

2007



**CPC Corporation, Taiwan**





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# Message from the Chairperson and President

The international price of crude oil rose continuously in 2006, reaching a historic high of US\$77 per barrel. This brought a period of unprecedented trial to the CPC Corporation, Taiwan (CPC); it worked in line with the government's price stabilization and public welfare policies, the CPC recorded an operating loss for the first time. Operating revenues for the year reached a record high of NT\$776.8 billion; domestic sales of petroleum products and natural gas grew steadily, exceeding the targets that had been set for the year.

As a state-owned enterprise, the CPC was not able to fully pass on the costs resulting from the high level of crude oil prices throughout the year; during the first three quarters, the domestic price of petroleum products was lower than the cost of refining them. This factor, plus the need to give priority to sales on the domestic market, posed a severe challenge to the company's operations. In response to this challenge the CPC adopted an optimized refining volume model, imposed strict production cost controls, and adjusted its marketing strategy in order to lower operating costs; in addition, it communicated actively with the competent authority and, on Sept. 26, instituted a floating-price mechanism for gasoline and diesel fuel on a trial basis so as to bring domestic oil prices in line with international levels. After being in place for three months, this trial mechanism was reviewed and was formally implemented on Jan. 1, 2007.

Another major problem encountered by the CPC in 2006 was the stoppage of work on the Third Naphtha Cracker upgrading project because of protests by neighboring residents and environmental groups. To break out of this difficulty the Ministry of Economic Affairs set up a special task force which, together with the CPC, strove to carry out project modification, strengthen communication with the public, and promote local payback schemes. The local government was also given assistance in pursuing the construction of major infrastructure projects. These efforts began to pay off at the end of the year in a favorable response from residents. In addition, a major breakthrough was made in the Kaohsiung Refinery's 2015 removal project, thanks to continuous communication with the local population, brightening prospects for the acquisition of land in a different area for the rebuilding of the refinery. Existing equipment at the present location will continue to be used until its period of utilization has expired; this will permit mid- and downstream petrochemical companies to continue operating and to keep their roots in Taiwan.

With international oil prices on the rise in recent years, the CPC has moved to gain control of its own sources of petroleum and upgrade its overall operating performance by vigorously developing upstream exploration and coordinating with the government's policy of "Deepening the Energy Supply Security Mechanism and Promoting International Energy Cooperation" by engaging in international cooperative exploration in the hope of discovering new oil and gas reserves. Besides stabilizing production in cooperative oil fields in Indonesia, Ecuador, and Venezuela in 2006, the CPC succeeded in acquiring the BCOIII, BCSII, BLT I fields in Chad and the Jaguar and NW B.S. fields in the United States; at the end of the year, we also successfully bid for the Murzuq 162 field in Libya. In addition, as the exclusive supplier of natural gas to the domestic market, the CPC renewed its contract with the RasGas II company of Qatar for the purchase of LNG and, in 2006, signed a long-term LNG carrier lease contract with the NiMic shipping company of Japan; the three LNG storage tanks that we contracted from Mitsubishi Heavy Industries have won certificates of conformity and been put into use. These achievements have greatly heightened our ability to provide a stable supply of natural gas.

Energy is the locomotive of national economic development. In Taiwan, with its reliance on imports for the vast majority of its energy needs, the CPC has always devoted its efforts to the provision of a stable supply to fill domestic demand, the development of core businesses, and the expansion of operating scale. In the future, we will continuously strengthen international cooperation in oil and gas exploration; upgrade deep-well techniques so as to increase oil and gas production from operating fields; reinforce the control of unplanned plant stoppages, vigorously implement the Taichung Harbor LNG receiving terminal, refining structural improvement, Third Naphtha Cracker renovation, and Kuo Kuang Petrochemical Technology Corp. projects; reinforce the market information and customer service management systems; and implement the floating oil-price mechanism and self-service filling stations. We will also heighten the value-added of our CPC VIP card, form cross-industry alliances and develop multi-dimensional businesses, expand the use of natural gas, and seek out low-cost gas sources so as to enhance the company's competitive capabilities. At the same time, we will continuously carry out R&D and innovation, provide high-quality oil and gas products, and carry through with the provision of high-quality customer-orientated services in order to consolidate our position as market leader.

In pursuit of the goals mentioned above, the CPC will adjust its organizational framework so as to accommodate to changes in market competition and the operating environment, and we will promote a sharing type of business so as to achieve a more flexible, more effective implementation capability. At the same time we will strive for personnel development and revitalization, strengthen the recruitment of talent, and use personnel training to pass on the experience and wisdom of our employees in order to cultivate well-rounded elite human resources. Our training curricula will be arranged to meet the needs of the company's future development plans, and the results will be followed up, with the aim of achieving maximum synergies from our training resources.

In line with the government policy of reinforcing corporate governance, the CPC will follow the relevant laws in forcibly implementing a system of corporate governance and will take full advantage of the professionalism of directors and supervisors in order to achieve the important corporate governance principles of "reinforcing the functions of the board of directors," "utilizing the functions of supervisors," "strengthening of internal auditing," and "disclosure of important information" in the hope of enhancing the company's competitive and risk-control capabilities and strengthening its operations.



*Wenent P. Pan*

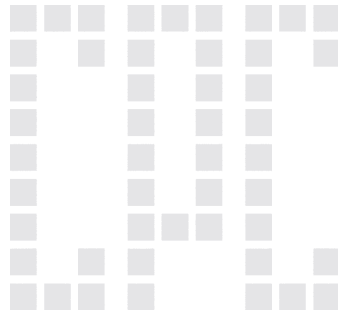
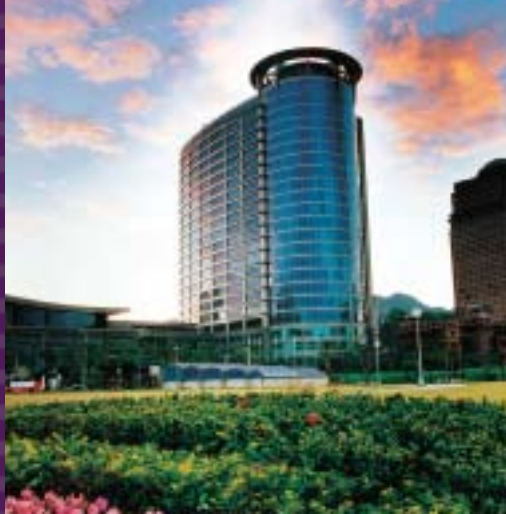
Wenent P. Pan  
Chairperson

*B. L. Chen*

B. L. Chen  
President

Industrial safety, environmental protection, and social responsibility are the cornerstones of sustainable corporate development, and in recent years the employees of the CPC have incorporated the concept of "100% safety, zero accidents" into their daily operations. In 2006 the company's overall accident index dropped to 1.39, a record low, and CPC workers suffered no job-related traffic accidents, either inside or outside of plants. This has fulfilled our commitment to "make the CPC into a safe organization and provide a guarantee of safety for the community environment in all operating activities." In our efforts to protect the environment and achieve sustainable operations, the CPC is vigorously promoting the reduction of greenhouse gas emissions in response to the Kyoto Protocol; in 2006 the company cut emissions of CO<sub>2</sub> by 400,000 metric tons, thus achieving the preset target. To improve domestic air quality, the CPC moved in advance of environmental regulations by reducing the sulfur content of its diesel fuel from 375ppm to just 50ppm in June of 2004 and introduced high-quality gasoline with a sulfur content of 50ppm on Jan. 1, 2007. To heighten the safety of energy supply and clean up energy use, the company moved vigorously into the exploration of gas hydrate as well as the development and promotion of renewable and alternative energies such as biodiesel and gasohol. At a time when global petroleum resources are becoming exhausted, the CPC is eager to continue serving faithfully in its role as Taiwan's main producer and supplier of clean energy, thus creating a win-win-win situation for "environmental protection," "economic development," and energy utilization." To live up fully to our corporate social responsibility, the CPC will continuously practice concern for local development and will enter the ranks of those who "adopt" parks, mangrove forests, rivers, and endangered species. We will also assist with environmental and garbage cleanups, the rectification of ocean pollution, and other such activities so as to leave our sons and grandsons a clean environment.

The steady growth that the CPC has enjoyed over the past has been achieved thanks to the long-term assistance and care of our domestic and overseas customers and our partner companies. As we advance on our quest to become an international energy group that encompasses petroleum products, petrochemicals, and high technology, this assistance and care will continue to be our greatest supporting force. For this, we would like to express our utmost respect and appreciation.



# Sustainable Development

Established in Shanghai on June 1<sup>st</sup>, 1946, CPC was funded and operated by the government under the direction of the Resources Committee (the forerunner of the State-Owned Enterprise Commission, Ministry of Economic Affairs). In 1949, the CPC followed the government in relocating to Taiwan, setting up headquarters in Taipei under the direction of the Ministry of Economic Affairs. With service facilities all over the island, its operations include the active exploration, development, refining, transportation, marketing and sale of petroleum and natural gas, as well as the production and supply of petrochemicals. The CPC's total capital stands at NT\$130.1 billion, and its total sales turnover totaled NT\$776.8 billion in 2006. CPC board meeting resolved to change the company's name to "CPC Corporation, Taiwan" (CPC) on Feb, 9, 2007.



# Sustainable Development



Ever since its establishment 60 years ago, the CPC has been dedicated to the mission of providing a stable supply of oil and petroleum products, and providing impetus for the development of petrochemical-related industries and the growth of the national economy. In carrying out this mission, the company has earned the affirmation of both society and the industrial sector. In recent years, in order to maintain operating advantage and competitiveness while faced with the shocks of Taiwan's oil market deregulation, the CPC has put great efforts into company reorganization, downsizing, and full-scale reduction of production costs, moving towards corporatization and preparing for privatization. At the same time, it is actively seeking strategic investors as business partners, and taking advantage of its position as an international oil conglomerate to expand upstream exploration, petrochemical development, and marketing channels. All this is done to ensure a smooth transition to privatization, and to help the CPC to become a safe, clean, and competitive international energy company as it moves toward sustainable development and continues providing the Taiwanese public with highly efficient and high-quality services.

Even as it pursues profit, the CPC never forgets its corporate social responsibility. In years past it has constantly worked to improve the quality of its petroleum products, bring in and promote liquefied natural gas as a clean energy source, protect the environment, and advocate responsible care in the petrochemical industry. Outside the industry, we are active in promoting public understanding of the petroleum industry and the safe usage of gas and oil, organizing safety and health seminars, and leading the enhancement of the culture of safety; at the same time, we aid disadvantaged groups, participate in public-benefit activities, provide grants for elite sportsmen, sponsor cultural activities, facilitate the development of areas around oil fields and refineries, encourage ecological conservation, care for local populations, promote environmental education, and stimulate local progress. All this fits in with the 21<sup>st</sup> century trend toward sustainable development and the positioning of corporate operations to include an emphasis on economic growth, environmental protection, and social benefit; and, along with the quest for commercial profit, a concern for public justice, human rights, public health and safety, and community development.

# Sustainable Development





To flow with global tides and follow the international trend toward environmental protection, the CPC initiated sustainable development policies at the end of 2003 to promote the spirit of sustainable development in its energy industry operations:

- Observation of government regulations and compliance with international agreements
- Full-scale clean production and environmental protection
- Efficient use of resources and realization of water and energy conservation
- Emphasizing social responsibility and expanding the scope of services
- Establishment of environmental indexes and provision of transparent information
- Active commitment to research and development to create new fields of operation

The CPC has established a Sustainable Operations Committee and formulated a sustainable operations action plan, which is being implemented in line with the concept of sustainable operations and with international trends. Projects that are currently being carried out include the establishment of an environmental accounting system, a greenhouse gas calculation and reduction plan, and product life-cycle analysis. In addition, in mid-2007 we will complete a CPC "Sustainable Development Report" to fulfill our responsibility to provide open information.



# Board & Corporate Officers

1 Wenent P. Pan

2 B.L. Chen

3 S. H. Chu

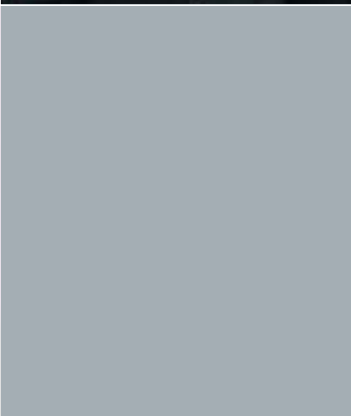
4 Arthur H. Kung

5 C. S. Lin

6 M. Tsao

7 Maw-Wen Lin

8 J. S. Yang



# Board & Corporate Officers

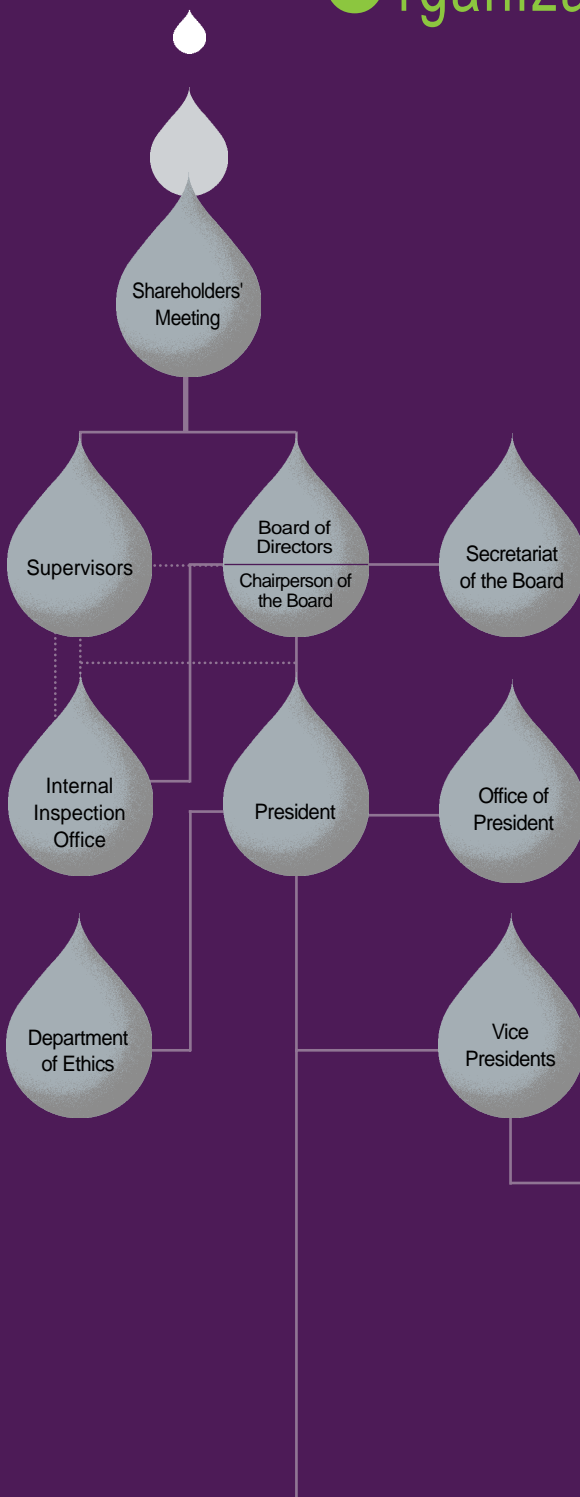
## Board of Directors

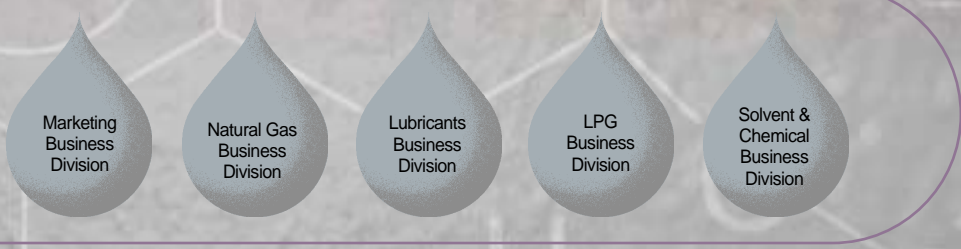
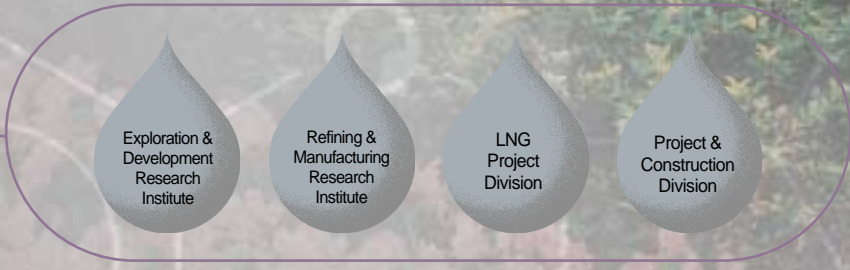
Chairperson of the Board	Wenent P. Pan
Standing Directors	Wenent P. Pan (concurrently Chairperson) B. L. Chen (concurrently President) C.J. Hsu
Directors	Chia-Shen Chen C. T. Kuo C. H. Liu Shenghong A. Dai C.S. Lin Jiang-Jen Lin Jong-Chin Shen A. H. Cheng C. A. Chuang D. C. Tsao
Supervisors	Ming-Shyen Yang Colin C. Chen Her-Jiun Sheu

## Corporate Officers

President	B. L. Chen
Vice Presidents	S. H. Chu Arthur H. Kung C. S. Lin M. Tsao Maw-Wen Lin J. S. Yang
CEO, Exploration & Production Business Division	Ming-Tar Lu
CEO, Refining Business Division	W. T. Wu
CEO, Petrochemical Business Division	M. Tsao (concurrently VP)
CEO, Marketing Business Division	Chung-Chen Chiang
CEO, Natural Gas Business Division	C. S. Lin (concurrently VP)
CEO, Lubricants Business Division	C. Yen
CEO, LPG Business Division	J. Y. Chen
CEO, Solvent & Chemical Business Division	Thomas Y. Y. Liu
Director, Refining & Manufacturing Research Institute	H. C. Shen
Director, Exploration & Production Research Institute	K. A. Lin
Director, LNG Project Division	S. T. Ho
Director, Project & Construction Division	Hsu-Ching Wu

# Organization Chart





# Upstream Operations

## Exploration and Production

Onshore in Taiwan, in 2006 the CPC carried out 116 kilometers of seismic surveys and 64 square kilometers of geological surveys. Four new wells were drilled during the year, and production was restored in four wells. Newly discovered natural gas at Chuhuangkeng Well No. 144 added 230 million cubic meters of proven reserves. There are currently 56 gas-producing wells in five fields: Tiejhanshan, Cingcaohu, Jinshuei, Chuhuangkeng, and Sinying; together, they produced a total of 463 million cubic meters of natural gas and 23,500 kiloliters of condensate in 2006. Offshore, the CPC carried out exploitation preparation work in the F Structure off Kaohsiung, which has proven reserves estimated at 5,973 million cubic meters of natural gas.

## Overseas

The CPC moves to secure more self-owned crude oil resources and stabilize oil supplies by conducting, in the name of the Overseas Petroleum and Investment Corporation (OPIC), overseas oil exploration and production activities through joint ventures with foreign state-owned oil companies and major international oil firms. These activities cover the Asia Pacific, the Middle East, and Africa. The CPC is now working on nine blocks that are located in six countries: Blocks 16 & 17 in Ecuador, the Sanga Sanga Field in Indonesia, Gulf of Paria East & West in Venezuela, AC/P21 in Australia, Jaguar and NW B.S. in the USA, and BCO III, BCS II, and BLT I in Chad. The CPC also successfully bid for the Murzuq162 Field in Libya.



## CPC's Overseas Cooperative Exploration Fields



In Ecuador, 131 development/workover/completion/recompletion wells were completed in Block 16, and one exploration/development well was completed in Block 17, in 2006. In Indonesia, 32 development/completion wells were completed in the Sanga Sanga Field. The CPC was allocated a total of 10.83 million barrels of oil and 581 million cubic meters of natural gas from wells in Ecuador and Indonesia during the year. In Australia, the AC/P21 Block has entered the second exploration period. In the United States, preparations are being made for the drilling of the first exploratory well in the NW B.S. Field. In Venezuela, appraisal work is under way for the Punta Sur structure in the Gulf of Paria East Block and the Tiburon structure in the Gulf of Paria West Block. Development work is in progress in the Corocoro Field, in which OPIC owns a 6.5% working interest. In Chad, first exploration period work is being carried out. Exploration and re-evaluation work carried out in the Sanga Sanga Field in 2006 resulted in the CPC being booked an additional proven reserve of 38 million cubic meters of natural gas (or 220,000 barrels of oil equivalent).



In addition to enhancing the asset value of currently operating overseas fields, the CPC's future deployment strategy will aim at opening up new opportunities for offshore exploration and exploitation by establishing core areas with a high level of growth, participating actively in open bidding for oil fields or finding opportunities for transfer from oil majors in those areas, and seeking opportunities for the acquisition of new oil and gas fields throughout the world so as to achieve the ultimate goal of adding new reserves.



# Downstream Operations

## Importation and Refining

As domestic production of crude oil is insufficient, almost all of the crude oil refined by the CPC has to be imported. To assure the stability of crude oil supplies, the company purchases oil through long-term contracts and also works vigorously to diversify its sources. Imports of crude oil in 2006 totaled 210.26 million barrels; 68% of the total came from the Middle East and the rest from Southeast Asia, Africa, Australia, Central Asia and the North Sea. In recent years, the import of a certain ratio of low-sulfur crude oil has been necessary to conform to increasingly strict domestic environmental protection standards.

To handle the oil it imports, the CPC has built mooring buoys for large tankers in the sea off Shalun in Taoyuan County and Dalin in Kaohsiung County, and has constructed tanker docks at Kaohsiung, Taichung, and Shenao harbors. The company has also built up a considerable tanker fleet in order to control the tonnage of oil shipped and stabilize shipping costs; the fleet consists of one 260,000-ton tanker, one 220,000-ton tanker, four 150,000-ton tankers, two 100,000-ton tankers, and five 40,000-ton tankers. In total, the shipment of oil imports in 2006 amounted to 9.76 million tons.

The CPC's three existing refineries, one each in Kaohsiung, Taoyuan, and Dalin, have a combined daily capacity of 770,000 barrels. The Kaohsiung Refinery, which has the longest history of the three, is a large integrated oil refining and petrochemical production facility with a complex production process and a complete range of equipment. It has a capacity of 270,000 barrels of crude oil per day. The Dalin Refinery, which split off from its Kaohsiung parent to become independent in 1996, has four offshore mooring buoys as well as both large and small docks for the unloading of imported crude oil and the loading of exported petroleum products. It has a capacity of 300,000 barrels of crude oil per day. The Taoyuan Refinery was established in 1976 and, following some de-bottlenecking renovations and the addition of a second distillation plant, currently has a capacity of 200,000 barrels of crude oil per day. The CPC's total output of petroleum products in 2006 amounted to 8,736,000 kiloliters of gasoline, 7,367,000 kiloliters of diesel fuel, 10,003,000 kiloliters of fuel oil, and 653,000 metric tons of liquefied petroleum gas.

In response to the increasingly strict demands for environmental and living quality by the people of Taiwan, and their ever more diverse needs for petroleum products, the CPC has moved to improve the quality of its petroleum products and enhance its production value in recent years by building a large number of refining and production facilities. These include units for reforming, isomerization, TAME, diesel fuel hydrodesulfurization, aviation fuel processing, N-paraffin facilities, alkylation, and heavy oil conversion. These facilities are designed to supply Taiwan's people with better petroleum products as well as to enhance production efficiency. Additional investment plans currently under implementation include the replacement of a water pipeline at the Taoyuan refinery, the northern coastal pipeline project, and the Group II lubricant base oil plant.



The CPC is responding to the Environmental Protection Administration's announcement of medium- and long-term domestic environmental protection standards for petroleum products—a reduction of the sulfur content of gasoline and diesel fuel to under 10 ppm and of the aromatic content to under 35vol%, and a lowering of the olefin content of gasoline to under 18vol% by 2011--by working to achieve the goal of supplying of gasoline and diesel fuel with a sulfur content below 10 ppm in 2009. To this end, in 2005 the CPC began building a 30,000-barrel-per-day cracked gasoline hydrodesulfurization plant at the Taoyuan Refinery, as well as a 40,000-barrel-per-day diesel hydrodesulfurization plant and a 20,000-barrel-per-day gasoline hydrodesulfurization plant at the Dalin Refinery. In addition, in 2006 the company began building a 80,000-barrel-per-day heavy-oil conversion plant at the Dalin Refinery and a 70,000-barrel-per-day heavy-oil desulfurization plant and related hydrogen/sulfur recovery unit at the Taoyuan Refinery in order to boost its heavy-oil conversion ratio.

To deal with the excessive capacity for the production of gasoline and diesel fuel and the continuing insufficiency of fuel oil capacity that has followed the opening up of the domestic market to free competition, the CPC has readjusted and improved its refining structure to conform to market needs and trends and to heighten its ratio of heavy oil conversion in order to increase its concentration on naphtha and diesel fuel production. The company is also working constantly to lower its refining costs. With the international prices of petroleum products soaring in 2006, widening the gap with the price of crude oil, the CPC utilized its refining facilities to the fullest extent to increase the volume of in-house refining and boost exports of petroleum products, thereby greatly enhancing its refining efficiency. With the planned expansion of oil-product exports, in 2006 the CPC shipped about 4.1 million kiloliters of major oil products to Hong Kong, the Philippines, Malaysia, Singapore, New Zealand, Australia, South Korea, mainland China, the United States, and the Middle East. In the future, the CPC will continue to develop international markets so as to advance the maximization of its profits.

# Importation & Refining







## Petrochemical Production

The main bases for the CPC's petrochemical production are the Kaohsiung Refinery and Linyuan Petrochemical Plant. The latter operates under the Petrochemical Business Division, which was established on Sept. 1, 2000, and utilizes a full set of facilities including catalytic reforming, naphtha cracking, butadiene and aromatics extraction, xylene separation, transalkylation, and isomerization units. Annual petrochemical capacity includes 1,080,000 tons of ethylene, 720,000 tons of propylene, 170,000 tons of butadiene, 510,000 tons of benzene, 560,000 tons of para-xylene, and 150,000 tons of ortho-xylene.

In response to the opening of the market to competition, the CPC has set up a Petrochemical Business Division and is promoting the establishment of a petrochemical products logistics center with the aim of carrying out vertical integration with mid- and downstream petrochemical operators while using flexible competition strategies to develop trade in petroleum products and strengthen market competitiveness. To narrow the gap in the supply of petrochemical raw materials and to enhance the quality of industrial safety and environmental protection, as well as to expand the scale of production through the renewal of production processes, the CPC has initiated a "Third Naphtha Cracker Renovation and Expansion Project" at the Linyuan petrochemical complex. This project will cost an estimated NT\$37.9 billion and will give the naphtha cracker an annual capacity of 600,000 tons of ethylene, 370,000 tons of propylene, 100,000 tons of butadiene, and 90,000 tons of benzene. The project will also revamp the existing Fourth Aromatics Plant and auxiliary facilities. When the project is completed in 2013 it will create an annual production value of NT\$60 billion, stimulate the willingness of other downstream companies to invest, and bring new prosperity to the petrochemical industry.

The CPC is currently planning a Yunlin Petrochemical Technology Park with the aim of maintaining the scale of its domestic market for petroleum products, enhancing its competitiveness through vertical integration, and heightening its profitability through expanded exports of petrochemical products. Investment in the project is estimated at NT\$400.5 billion; it includes a refinery with a daily capacity of 300,000 barrels as well as a naphtha cracker with an annual capacity of 1.2 million metric tons of ethylene, a xylene aromatics center with an annual production of 800,000 tons, 23 mid- and downstream petrochemical plants, 14 co-generation power plants, and an industrial harbor with 13 wharfs. Implementation of the related projects by the Kuo Kuang Petrochemical Technology Corp., the establishment of which was headed up by the CPC with joint investment from petrochemical companies, began in 2006. It will encourage the petrochemical industry to leave its roots in Taiwan and stimulate the overall development of the island's economy.



# Petrochemical Production





## Marketing

The Taiwan Marketing and Transportation Division is charged with the domestic marketing and sale of oil products, mainly automotive gasoline, aviation fuel, diesel fuel, and fuel oil. The bulk of sales are made up of auto gasoline, diesel fuel, and fuel oil, which together account for more than 90% of the company's total sales. Sales of oil products in 2006 totaled 24,725KKL, up 1.0% from the year before. Revenue from the sale of petroleum products totaled NT\$418.7 billion, an increase of 19.2% over 2006. Automotive gasoline accounted for the largest portion of total sales, with about 41.9%, followed by fuel oil with about 24.8%, diesel fuel with about 24.3%, and aviation fuel with approximately 9.0%.

There are two major companies contending for Taiwan's petroleum products market-the CPC and Formosa Plastics-and competition is intense. The CPC moved to give full expression to its marketing channel advantage and secure its market share by striving to consolidate its self-owned and franchised gas service stations; of the 2,583 gas stations in Taiwan at the end of 2006, the CPC counted 652 directly operated stations, 19 jointly operated stations, and 1,221 privately operated franchised stations (adding up to 1,892). The CPC supplied all of the gasoline and diesel fuel sold by these stations, successfully maintaining its market share at more than 70%. The CPC's shares of the gasoline, diesel fuel, and fuel oil markets in 2006 were 71.8%, 81.0%, and 86.3%, respectively.

To fill the demand for petroleum products throughout Taiwan, in addition to its auto service stations the CPC also maintains aviation fueling stations at the Songshan, Taoyuan, Taichung, Hualien, Taitung, and Kaohsiung airports, as well as international marine bunkering stations at Keelung, Suao, Taichung, Kaohsiung, and Hualien. It also has fueling stations at 35 fishing harbors around the island. At the end of 2006 the company had 14 oil supply centers, at Keelung, Shihmen, Wugu, Hsinchu, Taichung, Taichung Harbor, Wangtian, Minsiong, Tainan, Fongde, Ciaotou, Suao, Hualien, and Husi, to supply the fuel needed for sale at service stations. The total volume of fuel shipped in 2006 amounted to 22,994KKL. The CPC also operates three testing centers (at Keelung, Taichung, and Kaohsiung) and seven testing laboratories to handle oil product testing and quality control. A total of 33,335 tests were carried out in 2006.

To increase profitability, the Marketing Business Division is promoting the mixed-purpose operation of service stations under its flag so that they will become multi-functional supply stations for the public. To reinforce the service station information system, the division is promoting the VIP Card; it is also striving hard to improve the operating performance of loss-making service stations, and to strengthen competitive leverage. At the same time, it is demanding that directly operated service stations throughout Taiwan carry out the overall upgrading of service and create a clean-toilet culture so as to heighten customer satisfaction and lead the market through "service differentiation" and the "service advantage."



## Natural Gas

In view of the advantages offered by natural gas - high efficiency, low pollution, safety, and convenience -and the government policy of energy diversification, CPC completed and put in operation in 1990 Taiwan's first liquefied natural gas (LNG) receiving terminal, the Yongan LNG Receiving Terminal in Yongan Township, Kaohsiung County, which kicked off a new era in the supply of clean energy in Taiwan. After that, due to the steady increase in energy demand along with the rapid growth of the domestic economy and the rise of environmental consciousness, the CPC followed up with an expansion project at the Yongan LNG Receiving Terminal, boosting annual handling capacity to 4.5 million metric tons after its completion in December 1996.

In order to meet the gas demand from power generation as well as city and rural gas use, the CPC initiated the third-stage expansion project in July 1996. In addition to the expansion to the terminal facilities, this project also involved underground storage injection and production facilities at Tiejhanshan and the laying of a 238-kilometer, 36-inch undersea pipeline from Yongan to Tongsiao, the first such long-distance offshore gas transportation pipeline in Taiwan. The completion of the pipeline in December 2002 boosted the LNG handling capacity of the CPC's Yongan Receiving Terminal to 7.44 million tons per year.

In line with government's implementation of the Taiwan Power Company's natural gas-fired Datan Power Station project, the CPC employed its many years of experience in natural gas operations to negotiate the Qatar LNG supply agreement at the most favorable price and win the contract for the supply of natural gas to the Datan Power Station in July 2003 by accurately calculating the competitors' cost and bidding strategies. According to the contract the CPC will, starting in 2008, supply 1.68 million tons



# Natural Gas







of natural gas annually for 25 years to the power station. By winning the Taipower gas procurement contract, the CPC secured its role as the sole supplier of natural gas in Taiwan. On Sept. 13, 2005 the CPC and Qatar's RasGas II signed a 25-year LNG procurement contract, running from 2008 to 2032, calling for the supply of 3 million tons annually. This LNG will be used primarily to supply Taipower's Datan Power Station and accommodate the growing domestic demand for natural gas.

To meet the first-stage gas demand from the Datan Power Plant beginning in 2008 as well as the second-stage storage tanks, gasification, and related facilities to be completed at the end of 2009 to supply power stations, industrial users, and general users in central and northern Taiwan, the CPC initiated a Northern LNG Receiving Terminal and Gas Transportation project in 2004. This NT\$24.8 billion project includes the construction of LNG receiving and gasification facilities and three 160,000-kiloliter LNG tanks at west docks No. 13, 14, and 15 in Taichung Harbor, a 135-km 36-inch O.D. offshore pipeline from Taichung to Datan, and associated governing facilities and metering stations. The new LNG receiving terminal is designed to handle 3 million tons of LNG annually.

To facilitate distribution and maintain a stable supply of gas for the market, the CPC has built a gas transmission and distribution pipeline network along Taiwan's west coast corridor stretching from Pingtung in the south to Keelung in the north. The pipeline network consists of 1,757 kilometers of trunk line, with 36 gas distribution stations along its length. The pipeline network also includes eight gas-supply centers with regional loop pipeline networks totaling 1,471 kilometers. Pipeline planning for future development focuses on the construction of loop networks. Five hundred kilometers of land pipeline and the 238-kilometer undersea pipeline from Yongan to Tongshiao have been completed, forming a loop network for central and southern Taiwan. The new 36-inch undersea pipeline which is now being built from Taichung Harbor through Tongshiao to Datan in Taoyuan County will, when completed, form another loop transmission network in central and northern Taiwan, connecting with the original one to form a comprehensive 8-shaped gas-transmission network.

The CPC's sales of natural gas in 2006 amounted to 9.846 billion cubic meters, an increase of 2.77% over the year before. Of the total volume, 77.87% was supplied for power generation, 0.24% for cogeneration, 8.58% for industrial use, and 13.31% for household use. Imports of LNG in 2006 totaled 7.78 million tons, of which 3.31 million tons were supplied by Indonesia, 3.32 million tons by Malaysia and the remaining 1.15 million tons by other LNG suppliers under master agreements.

# Natural Gas



# Other Business



In the lubricants business the domestic market has long been open to free competition; in recent years large international oil companies have been busily engaging in mergers and acquisitions, integration of marketing channels, and reduction of costs in pursuit of the domestic market, and competition has become more intense than ever. The economy has been growing rapidly in the Asia-Pacific region; this growth has been driving demand in the lubricants market and international companies have responded by deploying in the region, especially in mainland China and Southeast Asia. The CPC's Kuo Kwang Brand currently occupies about a 30% share of the Taiwan's domestic lubricants market, making it the market leader. With the vigorous establishment of marketing channels aimed at enlarging market share, the CPC's Lubricants Business Division is holding firmly to the operating strategy of "domestic consolidation to achieve steady growth, and development overseas to gain a foothold in the Asia-Pacific."

In the domestic market the CPC has adopted a twin-brand strategy using the "Kuo Kwang" and "Mirage" brands, vigorously promoted quality services, reinforced domestic marketing channels, expanded auto and motorcycle repair and maintenance channels, extended logistics operations, and focused on product differentiation and timely services to satisfy the needs of distributors and customers. In overseas markets, the company's strategy involves the long-term operation of branded sales and distribution channels as well as the development of the consignment and multidimensional trade businesses. The CPC makes use of the successful networks of Taiwanese enterprises operating in the Asia-Pacific region to set up its own marketing channels and reinforce its brand image so as to increase sales; plans are also being made to move into the Southeast Asian market for vehicular repair and maintenance oils, develop the market for industrial oil among Taiwanese and foreign enterprises, and use a quality product image, reasonable pricing, and stable supply to expand overseas markets and gain a foothold in the Asia-Pacific lubricants market.

In the field of liquefied petroleum gas, following the opening up of the LPG market in January of 1999 Formosa Petroleum inaugurated production and independent traders began importing and supplying LPG. This broke the CPC's monopoly and opened the market to free competition. As a state-owned enterprise and the major LPG supplier in Taiwan, the CPC shoulders the burdens of upgrading operating performance and fully meeting demand in the domestic market. In the area of household gas, the LPG Business Division consolidates the market through superior quality as well as its

comprehensive transmission and storage systems and sales networks that cover both northern and southern Taiwan. In the field of industrial gas the company has strengthened customer services so as to keep its existing clients and develop new ones. In addition, the company maintains a firm grasp of LPG price trends in the international market and chooses the most opportune times to import and export so as to maximize profits by lowering import costs and expanding exports. The company operates in line with the government policy on oil safety reserves in heightening the rate of turnover in storage tanks and boosting profit, and helps operators in promoting conversion to gas-fueled vehicles and establishing LPG fueling stations so as to improve air quality in urban areas. At the same time, the company strengthens industrial safety and environmental protection and carries out continuous good-neighbor work so as to fully supply the needs of the domestic LPG market and create a good operating performance under the precondition of safe operations.

In the field of solvents and chemicals, the CPC holds more than 74% of the domestic market for self-produced solvents, 35%~47% of the market for toluene, and 35%~45% of the market for xylene. Of the total annual domestic production of 1.15 million tons of asphalt, the CPC accounts for 850,000 tons; of total sulfur production of 460,000 tons, the CPC turns out 250,000 tons; and of total petroleum coke production of 420,000 tons, the CPC makes up 220,000 tons (this is mostly for export, since domestic demand is very small). The retail methanol market totals approximately 60,000 tons a year; the CPC, whose rivals in this market are importers, projects its own annual sales at 27,000 tons. To achieve its operating goals the Solvents and Chemical Business Division vigorously promotes quality services and nurtures sales channels; expands planned exports and develops markets in Vietnam, mainland China, and other areas; enhances product quality and image; continuously improves processes so as to reduce costs; and pursues the development of new products and new businesses.



# Industrial Safety & Health

Since both petroleum and natural gas are highly combustible, the CPC has always placed extreme emphasis on industrial safety, health, and fire control in order to ensure the smooth execution of production operations as well as to assure the safety of the lives and property of employees and the residents of communities around plants and wells. In addition to operating in accordance with domestic laws and regulations, the CPC also establishes safety and fire rules, in reference to regulations in the advanced countries of Europe, America, and Japan, that conform to conditions in the Taiwan area and to the characteristics of the CPC's own business.



Industrial safety is the foundation of corporate development. To attain the goal of "zero injuries, zero breakdowns" the CPC adheres firmly to the safety and health policy of "safety discipline, thorough inspection, health promotion, responsible care, rush management, system operations, and constant improvement, sustainable development," and never falters in the effort to enhance its safety culture. In addition to winning acclaim at home, the CPC's safety record achieved international recognition via the awarding of a plaque by from the World Safety Organization in 2005.



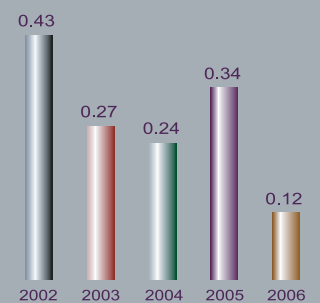


The key focal points of the CPC's industrial safety and health work at the present time are as follows:

- Promotion of the establishment and verification of an occupation safety and health management system, and continuous improvement of the operating environment. Nine units had passed inspection by the Bureau of Standards, Metrology and Inspection and the Council of Labor Affairs by the end of 2006.
- Strengthening of safety management and establishment of autonomous management by contractors so as to reduce their occupational accidents.
- Regular review of industrial safety and health regulations, and continuous review and revision of standard operating procedures.
- Strengthened industrial health management, regular employee health examinations, analysis and follow-up of examination data, promotion of health improvement, and emphasis on the mental health of employees.
- Implementation of risk management and equipment integrity operations, establishment of equipment safety management procedures, thorough inspection of storage tanks and pipelines, and establishment of long-distance oil and gas pipeline monitoring and leak-detection systems.
- Strengthened fire-safety management, organization of professional teams, and assistance for different units in carrying out fire-pump testing. Four fire-safety equipment manuals have been published.
- Strengthened industrial safety monitoring, including "management by walking around" by senior executives, professional industrial safety monitoring, and pre-startup safety inspection of new and renovated plants. When deficiencies are discovered, they are followed up through the information system until improvements are completed.
- Carrying out of on-the-job environmental safety training and education. Twenty-eight different online courses are offered, 1,000 online industrial safety topics are provided, and teaching materials on 83 accident case studies have been published.
- Commissioning of oil storage tank inspection and supervision of implementation.
- Reinforcement of the functions of the Safety Information Center and provision of lending and online data recovery systems.

## CPC Occupational Accidents 2002-2006

### Disabling Accident Ratio



### Disabling Accident Severity



### Overall Occupational Accident Index



# Pollution Prevention & Environmental Protection

To fulfill its corporate social responsibility and adhere firmly to the spirit of sustainable development, the CPC is engaged in a long-term effort to improve wastewater, air, noise, solid waste, and ground water pollution problems. In recent years the company has moved aggressively to survey and reduce carbon dioxide, adopting Best Available Control Technology (BACT) and equipment in all new investment projects in order to reduce pollution produced in production, transmission, and storage processes. In addition, the CPC strives actively to improve the quality of its oil products and achieve the goal of overall environmental protection.

To carry through with the environmental policy of "pollution prevention, employee participation, and constant improvement," the CPC has invested more than NT\$50 billion in environmental protection since 1989 and, since 1995, has been promoting the establishment of ISO 14001 environmental management systems in its various units. Twenty units had passed verification by the end of 2006. A company-wide environmental accounting

## Comparison of CPC Refinery Environmental Quality with National Standards

### 1. Effluents

Item	Year	1991 (before improvement)	2006	National Standard
COD (ppm)		150-300	62*-100	100
OIL (ppm)		5-10	< 5	10
SS (ppm)		30-70	< 30	30

\*monthly average

### 2. Emissions

Item	Year	1991 (before improvement)	2006	National Standard
SOx (ppm)	Gas Fuel	20-30	< 20	100
	Liquid Fuel	350-600	< 250	300
NOx (ppm)	Gas Fuel	120	< 100	150
	Liquid Fuel	250-300	< 200	250
TSP (mg/Nm <sup>3</sup> )	By emission Rate	30-180	20-100	< 25-500

### 3. Noise

Item	Year	1991 (before improvement)	2006	National Standard
Night limit (decibels)		55-70	< 55	55



system was set up in 2004 and 2005 to upgrade performance in environmental improvement in line with the international trend.

Although Taiwan is not a signatory of the 1997 Kyoto Protocol on greenhouse gas reduction, the CPC is working hard to reduce its own emissions of greenhouse gases in response to future trends in environmental protection. Plans have been drawn up to reduce carbon dioxide emissions at existing plants through the use of low-carbon fuels, the conservation of energy, the upgrading of the efficiency of equipment, and waste reduction. Carbon dioxide emissions had been cut by a total of 4,105,553 tons by the end of 2004, and the reduction in 2005 alone amounted to 165,718 tons; from 2006 to 2009, total accumulated reduction is expected to reach 1,000,000 tons.

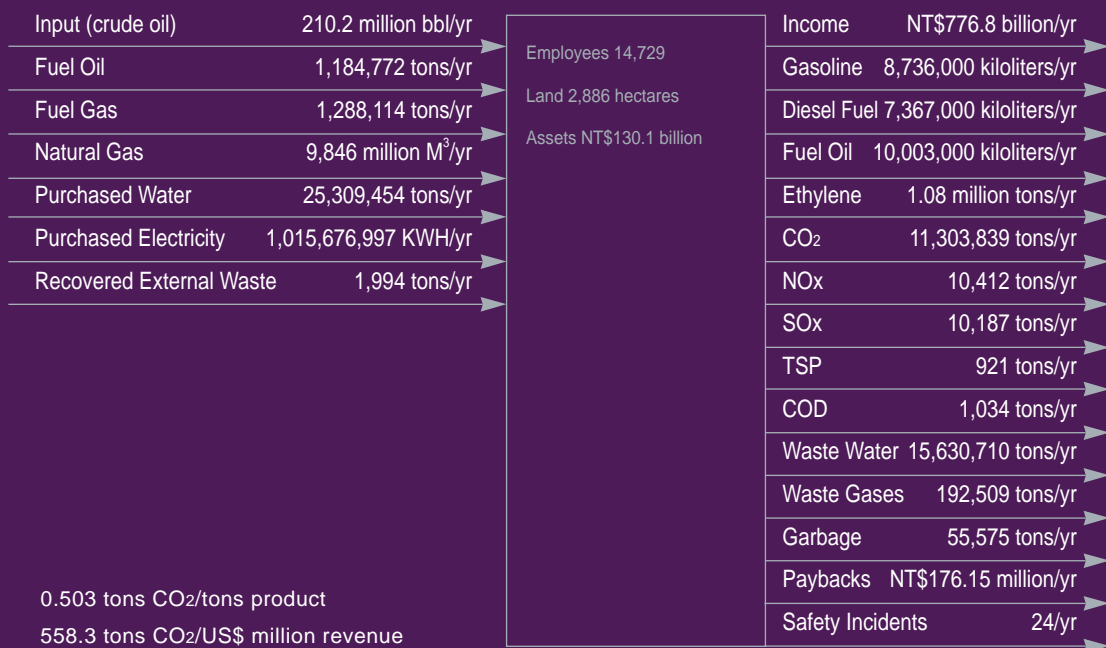




Since 1981 the CPC has been constantly improving the quality of its petroleum products by lowering the lead and benzene content of gasoline and the sulfur content of fuel oil and diesel fuel, while promoting the use of unleaded gasoline. The CPC halted the distribution of all leaded gasoline in January 2000 in line with the government environmental protection policies, and all gasoline produced at present meets the same environmental quality standards as those of the advanced nations. Regular diesel is banned on the main island of Taiwan, as well as in Penghu, Kinmen and Matsu. In October 2004 the sulfur content of premium diesel fuel was reduced to 50ppm. From July 1999 the CPC began supplying the Taipei, Taichung, and Kaohsiung areas with fuel oil having a sulfur content of less than 0.5wt%, and this supply was later extended to all parts of Taiwan and Matsu. Beginning in July 2005, the supply of fuel oil with a sulfur content of less than 0.5wt% has been expanded to cover the entire country. In addition, oil-fume recovery tanks have been installed at all CPC gas stations, resulting in the recover of 6,500 tons of oil fumes per year and helping to improve air quality.

Through years of constant effort the quality of Taiwan's petroleum products has been upgraded until today it compares with that of the United States, Japan, and other advanced countries. In the future the CPC will use the "New Environmental Standards for Petroleum Products" of the advanced countries as its benchmark in the ongoing pursuit of ever-better quality. With a love for home and environment in mind, the CPC will continue to employ the newest pollution prevention technology, constantly enhance environmental protection performance, pursue sustainable development, and share health and prosperity with the people of Taiwan.

### CPC Utilization of Resources, Production of Pollutants, and Production Value



- Equivalent energy consumption per unit for refineries: 128.64kkcal/kl crude
- Average equivalent energy consumption per unit for petrochemical plants: 7,766kkcal/MT ethylene

### CPC Greenhouse Gas Ecology Indexes

Index	2003	2004	2005	2006
1 Annual Income/(whole-year FOE) (NT\$/ton)	121,167	147,355	180,598	183,196
2 Annual Income/(whole-year CO <sub>2</sub> emissions) (NT\$/ton)	37,238	44,809	56,819	62,648
3 Income/(whole-year COD) (NT\$/ton)	388,313,955	619,659,466	751,667,823	1,261,839,820
4 Income/(SO <sub>x</sub> +NO <sub>x</sub> +TSP) (NT\$/ton)	20,311,165	25,207,277	29,586,780	31,188,266
5 Income/(emissions + waste water + solid waste) (NT\$/ton)	26,466	33,588	42,819	46,363
6 Income/(purchased electricity) (NT\$/KWH)	524	786	849	882





# R&D and Information Management



Research and development has always been the driving force behind the CPC's technological innovation, business development, and sustainable growth. In general, the Planning Division is responsible for the overall planning and implementation of R&D work, while the Exploration and Development Research Institute in Miaoli and the Refining and Manufacturing Research Institute in Chiayi are responsible for research in their respective fields. In addition, other production and business divisions have technology units that carry out on-site improvements and resolve production bottlenecks. The CPC has devoted strenuous efforts to R&D over the years, and as a result has effectively reduced operating costs and increased revenues while winning 142 patents in Taiwan and abroad.

Faced with the intense competition of the completely open market for petroleum products, the CPC will continue using R&D to break through technological bottlenecks in refining and exploration and will coordinate actively with the company's operational plans in carrying out forward-looking research, developing new products, and opening up new businesses with the aim of strengthening its overall competitiveness.

The company's R&D spending in 2006 totaled approximately NT\$1.46 billion, yielding the following major results:

## 1. Exploration and Production

- Evaluation of the petroleum system in the Dampier sub-basin in northwestern Australia revealed that the Kendrew and Lewis troughs have oil-producing potential, while the Rankin and Parker platforms have gas potential.
- Key exploration structures and reservoir rock targets were identified in the deeper part of south Caspian Sea.
- A 3D pore rate model of lower U sandzone was established for the block in Ecuador, where recoverable oil reserves are estimated at 14 million to 16 million barrels.
- Eight structural traps with the potential for accumulating petroleum gas were identified in the complex structures of the foothills of Taiwan.
- Eleven low-stand wedges with the potential for accumulating petroleum gas were identified at the southern and western edges of Taiwan's offshore F structure.
- Economically viable sand-control technologies were selected for shallow low-production gas wells.



- A potential was discovered for increasing the production of natural gas at the TT-1A layer on the highlands near Tiejhanshan well No. 34, providing an expected value of approximately NT\$370 million.
- Technology for drilling polymer mud analysis was set up and applied to the monitoring of well-drilling mud at Chuhuangkeng well No. 144.
- An assessment flowchart and plan for the treatment of underground oil contamination by chemical oxidants were mapped out.
- Subsidies in the amount of NT\$61.6 million were received from the Petroleum Foundation of the Ministry of Economic Affairs for petroleum development technology R&D projects in 2006.

## 2. Refining and Petrochemical Production

- The process of soybean germ separation, N-acetyl glucosamine bioconversion and peptide hydrolysis were developed, and the related commercial products had been marketed.
- A new isomerization process for converting heavy aromatics to gasoline components with low vapor pressure was developed.
- The propylene production process at the Linyuan petrochemical plant was improved and the production of polypropylene was increased.
- The feasibility of using bio-diesel and gasohol as substitute fuels for cars was studied.
- Coating formulas and techniques were provided for use in the painting of transmission and storage facilities.
- An all-weather long-distance oil pipeline monitoring system for the Kaohsiung-Keelung trunk pipeline was established.
- Corrosion inspections, anti-corrosion designs, and safety analyses for refining, transmission, and storage pipelines, storage tanks, furnace pipes, and heat exchangers were completed.
- A non-aqueous oxidative desulfurization process was developed for reducing the sulfur content of diesel fuel to under 10 ppm at low cost.
- Polymerization inhibitors, desalting additives, production process additives, cooling water processing additives, and microbiological products were developed and produced for use on sites to enhance operating efficiency.
- RDS/RFCC catalysts were evaluated and selected for use in refineries, resulting in better product yields and lower operating costs.
- Refineries were assisted in establishing risk-based inspection and turnaround planning techniques so as to reduce operating risk and cost.
- Remedies were applied to deal with spills at refineries and on highways, and with pollution at gas stations.





### 3. Management and Energy Economics

- An analysis of the domestic and international petroleum industry was carried out in order to understand changes in the operating environment.
- Studies of the VIP card and customer relationship management were carried out with the aim of boosting customer satisfaction and strengthening brand loyalty.
- The forecast supply and demand in the domestic petroleum and petrochemical markets, and potential markets, were analyzed.
- An "Oil Risk Assessment System" was established to serve as a reference in managing derivative products.
- Analysis and projection were carried out for major short-term international index oil prices.
- Planning and composition of the "CPC Sustainability Report" were carried out.

In the area of information management, the CPC's current strategy is to use the latest information technology, carry out process re-engineering, implement integrated corporate resource planning, and establish an e-enterprise with the aim of grasping core technology, establishing a digital knowledge bank, reducing information and telecommunication costs, and developing innovative information services. The aim is to use front-rank international energy companies as a benchmark and to gain a greater competitive advantage through the utilization of information technology.

In coordination with the development of core businesses, following the installation of mainframe and peripheral equipment, establishment of a remote back-up communications channel, and setting up of open-system server facilities in 2005 the CPC carried out an unannounced switch of the headquarters operating environment to the Kaohsiung Refining Unit's mainframe in 2006 in order to verify the feasibility and effectiveness of these new facilities. Only 20 minutes were needed to effect recovery and it was not necessary for users to change any equipment. This was the first such operation in Taiwan, and the results were exemplary. In addition, a remote server back-up plan was completed in 2006 in order to assure an effective operating environment and the continuation of normal operations, thereby upgrading the long-term operation of the remote back-up center and system loading capability as well as reinforcing the operating capability of the back-up center. At the same time, key mission information systems were developed and maintained, including the improvement of key information operating procedures, the closing of accounts on the first day of each month, the development and promotion of an integrated e-business system for oil products, and the strengthening of the POS system at filling stations and the diversified marketing network. A Refining and Petrochemical Information System was set up, production planning and oil accounting were integrated, an Exploration Information System was established, and the Exploration Management and Geographic Information System was integrated.

To meet the development of information, digitization, and globalization in the new century, the CPC's overall information systems development will, in the future, be founded on a complete ERP system, customer relationship management, enterprise intelligence, knowledge management, e-commerce, integration of corporate applications, management innovation, and information infrastructure. In the area of systems development, operating processes will be integrated to reduce the time required to close monthly accounts and professional information technology will be used to enhance production performance. On the service side, customer relationship management will be deepened through the provision of quality services, and virtual and physical service channels will be integrated to expand the industrial value chain. In the utilization of business intelligence, knowledge management will be used to increase e-business capital and decision-making systems will be promoted to spread information applications. In the field of information and communications, online services will be integrated and the establishment of the infrastructure environment will be strengthened. On the management side, the CPC's information organization will be reinforced to enhance the performance of management. All process operations will be built on an open-system integrated IT resource operating platform and all of the CPC's internal IT resources, processes, infrastructure framework will be synchronized in order to provide full support for competition in the market.



In response to the development of the Internet and the advent of the knowledge economy, the CPC will build up its e-commerce operations in order to earn profits, consolidate its market, and continue growing. It will establish a sales, storage, and shipping platform, promote ePOS at mixed-use filling stations, develop high-level control and application software systems, and build up complete service and management systems with the ability to provide the best in service.

# Human Resources

The CPC currently has a total of 14,729 employees. The company strives to develop the potential of its employees fully through long-term efforts at training and assistance, while at the same time strengthening incentive and welfare measures and pinpointing managerial talent with the aim of having its corporate development led by outstanding human resources.

In its use of manpower, the company has carried out continuous organizational and process re-engineering in recent years and has established personnel rotation rules in order to use its



manpower effectively. It has also constantly recruited young professionals to inject new blood and bring about an overall upgrading of manpower competitiveness. To achieve its corporate growth targets, in addition to the consideration of necessary professional qualifications and character in the selection of executives, the company uses management and leadership development training to help the executives achieve their full potential. At the same time the company is strengthening on on-the-job training at all levels, integrating existing training systems in the establishment of a Petroleum University, enhancing professional skills, and developing multi-skilled employees so as to facilitate manpower utilization. The company encourages its employees to participate in national skills qualification examinations and helps them to obtain needed industrial safety, environmental protection, and other certifications; and, in line



with the needs of the company's transformation, strengthens second-skill training. In addition, employees are chosen on a regular basis to go abroad for advanced education, research, or internship, or to participation in seminars of various types in line with business needs.

In the area of work incentives and welfare, the CPC gives out bonuses of various kinds based on the company's overall performance as well as on the contributions and job performance of individual employees. In addition, welfare committees organize all sorts of welfare and entertainment activities. All employees participate in national health insurance, civil service insurance, labor insurance, group life insurance, and accident insurance; in addition, consolation payments are made in cases of job-related injury, disability, or death. The different business units also run clinics, company restaurants, libraries, company stores, and other welfare facilities, along with swimming pools, ball fields, gymnasiums, and the like at their place of operation. In addition, there are scholarships for employees' children; educational loans for children in college and university; medical subsidies for employees and their dependents; wedding, funeral, and retirement subsidies; and interest-free emergency loans. Contributions are made to support the activities of civic groups, such as ball games, bridge tournaments, mountain climbing, swimming, painting, and film appreciation, in order to provide physical and mental relaxation for employees and to boost their working morale.

# Affiliates

The CPC holds equity in numerous companies, both at home and overseas. The most representative of these are introduced below:

- Kuo Kuang Power Co. Ltd. (KKPC)

In line with the government policy of opening power plants to private operation in order to alleviate Taiwan's insufficiency of power supply, the CPC and private investors have jointly established the Kuo Kuang Power Co. (with the CPC holding 45% of the equity) and constructed a gas-fired power plant with an installed capacity of 480MW at Gueishan Township in Taoyuan County. The plant began commercial operation on Nov. 3, 2003.

- China American Petrochemical Co. Ltd. (CAPCO)

Established in 1976, the China American Petrochemical Co. is the major supplier of purified terephthalic acid (PTA) to the polyester industry in Taiwan. The company is capitalized at NT\$7.08 billion, and its plants in Taichung and the Linyuan Petrochemical Complex in Kaohsiung have a combined annual capacity of 1.9 million tons. CPC owns 38.5% of the company's equity.

- CPC-Shell Lubricant Co. Ltd. (CSLC)

Established in 1965, the CPC-Shell Lubricant Co. is located at the CPC's Kaohsiung Refinery and mainly produces base oils, lubricants, and byproducts. The CPC holds 49% of the company's equity.





● Dai Hai Petrol Corp. (DHP)

Established in 1994, the Dai Hai Petrol Corp. is headquartered in Haiphong, Vietnam and owns docks, receiving equipment, and liquefied petroleum gas (LPG) storage and distribution facilities with a capacity of 1,050 tons. It also operates two LPG filling stations in Hanoi City. The company engages primarily in the storage, transport, and supply of LPG, asphalt, and other petroleum products in northern Vietnam. The CPC owns 35% of its equity.





● Qatar Fuel Additives Company Ltd. (QAFAC)

The Qatar Fuel Additives Company was established in 1996 as a joint venture between the CPC, Qatar Petroleum, Lee Chang Yung Chemical Industry Corp., and Canada's International Octane Ltd. The company is located in the Qatar Mesaieed Industrial City; it went on stream on June 20, 2000, producing mainly methanol and MTBE. The CPC owns 20% of its equity. The company plans to construct a second methanol plant with a daily capacity of 6,750 tons and an ammonia plant with a daily output of 1,000 tons, also in the Measaieed Industrial City.

● Faraway Maritimes Shipping Co. (FMSC)

The Faraway Maritimes Shipping Co. was jointly established in 1997 by the CPC and its foreign partner, Osprey; the company built the LNG carrier Golar Mazo, which was delivered on Jan. 7, 2000 and went into service on the 15<sup>th</sup> of that month. The ship carries LNG purchased from Badak VI in Indonesia, completing 27 voyages in 2006. The CPC owns 40% of the equity.

● Chun Pin Enterprise Co. Ltd. (CPEC)

Established in 2003, the Chun Pin Enterprise Co. Ltd. carried out the construction of East Wharfs 4, 5, and 6, as well as E2-2-area storage tanks, at the Port of Taipei. It engages in the storage and transshipment of petroleum and petrochemical products, with commercial operation starting in May 2006. The CPC holds 49% of the equity.

● Kuokuang Petrochemical Technology Co. Ltd. (KPTC)

To bring about vertical integration of upstream, midstream, and downstream production in the refinery and petrochemical industry, the CPC and domestic private companies jointly established the Kuokuang Petrochemical Technology Co. Ltd. in 2006 to carry out the Yunlin Petrochemical Technology Park Project. The project involves the construction of a refinery, naphtha cracker, aromatics complex, petrochemical derivatives plants, cogeneration plant, and industrial harbor in the Yunlin offshore industrial estate. The CPC owns 43% of the equity in the company.

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