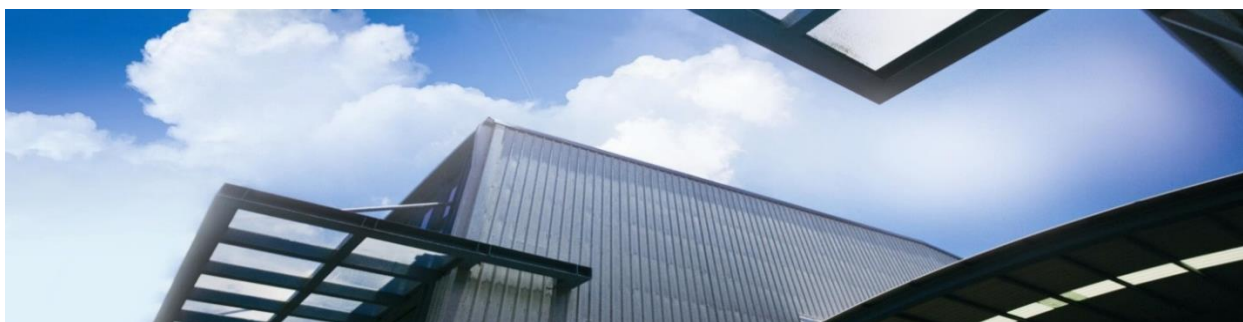




世堃塑膠股份有限公司 Shih-Kuen Plastics CO., LTD.

Handbook for 2022 Annual Shareholders Meeting



Date: June 24, 2022

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

In-Person Only

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.

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SHIH-KUEN PLASTICS CO., LTD.

2022 ANNUAL MEETING OF SHAREHOLDERS

Meeting Procedure

Date: Friday, June 24, 2022

Time: 9:30 a.m.

Venue: Ma-Dou District Agriculture Office Building
(3F, 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 2021
 - (2) Supervisor's Review Financial Statement 2021
 - (3) Report on remuneration distribution of employees, directors and supervisors, 2021
 - (4) Amendment to *Rules for Election of Directors and Supervisors*
 - (5) Amendment to *Corporate Governance Best Practice Principles*
 - (6) Amendment to *Ethical Corporate Management Best Practice Principles*
 - (7) Amendment to *Procedures and Guidelines of Ethical Corporate*
 - (8) Amendment to *Codes of Ethical Conduct*
 - (9) Amendment to *Corporate Social Responsibility Best Practice Principles*, and renaming to *Sustainable Development Best Practice Principles*
4. Ratification Items
 - (1) Business Report and Financial Statements, 2021
 - (2) Profit Distribution Proposal, 2021
5. Discussion
 - (1) Amendment to *Memorandum and Article of the Company*
 - (2) Amendment to *Rules of Procedure for Shareholders Meetings*
 - (3) Amendment to *Rules for Election of Directors and Supervisors*, and renaming to *Rules for Election of Directors*
 - (4) Amendment to *Procedures for Acquisition or Disposal of Assets*

6. Election Items
The Company 13th Board of Directors (including Independent Directors)
7. Questions and Motions
Meeting Adjourned

Report Items

- (1) Business Report 2021 ([Attachment I](#), pp. [11])
- (2) Supervisors' Review Report 2021 ([Attachment II](#), pp. [13])
Reported by the supervisor Hui-Chen Ma.
- (3) Report on Remuneration Distribution of Employees, Directors and Supervisors, 2021
The Board has approved the following Remuneration Distribution Plan on March 25th, 2022:
 1. Remuneration of Directors and Supervisors is NT\$2,928,728.
 2. Employee Compensation is NT\$4,393,092.
 3. Comparing the above-mentioned proposed amount of remuneration NT\$7,321,820 and the accounting estimate NT\$6,948,734, the difference of NT\$373,086 will be adjusted in the expense of FY22 accordingly.
- (4) Amendment to Rules for *Election of Directors and Supervisors*
- (5) Amendment to *Corporate Governance Best Practice Principles*
- (6) Amendment to *Ethical Corporate Management Best Practice Principles*
- (7) Amendment to *Procedures and Guidelines of Ethical Corporate*
- (8) Amendment to *Codes of Ethical Conduct*
- (9) Amendment to *Corporate Social Responsibility Best Practice Principles*, and renaming to *Sustainable Development Best Practice Principles*

Rectification items

1. Adoption of the Business Report and Financial Statements, 2021
(Proposed by the Board of Directors)

Explanatory Notes:

- (1) The Company's 2021 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 25, 2022 and reviewed by the supervisors. ([Attachment II](#), pp. [11])
- (2) All the financial reports listed above were audited by accountants, Mr. Yung-Chih Lin and Mr. Tzu-Meng Liu, of PwC Taiwan. ([Attachment III](#), pp. [14-19])

Resolution:

2. Adoption of the Distribution of Remuneration, 2021
(Proposed by the Board of Directors)

Explanatory Notes:

- (1) After adjusting the Retained Earnings of 2021 including legal reserves and associated expenses related to dividends distribution, the Board of Directors has approved the following profit distribution plan: ([Attachment IV](#), pp. [20])
 1. Distributing a total of NT \$99,025,200 capital surplus in cash dividends.
 2. Issuing cash dividends only.
- (2) The Board proposes to distribute cash dividends of \$1.80 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

Discussion

1. Amendment to *Memorandum and Article of the Company*

Explanatory Notes:

Following the revised Exchange Act, the company would establish audit committee composed of all independent directors and discharge charges. The amendment will revise related articles in the *Memorandum and Article of the Company*.

According to Ministry of Economic Affairs provision, this resolution of this discussion item will approve the setting of audit committee and alternation of *Memorandum and Article of the Company*. In this Shareholders' Meeting, there will not proceed the election for Supervisors.

Please refer to amendment comparison table in Mandarin Shareholders' Meeting Handbook, page 44-47, appendix 11.

Resolution:

2. Amendment to Rules of Procedure for Shareholders Meetings

Explanatory Notes:

Following the revised Exchange Act, the company would establish audit committee composed of all independent directors and discharge charges. The amendment will revise related articles.

Please refer to amendment comparison table in Mandarin Shareholders' Meeting Handbook, page 48-56, appendix 12.

Resolution:

3. Amendment to *Rules for Election of Directors and Supervisors*, and renaming to *Rules for Election of Directors*

Explanatory Notes:

Following the revised Exchange Act, the company would establish audit committee composed of all independent directors and discharge charges. The amendment will revise related articles.

Please refer to amendment comparison table in Mandarin Shareholders' Meeting Handbook, page 57-60, appendix 13.

Resolution:

4. Amendment to *Procedures for Acquisition or Disposal of Assets*

Explanatory Notes:

Following the revised Exchange Act, the company would establish audit committee composed of all independent directors and discharge charges. The amendment will revise related articles.

Please refer to amendment comparison table in Mandarin Shareholders' Meeting Handbook, page 61-69, appendix 14.

Resolution:

Election Items

Electing 13th Board of Directors (including Independent Directors) and Supervisors
Explanatory Notes:

- (1) Upon the tenure expiration of 12th Board of Directors and Supervisors on June 18, 2022, the election will be conducted at the Annual Shareholders' Meeting.
- (2) Complying with the *Memorandum and Article of the Company*, the election will apply nomination system electing seven (7) Board of Directors including three (3) independent directors, in three-year tenure from June 24, 2022 to June 23, 2025
- (3) Complying with Securities and Exchange Act and *Memorandum and Article of the Company*, the company would establish audit committee composed of all independent directors. The audit committee will hold office and supervisors will be recharged after the Shareholders' Meeting.
- (4) Adopting cumulating voting system in the election
- (5) Referring the list of directors' candidates in Mandarin Shareholders' Meeting Handbook, appendix 15.
- (6) Presenting the list of Directors candidates, approved at 19th Board Meeting on March 25, 2022.

Voting Result:

Questions and Motions

Meeting Adjourned

Attachments

- I. Business Report 2021
- II. Supervisors' Review Report 2021
- III. Financial Statements 2021
- IV. Statements of Profit Distribution 2021

Business Report 2021

The response to COVID-19 has resulted in increase of single-use plastics good d. Although the overall demands for plastic goods improved in 2021, the spiking oil price has driven up PVC raw material price that eroded the company's profit margin.

The operating revenue for FY21 was NT \$1,172,837 thousands, an increase of 16.69% from NT \$1,005,070 thousands in FY20. Company's average material price was up by 42.74% including the 49.10% increase in PVC resin, 49.85% increase in plasticizer. The operating income for FY21 is \$154,479, a decrease of 4.83% from FY20. Due to the non-operating expenditure caused by foreign exchange loss against US dollars, the net income and earnings per shares of FY 20 is \$111,416 and NT \$2.03 respectively; During the COVID-19 crisis, Shih-Kuen Plastics consistently strived hard to maintain operating performance and profitability.

Looking forward, 2021 will be another challenging year full of uncertainties. To remain competitive in the market, Shih-Kuen Plastics will keep up the current operating strategies to secure its key competitiveness by closely monitoring market trends, controlling procurement costs and expanding oversea market opportunities. From the internal management perspectives, Shih-Kuen Plastics offers regular employee training, optimize production efficiency, quality and yield, developing new specifications, and controlling operation cost.

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

1. Annual Income, FY21 and FY20 (in thousands of New Taiwan Dollars):

	FY21		FY20		Change (%)
	Amount	%	Amount	%	
Operating Revenue	1,172,837	100.00	1,005,070	100.00	16.69
Operating Cost	(943,449)	(80.44)	(769,692)	(76.58)	22.57
Gross Profit	\$ 229,388	19.56	\$ 235,378	23.42	(2.54)
Operating Expense	(74,909)	(6.39)	(73,062)	(7.27)	2.53
Operating Income	\$ 154,479	13.17	\$ 162,316	16.15	(4.83)
Non-Operating Income and Expenses	(14,991)	(1.28)	(19,369)	(1.93)	(22.60)
Profit Before Income Tax	\$ 139,488	11.89	\$ 142,947	14.22	(2.42)
Income Tax Expense	(28,072)	(2.39)	(28,591)	(2.84)	(1.82)
Net Income for the Year	\$ 111,416	9.50	\$ 114,356	11.38	(2.57)

2. Budget Execution FY21

As FY21 budget was not disclosed, budget execution is not available to discuss.

3. Profitability Analysis FY21 and FY20 in percentage %, except EPS in New Taiwan Dollars):

	FY21	FY20
Capital Structure		
Debt Ratio	14.70	12.50
Long-Term Capital Ratio	367.30	353.62
Liquidity Analysis		
Current Ratio	583.04	703.84
Quick Ratio	530.97	621.16
Return on Assets	9.38	9.74
Return on Shareholders' Equity	10.85	11.21
Return on Capital Employed		
Operating Profits	28.08	29.50
Operating Profits Before Tax	25.36	25.98
Net Profitability	9.50	11.38
Earnings Per Share (NT\$)	2.03	\$ 2.08

4. 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

5. 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 2021 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 2022 Annual Shareholders' Meeting

Supervisors

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

March 25, 2022

SHIH-KUEN PLASTICS CO., LTD.

BALANCE SHEETS

December 31, 2020 and 2021

(in thousands of New Taiwan Dollars)

	2021		2020		
	Amount	%	Amount	%	
ASSETS					
Current Assets					
1100	Cash and Cash Equivalents	463,291	38	365,529	31
1136	Amortized Cost of Current Financial Assets	118,809	10	207,539	18
1150	Notes Receivables, Net	31,410	3	19,659	2
1170	Account Receivables, Net	221,357	18	169,695	14
1200	Other Receivables	37	-	48	-
130X	Inventories	78,832	7	100,785	9
1410	Prepayment	3,042	-	707	-
11XX	Total Current Assets	\$ 916,778	76	\$ 863,962	74
Non-Current Assets					
1600	Property, Plant and Equipment	281,493	23	288,234	25
1755	Right-of-Use Asset	2,668	-	2,041	-
1840	Deferred Income Tax Assets	8,113	1	8,462	1
1920	Guarantee Deposit Paid	3,108	-	2,108	-
15XX	Total Non-Current Assets	\$ 295,382	24	\$ 300,845	26
1XXX	Total Assets	\$ 1,212,160	100	\$ 1,164,807	100
LIABILITIES AND EQUITY					
Current Liabilities					
2100	Short-Term Borrowings	-	-	-	-
2150	Notes Payables	9,971	1	14,094	1
2170	Accounts Payable	91,890	8	62,632	5
2200	Other Payables	38,694	3	37,083	3
2230	Current Income Tax Liabilities	15,039	1	7,699	1
2280	Current Lease Liabilities	1,646	-	1,242	-
21XX	Total Current Liabilities	\$ 157,240	13	\$ 122,750	10

(continued)

Attachment III

Non-Current Liabilities					
2580	Non-Current Lease Liabilities	1,079	-	859	-
2640	Net Defined Benefit Liabilities- Non-Current	15,941	1	20,817	2
2645	Guarantee Deposits Received	3,983	1	1,119	-
25XX	Total Non-Current Liabilities	<u>21,003</u>	<u>2</u>	<u>22,795</u>	<u>2</u>
2XXX	Total Liabilities	<u>\$ 178,243</u>	<u>15</u>	<u>\$ 145,545</u>	<u>12</u>
EQUITY					
Share Capital					
3110	Share Capital - Common Shares	550,140	45	550,140	47
3200	Capital Surplus	75	-	75	-
Retained Earnings					
3310	Legal Reserve	232,269	19	220,936	19
3350	Unappropriated Retained Earnings	<u>251,433</u>	<u>21</u>	<u>248,111</u>	<u>22</u>
3XXX	Total Equity - Contingent Liabilities & Unrecognized Contract Commitments	<u>\$ 1,033,917</u>	<u>85</u>	<u>\$ 1,019,262</u>	<u>88</u>
3X2X	Total Liabilities and Equity	<u>\$ 1,212,160</u>	<u>100</u>	<u>\$ 1,164,807</u>	<u>100</u>

SHIH-KUEN PLASTICS CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2019 and 2020

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

	2021		2020	
	Amount	%	Amount	%
4000 Operating Revenue	\$ 1,172,837	100	\$ 1,005,070	100
5000 Operating Costs	(943,449)	(81)	(769,692)	(77)
5900 Net Operating Margin	\$ 229,388	19	\$ 235,378	23
OPERATING EXPENSES				
6100 Selling Expenses	(37,020)	(3)	(35,498)	(3)
6200 General and Administrative Expenses	(27,391)	(2)	(26,677)	(3)
6300 Research and Development Expenses	(8,386)	(1)	(7,268)	(1)
6450 Expected Credit Gain (Loss)	(2,112)		(3,619)	
6000 Total Operating Expenses	(74,909)	(6)	(73,062)	(7)
6900 Operating Profit	\$ 154,479	13	\$ 162,316	16
NON-OPERATING INCOME AND EXPENSES				
7100 Interest Income	1,180	-	5,227	1
7010 Other Income	887	-	832	-
7020 Other Gains and Losses	(16,956)	(1)	(25,306)	(3)
7050 Finance Costs	(102)	-	(122)	-
7000 Total Non-Operating Income and Expenses	\$ (14,991)	(1)	\$ (19,369)	(2)
7900 Profit Before Income Tax	\$ 139,488	12	\$ 142,947	14
7950 Income Tax Expense	(28,072)	(2)	(28,591)	(3)
8200 Net Income for The Year	\$ 111,416	1	\$ 114,356	11
(Other comprehensive income (loss) or related components will not be reclassified to profit or loss)				
8311 Re-measurement of Defined Benefit Obligation	2,830	-	(1,289)	-
8349 Income Tax	(566)	-	258	-
8300 (Other related components of comprehensive income will not be reclassified to profit or loss.)	2,264		(1,031)	
8500 Total Comprehensive Income for the Year	\$ 113,680	10	\$ 113,325	12
EARNINGS PER SHARE				
9750 Basic Earnings per Share (in NT \$)	\$ 2.03		\$ 2.08	
9850 Diluted Earnings per Share (in NT \$)	\$ 2.02		\$ 2.07	

SHIH-KUEN PLASTICS CO., LTD.

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2020 and 2021

(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, 2020	\$	550,140	\$	75	\$	208,089	263,162	1,021,466
Net Income for the Years, Ended Dec. 2020		-		-			114,356	114,356
Other Comprehensive Income, Ended Dec. 31, 2020							(1,031)	(1,031)
Total Comprehensive Income, 2020							113,325	113,325
Distribution of 2019 Net Income								
Legal Reserve						12,847	(12,847)	-
Cash Dividends							(115,529)	(115,529)
BALANCE, DECEMBER 31, 2020	\$	<u>550,140</u>	\$	<u>75</u>	\$	<u>220,936</u>	<u>248,111</u>	<u>\$ 1,019,262</u>
BALANCE, JANUARY 1, 2021		550,140	\$	75	\$	220,936	\$ 248,111	\$ 1,019,262
Net Income for the Years, Ended Dec. 2021							111,416	111,416
Other Comprehensive Income, Ended Dec. 31, 2021		-		-			2,264	2,264
Total Comprehensive Income, 2021							113,680	113,680
Distribution of 2020 Net Income								
Legal Reserve						11,333	(11,333)	-
Cash Dividends							(99,025)	(99,025)
BALANCE, DECEMBER 31, 2021	\$	<u>550,140</u>	\$	<u>75</u>	\$	<u>232,26</u>	<u>251,433</u>	<u>\$ 1,033,917</u>

SHIH-KUEN PLASTICS CO., LTD.

STATEMENTS OF CASH FLOW

For the years ended December 31, 2020 and 2021

(in thousands of New Taiwan Dollars)

	Year Ended Dec. 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax for the year	\$ 139,488	\$ 142,947
Adjustments		
Expected Credit Loss (or Gain)	2,112	3,619
Depreciation	12,191	12,537
Gain (Loss) on Disposal of Property, Plant and Equipment	145	1
Interest Income	(1,180)	(5,227)
Unrealized Foreign Exchange Loss (or Gain)	688	(434)
Interest Expenses	102	122
Changes in Operating Assets and Liabilities		
Changes in Operating Assets		
Notes Receivable	(11,751)	1,623
Accounts Receivable	(53,774)	(24,678)
Other Receivables	11	21
Inventories	21,953	(19,788)
Prepayments	(2,335)	3,451
Changes in Operating Liabilities		
Notes Payable	(3,965)	929
Accounts Payable	29,258	(6,578)
Other Payables	3,015	(976)
Net Defined Benefit Liabilities-Non-Current	\$ (2,046)	\$ (1,905)
Cash Inflow Generated from Operations	\$ 133,912	\$ 105,664
Interest Received	1,180	5,227
Interest Paid	(102)	(122)
Income Tax Paid	(20,949)	(32,902)
Net Cash Inflows from Operating Activities	\$ 114,041	\$ 77,867

(continued)

Attachment III

CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Financial Assets at Amortized Cost – Current Asset	(217,569)	(462,428)
Proceeds from Disposal of Financial Assets At Amortized Cost	305,611	255,323
Cash Paid for Acquisition of Property, Plants & Equipment	(6,072)	(424)
Proceeds from Disposal of Property, Plant & Equipment	668	
Increase in Prepayment for Equipment	(1,000)	20
Net Cash Flows Used in Investing Activities	\$ 81,638	\$ (207,509)

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in Short-Term Borrowings	-	(3,279)
Payment of Lease Liabilities	(1,756)	(1,188)
Increase (Decrease) in Guarantee Deposit Received	2,864	(1,546)
Payment of Cash Dividends	(99,025)	(115,529)
Net Cash Flows Used in Financing Activities	\$ (97,917)	\$ (121,542)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 97,762	\$ (251,184)
Cash and Cash Equivalents, Beginning	365,529	616,713
Cash and Cash Equivalents, Ending	\$ 463,291	\$ 365,529

SHIH-KUEN PLASTICS CO., LTD.
STATEMENTS OF PROFIT DISTRIBUTION 2021
(in New Taiwan Dollars)

Items		Amount
Net Profit Before Tax for the Current Year	\$	111,415,565
Add: Income Tax- All Accumulative Actuarial Gains/Losses		2,264,458
Less: Legal Reserve (=10% of Profit After Tax 2019)		(11,368,002)
Earnings Available for Distribution in 2019	\$	102,312,021
Add: Unappropriated Retained Earnings, Beginning		137,752,792
Accumulated Distributable Earnings	\$	240,064,813
Less: Cash Dividends (= NT \$1.8/shares × 55,014,000 shares)		(99,025,200)
Unappropriated Retained Earnings, Ending	\$	141,039,613

Chairman:

Lin, Chang-Fu



General Manager:

Chen, Chun-Cheng



Chief Accountant:

Lin, Hsiang-Yun



Appendix

I. Current Shareholding of Directors and Supervisors

世堃塑膠股份有限公司

SHIH-KUEN PLASTICS CO., LTD.

Current Shareholding of Directors and Supervisors

Record Date: April 26, 2022

<u>Title</u>	<u>Name</u>	<u>Number of Shares</u>	<u>Shareholding Ratio (%)</u>
Chairman	Lin, Chang-Fu	5,107,180	9.28
Directors	Chen, Chun-Cheng	3,654,253	6.64
	Hong, Zhi- Cheng	3,632,595	6.60
	Hong, Zhi- Ming	3,114,114	5.66
	Huang, Man-Ling	1,484,235	2.70
	Chou, Liang-Cheng	-	-
	Chou, Szu-Cheng	-	-
	Total Directors Shareholdings		<u>16,992,377</u>
Supervisors	Chen, Huann-Wen	1,321,514	2.40
	Ma, Hui- Chen	186,720	0.34
	Chen, Chih-Min	18,711	0.03
	Total Supervisors Shareholdings		<u>1,526,945</u>

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.