall be delivered to the Company at least five (5) days prior to the meeting



date. If the Company receives more than one written proxies from the same shareholder, the first application delivered to the Company shall prevail unless a declaration is made to revoke the previous proxy appointment.

After submitting the proxy form to the Company, shareholders who would like to attend the Meeting in person or exercise their rights through electronic transmission shall file a written notice of proxy cancellation two (2) days before the meeting date. If the cancellation notice is received after the deadline, votes casted by the proxy at the Meeting shall prevail.

#### **Article 5**

The Meeting shall be held at the head office of the Company or other appropriate venue where is convenient for the shareholders to attend. The time for commencing the said meeting shall be held between 9:00 a.m. to 3:00 p.m. local time. The opinions of independent directors shall be fully considered with respect to the location and the time of the Meeting.

#### **Article 6**

The Company shall specify the time and location and other important matters of attention in the Meeting notice. The registration of shareholders shall begin at least thirty (30) minutes before meetings commences. The registration counter shall be clearly indicated and have sufficient staff available for checking in shareholders. Shareholders and proxies attending the Meeting shall present the Attendance Cards, sign-in cards or other certifications to the Meeting. The proxy solicitors shall also provide document for identity verification.

The Company shall prepare an attendance list for the meeting registration; attending shareholders may either sign on the attendance list or submit the Attendance Card to complete the registration.

The company shall prepare each shareholder and proxy meeting handbook, annual report, attendance card, voting card for the meeting and the relevant document. Where voting powers of election of directors at a shareholders' meeting are to be exercised, a printed ballot shall also be sent to the shareholders as well.

When shareholder is the government or juristic person, multiple representatives may attend the Meeting, but only juristic person shall be designated to attend the meeting.

#### **Article 7**

The Chairperson of the Board of Directors shall preside the Meeting if it is convened by the Board. In the event the Chairperson is unable to perform his/her duties, the vice Chairperson shall preside over the meeting. If Vice Chairperson cannot attend the Meeting, the Chairperson shall appoint an executive director or other director instead. In the absence of chairperson designation, the Board shall elect among themselves an acting Chairperson.

Acting Chairperson to preside the Meeting shall be part of the Board of Directors for minimum six (6) months and be familiar with the Company's financial and business operations. The provision shall also apply to the juristic person shareholders.

It is advisable the meeting called by the Boards is attended by over half of the total number of the Board.

If the Meeting is convened by other duly authorized person other than the Chairperson, the person shall be the chairperson to preside at the Meeting. When there are two (2) or more person(s), the chairperson of the meeting shall be elected from among themselves.

The Company may also appoint designated counsels, CPA or other related persons to attend the Meeting.

### **Article 8**

The Company shall videotape and record the entire meeting process, including registration of attendees, meeting proceedings, election and vote-count in every Meeting. Videos and recordings shall be preserved for at least one (1) year. Relevant videos and files shall be retained until the litigation is concluded based on Article 189 of the *Company Act*.

### **Article 9**

Attendance at the Meetings shall be determined based on the number of outstanding shares. The number of shares represented by shareholders attending the Meeting shall be calculated based on the attendance list and check-in cards submitted by the shareholders.

Chairperson shall call the Meeting to order at the time scheduled for the Meeting. If the attending shareholders are under the half of the total number of issued shares, the Chairperson shall postpone the Meeting. The postponements shall be limited to two (2) times at the most and Meeting shall not be postponed for longer than one (1) hour.

If the quorum is not reached after two (2) postponement and the number of shareholders represents under one-third (1/3) of the total shares, the Chairperson shall announce the adjournment of the Meeting. Under this situation, a tentative resolution shall be adopted according to Paragraph 1, Article 175 of the *Company Act*. All the shareholders shall be notified of any tentative resolution, and the meeting shall be held within one (1) month. Once the number of shares reached the majority of the total shares before the Meeting adjourned, the Chairperson shall re-submit the tentative resolution for voting, according to Article 174 of the *Company Act*.

### **Article 10**

The Board shall set the agenda for the Meeting convened by the board of directors. The Meeting shall proceed in accordance with the agenda without shareholders' resolution.

The above provision applies *mutatis mutandis* to the Meeting convened by other duly authorized person, other than the Chairperson of the Board.

Without shareholders' resolution, the Chairperson shall not adjourn the Meeting before all the discussion items (including Questions and Motions) listed in the agenda are completed.

The shareholders cannot designate any other person as Chairperson and continue the Meeting after the Meeting is adjourned. However, in the event that the Chairperson violates the Rules and Procedures and adjourns the Meeting, the shareholders may elect, by a majority of votes represented by attending shareholders, a new chairperson to continue the Meeting.

The proposed resolutions should be given ample time for sufficient discussion and explanation. If the Chairperson deems it's appropriate to close the discussion, he/she may announce to end the discussion and go into voting.

### **Article 11**

Prior making speech, shareholders shall specify the speaking subject, the account name and attendance number on the speech slip. The sequence of speeches shall be determined by the Chairperson. If the shareholder does not speak after slip submission, no speech is deemed. In case the contents of the speech is inconsistent with the speech slip, the contents of actual spoken speech shall prevail.

Unless otherwise permitted by the Chairperson, each shareholder shall not speak more than twice on the same proposal; each speech shall be within five (5) minutes. If speech given at the Meeting violates the above provision or exceeds the scope of the discussion item, the Chairperson may terminate such speech.

No shareholder shall interrupt the speeches of the other shareholders unless otherwise permitted by the chairperson. Any violation of the provision shall be stopped by the chairperson.

If there are two or more representatives acting on the behalf of the juristic person at the Meeting, only one representative can speak for each discussion item.

After the speech of a shareholders, the chairperson shall respond in person or direct relent personnel to respond at the Meeting.

### **Article 12**

Vote counts at the Meeting shall be based on the number of shares. The shares without voting rights are excluded from the total number of outstanding shares.

If shareholders are the interest parties related to any proposal and agenda, they shall not exercise the voting right on behalf of other shareholders. These numbers of shares shall be subtracted from the total voting rights representing the attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the

competent securities authority, one person can be concurrently appointed as a proxy by two (2) or more shareholders; the voting rights represented by this person shall be under three percent (3%) of the total issued shares; The voting right over three percentage (3%) shall be excluded.

### **Article 13**

Shareholders are entitled to one vote for each share held. This does not apply to shareholders who are restricted by the conditions listed in the Paragraph 2, Article 179 of *the Company Act*. Votes may be exercised in writing or electronic transmission in accordance of Paragraph 1, Article 177 of *the Company Act*. The voting approaches adopt in the Meeting shall be clearly indicated in the Meeting notice. Shareholders who exercises their votes in writing or electronic transmission shall be deemed to have attended meetings in person; they shall also be deemed to have waived his/her rights with respect to the Questions and Motions and amendments to the original proposals. It is therefore advisable that the Company should avoid the submission of Questions and Motions and amendments to original proposals.

Shareholders shall deliver their voting declaration in writing or electronic transmission to the Company at least two (2) days prior to the scheduled meeting; If there is more than one (1) declarations received by the Company, the first declaration shall prevail unless an explicit statement to revoke the previous declaration. In case shareholders would like to attend the Meeting in person after submitting the written or electronic declaration, they shall also submit separate declaration at least two (2) days prior to the meeting date. In the absence of a timely rescission of the previous declaration of intention, the votes exercised in writing or electronic transmission shall prevail.

When shareholders submitted declaration in writing or electronic transmission and designate a proxy to attend the Meeting on their behalf, the authorized proxy for the said shareholder shall prevail.

Except otherwise specified in relevant laws or the Memorandum and Articles of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders at the Meeting. Chairperson or appointed directors shall announce total votes represented at the Meeting before voting; If Chairperson confirms no objection is voiced regarding proposed items, the resolution is adopted as equivalent to the voting result. If not, the proposed items will follow voting procedure.

If there is amendment to or substitute for a discussion item, the Chairperson shall decide the voting sequence. Once resolution has been adopted, no further voting is necessary.

Chairperson shall appoint the person(s) monitoring the voting procedure and checking the ballots while the former appointee shall also be a shareholder(s). Vote-count during a shareholders meeting shall be conducted publicly at the meeting venue. The results, including the numbers of votes, shall be announced immediately after counting and filing to records.

**Article 14**

The election of directors and supervisors shall be conducted in accordance with the *Rules for Election of Directors* and the applicable laws. The results of the election should be announced at the meeting and disclose the information including the names of elected directors and the number of votes. The ballots shall be sealed with the signature of the person(s) monitoring the voting and retained for at least one (1) year. The Company shall retain the ballots until the litigation is concluded based on Article 189 of the *Company Act*.

**Article 15**

Resolutions of the Meeting shall be recorded in the meeting minutes including the voting methods, discussion process and every result adopted at the Meeting. Minutes shall be signed or sealed by the Chairperson of the meeting and distributed to all shareholders within twenty (20) days after the Meeting. Meeting minutes can be distributed in electronic formats and must upload to MOPS for public disclosure.

The meeting minutes shall accurately record meeting time and place as well as the full name of the Chairperson; Minutes shall be carefully kept as the Company's important file throughout the life of the Company. If no objection is voiced after solicitation by the shareholders, the resolution shall be deemed approved with the statement "the resolution is adopted based on the unanimous concurrence of shareholders". In the case of objection, the meeting minutes shall record the voting approach, the vote-count and the percentage of shareholders.

**Article 16**

On the day of the Meeting, the Company shall compile a statistical statement of the number of shares obtained by the solicitors through solicitation and by the proxies, and make an official disclosure at the place of the Meeting. Public announcement of any resolution in respect of any information proscribed by the law and Taipei Exchange (TPEX) shall be made timely on the Market Observation Post System MOPS. Any relevant laws and regulations or the regulations of Taiwan Stock Exchange Corporation, the Company shall upload the contents of such resolutions to the MOPS within the prescribed time period.

**Article 17**

All staff members including administrative officers and security should wear badge and arm band to indicate their positions.

Shareholders shall only use microphones supplied at the Meeting. Any violation shall be refrained from speaking by the Chairperson. If shareholders refuse to obey the instructions given by the Chairperson and violate the Rules, he or she may be escorted out of the Meeting.

**Article 18**

The chairperson shall, at his/her discretion, sets time for intermission during the Meeting. In case of force majeure occurs, the Chairperson may temporarily suspend or resume the Meeting to different time. If the Meeting venue is no longer available for continuous use or not all Agenda items (including Questions and Motions) have been addressed, shareholders shall resolve to resume the Meeting at another location within five (5) days, in accordance with Article 182 of *the Company Act*.

**Article 19**

*Rules and Procedures of Shareholders' Meeting* shall be effective from the date it is approved at Shareholders' Meeting. The same procedure applies to the case of revision.

# SHIH-KUEN PLASTICS CO., LTD.

## Memorandum and Articles of the Company

### Chapter 1 General Provisions

#### Article 1

The Company shall be incorporated as a company limited by shares under *the Company Act* and its name shall be “Shih-Kuen Plastics Co., Ltd.” (hereinafter referred to as the “Company”).

#### Article 2

The scope of business of the Company shall be as follows:

1. Manufacturing customized soft and semi-rigid Polyvinyl Chloride (PVC) sheet, PVC film, material for plastics goods (e.g. printing advertisement, cases, bags, rainwear, plastics injection, etc.), adhesive PVC sheet, and offering import and export solution of PVC raw material.
2. Trading and material processing of shoes, non-woven fabric.
3. Other business not prohibited or restricted by law, except by special permission.

#### Article 3

To achieve the goal of diversification, the Company’s reinvestment to other companies shall exceed forty percent (40%) of paid-up capital, and has authorized the Board to implement the matters concerned.

#### Article 4

The Company may make guarantee for business necessity and has authorized the Board to implement the matters concerned.

#### Article 5

The Company, locates in Tainan, may expand branches or factories at other locations to satisfy operation needs. It’s subject to resolution of the Board.

#### Article 6

Public notices of the Company are handled in accordance with *the Company Act* and other relevant regulations.

## Chapter 2 Shares

### Article 7

The total capital stock of the Company, NT \$ 550,140,000 divided into total of 55,014,000 common shares at NT \$10 each, has been fully issued.

### Article 8

All the shares are registered and the certificates shall be signed or affixed by three or more directors of the Company. The Company may combine printing the shares and exempt from printing the physical certificates pursuant to the Article 162-1 and 162-2 of the *Company Act*.

### Article 9

Registration of share transfers shall be suspended in the following circumstances: sixty (60) days prior the Meeting, thirty (30) days before a special shareholders meeting, and five (5) days prior to the record date for distribution of dividend, bonuses or other benefits.

### Article 10

Once the Company's shares are issued to the public, all shares are handled in accordance with the regulations stipulated in the *Regulations Governing the Administration of Shareholder Services of Public Companies*.

### Article 11

The Company may convert the issued shares into a larger denomination in accordance with the request of licensed security custody agency.

## Chapter 3 Shareholders' Meetings

### Article 12

The Meeting shall be convened by the board of directors once in six (6) months from the closing of each fiscal year. The shareholders' special meeting may be called whenever it is deemed necessary with meeting notices.

### Article 13

Meeting notices should be delivered to all shareholders thirty (30) days prior the general meetings and fifteen (15) days before the special meetings. Notice shall specify meeting date, venue, reasons of meeting, discussion agenda and public announcement.



**Article 14**

If shareholders are unable to attend the Meeting, they may appoint a proxy to attend and vote on their behalf at the Meeting. Proxy holders shall present the proxy form at the Meeting registration check-in. All proxy appointments must comply with Article 177 of *the Company Act* and *Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies*.

**Article 15**

The Meetings shall be chaired by the Chairperson of Board. If the person is absent, he/she shall designate a director as the representative. If the shareholders meeting is called by convener other than the board, the Chairperson shall be assumed by the convener. If there are more than two conveners, the chairperson shall be elected among the conveners.

**Article 16**

Each shareholder is entitled to one vote per share held. Shares held by the Company itself in accordance with the laws does not have voting right.

**Article 17**

Unless otherwise required by *the Company Act*, all proposals shall be resolved by the majority at the Meeting representing minimum fifty percent (50%) of the shareholding and more than half of the total votes.

**Article 18**

Resolutions adopted at the Meeting shall be recorded in the meeting minutes, specifying meeting date, venue, the name of the Chairperson, the voting methods, a summary of the meeting procedure and the Meeting results. Minutes must be sealed and signed by the Chairperson and delivered to shareholders in twenty (20) days. The Company shall retain all the meeting minutes, attendance list and the proxy forms.

## Chapter 4 Directors and Supervisors

**Article 19**

The Company shall establish the Board constituted by seven (7) directors and three (3) supervisor(s) whom are elected at the Meeting among the individuals of legal capacity, with the three-year term. All Directors and Supervisor(s) shall be eligible for re-election.

Said directors shall include minimum two (2) independent directors; the independent directors shall be elected from the list of candidates proposed in the Meeting representing over one-fifth (1/5) of total director seats.

The election of independent and non-independent directors shall be held at the same time, while the vote counts shall be calculated separately.

The qualification, shareholding, restrictions on part-time jobs, identification of independency, nomination and election of independent directors and other matters to be complied with shall be handled in accordance with *the Company Act* and other relevant policies of the competent security authority.

#### **Article 20**

If the tenure of current directors and supervisors expire before the time of final account closing of the year, the tenure would be extended until the newly elected take office. If the reelection is not held during the extended period, the competent authority may, ex office, order the Company to complete the reelection within a specific time limit, otherwise the directors and supervisors will be discharged automatically upon the expiry date it orders.

#### **Article 21**

The Board shall be organized and formed among the directors. The Chairperson shall be elected by the board with more than half of the total seats. The chairperson shall represent the Company externally in charge of the Company's business operation and convene the Meeting and Board Meeting.

#### **Article 22**

Where vacancies of the Board exceed one-third of the total number of the Directors or all the independent directors are dismissed, the Board shall convene a special shareholders' meeting within sixty (60) days to elect new Directors until the incumbent term expires.

#### **Article 23**

The Board of Directors hold the following responsibilities and authorities:

- (1) Guarantee on Behalf of the Company
- (2) Dispose Company's Whole or Partial Properties.
- (3) Appoint and Remove Public Accountants for the Company
- (4) Amend the Memorandum and Article of the Company
- (5) Draft Annual Budget of the Fiscal Year
- (6) Establish or Withdraw Subsidiaries
- (7) Reinvest Other Properties or Approved Items

- (8) Approve and Amend Important Contracts
- (9) Propose Profit Allocation
- (10) Propose Capital Increase or Reduction Plans

Supervisors hold the following responsibilities and authorities:

- (1) Audit the Company's Financial Performance
- (2) Review the Company's Financial Statements
- (3) Correct or Report Any Violation on Matters of Human Resource, Sales, and Accounting
- (4) Other Duties and Power Authorized by the Rules

#### **Article 24**

The resolutions of the Board, unless otherwise required by *the Company Act*, shall be passed by the majority of the Board of Directors when the attendance rate is at least fifty percent (50%) at Meeting. Directors shall attend Board meetings in person. Otherwise, he/she shall issue an authorization letter to designate another director to act on his/her behalf; One director may only represent only one other director

#### **Article 25**

When the Chairperson of the Board is on leave or unable to perform his duties, the designed proxy shall be made in accordance with Article 208 of *the Company Act*. Supervisors shall attend the Meeting to deliver opinions and perform duties as prescribed in the rules, but do not have voting rights.

#### **Article 26**

Resolutions adopted at Meeting shall be recorded in the minutes, which shall be sealed and signed by the chairperson. Meeting minutes shall be distributed to all shareholders of the company within twenty (20) days after the close of the meeting, and the Company shall retain all the meeting records (including check in list, proxy form) according to the regulations.

#### **Article 27**

Regardless the Company's financial performance in the fiscal year, directors and supervisors are entitled with transportation allowance. The rule of travelling allowance is established based on industry standard and Board's resolution.

#### **Article 27-1**

Executive pay and bonus shall follow industry standards and authorize the Board to stipulate the remuneration policy.

## Chapter Five      Managerial Officers

### Article 28

The Company shall appoint one or more managerial personnel(s) managing all affairs of the Company. The employment, discharge and remuneration thereof shall follow Article 29 of *the Company Act*.

## Chapter Six      Accounting

### Article 29

The fiscal year for the Company starts from January 1st to December 31st of every calendar year. The final account closing shall be conducted at the end of every fiscal year, and the Board shall prepare and propose the following reports:

- I. Business report
- II. Financial statements
- III. Proposal of profit allocation or loss covering

All the documents will be submitted to the supervisor for audit 30 days prior to the Meeting.

### Article 29-1

If there is surplus after recovering previous loss, the retained earnings (before tax) shall be distributed based on the following proposals:

1. Remuneration to directors and supervisor not exceeding 5%
2. Employee bonus shall exceed 2%

The boards shall first determine distributing employee bonus through cash or stock dividends at the Board Meeting, representing two-third (2/3) or more of directors and adopting by a large majority vote, then submit employee bonus proposal for resolution at the Meeting.

The entitlement of employee bonus may be specified in the *Memorandum and Article of the Company*. Qualification requirements of employees, including the employees of subsidiaries of the company meeting certain specific requirements, entitled to receive share bonus may be specified in the Articles of Incorporation

### Article 30

In consideration of the current status and development stage in a long run, the Company adopts the dividend policy seeking the optimal balance between the capital needs, operating expenditure and shareholder interests. When there is surplus upon closing of accounts, the

Company shall first settle outstanding taxes and accumulated losses from the preceding years. The remaining shall be set aside legal reserve (10%) and special reserve according to the regulations.

The allocation of the balance including bonuses, dividends, retained earnings or otherwise, shall be proposed by the Board and resolved in the Meeting.

Shareholders' Dividends and bonus shall set be assigned 30% - 95% of Accumulated Distributable Retained Earnings. cash dividend shall be at least 10% of total shareholders' dividends and bonus. When the cash dividends to be distributed is under NT \$0.3/share, the dividends will be distributed as stock dividends instead. Taking into account the profit growth or capital investment in the future, the board shall adjust remuneration plan in the Meeting.

## Chapter 7 Appendix

### Article 31

Other details of organization regulation and rules of procedure will be established by the Board of Directors.

### Article 32

Matters not specified in these Memorandum and Articles of the Company shall be governed by *the Company Act, the Securities and Exchange Act* and other relevant legislations.

### Article 33

The Memorandum and Articles of the Company shall be implemented after resolution at the Meeting; Further amendment shall follow the same procedure and be adopted at the Meeting.

### Article 34

These Memorandum and Articles were promulgated on 24 September, 1986 and amended on the following dates:

(1) March 15, 1987	(8) June 27, 1997	(15) May 30, 2002
(2) May 20, 1987	(9) October 30, 1997	(16) June 3, 2003
(3) May 24, 1993	(10) April 22, 1998	(17) June 4, 2004
(4) June 30, 1993	(11) April 22, 1999	(18) June 10, 2005
(5) December 27, 1993	(12) November 11, 1999	(19) June 22, 2012
(6) October 11, 1996	(13) May 6, 2000	(20) June 26, 2015
(7) November 20, 1996	(14) May 26, 2001	(21) June 24, 2016