

Stock Code: 9918



Shin Shin Natural Gas Co., Ltd.

Investor Conference 2024

August 30th, 2024

Disclaimer

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

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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 pipeline and safety devices for customers.

(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 listing 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”. To enhance oversight function and management mechanism, Board of Directors set up functional committees, such as Audit and Compensation Committee. The Audit Office is subordinate to the Board of Directors by law.
- b. Under the Board of Directors, the Company set up management department to handle designated tasks on daily basis, such as Business Extension, Engineering, Sales, and Administration departments, Human Resource and Labor Safety & Health offices. The Company appointed a Corporate Governance Director

since June 2023, under the regulations of the competent authority and the TWSE¹.

(4) Service districts:

- a. The Company supplies natural gas to customers via pipelines within five districts, including Zhonghe, Yonghe, Xindian and Shenkeng Districts in New Taipei City, and Wenshan District in Taipei City.
- b. To provide 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.) on December 24th, 1985.

(5) Certified personnel

There are 162 full-time employees in the Company, including 97 Class B technician certified for Gas Piping and 31 Class C technician certified for Gas Appliances Technology.

Over 500 attendances received related Company self-organized training programs or training courses held by Government authorized training facilities.

To show that the Company value and fulfill the safety of natural gas supplies, the Company encourages and supports employees to acquire multiple engineering related certificates related to natural gas.

2. Operation Highlights

(1) Current Industry Status

The government-owned "China Petroleum Cooperation, Taiwan" (known as CPC) provides natural gas to twenty-five government approved companies. They provide household and commercial customers stable and enough natural gas via pipelines

¹ TWSE : The Taiwan Stock Exchange Corporation.

in Taiwan. Also, CPC is the exclusive agent of importing and providing natural gas in Taiwan, Republic of China.

(2) Future market of Supply and Demand

To provide sustainable supply and stable natural gas rate to domestic market, CPC has signed long term contracts with foreign suppliers. With many deposits and mining activities of natural gas and shale oil around the world, the demands of natural gas 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 approved natural gas companies in Taiwan. Those companies have exclusive business advantage within their service districts. However, the consumables and service charges are also under supervision by Natural Gas Enterprise Law.

(4) Business Developments

Household Customers Statistics				
Year	2021	2022	2023	2024Q2
Customers	360,760	365,400	369,573	372,597
Penetration Rate	70.88%	71.48%	71.10%	71.30%

(5) Natural Gas Sales

In the past 3 years, the Company's natural gas sales achieved over 110 million cubic meters each year. Till 2024 Q2, natural gas sale has reached over 64,710,000

cubic meters equivalent to 57.57% of the estimator of 2024.

(6) Regular Pipeline Equipment Safety Checkup

To ensure customers safety, pipeline equipment’s in households are checked every two-year and those in commercial ones are checked every one-year. For customer protection, the Company distributes natural gas safety/ anti-fraud brochures to our customers.

While the Company continues to increase the safety check-up staffs, the Company will also prompt our safety policy to customers.

Item	2022	2023	2024Q2
<i>Ratio of Customer Pipeline Equipment checked</i>	84.46%	87.31%	39.36% (annual)

(7) Regular Outdated Gas Meter Exchange

Item	2022	2023	2024Q2
<i>Outdated Computerized Gas meter replacement</i>	32,993	26,969	9,766
<i>Total Outdated Gas meter replacement</i>	41,561	34,740	12,419
Ratio (%)	79.38*	77.6	76.2 (annual)

**Under domestic COVID-19 Pandemic*

(8) Updated Pipelines Replacement

The annual replacement pipeline length (replaced pipeline length was more than the annual goal in the past years):

- a. 22,374 meters in 2022. 8,300 meters in 2023.
- b. 3,797 meters in 2024 Q1 and Q2 (39.36% of the annual goal).

To ensure safety, the Company inspects, maintains and replaces worn pipelines and valves regularly according to the annual plan.

(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. To achieve the “Security of Labor, Work and Material”, The Labor Safety & Health Office constantly urges departments to start various safety checks and inspections of constructions. Also, the Labor Safety & Health office would irregularly inspect the safety status of facilities and personnel on construction sites.
- c. The Company has accumulated 5,480,315 non-disaster hours from October 28th 2009 till December 31st 2023. The Industrial Safety and Health Association (ISHA) of the R.O.C., entrusted by the Ministry of Labor, issued the 11th Certificate of Merit for the achievement. To accrue more non-disaster hours, the Company will make more efforts to maintain project quality and occupational safety.

3. Financial Review

(1) Condensed Consolidated Income Statement

Unit: NT\$ 1,000

Item\Fiscal Year	2022-Y	2023-Y	2024Q2	Same Period Last Year
Net Revenue	1,946,310	1,932,392	1,146,921	1,095,512
Gross Profit	571,824	564,927	364,624	344,191
Gross Profit Rate	29.38%	29.23%	31.79%	31.42%
Operating Expenses	241,562	269,034	150,282	145,636
Operating Income	330,262	295,893	214,342	198,555
Non-Operating Profit	(116,946)	121,037	119,617	78,118
Income before tax	213,316	416,930	333,959	276,673
Net Income	143,859	355,885	287,908	238,752
EEPS in NT Dollar	0.81	2.00	1.61	1.34

(2) Condensed Consolidated Balance Sheet

Unit: NT\$ 1,000

Item\Fiscal Year	2022-Y	2023-Y	2024Q2	Same Period Last Year
Total Assets	5,327,931	5,749,623	6,036,790	5,687,884
Cash and Cash Equivalents	590,318	411,489	653,402	568,084

Financial Assets-Current	1,428,526	2,079,278	1,735,319	1,849,827
Accounts and Notes Receivable, Net	213,395	190,406	228,424	220,610
Other Accounts Receivables	15,722	23,371	78,254	16,032
Inventories, Net	45,177	42,313	37,560	52,605
Other Assets	585,816	433,016	367,671	482,665
Property, Plant and Equipment	2,448,977	2,569,750	2,936,160	2,498,061
Total Liabilities	2,341,191	2,583,470	2,853,535	2,642,930
Current Liabilities	988,751	1,169,391	1,377,988	1,218,113
Non-Current Liabilities	1,352,440	1,414,079	1,475,547	1,424,817
Total Equity	2,986,740	3,166,153	3,183,255	3,044,954

(3) Condensed Consolidated Statement of Cash Flow

Unit: NT\$ 1,000

Item\Fiscal Year	2022-Y	2023-Y	2024Q2	Same Period Last Year
Cash and Cash Equivalents at Beginning of Year	558,033	590,318	411,489	590,318
Net Cash Provided by Operating Activities	572,301	498,879	236,907	255,849

Net Cash used for Investing Activities	(234,407)	(501,542)	2,525	(279,426)
Net Cash Provided by Financing Activities	(305,609)	(176,166)	2,481	1,343
Cash and Cash Equivalents at End of Year	590,318	411,489	653,402	568,084

(4)Key Financial Indexes

Item\Fiscal Year	2022-Y	2023-Y	2024Q2	Same Period Last Year
Current Ratio (%)	233.32	235.64	198.76	222.81
Quick Ratio (%)	227.68	231.44	195.79	218.16
Inventory Turnover (times)	35.56	31.25	39.17	30.73
Days Inventory Outstanding (days)	10.56	11.68	9.31	11.87
Accounts Receivable Turnover (times)	9.78	9.25	10.57	9.78
Days Sales Outstanding (day)	37.32	39.45	34.53	37.32

4. Operation Prospects

(1) New customer promotion

- a. The Company aims to extend pipeline network and expand service area to meet future demands, such as residential compounds, new residential buildings, urban renewal projects, and individual building renewal projects.
- b. To collaborate with government's sewage sewer projects and to extend pipelines to old residential areas, the Company gradually starts pipeline network extension and expansion projects to meet the future demands.
- c. The Company puts efforts into densifying our service network to those who lived within our natural gas supply network, but haven't chosen our service yet.
- d. In cooperation with government policies, the Company helps fuel oil boiler households plan and design the replacement of natural gas to reduce air pollution. Also, the Company work on strengthening the use of natural gas by large natural gas customers, such as government agencies and schools as well as promoting the use of natural gas to laundromats in the Company's service districts to increase the use of natural gas.

(2) Safety Enhancement Measures

- a. The permanent Emergency Response Center (ERC) of the Company applies various systems to establish strong disaster response procedures, such as MIS², GIS³, real-time pipeline supply tracking system,

² Management Information System (MIS), or Enterprise Resource Planning (ERP).

³ Geographic Information System (GIS).

construction live-stream and engineering rescue vehicle's GPS facilities to enhance multiple disaster response and recovery capabilities. To support the executives to command, control, coordinate, notify emergency and react with proper solutions for any scale of natural gas emergency event.

b. Speed-up outdated pipeline replacement:

To enhance natural gas supply safety, the Company continually replaces the outdated low-pressure cast-iron pipelines in Yonghe and Zhonghe Districts in New Taipei City in 2024. Also, the Company incorporates mobile phone application of pipeline inspection for better pipeline safety and managing efficiency.

(3) Convenient Payment Methods

a. Pay on behalf:

To save time and avoid late payment, customers could apply automatic deduction via Post Office and bank accounts or credit cards.

b. Payment collection:

Customer could pay bills 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 online transaction or mobile phone application. For spontaneous, in-time, greener and paperless payment service, the Company introduced the "e-bill" system from March 2022.

(4) 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 on promoting computerized gas meter to household

customers. The rise of installed gas meters help ensure supply safety and avoid double disaster.

Item	2022	2023	2024Q2
<i>Computerized gas meter installed</i>	188,654	220,296	233,400
<i>Gas meter installed</i>	365,400	369,573	372,597
Ratio	51.63%	59.61%	62.64%

(5) Timeline of ESG⁴ development

By government regulation, all companies' paid-up capital under NT\$5,000,000,000 shall complete the greenhouse gas emission checked by 2026, and verified by 2028. The Company will follow the government's guidelines and related regulations to compete and announce the result of greenhouse gas emission matters in time. Also, Board of Directors will be informed the progress every three months by ESG task force team.

(6) Sustainable development

Natural gas is a clean, pollution free energy. The advantage is low-carbon-dioxide-emission and eco-friendly. Hence, it is the best energy choice for urban lives. With shareholders' support, guidance of Board of Directors, and collective effort of employees, the Company's business performance and prosperities is promising.

⁴ ESG: Enterprise Sustainable Development

Q & A