

Stock Code: 9918



Shin Shin Natural Gas Co., Ltd.

Investor Conference 2019

September 27, 2019

Disclaimer

The consolidated financial numbers are based on International Financial Reporting Standards (IFRS) and also audited by CPA.

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Agenda

- 1. Company Profile**
- 2. Operation Highlights**
- 3. Financial Review**
- 4. Operation Concepts and Prospects**

1. Company Profile

(1) Major events and growth of capital

a. Major Events:

- (a) Registered date: May 25th, 1971.
- (b) Official operation date: March 26th, 1974.
- (c) Stock public offering date: December 15th, 1983.
- (d) Stock listed on the market date: April 26th, 1994.

b. Growth of Capital:

- (a) Initial capital in 1971: NT\$ 60,000,000.
- (b) Stock listing capital in 1994: NT\$ 672,560,000.
- (c) Stock listing capital since June 17th, 2010: NT\$ 1,805,370,000.

(2) Product and service:

The Company supplies natural gas to household customers as fuel, via pipelines within government authorities approved districts. Also, the Company offers professional tailored design, construction of natural gas piping and safety devices for customer, as requested.

(3) Organization Structure

- a. The highest authority of this Company is “General Meeting of Shareholders”. Board of Directors shall conduct business in accordance with laws and ordinances, Articles of Incorporation, and decisions of the General Meeting of Shareholders. Also, Audit Supervisors shall oversee the business performance regularly.
- b. Currently, the Company’s management organization consisted of Board of Directors, Audit Supervisors, Secretariat (Board of Directors), Department of Auditing (Board of Directors), with 5 departments (Extending Business, Engineering, Sales and Administration) and 2 offices (Human Resource and

Labor Safety & Health) under General Manager's office.

(4) Service districts:

- a. The Company covered five service districts, including Zhonghe, Yonghe, Xindian and Shenkeng Districts in New Taipei City, also the Wenshan District in Taipei City.
- b. For better customer service, the Company's office was moved to "Shin-Shin Building" (No. 100, Sec. 1, Yonghe Rd., Yonghe Dist., New Taipei City 234, Taiwan, R.O.C.) since December 24th, 1985.
- c. The Company is an enterprise, who supplies natural gas to customers via pipelines. Currently, there are 178 full-time employees, among them including 92 Class B technician certified for Gas Piping, 58 Class C technician certified for Gas Piping, and 39 Class C technician certified for Gas Appliances Technology.

2. Operation Highlights

(1) Current Industry Status

The government owned "China Petroleum Cooperation, Taiwan" (known as CPC) provides stable and sufficient natural gas supply, which acquired from foreign resources, to twenty-five government approved natural gas companies in Taiwan. Also, CPC is the sole origin of natural gas importer and provider in Taiwan, Republic of China.

(2) Future market of Supply and Demand

For the sustainable supply and stable natural gas rate to domestic market, CPC signed long term purchase contracts with foreign suppliers. With numerous

deposits and mining activities of the natural gas and shale oil around the world, the security of domestic natural gas demands shall be met in the foreseeable future.

(3) Competition Niche

- a. According to the Natural Gas Enterprise Act, a natural gas enterprise is prohibited to supply natural gas to none approved service district without endorsement by the government authority. Currently, there are twenty-five government permitted natural gas companies in Taiwan. Those companies have exclusive business advantage within their service districts.
- b. The Company's annual Gas quantity sales is over 100 million cubic meters for the last three years. Obviously, the business operation is stable and sound.

(4) Supply Household Customer Penetration Rate

Household Customers Statistics*			
Year	2017	2018	2019
Customers	340,600	345,600	348,200
Penetration Rate (%)	68.41%	68.97%	69.11%

**Data till August 31st 2019*

(5) Business promotion

- a. New Residential Projects:
The Company interacts with builders and construction site administration offices in Taipei and New Taipei Cities actively, also targeting domestic redevelopment zone and urban renewal projects for pipeline service area expansion opportunity and bringing new customers.

- b. Old residential buildings without pipeline installation:
Conduct annual pipeline expansion plan for increasing the pipeline network penetration rate.
- c. Old residential buildings with pipeline installation nearby and individual potential household customer:
To increase the penetration coverage rate, energetically interact with potential customers to select our service.
- d. Potential commercial/ industrial customers with oil boiler:
Due to the New Taipei City Government will ban the polluted oil boiler in the near future, recently the Company actively assists with potential commercial/ industrial customers for the cleaner natural gas boiler conversion.

(6) Natural Gas Supply Safety

- a. Major supply and storage facilities:
 - (a) The Company setup Ankeng (located in Xin-dian District, New Taipei City) and Wanfang (located in Wen-shan District, Taipei City) storage stations, with totally 160 thousand cubic meters natural gas storage capacity for gas supply regularity and adjustment.
 - (b) Also, the Company setup 11 pressure regulator stations for better gas supply stability and quality.
 - (c) The non-stop twenty-four hours Monitoring Center with three shifts relies on eight categories remote sensors, including earthquake, input/output gas pressure, flow quantity, leaking, flame, flood, entrance gate and temperature detection facilities, to screen the real time status of those storages and regulator stations.

- b. The Company splits down service districts into 15 supply segmentations (6 in Taipei City and 9 in New Taipei City). Each segmentation could be shut down and reset for maintenance, and emergency purposes independently, in order to achieve better safety and supply network management.
- c. With piling up gas pipeline networks, the Company inspects, maintains and replaces worn pipelines and valves regularly under annual plan for supply safety purposes.
- d. By the section 51 of Natural Gas Enterprise Act, the Company submits the outdated or worn pipelines replacement plan to the government authority in the year to come. The Company would implement the approved plan accordingly.
- e. Regular customer pipeline checkup:
For customer safety, the Company implements regular checkup effectively in last three years with government authority's supervision.
- f. Due to the three advantages (such as automatic leaking, earthquake and overtime shut down) of computerized gas meter, the Company follows government's guideline to install the computerized gas meter, instead of regular gas meter, to existed customer site, under the regular gas meter replacement plan.
- g. The Company sets up 24 hours on-duty team for coping with various emergencies and situations.

3. Financial Review

(1) Condensed Consolidated Income Statement

Unit: NT\$ 1,000

Item\Fiscal Year	2017-Y	2018-Y	2019-H1
Net Revenue	1,940,579	2,163,160	1,263,209
Gross Profit	451,565	531,044	308,308
Gross Profit Rate	23.27%	24.55%	24.41%
Operating Expenses	247,661	240,287	128,459
Operating Income	203,904	290,757	179,849
Non-Operating Profit	94,637	9,030	47,786
Income before tax	298,541	299,787	227,635
Net Income	250,611	226,659	190,812
EEPS in NT Dollar	1.41	1.27	1.07

(2) Condensed Consolidated Balance Sheet

Unit: NT\$ 1,000

Item\Fiscal Year	2017-Y	2018-Y	2019-H1
Total Assets	4,567,337	4,741,254	5,016,444
Cash and Cash Equivalents	294,576	428,055	449,586
Financial Assets-Current	543,743	481,273	555,544
Accounts and Notes Receivable, Net	214,037	257,917	317,034
Other Accounts Receivables	1,036,393	925,049	897,663
Inventories, Net	33,594	42,645	45,502
Other Assets	775,077	777,162	797,790
Property, Plant and Equipment	1,669,957	1,829,153	1,953,325
Total Liabilities	1,672,923	1,830,076	2,122,072
Current Liabilities	959,365	965,225	1,159,518
Non-Current Liabilities	713,558	864,851	962,554
Total Equity	2,894,454	2,911,178	2,894,372

(3) Condensed Consolidated Statement of Cash Flow

Unit: NT\$ 1,000

Item\Fiscal Year	2017-Y	2018-Y	2019-H1
Cash and Cash Equivalents at Beginning of Year	400,137	294,576	428,055
Net Cash Provided by Operating Activities	894,070	629,674	214,369
Net Cash used for Investing Activities	(795,960)	(283,825)	(192,621)
Net Cash Provided by Financing Activities	(203,671)	(212,370)	(217)
Cash and Cash Equivalents at End of Year	294,576	428,055	449,586

(4) Key Financial Indexes

Item\Fiscal Year	2017-Y	2018-Y	2019-H1
Current Ratio (%)	222.34	222.34	195.50
Quick Ratio (%)	217.74	216.95	191.49
Inventory Turnover (times)	49.04	42.82	43.33
Days Inventory Outstanding (days)	7.44	8.52	8.42
Accounts Receivable Turnover (times)	9.61	8.9	8.51
Days Sales Outstanding (day)	37.98	41.01	42.92

4. Operation Concepts and Prospects

(1) Safety First

- a. Replace, inspect and maintain the pipeline facilities systematically and repeatedly.
- b. Checkup Customer's pipeline regularity and promote the Anti-Fraud notice to customers.
- c. Maintain and update the Pipeline's Geographic Information System (GIS).

- d. Train the Company's service engineering workforce and familiar with Emergency Response Plan mechanism all the time.

(2) Priority Service

- a. Extend the pipeline to none serviced area gradually, in order to provide better service to potential customers.
- b. Replace the customers' gas meter by fixed schedule.
- c. Provide multiple and online gas rate payments services.
- d. Update the Company's ERP/MIS software to cope with future requirements.

(3) Business Continuity

- a. Abide by the Law for sustainable operation.
- b. Steady financial structure, increase income and reduce expenditure.
- c. Research and development for improving our service up-to-date.
- d. Harmonize relations between employee and employer to create a win-win environment.

Q & A