

Stock Code: 9918



Shin Natural Gas Co., Ltd.

Investor Conference 2023

August 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. 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, and Administration departments, Human Resource and Labor Safety & Health offices.
- c. The Company appointed a Corporate Governance Director since June 2023, under the regulations of the

competent authority and the TWSE. To handle these tasks, such as:

- (a) Handle matters related to board of directors and shareholders' meeting by law.
- (b) Prepare the minutes of board of directors and shareholders' meetings.
- (c) Help the directors to take office and refresher their professional education.
- (d) Provide information for directors to perform their duty.
- (e) Help directors to follow laws and regulations.
- (f) Other matters stipulated in the Company's articles of association or contract.

(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 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 enough natural gas supply via pipelines, 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 many 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 solely supply natural gas to approved service districts only, with endorsement by the government authorities. 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	2023Q2
Customers	356,056	360,760	365,400	367,314
Penetration Rate	70%	70.88%	71.48%	71.20%

(5) Natural Gas Sales

From 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 (65,910,000 cubic meters sales till 2023 Q2, equivalent to 57.06% achievement rate of 2023). 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.

The Company will increase the safety check-up staff, also appeal to customers to cooperate this matter for safety purpose.

Item	2020	2021	2022	2023Q2
<i>Ratio of Customer Pipeline Equipment checked</i>	87.4%	82.65%	84.46%	85.69% 41.12% (annual)

(7) Regular Updated Gas Meter Exchange

Item	2020	2021	2022	2023Q2
<i>Outdated Gas meter replacement</i>	40,000	32,245	41,561	18,199
<i>Achievement Rate (%)</i>	122.20	100.18*	124.06*	109.30

*Under domestic COVID-19 Pandemic

(8) Updated Pipelines Replacement

The annual replacement pipeline length with last four 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).
- d. 5,572.8 meters in 2023 Q2, equal to 69.66% annual achievement rate.

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 to the law of occupational safety and health, the Company adopted a series of safety policies and training schemes. Those policies and schemes are constantly checked for applicability and feasibility.
- b. For achieving the “Security of Labor, Work and Material”, the Labor Safety & Health office constantly helps departments to start various safety checks and inspections of construction works during the whole project life cycle. Also, the Labor Safety & Health office would irregularly send inspectors to ensure the safety status of facilities and personnel on site.
- c. The Company collected 5,157,826 non-disaster hours from October 28th 2009 till July 31st 2023. 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 more good 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	2021-Y	2022-Y	2023Q2
Net Revenue	1,794,167	1,946,310	1,095,512
Gross Profit	495,595	571,824	344,191
Gross Profit Rate	27.62%	29.38%	31.42%
Operating Expenses	234,148	241,562	145,636
Operating Income	261,447	330,262	198,555
Non-Operating Profit	137,460	(116,946)	78,118
Income before tax	398,907	213,316	276,673
Net Income	342,395	143,859	238,752
EEPS in NT Dollar	1.92	0.81	1.34

(2) Condensed Consolidated Balance Sheet

Unit: NT\$ 1,000

Item\Fiscal Year	2021-Y	2022-Y	2023Q2
Total Assets	5,334,660	5,327,931	5,687,884
Cash and Cash Equivalents	558,033	590,318	568,084
Financial Assets-Current	773,039	584,659	773,609
Accounts and Notes Receivable, Net	170,865	213,395	220,610
Other Accounts Receivables	947,535	859,589	1,092,250
Inventories, Net	34,365	45,177	52,605
Other Assets	517,629	585,816	482,665
Property, Plant and Equipment	2,333,194	2,448,977	2,498,061
Total Liabilities	2,201,390	2,341,191	2,642,930
Current Liabilities	930,618	988,751	1,218,113
Non-Current Liabilities	1,270,772	1,352,440	1,424,817
Total Equity	3,133,270	2,986,740	3,044,954

(3) Condensed Consolidated Statement of Cash Flow

Unit: NT\$ 1,000

Item\Fiscal Year	2021-Y	2022-Y	2023Q2
Cash and Cash Equivalents at Beginning of Year	513,396	558,033	590,318
Net Cash Provided by Operating Activities	504,087	666,638	23,648
Net Cash used for Investing Activities	(171,161)	(328,744)	(47,225)
Net Cash Provided by Financing Activities	(288,289)	(305,609)	1,343
Cash and Cash Equivalents at End of Year	558,033	590,318	568,084

(4) Key Financial Indexes

Item\Fiscal Year	2021-Y	2022-Y	2023Q2	2022Q2
Current Ratio (%)	267.77	233.32	222.81	217.20
Quick Ratio (%)	263.43	227.68	218.16	212.97
Inventory Turnover (times)	32.69	34.56	30.73	37.17
Days Inventory Outstanding (days)	11.16	10.56	11.87	9.81
Accounts Receivable Turnover (times)	9.57	9.78	9.78	11.43
Days Sales Outstanding (day)	38.14	37.32	37.32	31.93

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.
- 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. Such as: sewage pipeline replacement project of two villages in Zhonghe District. Also, The Company cooperates with Taipei City Government's social housing project's piping engineering construction in Wenshan District, around 1,103 prospected household customers.
- c. The Company puts efforts for those residential households, who lived within our natural gas supply network, but didn't choose our service, yet.
- d. Alone with government's green energy policy, the Company cooperates with commercial/ government customers to convert natural gas burner from non-eco-friendly oil burner, for reducing the air pollution. Over 10 government facilities/ private sectors have been converted successfully. Those conversion may contribute 1,200 cubic meters of natural gas sales monthly.

(2) Certified personnel

There are 172 full-time employees, among them including 98 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 2023. 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:
Customer could pay bill via bank or convenient store counter by specified payment QR codes, which can be downloaded from the internet or mailed bill. Also, customers could pay the bill via internet transaction or

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

² Geographic Information System (GIS).

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 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	2023Q2
<i>Computerized gas meter installed</i>	120,726	150,689	188,654	200,000+
Customers	356,056	360,760	365,400	367,314
Ratio	33.91%	41.77%	51.63%	55.67%

(6) Covid-19 Pandemic Responses

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”, despite of the CECC dissolution from May 1st, 2023. The Company still offers free medical masks to every employee and ask them to wear it during business hours and customer service. The Company shall review and adjust related policies soon for keeping natural gas supply safety and smooth daily basis operations.

(7) Timeline of ESG³ development

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

³ 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 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, pollution free 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