

Stock Code: 9918



Shin Shin Natural Gas Co., Ltd.

Investor Conference 2022

October 31st, 2022

Disclaimer

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Agenda

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- 2. Operation Highlights**
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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. Registered date: May 25th, 1971. The initial capital was NT\$ 60,000,000.
- b. Official operation date: March 26th, 1974.
- c. Stock public offering date: December 15th, 1983. The Stock listing capital was NT\$ 175,200,000.
- d. Stock on the market date: April 26th, 1994. The Stock listing capital was NT\$ 672,560,000.
- e. 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”. For enhancing audit purpose and management mechanism, Board of Directors sets up functional committees, such as Audit and Compensation Committee. The Audit Office is attached to the Board of Directors by law.
- b. Under the Board of Directors, the Company sets up management organization to handle designated tasks on daily basis, such as Extending Business, Engineering, Sales, Administration departments, Human Resource and Labor Safety & Health offices.

(4) Service districts:

- a. The Company is an enterprise, who supplies natural gas to customers via pipelines within 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 October 24th, 1985.

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

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. There are twenty-five government permitted natural gas companies in

Taiwan. Those companies have exclusive business advantage within their service districts. However, the consumable parts and service charges may under supervision by Natural Gas Enterprise Law.

(4) Business Developments

Year	2020	2021	2022Q3
Customers	356,056	360,760	364,364
Penetration Rate	70%	70.88%	71.52%

**Data till September 30th, 2022*

(5) Natural Gas Sales

From year 2020, The Company's natural gas sales achieved over 100 million cubic meters each year. Till Q3 2022, the natural gas sales reached approximately 90,540,000 cubic meters already (78.64% of annual goal). The natural gas supply operation is stable and sound.

(6) Regular Pipeline Equipment Safety Checkup

For customer safety, all customer pipeline equipment will be checked for every two-year (household customer only) or every one-year (commercial customer only). For customer protection, the Company distributes natural gas safety/ anti-fraud brochures to each household.

Item	2020	2021	2022Q3*
<i>Ratio of Customer Pipeline Equipment checked</i>	87.4%	82.65%	75.08%**

**Data till September 30th, 2022*

***Under domestic COVID-19 Pandemic*

However, the Company has been doubled the efforts to reach the normal achievement rate with customers' cooperation for their own safety of natural gas usage.

(7) Regular Updated Gas Meter Exchange

Item	2020	2021	2022Q3*
<i>Outdated Gas meter replacement</i>	40,000+	32,245	31,172
<i>Computerized gas meter replacement</i>	31,119	24,573	25,123
Ratio	77.8%	76.2%**	80.6%**

**Data till September 30th, 2022*

***Under domestic COVID-19 Pandemic*

(8) Updated Pipelines Replacement

The annual replacement pipeline length with last three years:

- a. 17,590 meters in 2020.
- b. 18,430 meters in 2021.
- c. 15,000 meters till Q3 2022, exceed the annual plan (9,000 meters).

The Company inspects, maintains and replaces worn pipelines and valves regularly under annual plan for pipeline supply safety purposes.

(9) Working Environment Safety Management

- a. According the law of Occupational Safety and Health, the Company adopted a series safety policies and training schemes. Those policies and schemes constantly checked for applicability and feasibility.
- b. For achieving the “Safety of Labor, Workplace and Material”, The Labor Safety & Health office constantly assist departments to implement varies safety check and inspection of construction works, during the project life cycle. Also, the Labor Safety

- & Health office send inspector to ensure the safety status of facilities and personals on site irregularly.
- c. The Company accumulated 4,875,915 Non-disaster hours from October 28th, 2009 till September 30th, 2022. The Industrial Safety and Health Association (ISHA) of the R.O.C., entrusted by the Ministry of Labor, issued a 10th Certificate of Merit for the achievement. For further positive results of non-disaster hours, The Company will make more efforts for better project quality and occupational safety & health.

3. Financial Review

(1) Condensed Consolidated Income Statement

Unit: NT\$ 1,000

Item\Fiscal Year	2020-Y	2021-Y	2022-Q2
Net Revenue	1,986,369	1,794,167	1,106,822
Gross Profit	541,202	495,595	364,438
Gross Profit Rate	27.25%	27.62%	32.93%
Operating Expenses	233,957	234,148	111,249
Operating Income	307,245	261,447	253,189
Non-Operating Profit	85,316	137,460	(112,375)
Income before tax	392,561	398,907	140,814
Net Income	326,745	342,395	89,208
EEPS in NT Dollar	1.84	1.92	0.5

(2) Condensed Consolidated Balance Sheet

Unit: NT\$ 1,000

Item\Fiscal Year	2020-Y	2021-Y	2022-Q2
Total Assets	5,200,498	5,334,660	5,407,155
Cash and Cash Equivalents	513,396	558,033	752,307
Financial Assets-Current	636,068	773,039	596,128
Accounts and Notes Receivable, Net	188,519	170,865	202,570
Other Accounts Receivables	970,630	947,535	916,184
Inventories, Net	45,069	34,365	45,508
Other Assets	598,800	517,629	527,556
Property, Plant and Equipment	2,248,016	2,333,194	2,366,902
Total Liabilities	2,127,056	2,201,390	2,491,590
Current Liabilities	924,759	930,618	1,159,170
Non-Current Liabilities	1,202,297	1,270,772	1,332,420
Total Equity	3,073,442	3,133,270	2,915,565

(3) Condensed Consolidated Statement of Cash Flow

Unit: NT\$ 1,000

Item\Fiscal Year	2020-Y	2021-Y	2022-Q2
Cash and Cash Equivalents at Beginning of Year	406,412	513,396	558,033
Net Cash Provided by Operating Activities	649,703	504,087	323,065
Net Cash used for Investing Activities	(297,140)	(171,161)	(128,818)
Net Cash Provided by Financing Activities	(245,579)	(288,289)	27
Cash and Cash Equivalents at End of Year	513,396	558,033	572,307

(4) Key Financial Indexes

Item\Fiscal Year	2020-Y	2021-Y	2022-1H	2021-1H
Current Ratio (%)	255.21	267.77	217.2	297.7
Quick Ratio (%)	249.64	263.43	212.97	35.92
Inventory Turnover (times)	30.89	32.69	37.17	10.16
Days Inventory Outstanding (days)	11.81	11.16	9.81	10.61
Accounts Receivable Turnover (times)	9.08	9.57	11.43	34.4
Days Sales Outstanding (day)	40.19	38.14	31.93	297.7

4. Operation Prospects

(1) New customer promotion

- a. The Company implements several pipeline network extension and replacement projects to meet future customer demands, such as the compound residential blocks, new residential building projects, urban renewal projects, individual building renewal projects. In 2022, the Company will focus on the urban renewal project near the northern Central Village in Xindian District of New Taipei City and social housing in Wenshan District of Taipei City.
- b. With local government's sewage sewer projects and old residential buildings, which are lack of natural gas pipeline facilities, the Company gradually implements pipeline network extension and replacement projects to meet the future demands. For example, pipeline constructions for sewage sewer projects in Ching-sui and Ming-te villages of Zhonghe District.
- c. The Company will put more efforts for those residential households, who lived within our natural gas supply network, but didn't choose our service, yet.
- d. By government's green energy policy, the Company cooperates with commercial/ government customers to convert natural gas burner from oil burner, to increase natural gas sales and reduce the air pollution.

(2) Certified personnel

There are 172 full-time employees, among them including 98 Class B technician certified for Gas Piping and 36 Class C technician certified for Gas Appliances Technology. To demonstrate the willingness and fulfilling of natural gas supply safety,

the Company encourages and supports employee to acquire multiple natural gas engineering related certificates.

(3) Safety Enhancement Measures

- a. The permanent Emergency Response Center (ERC) of the Company synchronizes all critical emergency information, such as MIS¹, GIS², real-time pipeline supply monitoring system, real-time outdoor construction cam recording, engineering rescue vehicle's GPS positioning facilities to enhance multiple disaster response and recovery capabilities. To support the executives to command, control, coordinate, emergency notify and react with proper solutions for any scale of natural gas emergency event.
- b. Speed-up outdated pipeline replacement:
For enhancing the natural gas supply safety matters, the Company will continually replace the outdated low-pressure cast-iron pipelines in Yonghe and Zhonghe Districts of New Taipei City in 2022. Also, the Company incorporates the mobile phone application of pipeline inspection for better pipeline safety and managing efficiency.

(4) Convenient Payment Methods

- a. Pay on behalf:
For time saving and free from due payment, customers could apply automatic deduction via saving account of Post Office/ Bank or Credit Cards.
- b. Payment collection:
Customers could download the payment QR codes from the internet or mailed bill, to convenient stores or bank for payment. Also, customers could use internet transaction or mobile phone application to pay

¹ Management Information System (MIS), or Enterprise Resource Planning (ERP).

² Geographic Information System (GIS).

the bill. For spontaneously, in-time and paperless payment service, the Company introduced the “e-bill” system from March 2022 and 2,773 households selected this service already. The Company encourage more customers to join e-bill system, not only for enjoying the efficiency of service, but contributing a better and greener environment among us.

(5) Promote Computerized Gas Meter

There are three main safety features of computerized gas meter, such as gas leaking, earthquake and overtime automatic shutdown. The Company works actively to cooperate with government policy about promoting the computerized gas meter to household customers.

Item	2020	2021	2022Q3*
<i>Computerized gas meter installed</i>	120,726	150,689	179,717
Customers	356,056	360,760	364,364
Ratio	33.91%	41.77%	49.32%

*Data till September 30th 2022

(6) Covid-19 Pandemic Responses

According to the CECC’s³ demands and its Principle of Business Continuity Plan, the Company sets up a corresponding policy, such as “employee health protection first, safeguards natural gas supply security, continuity pipeline checkup/ maintenance, and keep all operation available”. The Company constantly evaluates related policies’ applicability for keeping a safer and normal working environment.

(7) Timeline of ESG⁴ development

By government regulation, all companies’ paid-up capital under NT\$5,000,000,000, shall complete the

³ CECC: Central Epidemic Command Center

⁴ ESG: Enterprise Sustainable Development

greenhouse gas emission check by 2026 and verification by 2028. The Company will follow the government’s guidelines and related regulations to compete and announce the result of greenhouse gas emission check and verification in time (*please see “Schedule of ESG development” chart*). Also, Board of Directors will be informed the progress in writing every three months.

Schedule of ESG development	
Tasks	Schedule to be completed
Setup dedicated unit, full (part) time personnel and job titles, and internal audit unit	2023/12
Setup personnel training, strategy goals, control mechanism, internal & external audit plan	2024/12
Complete the greenhouse gas emission check	2026/12
Start the external verification	2028/12

(8) Sustainable development

Natural gas is a clean, no pollution energy. The advantage is low in carbon dioxide emission and environment friendly. Hence, it is the best energy choice for domestic urban daily life. With shareholders’ support, guidance of Board of Directors, and collective effort of employees, the Company’s business performance and prosperities is promisingly.

Q & A