

Stock Code: 9918



Shin Shin Natural Gas Co., Ltd.

Investor Conference 2020

June 24th, 2020

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) 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.

(2) 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.

(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.
- 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 Extending Business, Engineering, Sales, Administration departments, Human Resource and Labor Safety & Health offices, under General Manager’s office.

Furthermore, Audit Supervisors shall oversee the business performance regularly.

- c. Currently, there are 182 full-time employees, among them including 99 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.

(4) Service districts:

- a. The Company covered five service districts, including Zhonghe, Yonghe, Xindian and Shengkeng 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.

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. Currently, there are twenty-five government permitted natural gas companies in Taiwan. According to the Natural Gas Enterprise Act, there is no overlapping service district between any two companies. Those companies have exclusive business advantage within their service districts.
- b. The Company sold over 100 million cubic meters of natural gas per year in the last three years. Obviously, the business operation is stable and sound.

(4) Business Developments

- a. New Residential Projects:
The Company interacts with builders and construction site administration offices, both 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:
For higher 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.

(5) Supply Household Customer and Penetration Rate in service districts

Household Customers Statistics*			
Year	2018	2019	2020
Customers	345,600	350,000	352,200
Penetration Rate (%)	68.97%	69.30%	69.59%

**Data till May 31st 2020*

(6) Natural Gas Sales

From year 2018, The Company's natural gas sales achieved over 100 million cubic meters each year. Till May 2020, the natural gas sales reached 57,657,168 cubic meters already (approx. 51.71% of annual sales goal). The natural gas supply operation is stable and normal.

(7) Natural Gas Supply Safety

a. Customer Pipeline:

(a) For customer safety, all customer pipelines equipments will be checked for every two-year (household customer) or every one-year (commercial customer). From 2018, the regular free safety checkup achievement rate is over 83%. This measurement can effectively enhance household safety.

(b) For customer protection, the Company distributes natural gas safety/ anti-fraud brochures to each household. Also, the Company

actively attends domestic communities meeting to promote safety consensus.

(c) Updated gas meter replacement:

Due to the three advantages (such as automatic leaking, earthquake and overtime shut down) of computerized gas meter, government's guideline and the regular gas meter replacement plan, the Company install the computerized gas meter, to registered household, instead of regular gas meter.

As shown on the next chart, the safety awareness among customers has been enhanced dramatically. There are 97,600 some households who installed computerized gas meter. That is 27.73% of active customers in the Company's service districts. Hopefully, the figure would come to one hundred thousand by the end of 2020.

Computerized Gas Meters acceptance Rate*			
Year	2018	2019	2020
Updated gas meter	38,500	35,800	15,200
Replaced by computerized gas meter	21,800	25,400	12,900
Ratio (%)	56.6%	70.9%	84.7%

*Data till May 31st 2020

b. 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. Also, the Company setup 11 pressure

regulator stations for better gas supply stability and quality.

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, for real-time screening of those storages and regulator stations' status.

(b) For better safety and supply network management, 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.

c. Pipeline Maintenance:

(a) By the section 51 of Natural Gas Enterprise Act, the Company submits the outdated or worn pipelines replacement plan to government authorities in the year to come. The replacement pipeline length with last three years are:

- 17,640 meters in 2018.
- 14,482 meters in 2019.
- 6,000 meters (approx.) till May 31st, 2020.

(b) 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. Emergency Response Measurements:

(a) Setup major disaster responding procedure checklist form;

(b) Setup 24 hours on-duty team for coping with various emergencies and situations;

- (c) Held annual disaster prevention exercise with local police force and fire departments of New Taipei City;
- (d) For better nature gas pipeline security and emergency response capability, the Company signed mutual assistance agreements with nearby Natural Gas Companies. Also, setup hotlines with local fire department and hospitals.

(8) COVID-19 Pandemic Response

According to the CDC's demands and its Principle of Business Continuity Plan, the Company sets up a corresponding policy, such as "Employee health protection first, Safeguard natural gas supply security, Continuity pipeline checkup/ maintenance, and Keep all operation available".

The Company constantly evaluates the status of pandemic and the latest government regulations, in order to assemble the response meeting and adopt certain measures in stages, as followed:

- a. Setup Access Control measures.
- b. Public announcement and investigation in time.
- c. Stock piling epidemic prevention materials.
- d. Continuing operation measures simulation.
- e. Adjust employee's working hours and entry access regulation.
- f. Select the well-known online conference product to held the regular executive weekly meetings.
- g. Off-site pipeline checkup and maintenance.

3. Financial Review

(1) Condensed Consolidated Income Statement

Unit: NT\$ 1,000

Item\Fiscal Year	2018-Y	2019-Y	2019-Q1
Net Revenue	2,163,160	2,160,628	669,568
Gross Profit	531,044	465,168	205,145
Gross Profit Rate	24.55%	21.53%	29.32%
Operating Expenses	240,287	239,689	56,636
Operating Income	290,757	225,479	148,509
Non-Operating Profit	9,030	81,599	(61,023)
Income before tax	299,787	307,078	87,486
Net Income	226,659	261,142	57,091
EEPS in NT Dollar	1.27	1.47	0.32

(2) Condensed Consolidated Balance Sheet

Unit: NT\$ 1,000

Item\Fiscal Year	2018-Y	2019-Y	2019-Q1
Total Assets	4,741,254	5,038,734	5,073,094
Cash and Cash Equivalents	428,055	406,412	594,663
Financial Assets-Current	481,273	652,784	364,928
Accounts and Notes Receivable, Net	257,917	231,260	316,604
Other Accounts Receivables	925,049	1,015,920	1,035,370
Inventories, Net	42,645	48,474	43,661
Other Assets	777,162	631,966	623,653
Property, Plant and Equipment	1,829,153	2,051,918	2,094,215
Total Liabilities	1,830,076	2,052,943	2,030,212
Current Liabilities	965,225	1,072,636	935,703
Non-Current Liabilities	864,851	980,307	1,094,509
Total Equity	2,911,178	2,985,791	3,042,882

(3) Condensed Consolidated Statement of Cash Flow

Unit: NT\$ 1,000

Item\Fiscal Year	2018-Y	2019-Y	2019-Q1
Cash and Cash Equivalents at Beginning of Year	294,576	428,055	406,412
Net Cash Provided by Operating Activities	629,674	366,159	254,799
Net Cash used for Investing Activities	(283,825)	(181,336)	(65,936)
Net Cash Provided by Financing Activities	(212,370)	(206,466)	(612)
Cash and Cash Equivalents at End of Year	428,055	406,412	594,663

(4) Key Financial Indexes

Item\Fiscal Year	2018-Y	2019-Y	2019-Q1
Current Ratio (%)	222.34	220.53	252.04
Quick Ratio (%)	216.95	215.33	247.23
Inventory Turnover (times)	42.82	37.21	42.93
Days Inventory Outstanding (days)	8.52	9.8	8.5
Accounts Receivable Turnover (times)	8.9	8.51	9.89
Days Sales Outstanding (day)	41.01	42.89	36.91

4. Operation Concepts and Prospects

(1) Safety First

- a. Information security protection measures.
- b. Enhanced Pipeline's Geographic Information System (GIS).
- c. Professional service engineering workforce training.

(2) Priority Service

- a. Provide multiple online gas rate payment services.
- b. Replace the customers' gas meter by fixed schedule.
- c. Free customer regular pipeline safety checkup.

(3) Business Continuity

- a. Abide by the Law.
- b. Steady financial status.
- c. Research and development.

Q & A