

Stock Code: 9918



Shin Shin Natural Gas Co., Ltd.

Investor Conference 2023

March 31st, 2023

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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. In addition, 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 directly under 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, with Wenshan District in Taipei City.

- b. For better customer service, the Company's office 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.

2. Operation Highlights

(1) Current Industry Status

The government owned "China Petroleum Cooperation, Taiwan" (known as CPC) provides twenty-five government approved natural gas companies, they provide household and commercial customers stable and sufficient natural gas supply via pipelines, in Taiwan. In addition, 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 many deposits and mining activities of the natural gas and shale oil around the world, the security of domestic natural gas demands is satisfactory in the near future.

(3) Competition Niche

According to the Natural Gas Enterprise Act, a natural gas enterprise is solely supply natural gas to approved service district only, with endorsement by the government authority. There are twenty-five government allowed 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

Household Customers Statistics			
Year	2020	2021	2022
Customers	356,056	360,760	365,400
Penetration Rate (%)	70%	70.88%	71.48%

(5) Natural Gas Sales

From year 2020, The Company’s natural gas sales achieved over 110 million cubic meters each year. In 2022, the natural gas sales reached 114,200,000 cubic meters (2,056,000 cubic meters sales over 2021). The natural gas supply operation is stable and sound.

(6) Regular Pipeline Equipment Safety Checkup

For customer safety, all customer pipeline equipment will schedule regular check-up 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	2022
<i>Ratio of Customer Pipeline Equipment checked</i>	87.4%	82.65%	84.46%

(7) Regular Updated Gas Meter Exchange

Item	2020	2021	2022
<i>Outdated Gas meter replacement</i>	40,000	32,245	41,561
<i>Computerized gas meter replacement</i>	31,119	24,573	32,993
Ratio	77.8%	76.2%*	79.38%

**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. 22,374 meters in 2022 (largely over 9,000 meter of annual target plan).

For pipeline supply safety, the Company inspects, maintains and replaces worn pipelines and valves regularly under annual plan.

3. Financial Review

(1) Condensed Consolidated Income Statement

Unit: NT\$ 1,000

Item\Fiscal Year	2020-Y	2021-Y	2022-Y
Net Revenue	1,986,369	1,794,167	1,946,310
Gross Profit	541,202	495,595	571,824
Gross Profit Rate	27.25%	27.62%	29.38%
Operating Expenses	233,957	234,148	241,562
Operating Income	307,245	261,447	330,262
Non-Operating Profit	85,316	137,460	(116,946)
Income before tax	392,561	398,907	213,316
Net Income	326,745	342,395	143,859
EEPS in NT Dollar	1.84	1.92	0.81

(2) Condensed Consolidated Balance Sheet

Unit: NT\$ 1,000

Item\Fiscal Year	2020-Y	2021-Y	2022-Y
Total Assets	5,200,498	5,334,660	5,327,931
Cash and Cash Equivalents	513,396	558,033	590,318
Financial Assets-Current	636,068	773,039	584,659
Accounts and Notes Receivable, Net	188,519	170,865	213,395
Other Accounts Receivables	970,630	947,535	859,589
Inventories, Net	45,069	34,365	45,177
Other Assets	598,800	517,629	585,816
Property, Plant and Equipment	2,248,016	2,333,194	2,448,977
Total Liabilities	2,127,056	2,201,390	2,341,191
Current Liabilities	924,759	930,618	988,751
Non-Current Liabilities	1,202,297	1,270,772	1,352,440
Total Equity	3,073,442	3,133,270	2,986,740

(3) Condensed Consolidated Statement of Cash Flow

Unit: NT\$ 1,000

Item\Fiscal Year	2020-Y	2021-Y	2022-Y
Cash and Cash Equivalents at Beginning of Year	406,412	513,396	558,033
Net Cash Provided by Operating Activities	649,703	504,087	666,638
Net Cash used for Investing Activities	(297,140)	(171,161)	(328,744)
Net Cash Provided by Financing Activities	(245,579)	(288,289)	(305,609)
Cash and Cash Equivalents at End of Year	513,396	558,033	590,318

(4) Key Financial Indexes

Item\Fiscal Year	2020-Y	2021-Y	2022-Y
Current Ratio (%)	255.21	267.77	233.32
Quick Ratio (%)	249.64	263.43	227.68
Inventory Turnover (times)	30.89	32.69	34.56
Days Inventory Outstanding (days)	11.81	11.16	10.56
Accounts Receivable Turnover (times)	9.08	9.57	9.78
Days Sales Outstanding (day)	40.19	38.14	37.32

4. Operation Prospects

(1) New customer promotion

- a. The Company starts several pipeline network extension and replacement projects to meet future demands, such as the compound residential blocks, new residential building projects, urban renewal projects, individual building renewal projects. In 2023, the Company will focus on the 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 starts pipeline network extension and replacement projects to meet the future demands.
- c. The Company puts efforts for those residential households, who lived within our natural gas supply network, but did not 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, for reducing the air pollution.

(2) Certified personnel

There are 171 full-time employees, among them including 99 Class B technician certified for Gas Piping and 34 Class C technician certified for Gas Appliances Technology. To show 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 tracking system, real-time outdoor construction live-stream video 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. In addition, 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:

Customer could pay bill via bank or convenient store counter by specified payment QR codes (downloaded from the internet or mailed bill). In addition, customers could pay the bill via internet transaction or mobile phone application. For spontaneously, in time, greener and paperless payment service, the Company introduced the “e-bill” system from March 2022.

(5) Promote Computerized Gas Meter

There are three main safety features of computerized gas meter, such as gas leaking, earthquake and

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

² Geographic Information System (GIS).

overtime-automatic shutdown. The Company works actively to cooperate with government policy about promoting the computerized gas meter to household customers.

Item	2020	2021	2022
<i>Computerized gas meter installed</i>	120,726	150,689	188,654
Customers	356,056	360,760	365,400
Ratio	33.91%	41.77%	51.63%

(6) Covid-19 Pandemic Responses

With the current CECC’s³ regulations and guidelines, most of the public domain mask wearing constrains have been lifted. Due to the Company is a private owned public utility with social responsibility. For ensuring occupational health and sustaining pipelines safety and management, 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 still offers free medical masks to every employee and official leave infected employees. The Company shall review and adjust related policies soon for keeping natural gas supply safety and smooth daily basis operations.

(7) Timeline of ESG⁴ development

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

³ CECC: Central Epidemic Command Center

⁴ ESG: Enterprise Sustainable Development

“*Schedule of ESG development*” chart). In addition, 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 staff and job titles, and internal audit unit	2023/12
Setup staff 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