2011

CPC Corporation, Taiwan

Contents

CPC

At a time when global petroleum resources are gradually being exhausted, the CPC will faithfully perform its role as the main domestic supplier of clean energy and will strive to create a win-win-win situation for environmental protection, economic development, and energy efficiency.

Message from the President

The impact of the financial turmoil of the previous year continued into 2009; the global economy was in recession, demand in energy markets shrank, and international oil prices dropped. With sales volume and oil prices both falling, the CPC's revenue declined to NT$735 billion, the lowest level in recent years. Thanks to a more rational domestic floating price mechanism and improving economic conditions, however, together with the efforts of its entire staff, the CPC broke away from the huge loss of the previous year and, after taking an inventory valuation deduction of NT$28.4 billion, earned a profit of NT$500 million for the year.

The CPC has always placed heavy emphasis on industrial safety, which it takes as the cornerstone of its corporate development. The company completed Taiwan Occupational Safety and Health Management System (TOSHMS) certification in 2009, and has set the goal of achieving U.S. National Safety Council (NSC) Campbell certification in 2011. The CPC's overall accident index for 2009 was 0.87, an improvement over 2008; the company will constantly implement the occupational safety inspection system and follow standard operating procedures (SOPs) closely with the aim of achieving the goals of "100% worker safety" and "zero accidents." To protect the environment the CPC is also participating actively in energy conservation and carbon reduction work; the company's first five-year CO_2 reduction plan was completed at the end of 2009, resulting in an accumulated reduction of 1.19 million tons, better than the original target of 1 million tons. The company will continue carrying out the second five-year plan, which is expected to reduce carbon by a further 650,000 tons.

In view of the fact that the major oil companies of the world all possess large oil and gas resources, and since Taiwan relies on imports for almost all of its energy needs, the CPC is striving to heighten its ratio of self-owned energy and reinforce its international competitiveness by expanding investments and operations in upstream exploration, strengthening overseas exploration and oil- and gas-field acquisition, and increasing its exploration budget with the aim of expanding its oil and gas reserves. In 2009 the company acquired six new oil fields: Cutthroat, Topper in the U.S. states of Texas and Louisiana, Amborip VI and the Sanga Sanga coal-bed gas field in Indonesia, an offshore field in Belize, and the NT/P76 field in Australia. The CPC also continued cooperating with mainland China in exploration under the Tainan-Chaoshan Petroleum Contract, and has expanded cross-straits cooperation in the exploration of overseas fields with high oil-gas potential so as to enhance the acquisition of fields and heighten the exploration success rate.

In Taiwan the company has maintained production volume at existing fields. Besides upgrading gas-field production-boosting technology, the CPC has also applied to restart the Kaohsiung offshore F structure development plan; the application is in the process of approval, and hopefully within three years the natural gas produced at the F structure will be able to replace production from the Miaoli fields, which are becoming exhausted, thereby boosting the CPC's self-production capability for natural gas and permitting the continued development of Taiwan's on- and offshore exploitation.

In the area of petroleum refining, the entry into production of oil refining facilities and petrochemical plants in mainland China, India, and the Middle East means that the supply of petroleum products exceeds demand and a period of thin profits is at hand. The petrochemical market will fall into the doldrums because of intense competition. To counter this situation the CPC is speeding up the renewal of its refining structure, completing a new gasoline and diesel hydrodesulfurization unit at the Taoyuan Refinery and the Fifth and Sixth Reforming Plants at the Dalin Refinery in 2009, thus reducing costs and enhancing the quality of petroleum products. Work on the third naphtha cracker renewal plan at the Linyuan Refinery began in August 2009 and is projected for completion at the end of 2012.

The CPC's reinvested enterprises performed well in 2009, earning the company NT$2.46 billion for a 20% return on investment. Among the invested enterprises, the NiMiC Ship Management Company's four LNG carriers will begin operating in 2010, and the CPC will set up a new oil tanker company. The long-delayed KuoKuang Petrochemical Park joint-venture project has been switched to Dacheng in Changhua, where a complete CPC petrochemical complex with integrated up-, mid-, and downstream production will be developed, helping to upgrade the company's overall competitiveness. Joint-venture projects still in the planning stage include the development and utilization of C5 olefins and the plantation of Jatropha curcas (physic nut) trees. The CPC is also actively engaged in the development of new and renewable energies and is planning for the development of the hydrogen energy, photovoltaic, and battery energy storage industries.

The CPC strives to instill a proactive, responsible, and enterprising work attitude in all its personnel by promoting a corporate culture based on the principle of accountability. To cope with changes in the operating environment the company reviews its organization, pursues reform, and works to improve its manpower and job structures; it also reviews its bonus system and welfare measures with the aim of enhancing the performance of its structure and manpower utilization. An Organizational Reform Committee was set up in 2009 to promote the sharing of procurement, accounting, information, human resources, and storage assets; and, under the shared organization principle, the Southern Taiwan Procurement Center was placed under the headquarters Department of Procurement. To cope with changes in demand in the domestic petroleum products market, the company's production and marketing were returned to a market orientation and a Department of Supply & Trading was set up to expand trade in petroleum products, boost flexibility in petroleum product operations, and move aggressively into the international market.

In conformity with the government's policy of strengthening corporate governance, the CPC follows the relevant law in implementing its corporate governance system while using the professionalism of its directors and supervisors to achieve the goals of "reinforcing the competence of the board of directors," "fulfilling the function of supervisors," "strengthening the internal control system and internal auditing," and "disclosing important information" with the aim of boosting competitiveness and risk control capabilities as well as strengthening company operations.

The CPC fulfills its corporate social responsibility (CSR) through involvement in social concerns and care for disadvantaged groups, Besides providing grants for outstanding sportsmen, sponsorship for cultural activities, help for community construction in areas neighboring CPC plants, shortening the digital divide between urban and rural areas, promoting reforestation, "adopting" streams, wetlands, and slopeland, providing care for orphans and indigent children and seniors, in 2009 the CPC's 34 "Loving Care" filling stations throughout Taiwan employed more than 200 mentally and physically handicapped people. The number of these stations is expected to increase to 40 in 2010.

In the rigorous environment that lies ahead, the CPC will hold to the principle of entrepreneurial operation and continue striving for internationalized development, competitive costs, and market-leading brands while devoting itself to corporate re-engineering and insisting on no-compromise service quality. Following six decades of growth, the company is able to continue developing only because of the long-term care and support of our domestic and foreign customers as well as our cooperating companies. Our hope for the future is that in the process of realizing the vision of developing into a group that encompasses petroleum products, petrochemicals, and high-tech energy, the CPC will continue being favored with the maximum of support. For that support, we extend our greatest respect and appreciation.

President

S. H. Chu

Sustainable Development

CPC

Established in Shanghai on June 1st, 1946, the Chinese Petroleum Corp. (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 import, exploration, development, refining, transportation, marketing, and sale of petroleum and natural gas, as well as the production and supply of petrochemicals.

At its 550th meeting in February 2007 the Board of Directors approved a change in the name of the company from the Chinese Petroleum Corporation to CPC Corporation, Taiwan, retaining its "Chinese Petroleum" name in Chinese, its logo, and its "CPC" name in English. The objective of this change is to expand the firm's international business, reinforce the principle of keeping roots in Taiwan, and extending the precious reputation that the company has built up over the decades. The CPC's total capital stands at NT$130.1 billion, and its total revenues in 2009 amounted to NT$735 billion.

During the more than 60 years since its establishment, the CPC has been fully able to fulfill its mission of providing a stable supply of oil products and stimulating the development of petrochemical industries, enabling Taiwan's economy to achieve soaring growth and the island's people to enjoy prosperity, and for this accomplishment the company has won the approbation of all sectors of society. Faced with the impact of the general opening of Taiwan's market for petroleum products in recent years, the CPC has moved to consolidate its operating advantages and deeply implant its competitive capabilities not only by engaging in organizational re-engineering and personnel downsizing but also by carrying out production-cost reductions and pursuing maximum benefit in its advancement toward corporatized operations. At the same time it has vigorously sought out opportunities to cooperate with major international oil companies in the development of upstream exploration, petrochemical development, and marketing channels with the aim of expanding the company's business scope and expanding in the international market. The CPC hopes, in this way, to become a safe, clean, and competitive international energy company that advances toward sustainable operation and continues to provide the people of Taiwan with high-efficiency, high-quality energy products.

As a government company, even as it pursues profit the CPC does not neglect its corporate social responsibility. In addition to continuously enhancing the quality of petroleum products, bringing in and promoting the use of liquefied natural gas (LNG) as a source of clean energy, striving for environmental protection over the years, the company has, without regard to cost, also provided the oil needed by the military and the people of remote areas and offshore islands. At the same time it has continuously carried out social-care activities, promoting understanding of the petrochemical industry among the public, educating the people in the safe use of oil and gas, holding safety and health seminars, and guiding enterprises in strengthening the culture of safety. The company also supports disadvantaged groups, participates in social-benefit activities, sponsors cultural activities, and provides incentives for elite personnel; in addition, it assists with construction around plants and oil exploration areas, works for ecological conservation, practices care for local cultures, promotes environmental education, and stimulates local advancement. These activities conform to the general 21st-century trend toward sustainable operation, and to the progress of corporate operations toward an emphasis on economic growth, environmental protection, and social benefit as well. Even as the company pursues commercial benefit, it also strives for social justice, human rights, safety and health, community development, and environmental protection.

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

- Following government regulations and complying with international agreements
- Full-scale clean production and environmental protection
- The efficient use of resources and constant water and energy conservation
- Emphasizing social responsibility and expanding the scope of services
- Creating environmental policies and making information transparent
- Active commitment to research and development for the creation of new realms of operation

The CPC joined the World Business Council for Sustainable Development (WBCSD) in 2006 and has set up a Committee for the Promotion of Sustainable Development; the Committee is divided into four subcommittees: Environment & Conservation, Social Consciousness, Policy and Research & Development, and Environmental Accounting & Information, all of which adopt appropriate strategies and formulate action plans to attain the ultimate goals of building a reputable corporate image and advancing toward sustainability. The CPC also published "Sustainable Development Reports" in 2007 and 2009 to fulfill its corporate social responsibility for the disclosure of information.

At a time when global petroleum resources are gradually being exhausted, the CPC will faithfully perform its role as the main domestic supplier of clean energy and will strive to create a win-win-win situation for environmental protection, economic development, and energy efficiency.

Board & Corporate Officers

CPC

Board of Directors

Chairperson of the Board	S.H. Chu (Acting)
Standing Directors	Huei-Chu Liao S.H. Chu Neng-Chuan Chou
Directors	Chia-Shen Chen Ssu-Li Chang Cheng-Liang Chen Tu-Shui Wu Kwung-Shing Wu J. W. Sun Ping-Cheng Li Tung-Yi Lee Tiao-Tsan Lai
Supervisors	Lien-Hwa Hsiang Chiun-Lin Hwang Yu-Hui Su

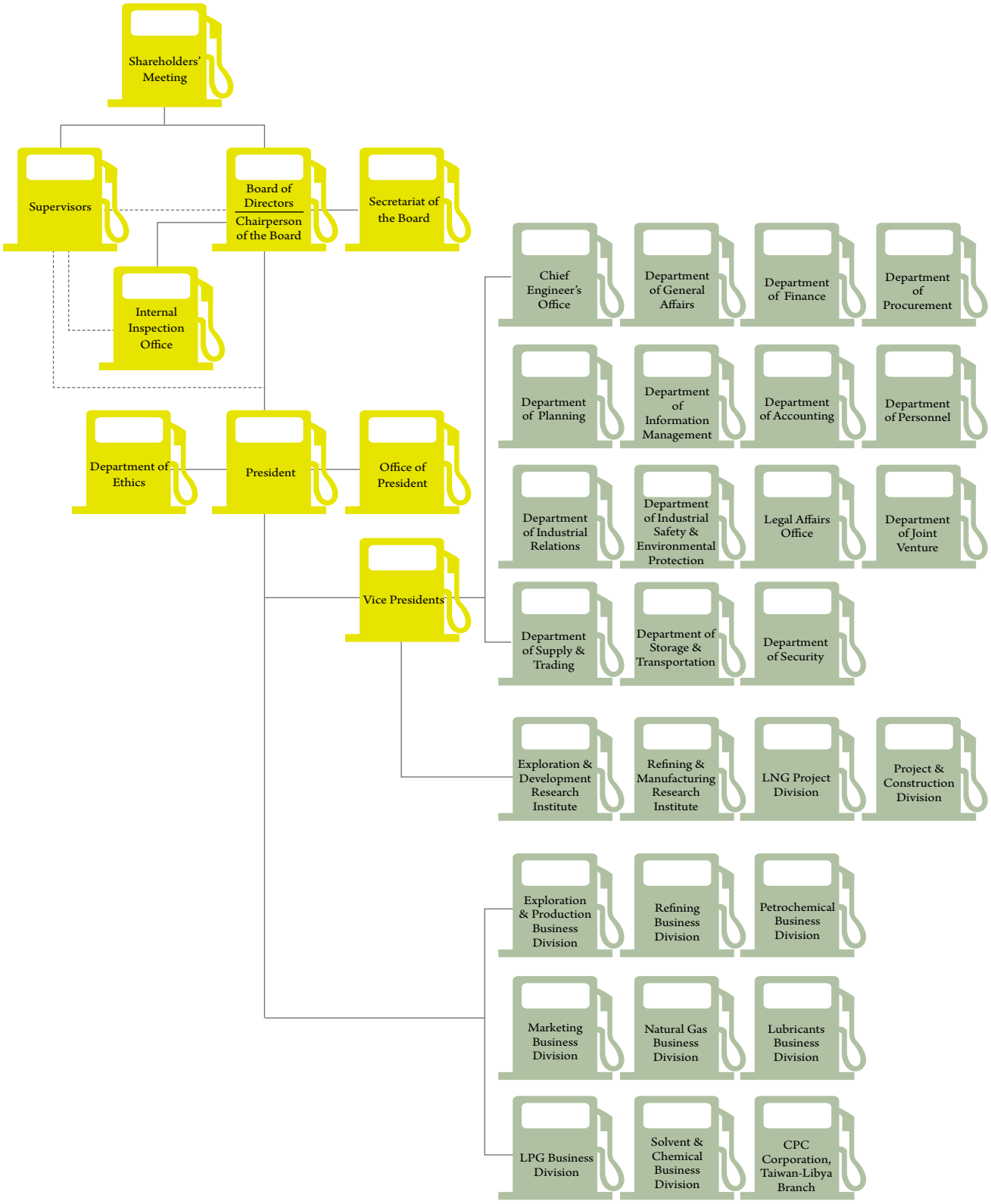
Corporate Officers

President	S. H. Chu
Vice Presidents	Maw-Wen Lin J. S.Yang Chung-Chen Chiang W.T. Wu Bor-Sung Hsu L.W.Chen
CEO, Exploration & Production Business Division	J. S.Yang (concurrently VP)
CEO, Refining Business Division	W.T. Wu (concurrently VP)
CEO, Petrochemical Business Division	Deng-Hsiang Hwang
CEO, Marketing Business Division	Chung-Chen Chiang (concurrently VP)
CEO, Natural Gas Business Division	J.Y. Chen
CEO, Lubricants Business Division	C.Yen
CEO, LPG Business Division	C.H. Liu
CEO, Solvent & Chemical Business Division	Jimmy Chang
Director, Refining & Manufacturing Research Institute	H. C. Shen
Director, Exploration & Development Research Institute	Jong-Chang Wu
Director, LNG Project Division	T. H. Fu
Director, Project & Construction Division	Hsu-Ching Wu

From left

VP Bor-Sung Hsu • VP Chung-Chen Chiang • VP Maw-Wen Lin • President S. H. Chu • VP J. S.Yang • VP W.T. Wu • VP L.W.Chen

Organization Chart



CPC

With our commitments

to Supreme Quality,
Superb Service &
Selfless Contribution

Supreme Quality • Superb Service • Selfless Contribution

Upstream Operations

Exploration and Production

For many years the CPC has engaged in cooperative exploration with governments, state-owned petroleum companies, and large international oil companies under the name of the Overseas Petroleum and Investment Corp. (OPIC), spreading its operations throughout the Americas, the Asia-Pacific region, and Africa.

In response to the sharp fluctuations in international oil prices in recent years, the CPC has exerted strenuous efforts in the development of upstream exploration in order to secure its own oil sources and enhance its overall performance; and, in line with the government's policy of "deepening the energy supply safety mechanism and promoting international energy cooperation," has constantly engaged in international cooperation in exploration and development in the hope of discovering new reserves of oil and natural gas. By the end of 2009 the CPC had engaged in cooperative exploration and production with international oil companies at 20 fields in nine countries, including Block 16 and 17 in Ecuador; Sanga Sanga, Bulungan, Amborip VI, and the Sanga Sanga coal-bed gas field in Indonesia; the Gulf of Paria East and Gulf of Paria West fields in Venezuela; the AC/P21 and NT/P76 fields in Australia; the Caviar, Manahuilla, West Avondale, Cutthroat, and Topper and Hurricane Creek fields in the United States; the Murzuq 162 field in Libya; the BCO 111/BCS 11/BLT I field in Chad; Block 9 in Kenya; and an offshore field in Belize.



Among these, Blocks 16 and 17 in Ecuador, Sanga Sanga in Indonesia, and Caviar and Manahuilla in the U.S. are producing fields; drill bidding is under way for the fields in Libya and Chad, for which the CPC acts as operator; seismic data is being processed for the field in Belize; and drilling began at the Bogal-1-1 well in Kenya on Oct. 28. Of the 152 producing wells in Block 16 in Ecuador, workover has been completed on 77 and drilling on two; and of the 22 producing wells in Block 17, drilling has been completed for four. Of the 558 producing wells in Indonesia's Sanga Sanga field, development was completed for 52 wells and workover for seven. The CPC received a total of 4.6 million barrels of oil and 438 million cubic meters of natural gas produced by wells in Ecuador, Indonesia, and the U.S. in 2009.

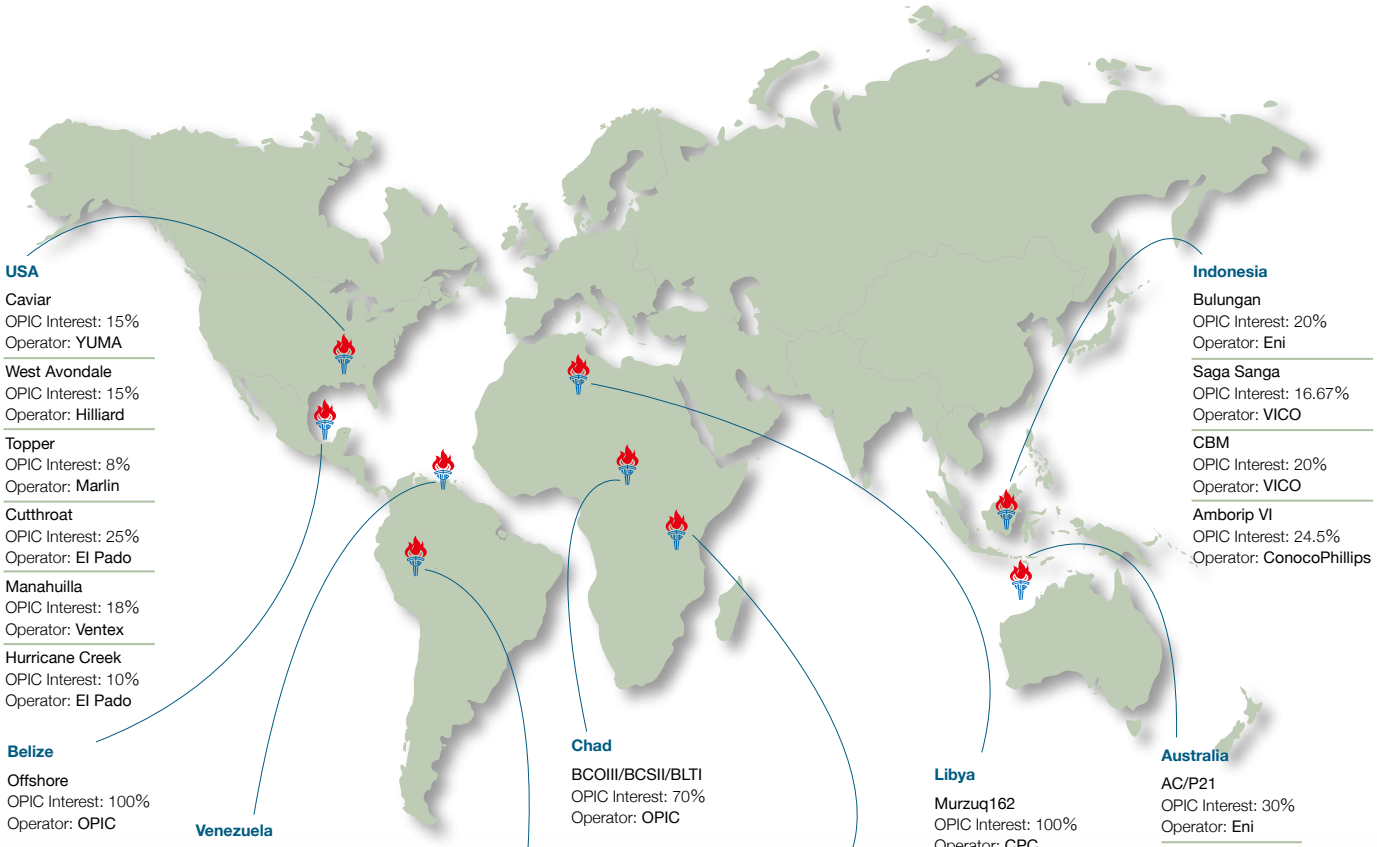
On land in Taiwan, in 2009 the CPC completed 704.75 kilometers of seismic testing and 76 square kilometers of geological surveys, and drilled two wells. There are currently 37 natural gas wells in the Tiezhanshan, Qingcaohu, Jinshui, Chuhuangkeng, and Guantian fields, producing a total of 421 million cubic meters of natural gas and 16,000 kiloliters of condensate per year.

In offshore operations, the CPC has applied for the resumption of the F Structure Natural Gas Exploration Plan, which has been delayed for two years, and the application is in the approval process. Natural gas produced from the F Structure is expected to replace production from the Miaoli Field, which is becoming depleted, within three years, strengthening the CPC's ability to supply natural gas from its own production.

In the field of cross-straits cooperation, drilling began on the second well under the Tainan-Chaoshan Petroleum Contract, Dapu 21-1-1, on Sep. 10, 2009. No gas of economic value was discovered.

In the future, in its strategic deployment the CPC will seek to create a more promising situation in overseas exploration and production by heightening the assets value of its existing overseas oil and gas fields and establishing core areas with high rates of growth, participating actively in bidding for open blocks, seeking opportunities to take over fields from large oil companies, and pursuing opportunities for M&As in new oil and gas fields so as to add more to the company's reserves.

CPC's Overseas Cooperative Exploration Fields



USA

Caviar
OPIC Interest: 15%
Operator: YUMA

West Avondale
OPIC Interest: 15%
Operator: Hilliard

Topper
OPIC Interest: 8%
Operator: Marlin

Cutthroat
OPIC Interest: 25%
Operator: El Pado

Manahuilla
OPIC Interest: 18%
Operator: Ventex

Hurricane Creek
OPIC Interest: 10%
Operator: El Pado

Belize

Offshore
OPIC Interest: 100%
Operator: OPIC

Venezuela

Gulf of Paria West
OPIC Interest: 10%
Operator: PPSA
（Corocoro, OPIC Interest: 6.5%）

Gulf of Paria East
OPIC Interest: 7.5%
Operator: PPSA

Ecuador

Block 16
OPIC Interest: 31%
Operator: Repsol-YPF

Block 17
OPIC Interest: ：30%
Operator: PetroOriental

Chad

BCOIII/BCSII/BLTI
OPIC Interest: 70%
Operator: OPIC

Kenya

Block 9
OPIC Interest: 30%
Operator: CNOOC

Libya

Murzuq162
OPIC Interest: 100%
Operator: CPC

Indonesia

Bulungan
OPIC Interest: 20%
Operator: Eni

Saga Sanga
OPIC Interest: 16.67%
Operator: VICO

CBM
OPIC Interest: 20%
Operator: VICO

Amborip VI
OPIC Interest: 24.5%
Operator: ConocoPhillips

Australia

AC/P21
OPIC Interest: 30%
Operator: Eni

NT/P76
OPIC Interest: 40%
Operator: SIPC

Downstream Operations

Importation & Refining

As only an extremely small amount of crude oil is produced in Taiwan, almost all of the crude that is refined by the CPC has to be imported. To assure the stability of crude oil supplies, the company not only purchases over half of its crude oil through long-term contracts but also makes efforts to diversify its sources. Imports of crude oil in 2009 totaled 166.49 million barrels; 66% of the total came from the Middle East and the rest from Southeast Asia, Africa, Australia, and Central Asia. In recent years, the volume of low-sulfur crude oil has been increasing steadily in line with the growing stringency of domestic environmental protection standards.

To receive the oil it imports, the CPC has mooring buoys for large tankers offshore Shalung terminal in Taoyuan County and Talinpu terminal in Kaohsiung County, and has oil tanker docks at Kaohsiung, Taichung, and Shenao harbors. The company also possesses a considerable tanker fleet in order to secure oil transportation tonnage and stabilize shipping costs; the fleet consists of one 260,000-ton tanker, four 150,000-ton tankers, two 100,000-ton tankers, and three 40,000-ton tankers. In total, oil shipped by the CPC's own fleet in 2009 amounted to 5.57 million tons.

The CPC's three existing refineries, one each in Kaohsiung, Taoyuan, and Dalin, have a combined daily capacity of 720,000 barrels. The Kaohsiung Refinery, which has the longest history of the three, is a large integrated oil refining and petrochemical production facility featuring a complex production process and a complete range of equipment. It has a capacity of 220,000 barrels of crude oil per day. The Dalin Refinery, which split off from Kaohsiung to become independent in 1996, has four offshore mooring buoys as well as both large and small docks for the unloading and loading of crude oil and petroleum products. It has a topping capacity of 300,000 barrels 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 daily capacity of 200,000 barrels of crude oil. For CPC, the total output of petroleum products in 2009 amounted to 8,779,000 kiloliters of gasoline, 7,293,000 kiloliters of diesel fuel, 6,713,000 kiloliters of fuel oil, and 548,000 metric tons of liquefied petroleum gas.

In response to increasingly stringent demands in regard to the environment and the quality of life by the people of Taiwan, and their continuously diversifying 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 such as units for reforming, isomerization, TAME, gasoline, diesel fuel hydrodesulfurization, aviation fuel processing, N-paraffin processing, 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 the No. 4 boiler at the Taoyuan refinery.

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 to under 10ppm and of the aromatics content to under 35vol%, and a lowering of the olefins content of gasoline to under 18vol% by 2011--by working to achieve the goal of supplying of gasoline and diesel with a sulfur content below 10ppm in 2011. To this end, in 2005 the company began to build 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, a 20,000-barrel-per-day gasoline hydrodesulfurization plant, and a 18,000-barrel-per-day cracked gasoline hydrodesulfurization plant at the Dalin Refinery.

In addition, the company plans to boost its heavy-oil conversion ratio by building an 80,000-barrel-per-day heavy-oil conversion plant and a 14,000 barrel-per-day alkylation plant at the Dalin Refinery (with construction beginning in 2006), and a 70,000-barrel-per-day heavy-oil desulfurization plant and related hydrogen/sulfur recovery unit at the Taoyuan Refinery (with construction being suspended for two years, however, because of cost inflation). Also, to improve the quality of its gasoline, the CPC plans to build a 14,000 barrel-per-day alkylation plant, designed to process a mixed butylenes feedstock from the RFCC plant, at the Dalin Refinery.

To deal with the excessive production capacity for gasoline and diesel fuel and the continuing insufficiency of production capacity for low sulfur fuel oil following the liberalization of the domestic market, the CPC has made efforts to readjust and improve its refining structure to conform to market needs and trends and to increase its ratio of heavy oil conversion in order to optimize its oil production. The company is also working constantly to lower its refining costs. The company's total exports of major petroleum products in 2009 amounted to approximately 3.37 million metric tons (4.66 million kiloliters), with shipments going to Japan, Hong Kong, the Philippines, Malaysia, Singapore, New Zealand, Australia, South Korea, mainland China, the U.S., and the Middle East. The CPC will continue developing export markets in order to achieve maximum benefit for the company.

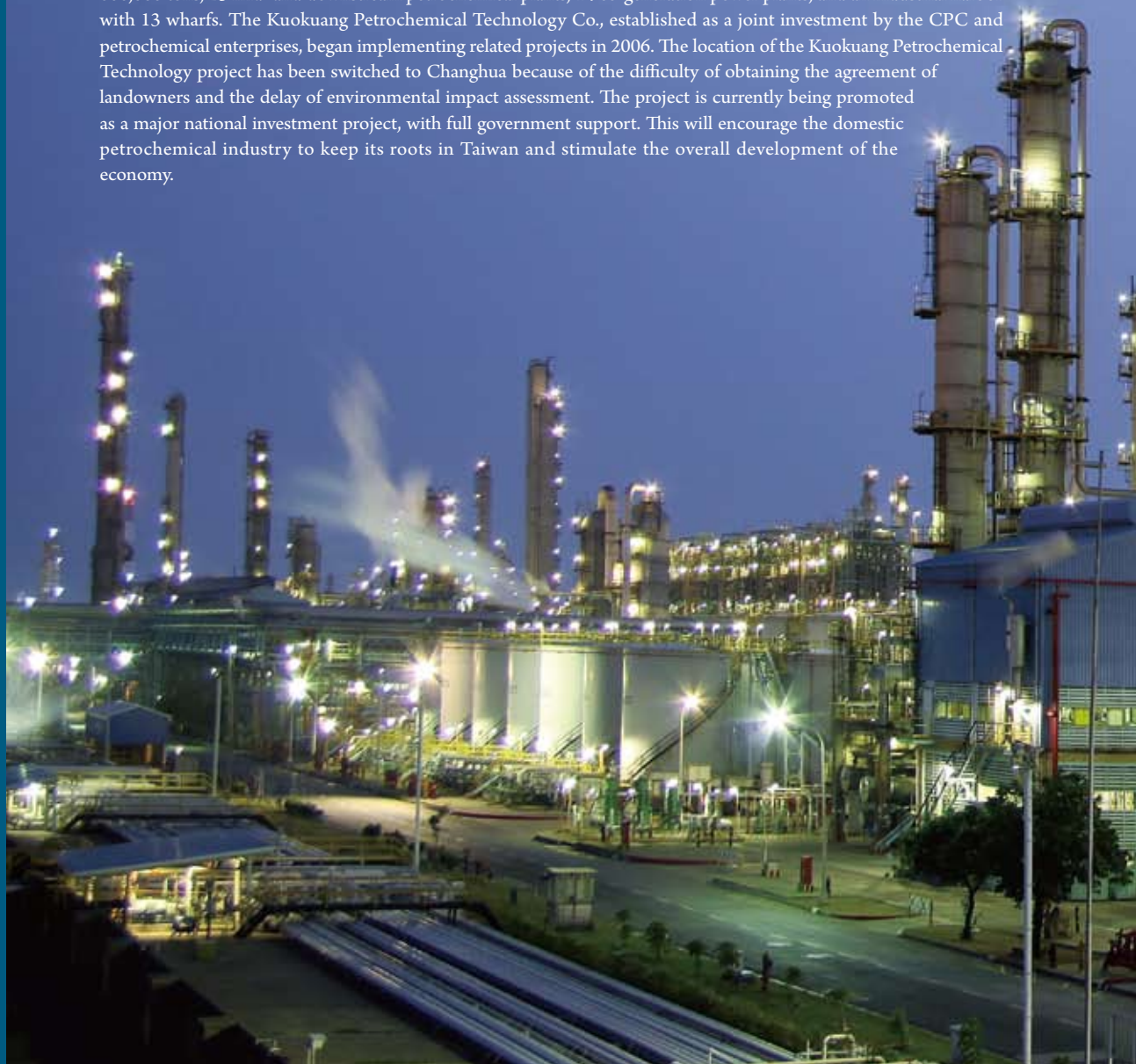
Petrochemical Production

The CPC's main bases of petrochemical production are located at the Linyuan Petrochemical Plant (third and fourth naphtha crackers) and Kaohsiung Refinery (fifth naphtha cracker). The current annual production capacity of ethylene is 1.08 million metric tons, and annual production of petrochemical feedstocks includes 725,000 tons of propylene, 173,000 tons of butadiene, 492,000 tons of benzene, 560,000 tons of para-xylene, and 130,000 tons of ortho-xylene.

The Linyuan Petrochemical Plant operates under the Petrochemical Business Division and is equipped with catalytic reforming, naphtha cracking, butadiene and aromatics extraction, xylene separation, transalkylation, and isomerization units. 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, 360,000 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. The Kuokuang Petrochemical Technology Co., established as a joint investment by the CPC and petrochemical enterprises, began implementing related projects in 2006. The location of the Kuokuang Petrochemical Technology project has been switched to Changhua because of the difficulty of obtaining the agreement of landowners and the delay of environmental impact assessment. The project is currently being promoted as a major national investment project, with full government support. This will encourage the domestic petrochemical industry to keep its roots in Taiwan and stimulate the overall development of the economy.



CPC

Marketing

The CPC's Marketing Business Division is responsible for the domestic sale of oil products, mainly automotive gasoline, aviation fuel, diesel fuel, and fuel oil. Total sales of oil products in 2009 amounted to 20,175 kiloliters, down 11% from the year before, and total revenue from oil sales was approximately NT$377.4 billion, a decrease of 25.4%. Automotive gasoline accounted for the largest portion of total sales, with about 46.7%, followed by diesel fuel with about 24.8%, fuel oil with about 21.9%, and aviation fuel with 6.6%.

In terms of marketing channels, Taiwan's market for oil products is divided between the CPC and the Formosa Petroleum Co., and competition between the two is increasingly intense. The CPC has worked hard to express the advantage of its marketing network and assure its market share by consolidating its filling-station network; of the 2,636 filling stations operating in Taiwan at the end of 2009, 650 were operated by the CPC directly, 17 were operated cooperatively by the CPC with other parties, and 1,378 were privately operated franchise stations (for a total of 2,045 CPC stations). This network gave the CPC control of more than 70% of the market. The company's shares of the gasoline, aviation fuel, diesel fuel, and fuel oil markets were 76.3%, 66.1%, 87.5%, and 93.2%, respectively.

In the area of storage and transportation, in addition to its network of gasoline stations the CPC also supplies fuel needs in different areas by operating aviation fueling stations at the Taoyuan, Taichung, Hualien, Taitung, Kaohsiung, and Kinmen airports and by maintaining 35 fishing-harbor filling stations around the island. At the end of 2009 the CPC had 14 petroleum supply centers, at Keelung, Shimen, Hsinchu, Taichung, Taichung Harbor, Wangtian, Minxiong, Tainan, Fengde, Qiaotou, Suao, Hualien,

Huxi, and Kinmen, to supply the oil products needed by filling stations in those different areas. A total of 20,128 kiloliters of oil was delivered from these centers in 2009. There are also three chemical analysis centers, in Keelung, Taichung, and Kaohsiung, along with seven laboratories, charged with the testing of oil products and the control of quality. Together, they tested 63,814 samples during the year.

In the operation of filling stations, the CPC seeks to upgrade customer satisfaction and lead the market through "differentiation of services" and "the service advantage." The Marketing Business Division asks the company's directly operated filling stations throughout Taiwan to provide high-quality services, create a clean-toilet culture, implement customer experience management, vigorously promote the CPC VIP card, and carry out customer relationship management. To reduce operating costs and resolve the problem of insufficient filling-station manpower, the company took the lead in introducing self-service credit-card gas-tank filling. At the same time, all filling stations under the CPC banner are asked to promote complex operations, offer diversified services, and strengthen cross-industry strategic alliances in order to generate non-core income.

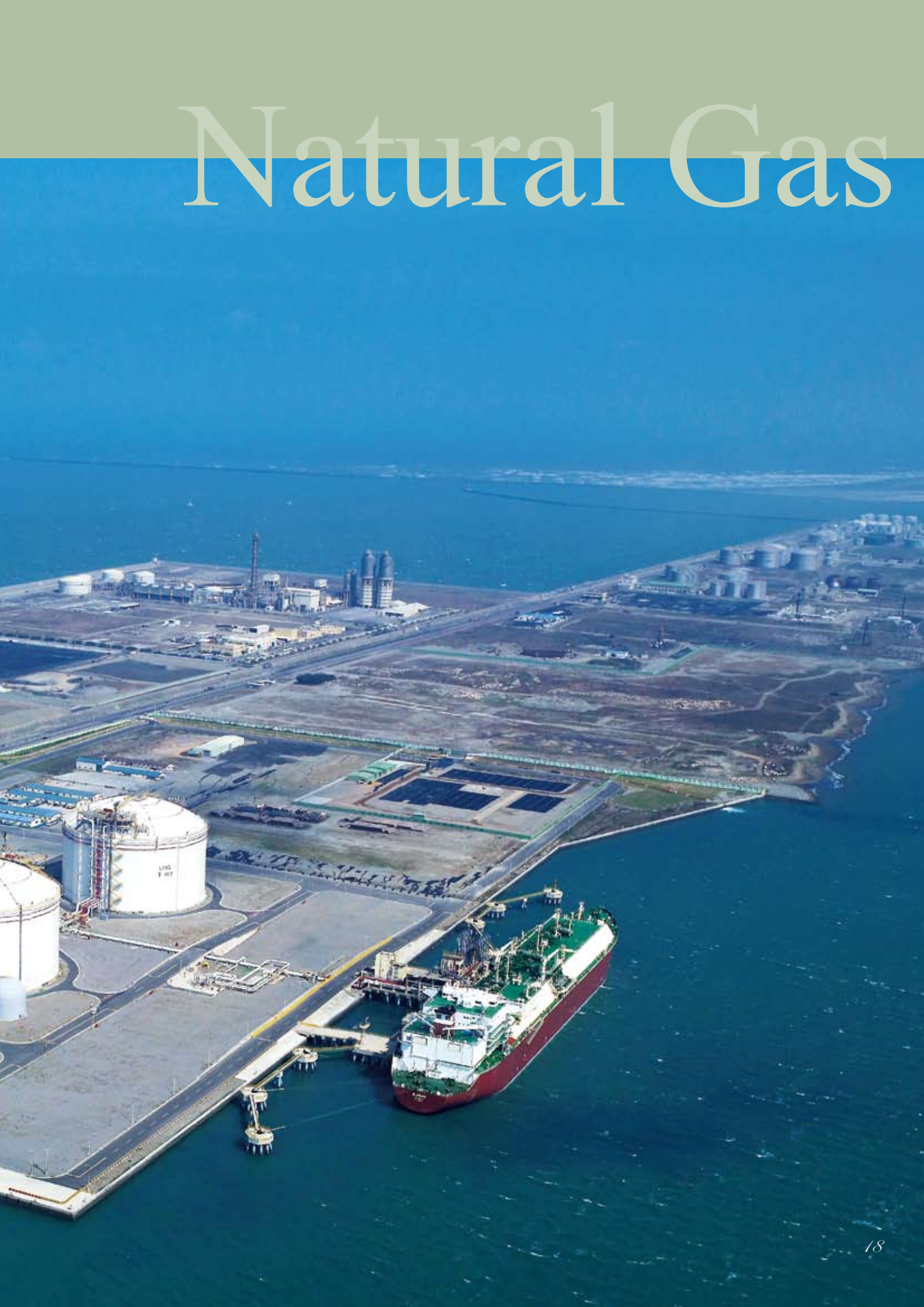
Marketing

Natural Gas

Based on the advantages offered by natural gas--high efficiency, lack of pollution, safety, and convenience—the CPC has moved in line with the policy goal of energy diversification and is following up on the completion of Taiwan's first liquefied natural gas (LNG) receiving terminal in 1990, at Yongan Township, Kaohsiung County, inaugurating a new era in the supply of clean energy in Taiwan. After that, along with the rapid growth of the domestic economy, the steady increase in energy demand, and the rise of environmental consciousness, the CPC carried out an expansion project at the receiving terminal, completed in December 1996, boosting its annual handling capacity to 4.5 million metric tons. To satisfy the future demand for natural gas by independent power plants and by towns in northern Taiwan, the CPC initiated its third-stage expansion project in July 1996; in addition to expansion work in the terminal area, the company established a Taiwan precedent by laying a 36-inch diameter, 238km long-distance undersea pipeline from Yongan to Tongxiao. Completion of the pipeline in December 2002 expanded the CPC's handling capacity for LNG to 7.44 million tons per year.

To accommodate the Taiwan Power Co.'s natural-gas-fired Datan Power Station project, the CPC used its years of experience in natural gas operations to achieve the signing of a natural gas supply agreement with Qatar, which offers the most competitive prices. By making flexible use of the advantages provided by its existing pipeline distribution system and other factors, the CPC won the procurement bid for Datan's natural gas supply in July 2003. Under this deal, the CPC will supply 1.68 million tons of LNG to Datan annually for 25 years, consolidating the company's position as the sole medium- and long-term supplier of natural gas in the domestic market. On Sep. 13, 2005 the CPC signed an LNG supply agreement with RasGas II of Qatar; the agreement runs for 25 years, from 2008 to 2032, and calls for the deliver y of 3 million tons annually, mainly to supply the Datan Power Station and the growing domestic demand for gas.

Natural Gas



To meet the first-stage goal of supplying gas for use by Taipower's Datan Power Station beginning in 2008, and the second-stage goal of completing storage tanks and related gasification and gas supply facilities by the end of 2009 in order to supply the need by independent power plants, industrial customers, and city gas users in central and northern Taiwan, the CPC is carrying out the construction of an LNG receiving terminal with a yearly capacity of 3 million tons in Taichung. This project, costing a projected NT$31.5 billion, is being developed at west docks No. 13, 14, and 15 in Taichung Harbor, as well as inland; it includes three 160,000-kiloliter LNG tanks, gasification and gas supply facilities, and a 135-kilometer, 36-inch sea/land long- distance transportation pipeline from Taichung Harbor through the Tongxiao distribution station to the Datan measuring station, along with related facilities. The pipeline began operating on July 13, 2009.

To make flexible use of its facilities to achieve stability of gas supply and demand in the market, the CPC has constructed a transmission and distribution system in western Taiwan that includes 1,757 kilometers of trunk pipelines, 36 distribution stations, and 1,471 kilometers of regional loop transmission networks belonging to eight supply centers. The company's planning of gas pipelines is oriented toward the construction of loop networks. It has already completed the laying of approximately 500 kilometers of trunk pipeline on land as well as approximately 238 kilometers of undersea pipeline from Yongan to Tongxiao, forming a comprehensive loop pipeline network for central and southern Taiwan. In addition, after the 36-inch undersea pipeline from Taichung Harbor through Tongxiao to Datan in Taoyuan County enters service it will form a loop transmission network together with on-land pipelines in central and northern Taiwan, completing a "figure 8" gas transmission network.

The CPC has worked to assure a stable supply of gas by diversifying sources and its own deployment. On Feb. 29, 2008 the company signed a key term agreement for the procurement of LNG with Woodside of Australia, and the two companies will further negotiate a purchase contract based on the agreement.

In 2009 the CPC sold a total of 11.14 billion cubic meters of natural gas, mainly for domestic power generation, co-generation, industrial, and household use. The company imported LNG mainly from Indonesia, Malaysia, and Qutar through long-term procurement contracts; the rest was procured through master agreements with the Republic of Trinidad and Tobago, Egypt, Nigeria, and other suppliers under the objective of stabilizing supplies and diversifying sources.

CPC

Other Business

In the field of lubricants, Taiwan has long been open to free competition and international oil companies have been busily carrying out mergers and acquisitions, integrating marketing channels, and reducing costs in a vigorous assault on the domestic market, resulting in increasingly intense competition. The rapid growth of Asia-Pacific economies in recent years has stimulated the demand for lubricants in the region, and mainland China and Southeast Asia, especially, have become targets of development by competing oil companies.

The CPC's Kuo Kuang brand lubricating oil occupies about a 30% share of the domestic market, putting it in the leading position. The Lubricants Business Division pursues a strategy of "consolidating the domestic market and developing overseas markets" in carrying out a twin-brand (Kuo Kuang and Mirage) strategy in Taiwan, providing high-quality services, reinforcing domestic marketing channels, and developing auto and motor scooter maintenance station channels while using differentiated products and timely services to satisfy the needs of marketing outlets and consumers. In overseas markets the main marketing strategy is to use the long-term operation of brands and marketing channels along with the development of overseas contract blending and the multi- angle trading business, along with direct management of the overseas markets. The company also makes use of the business networks that Taiwanese enterprises have successfully established in the Asia-Pacific region to set up self-owned marketing channels and reinforce its brand image; already, the Mirage brand has been successfully introduced into the Southeast Asian market. At the same time, the CPC is vigorously promoting the Southeast Asian market for vehicular repair and maintenance oils, and is pursuing the market for industrial oils used by Taiwanese and foreign enterprises. A quality product image, reasonable pricing, and stable supplies are being used to develop overseas markets and establish a foothold in the Asia-Pacific market for lubricating oils.

CPC

In the field of liquefied petroleum gas, after the government opened the free import of LPG in 1999, the Formosa Petrochemical Corp. entered the ranks of production and independent traders began importing supplies, breaking the CPC's monopoly and exposing the market to free competition.

As a government enterprise and the main supplier, the CPC is charged with the mission of enhancing operating performance while providing sufficient supplies of LPG to the domestic market. In the field of household gas, the CPC's LPG Business Division makes full use of its quality advantage and fully utilizes its north-south transport and storage system as well as its comprehensive marketing network to consolidate the market. In the area of industrial gas, the company works to strengthen customer service so as to retain existing customers and develop new ones. Furthermore, the LPG Business Division is planning to develop and expand international trading so as to create more oversea sales channels in response to increasing market competition in Taiwan. It also strives to keep a full understanding of price movements in the international LPG market and to choose the best times to import and export so as to lower the cost of procurement and expand exports, thereby creating maximum profit, complying with the government's safety reserve policy, and heightening the rate of turnover in storage tanks. The company assists operators in promoting the conversion of automobiles to the use of LPG and in installing more LPG filling stations so as to reduce CO_2 emissions and improve air quality in urban areas. The CPC also strives to strengthen occupational safety and environmental protection and engages constantly in good-neighbor work so as to fulfill, under the precondition of safe operation, its mission of providing abundant supplies of LPG to the domestic market while creating a good operating performance.

In the field of solvents and chemicals, the CPC holds 70%-75% of the market for self-produced solvents, 35%-45% of the market for toluene, 35%-45% of the market for xylene, and 40%-45% of the market for methanol. Of the total annual domestic production of 650,000 tons of asphalt, the CPC accounts for 500,000 tons; of total sulfur production of 680,000 tons, the CPC turns out 220,000 tons; and of total petroleum coke production of 650,000 tons, the CPC makes up 200,000 tons (producing mostly for export, since domestic demand is very small).

To reach its operating goals, the CPC's Solvent and Chemical Business Division is actively promoting quality services and nurturing sales channels; expanding planned exports and developing markets in Vietnam, mainland China, and other areas; enhancing product quality and image; continuing the improvement of processes and the reduction of costs; and striving for the development of new products and new businesses. Furthermore, the CPC's Solvent and Chemical Business Division is responsible for the marketing of bio-products developed by CPCBio, which has built on its experience in microbial fermentation technology and combined the use of modern biotechnology in expanding into biological materials, functional health foods, and green biotechnology, producing high-quality bio-products at reasonable prices.

Industrial Safety & Health

Since both petroleum and natural gas are easily 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 residents in 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, which conform to conditions in the Taiwan area and the characteristics of the CPC's own business.

Industrial safety is the foundation of company development. To achieve the goal of "100% industrial safety and zero accidents," the CPC holds to a policy of "safety discipline and thorough inspection, health promotion and responsible care, risk management in system operation, and continuous improvement and sustainable operation" in the constant upgrading of the safety culture. The company's industrial safety performance is recognized not only at home but internationally as well, as manifested in its receiving a plaque from the World Safety Organization in 2005. Industrial safety is of utmost concern to the CPC; the company's overall accident index for 2009 was 0.87, which was much better than the index of 1.24 for 2008 and the best in recent years.

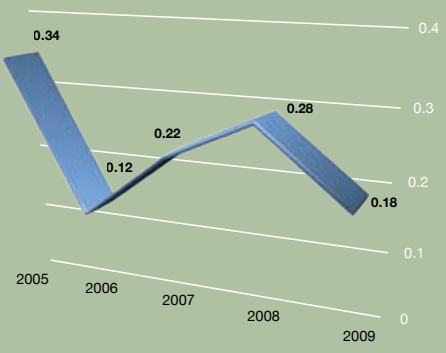
The key points of the CPC's industrial safety and health operations at the present time are as follows:

- mplementation of Taiwan Occupational Safety and Health Management System (TOSHMS), and continuous improvement of the operating environment.
- Strengthening of the safety management of contractors and establishment of contractor autonomy so as to reduce contractors' occupational hazards.
- Scheduled review of industrial safety and health regulations, and continuous review and amendment of standard operating procedures.
- Strengthening of industrial safety management, holding of scheduled employee health examinations, analysis and follow-up of physical examination information, 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 processes, thorough implementation of the oil tank and pipeline inspection function, and establishment of a long-distance petroleum gas pipeline monitoring and leak detection system.
- Strengthening of fire-fighting management, organization of a professional team, and guidance of the different units in carrying out fire-pump function testing. Five fire-safety manuals have been published.
- Implementation of graded on-site safety inspections and continuous improvement, through safety observation, on the systemic, management, and execution levels.

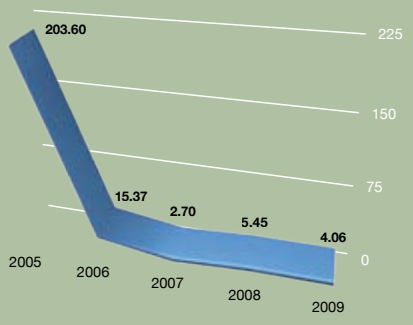
- Strengthening of industrial safety inspections including "management by walking around" by ranking officials, professional industrial safety inspections, and pre-startup inspections of new and renovated factories. All deficiencies that are discovered are followed up through the information system and improved.
- Planning and implementation of various kinds of safe-environment training and education, production and provision of online study courses and an industrial safety test-question databank, and compilation and publication of accident case studies.
- Outsourcing of oil tank inspections and supervision of execution.
- Reinforcement of the functions of the Safety Information Center, and provision of lending and Internet data recovery service systems.

CPC Occupational Accidents over the Past Five Years

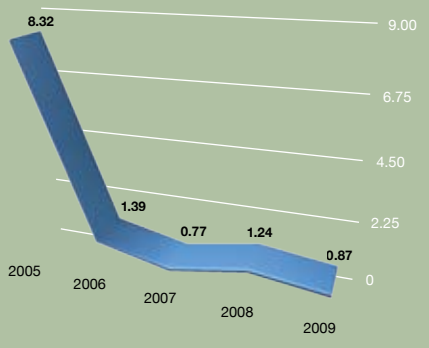
Disabling Accident Ratio



Disabling Accident Severity



Overall Occupational Accident Index



Pollution Prevention & Environmental Protection

To fulfill its corporate social responsibility and uphold the spirit of sustainable development, the CPC is engaged in a long-term effort to improve wastewater, air, noise, solid waste, and groundwater pollution issues. In recent years the company has also carried out carbon dioxide emission inventory and reduction work, and has adopted best available control technology (BACT) and equipment for all new investment projects so as to lessen the pollution caused in production, transportation, and storage processes. The CPC also works actively to enhance the quality of petroleum products and achieve the goal of protecting the general environment.

The CPC thoroughly carries out an environmental policy of "pollution prevention, employee participation, and persistent improvement," and has invested more than NT$50 billion in environmental protection since 1989. Since 1995 the company has promoted the establishment of ISO 14001 environmental management systems in all units, and 20 units had passed certification by the end of 2009. A company-wide environmental accounting system was set up in 2004 to constantly enhance the performance of environmental improvement

Although Taiwan is not a signatory of the agreement on greenhouse reduction signed in 1997 (the Kyoto Protocol), in line with future international environmental trends the CPC strives to reduce greenhouse gas emissions throughout the company. It has set carbon dioxide reduction targets and timetables for existing plants and carries out emissions-reduction measures by using low-carbon fuel, conserving energy, improving equipment efficiency, and reducing waste. To cope with global climate change and fulfill its corporate social responsibility, the CPC completed a company-wide inventory of greenhouse gases in 2005 and is carrying out an ongoing CO_2 redu.0ction plan. The original target for CO_2 emission reduction was 1 million tons by 2009; the actual amount of reduction reached 160,000 tons in 2005, 400,000 tons in 2006, 260,000 tons in 2007, 200,000 tons in 2008, and 160,000 tons in 2009, so the target was reached ahead of schedule.

Comparison of CPC Refinery Environmental Quality with National Standards

1. Effluents

Item \ Year	Performance in 2009	National Standards
COD（ppm）	62*-100	100
Oil（ppm）	＜5	10
SS（ppm）	＜30	30

* monthly average

2. Emissions

Item \ Year		Performance in 2009	National Standards
SOx（ppm）	Gas fuel	＜20	100
	Liquid fuel	＜250	300
NOx（ppm）	Gas fuel	＜100	150
	Liquid fuel	＜200	250
TSP （mg/Nm^3）	By emission rate	20-100	＜25-500

3. Noise

Item \ Year	Performance in 2009	National Standards
Night limit（decibels）	＜55	55

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

Input (crude oil)	166.49 million bbl/yr
Fuel Oil	978,581 KL/Y
Fuel Gas	1,799,575 KS/Y
Natural Gas	11.14 billion M^3/Y
Purchased Water	24,403,416 T/Y
Purchased Electricity	1,713,608,491 KWH/Y
Recovered External Waste	99 T/Y

Employees: 14,931

Land: 2,886 hectares

Capital: NT$130.1 billion

Income	NT$ 735 billion/yr
Gasoline	8,779,000 kiloliters/yr
Diesel Fuel	7,293,000 kiloliters/yr
Fuel Oil	6,713,000 kiloliters/yr
Ethylene	1.08 million T/Y
CO_2	10,852,775 T/Y
NOx	9,257 T/Y
SOx	7,968 T/Y
TSP	793 T/Y
COD	792 T/Y
Waste Gases	240,009 T/Y
Waste Water	16,267,102 T/Y
Garbage	55,272 T/Y
Paybacks	NT$878.06 million/yr
Safety Incidents	0 /yr

0.5318 tons CO_2/tons product

638.73 tons CO_2/US$ million revenue

- Equivalent energy consumption per unit for refineries: 338.16 kkcal/kl crude
- Average equivalent energy consumption per unit for petrochemical plants: 7,996 kkcal/MT ethylene

CPC Greenhouse Gas Ecology Indexes

Index	2005	2006	2007	2008	2009
1. Annual Income/(whole-year/FOE) (NT$/ton)	180,598	183,196	219,708	380,162	229,338
2. Annual Income/(whole-year CO_2 emissions) (NT$/ton)	56,819	62,648	72,920	83,585	54,083
3. Income/(whole-year COD) (NT$/ton)	751,667,823	1,261,839,820	1,261,936,837	1,552,743,754	1,191,599,080
4. Income/(SOx+NOx+TSP) (NT$/ton)	29,586,780	31,188,266	38,520,029	51,046,897	33,460,062
5. Income/(emissions+waste water+solid waste) (NT$/ton)	42,819	46,363	52,023	69,869	47,057
6. Income/(purchased electricity) (NT$/KWH)	849	882	958	724	465




As part of its environmental education activities, the CPC held a campaign, dubbed the "Eco-Day Walk," in the Kaoping River Mangrove Reserve to promote the principles of protecting the environmental and treasuring native resources through ecological experience and learning, and to appeal to the public to care for the local ecology. In the future the CPC will continue to show its concern for local development by adopting parks, mangrove forests, streams, and endangered species of plants and animals. The company will also help with cleaning up the environment of both land and sea so as to leave a clean living environment for future generations.

Since January 2000 the CPC has coordinated with the government's environmental protection policy by ending the supply of leaded gasoline and making all gasoline lead free. At the present time, all gasoline produced by the CPC conforms to the environmental quality standards of the advanced countries. The CPC started selling low sulfur diesel fuel (<50ppm) in June 2004. Low-sulfur gasoline (<50ppm) has been available island-wide since January 1, 2007. The CPC introduced bio-diesel on July 27 and gasohol on Sep. 29, 2007 and has supplied B1 biofuel island-wide since September 15, 2008. In addition, all filling stations belonging to the CPC have installed vacuum assist vapor recovery hoses, and storage tanks have also been equipped with vapor-recovery systems. These facilities help to improve air quality by recovering more than 3,200 kiloliters of gasoline vapor per year, thus reducing the release of volatile organic hydrocarbon into the atmosphere by that amount.

Through years of constant effort the quality of Taiwan's petroleum products has been upgraded until today it compares with that of Japan, the United States, and other advanced countries. However, the CPC is not satisfied with all these achievements. In the future the company 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 in the health and prosperity of the people of Taiwan.

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 Production 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.

To face the so-called "Low-Carbon Economy" century, 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 green energy, and opening up new businesses with the aim of strengthening its overall competitiveness.

The company's R&D spending in 2009 was approximately NT$1.26 billion, yielding the following major results:

1. Exploration and Production

- Evaluation of 33 concession blocks opened up in 2009 by the Australian government was completed.
- Analysis of both the petroleum system of the northern Murzuq Basin Block 162 and the distribution of hydrocarbon leads in the Murzuq basin was completed.
- Salt dome exploration technology was established and applied in some concessions in the Gulf of Mexico.
- A study of petroleum systems in the area of Georgia, Turkmenistan, and the North Caspian Basin was completed.
- An exploration database was established for North Africa, the East African Rift Valley, and the Indian Peninsula.
- Four prospective Oligocene sandbodies were identified in the CFJ Block of the Tainan Basin.
- A novel technique for the assessment of reserves and resources by the material balance statistical method was developed and applied to the oil and gas fields in the Taiwan Straits.
- A method of low hole-bottom pressure gas well fill cleanout was established and successfully applied to the CS-55 gas well.
- An environmental forensic technique using biomarkers was established and applied in identifying the source of oil spills.
- NT$47.4 million was acquired from the Petroleum Fund of the MOEA as a subsidy to use in conducting petroleum technology development research projects.

2. Refining and Petrochemical Production

- A new oxidative desulfurization process was developed for producing ultra-low-sulfur diesel fuel.
- A study was carried out of the best blending proportion for substitution of LCO for diesel used as low-sulfur boiler fuel.
- Key techniques for water-in-oil emulsion fuel were developed to heighten the efficiency of combustion.
- A study was completed of In-Situ Chemical Oxidation (ISCO) for ground water treatment and soil remediation in saturated/unsaturated soil zones, and the technique was found to show good results.
- Fourteen mid-range infrared spectrometers (MIRs) with rapid detection capability and high precision results were introduced for the regular and irregular field inspection of oil products at each franchised filling station in order to understand the quality of oil products in real time.
- Techniques for the analysis of biofuel products were established.
- An method for the analysis of trace amounts of bio-diesel residue in aviation fuel was established.
- Completed establishment of determination of heavy metals in soil by ICP/AES, and of the thermal desorption of soil by TGA/Mass.
- Established technique of using acidic ionic liquids to produce high-energy JP-10 fuel and adamantine, known as a high-value chemical intermediate. The JP-10 synthesis technique is protected by a Taiwan patent, and patents are pending in both Taiwan and the U.S. for both of the techniques.
- Technology for the conversion of natural gas to liquid (gasoline or diesel fuel) was evaluated.
- A functional product--Golden Collagen—was developed and marketed through the CPC's sales channels.
- The Rhodiola rosea sports drink was developed and marketed through the CPC's sales channels as well as Hi-Life chain stores.

3. Management and Energy Economics

- A study was completed of the international energy industry over the next 20 years, including crude oil, natural gas, and bioenergy, and the results were offered to CPC decision makers to use as a reference.
- A study of the selection, cultivation, and production of bioenergy plants in Taiwan was completed.
- An analysis of health risk assessment in the Dalinpu area was carried out.
- A feasibility study and environment impact assessment for the expansion of the LNG receiving terminal in Taichung Harbor was completed.
- A feasibility study and environmental impact assessment for the fifth-stage expansion of the Yongan LNG Receiving Terminal was 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 telecommunications 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. The two mainframes, formally integrated in April 2007, are capable of remotely backing up each other. This was the first such operation in Taiwan, and the results were exemplary. In 2009, a new plan to upgrade the mainframe system software was initiated with the aim of establishing a standard for data exchange and to provide a better application development environment.

Furthermore, to improve its network quality and dependability, in 2006 the CPC began to install the Next Generation Synchronous Digital Hierarchy (NG-SDH) system. Completed in early 2007, the system serves as the transmission back-up for the Neihu-Nanzi second-route backbone network and provides an effective Multi-service Transport Platform (MSTP). In 2009, new telecommunications development plans were conceived to improve the quality of video conferencing and to provide employees with integrated voice and media communications services.

At the same time, key mission information systems were developed and maintained. This effort included 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 as well as 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 were integrated.

To accommodate the development of information, digitization, and globalization in the new century, the overall development of the CPC's information systems will 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 further integrated to reduce the time required to close monthly accounts, and professional information technology will be used to enhance production performance. Moreover, implementation of the plan for all information systems to meet the Chinese Year-100 requirement is well under way and scheduled for completion in mid-2010. On the service side, customer relationship management will be enhanced through the provision of quality services, and virtual and physical service channels will be integrated to expand the industrial value chain. For employees, the newly implemented IT Service Management System will continue to provide real-time and transparent information services. In the utilization of business intelligence, knowledge management will be used to increase e-business capital and decision-making systems will be promoted to encourage application and use. In the field of information and communications, with the strengthening of the infrastructure environment, online services and mobile businesses will be further integrated. 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, and 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 greater 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.

人力資源
Human Resources

The CPC currently has a total of 14,931 employees. The company strives to develop the potential of its employees fully through long-term training and assistance, while at the same time strengthening incentive and welfare measures and pinpointing managerial talent with the aim of achieving 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 executives achieve their full potential. At the same time the company is strengthening 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 its transformation, the company has strengthened second-skill training. In addition, employees are chosen on a regular basis to go abroad for advanced study, research, or internship, or to participate in seminars of various types in line with business needs.

In the area of work incentives and welfare, the CPC awards bonuses of various kinds based on the company's overall performance as well as 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 places 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:

KuoKuang Power Co. Ltd. (KKPC)

In line with the government policy of opening power plants to private operation in order to alleviate northern Taiwan's insufficiency of power supply, the CPC and private investors have jointly established the KuoKuang Power Co. (with the CPC holding 45% of the equity) and constructed a gas-fired power plant with an installed capacity of 480MW at Guishan 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$6.88 billion, and its plants in Taichung and the Linyuan Petrochemical Complex in Kaohsiung have a combined annual capacity of 1.9 million tons. The CPC owns 38.57% of the company's equity, including preferred stock.

CPC-Shell Lubricant Co. Ltd. (CSLC)

The CPC-Shell Lubricant Co., established in 1965, is located at the CPC's Kaohsiung Refinery and produces mainly 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 and Ha Tay. 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 Co. Ltd. (QAFAC)

The Qatar Fuel Additives Co. (QAFAC) was established in 1996 as a joint venture between the CPC, Industries Qatar, LCY Middle East Corp., and International Octane Ltd. of Canada. The QAFAC's plant is located in the Mesaieed Industrial Zone; it went on line on June 20, 2000, producing mainly methanol and methyl tert-butyl ether (MTBE). The CPC holds 20% of the company's equity.

Faraway Maritimes Shipping Co. (FMSC)

The Faraway Maritimes Shipping Co. was jointly established in 1997 by the CPC and its foreign partner, Osprey; it built the LNG carrier Golar Mazo, which was delivered on Jan. 7, 2000 and went into service on the 15th of that month. The ship carries LNG purchased from Badak VI in Indonesia; completing 22 voyages in 2009. The CPC owns 40% of the equity in the company.

Affiliates

■ Chun Pin Enterprise Co., Ltd. (CPEC)

The Chun Pin Enterprise Co. was established by the CPC (with 49% of the equity) and private investors to car y out the construction of East Wharfs 4, 5, and 6 as well as E2-2-area storage tanks at the Port of Taipei, and to engage in the storage and transshipment of petroleum and petrochemical products. Formal operation started in May 2006.

■ KuoKuang Petrochemical Technology Co. Ltd. (KKPTC)

To facilitate the vertical upstream, midstream, and downstream integration of oil refining and petrochemical production, the CPC and other domestic companies established the KKPTC as a joint venture in 2006 as part of a Petrochemical Technology Zone Joint Investment Plan. The plan includes the construction of an oil refinery, olefin center, aromatic hydrocarbons center, mid- and downstream petrochemical derivatives plants, co-generation facilities, and an industrial harbor. The CPC's share of the investment is 43%.

■ NiMiC Ship Holding Co., Ltd. (NSHC)

The NiMiC Ship Holding Co. was jointly established by the CPC, NYK, and Mitsui, and has under its umbrella four ship-owning companies, each of which is required to build an LNG tanker for the transport of LNG purchased from RasGas in Qatar. Two of these four LNG tankers were delivered in 2009, and others will be delivered in 2010. The CPC completed its share capital investment in the holding company on Oct. 31, 2008, giving it 45% of the company's equity.

■ NiMiC Ship Management Co., Ltd. (NSMC)

The NiMiC Ship Management Co. was jointly established by the CPC and a foreign partner, NYK, to handle the operation and management of four LNG tankers. The CPC completed its share capital investment on Oct. 31, 2008, giving it 45% of the equity in the company.

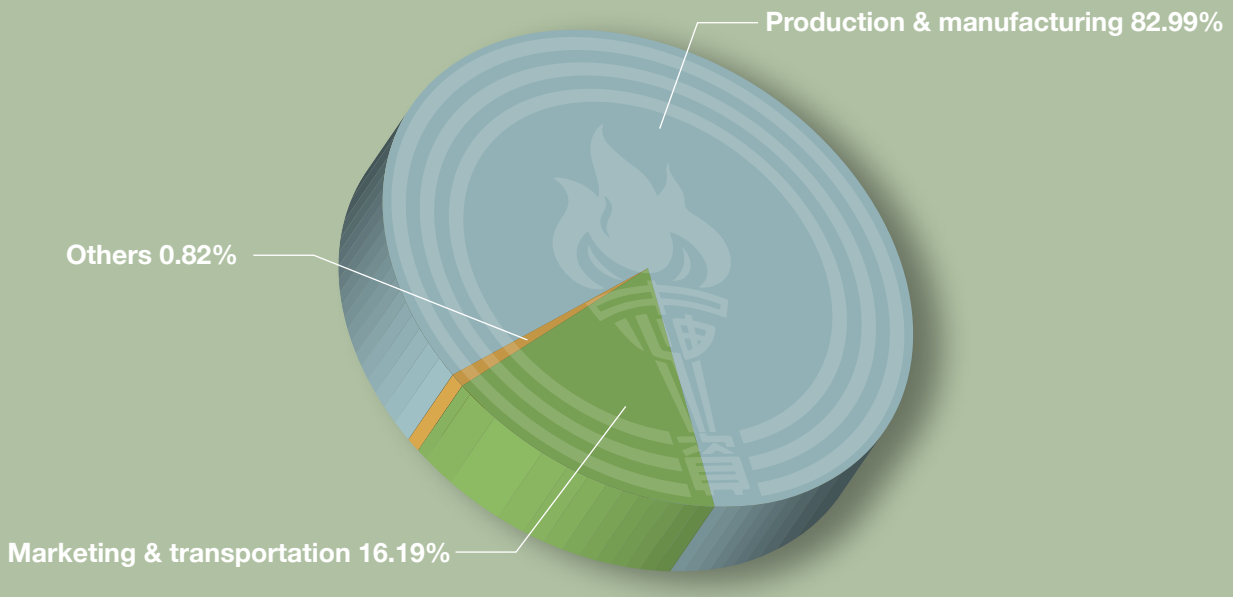
■ Ras Laffan Liquefied Natural Gas Company Limited Ⅱ（RasGas Ⅱ）

RasGasII was jointly established in 2001 by Qatar Petroleum and ExxonMobil RasGas Inc. The company's operations include natural gas production, liquefaction, and marketing. The CPC completed an investment in the company on Sept. 18, 2008, giving it a 5% interest in RasGasII's Series B profit center.

Financial Statements

Due to appropriate adjustment of crude oil and domestic gas prices to reasonably reflect escalating international oil prices, CPC's income before income tax in 2009 has increased 120.86% from the previous year to NT$28,935 million.

The capital expenditure incurred in 2009 was NT$24,688 million, a 35.86% increase from 2008. The breakdown of the expenditure was as follows:



The exchange rate between the NT dollar and the US dollar was 32.17:1 on December 31, 2009.

CPC

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

	2009	2008
Operating Revenues		
Sales	$725,327,735	$945,233,681
Other operating revenues	9,672,740	12,396,965
Total operating revenues	735,000,475	957,630,646
Operating Costs and Expenses		
Cost of goods sold	667,676,956	1,056,600,098
Exploration expenses	2,411,914	2,557,275
Rental expenses for leased properties	534,910	608,177
Oil and gas transmission and storage expenses	11,752,447	11,131,604
Other operating costs	5,137,046	5,156,150
Total operating costs and expenses	687,513,273	1,076,053,304
Gross Profit	47,487,202	(118,422,658)
Operating Expenses	18,197,318	17,777,432
Non-Operating Income and Gains	5,804,988	6,225,186
Non-Operating Expenses and Losses	6,159,623	8,706,205
Income (Loss) Before Income Tax	28,935,249	(138,681,109)
Income Tax Benefit (Expense)	2,265,758	18,622,373
Cumulative Effect of Changes in Accounting Principles (Net of Income Tax)	6,451,590	–
Net Income (Loss)	$37,652,597	$(120,058,736)

Financial Statements

BALANCE SHEETS
DECEMBER 31,2009 AND 2008

(In Thousands of New Taiwan Dollars)

Assets	2009	2008
Current Assets		
Cash	$1,397,644	$4,367,562
Financial assets at fair value through profit or loss-current	2,183	100,703
Accounts receivable, net	48,495,558	31,283,628
Accounts receivable-related parties	1,158,014	653,991
Income tax refund receivable	3,488	14,439
Other receivables	2,366,472	3,663,373
Inventories	149,163,944	108,553,461
Prepaid expenses	2,974,161	2,854,535
Advances to suppliers	5,714,554	9,123,758
Deferred income tax assets-current	2,449,931	8,094,415
Pledged time deposits	166,241	166,241
Other current assets	5,130,597	9,421,073
Total Current Assets	219,022,787	178,297,179
Special Funds and Long-Term Investments	16,689,538	14,629,870
Properties (Less Accumulated Depreciation and Accumulated Impairment Loss)	347,363,446	339,115,223
Oil and Gas Interests	14,014,459	16,102,580
Other Assets	50,244,852	42,723,912
Total Assets	$647,335,082	$590,868,764

BALANCE SHEETS
DECEMBER 31,2009 AND 2008

(In Thousands of New Taiwan Dollars)

Liabilities and Shareholders' Equity	2009	2008
Current Liabilities		
Short-term loans	$112,970,687	$144,459,738
Hedging derivative liabilities-current	11,934	7,322
Accounts payable	44,088,267	26,753,271
Accounts payable-related parties	617,114	282,880
Income tax payable	–	–
Accrued expenses	19,769,679	18,766,120
Payable to contractors	5,342,251	3,088,795
Revenue collected in advance	8,319,718	5,816,308
Current portion of bonds payable	900,000	900,000
Current portion of long-term loans	3,640,000	940,000
Other current liabilities	7,618,291	7,160,017
Total Current Liabilities	203,277,941	208,174,451
Long –Term Debt	100,400,000	75,560,000
Reserve for Land Value Increment Tax	71,463,196	71,589,705
Other Liabilities	18,968,250	21,677,457
Total Liabilities	394,109,387	377,001,613
Shareholders' Equity		
Capital stock	130,100,000	130,100,000
Capital surplus	–	-
Retained earnings	(19,879,723)	(57,532,320)
Other adjustments	143,005,418	141,299,471
Total Shareholders' Equity	$253,225,695	$213,867,151
Total Liabilities and Shareholders' Equity	$647,335,082	$590,868,764

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

	2009	2008
Cash Flows From Operating Activities		
Net income (loss)	$37,652,597	($120,058,736)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	13,195,750	11,782,312
Amortization	3,471,861	3,574,400
Provision for doubtful accounts	81,149	208,990
Impairment loss (reversal of impairment loss) of assets	(6,086)	432,585
Realized deferred gains	(89,719)	(66,177)
Unrealized exchange loss	7,828	78,509
Provision (reversal of provision) for loss on inventories	(28,392,379)	23,471,891
Losses (gains) on disposal of properties, supplies and other assets	(427,633)	198,587
Loss (gain) on valuation of financial assets, net	103,132	(118,064)
Investment income recognized by the equity method	(1,256,584)	(429,079)
Increase in oil and gas interests	(805,339)	(2,569,180)
Earnings remitted by Huffco	698,309	3,018,273
Cash dividends from equity-method investees and earings	372,458	657,894
Deferred income tax	(115,808)	(18,649,674)
Net changes in operating assets and liabilities	(363,287)	(22,453,454)
Net cash provided by (used in) operating activities	24,126,249	(120,920,923)

Cash Flows From Investing Activities		
Decrease in pledged time deposits	–	774,000
Increase in oil and gas interests	(546,862)	(2,214,768)
Proceeds from disposal of properties and other assets	891,357	83,668
Acquisitions of long-term investments recognized by the equity method	(1,284,088)	(1,129,106)
Net decrease (increase) in other assets	168,678	(828,158)
Acquisition of properties	(22,434,602)	(17,994,407)
Net cash used in investing activities	(23,205,517)	(21,308,771)
Cash Flows From Financing Activities		
Net increase (decrease) in short-term loans	(31,489,052)	106,296,203
Increase (decrease) in other liabilities	58,402	(199,266)
Repayment of long-term debt	(1,840,000)	(4,600,000)
Proceeds from long-term debt	18,560,000	24,000,000
Issuance of bonds payable	10,820,000	18,400,000
Net cash provided by (used in) financing activities	(3,890,650)	143,896,937
Net Increase (Decrease) in Cash	(2,969,918)	1,667,243
Cash, Beginning of Year	4,367,562	2,700,319
Cash, End of Year	$1,397,644	$4,367,562

Notes to Financial Statements

1. Organization and Operations

CPC Corporation, Taiwan was established on June 1, 1946 and engages mainly in oil and gas exploration, refining, procurement, transport, storage and marketing.

As of December 31, 2009 and 2008, the Corporation had 14,931 and 14,843 employees, respectively.

In order to extend the Corporation's global business, to reinforce the ideal of rooting in Taiwan, and to continue the goodwill of CPC, the board of directors resolved to change the Corporation's name to "CPC Corporation, Taiwan" in its 550th meeting on February 9, 2007. The change in name was approved by the Ministry of Economic Affairs on February 9, 2007.

2. Summary of Significant Accounting Policies

Basis of Presentation

CPC is operated and managed by the Government of the Republic of China (the "ROC"). CPC's accounts are maintained generally in accordance with the accounting laws and regulations governing state-owned enterprises. The Corporation's significant accounting policies conform to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the ROC. Under these guidelines, law and principles, the Corporation is required to make certain estimates and assumptions that could affect the allowance for doubtful accounts, allowance for loss on inventories, depreciation and impairment of properties, impairment of idle assets, amortization and impairment of oil and gas interests, pension cost, loss on pending lawsuits, etc. Actual results may differ from these estimates.

The Corporation's annual financial statements are required to be examined by the Executive Yuan and the Ministry of Audit of the Control Yuan. The examinations are primarily aimed at determining the extent to which the Corporation meets its budget as approved by the Legislative Yuan. The Corporation's financial statements are finalized on the basis of the result of these examinations. The Ministry of Audit's adjustments should be reflected in the financial statements audited by independent certified public accountants. The opening balance of the following year of the Corporation's books of account is based on the balance after adjustments made by the Ministry of Audit. The examinations of the Corporation's financial statements as of and for the year ended December 31, 2007 by these government agencies had already been completed.

Inventories

Inventories include raw materials, supplies and spare parts, finished goods, work in process, semifinished goods, merchandise, construction in progress, materials in transit - crude oil, and merchandise in transit - fuel oil. Before January 1, 2009, inventories were stated at the lower of cost or market value. Any write-

down was made on an item by a total-inventory basis. Market value meant replacement cost for raw materials and supplies and net realizable value for finished goods and work in process. As stated in Note 4, effective January 1, 2009, inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

Long-term Stock Investments Recognized by the Equity Method

Investments in which the Corporation exercises significant influence over the investees' operating and financial policy decisions are accounted for by the equity method.

Prior to January 1, 2006, the difference between the acquisition cost and the Corporation's proportionate share in the investee's equity was amortized by the straight-line method over ten years. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standard ("SFAS") No. 5, "Long-term Investments Accounted for by Equity Method", the acquisition cost is analyzed, and the acquisition cost in excess of the Corporation's share of the fair value of the identifiable net assets acquired is recognized as goodwill. The excess of the Corporation's share of the fair value of the net identifiable assets acquired over the cost of acquisition is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for by the equity method, noncurrent assets held for sale, deferred income tax assets, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain. Effective January 1, 2006, the accounting treatment for the unamortized investment premium arising on acquisitions before January 1, 2006 is the same as that for goodwill and, accordingly, the premium is no longer being amortized. For any investment discount arising on acquisitions before January 1, 2006, the unamortized amount continues to be amortized over the remaining period of amortization.

A long-term stock investment is assessed for impairment at the balance sheet date. If an investment is impaired, a loss is recognized.

When the Corporation subscribes for its investee's newly issued shares at a percentage different from its percentage of ownership in the investee, the Corporation records the change in its equity in the investee's net assets as an adjustment to investments, with a corresponding amount credited or charged to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus arising from long-term investments is insufficient, the shortage is debited to retained earnings.

When the Corporation's share in losses of an equity-method investee equals its investment in that investee plus any advances made to the investee, the Corporation discontinues applying the equity method. The Corporation continues to recognize its share in losses of the investee if (a) the Corporation commits to provide further financial support to the investee or (b) the losses of the investee are considered to be temporary and sufficient evidence shows imminent return to profitability.

If the Corporation's share in the losses of an investee over which the Corporation has control exceeds its investment in the investee, the Corporation has to bear all of the losses in excess of the capital contributed by shareholders of the investee. But, if the other shareholders of the investee assume legal or constructive obligations and have demonstrated the ability to make payments on behalf of the investee and the investee later reports profits, the Corporation will have precedence over other shareholders in sharing in the investee's profits until the Corporation's losses are fully canceled.

Properties

Properties are stated at cost plus revaluation increment less accumulated depreciation and accumulated impairment losses. Major additions and improvements to properties are capitalized, while costs of repairs and maintenance are expensed currently.

An impairment loss is recognized and charged to current income if the carrying amount of an asset exceeds its recoverable amount. An impairment loss recognized in prior years is reversed if there is a subsequent recovery in the recoverable amount; however, an impairment loss is reversed only to the extent that the adjusted amount does not exceed the carrying amount of an asset that would have been determined for the asset (net of depreciation) had no impairment loss been recognized in prior years. If an asset has been revalued in accordance with relevant laws, its impairment loss is first used to reduce the unrealized revaluation increment under shareholders' equity, with the balance left charged to current income. A reversal of an impairment loss is recognized first in the statement of income to the extent of the loss recognized, with the balance left credited to the unrealized revaluation increment under shareholders' equity.

Interest expenses for construction in progress are capitalized. Interest capitalized each month is calculated using the following formula:

Interest capitalized = Accumulated payments × budgeted financing ratio of individual capital expenditure plans × actual interest rate of loans

The total interest capitalized each month may not exceed the interest expense recognized in that month.

Depreciation is computed using the fixed-percentage-on-declining-balance method over the following estimated service lives prescribed by the Executive Yuan:

Machinery and equipment	
Main part of the distillation equipment	15 years
Main part of the reforming feedstock prefraction equipment	15 years
Main part of the reforming equipment	15 years
Main part of the fluidized catalytic cracking equipment	10-15 years
Main part of the alkylation equipment	8-25 years
Main part of the visbreaking equipment	15 years
Main part of the vacuum distillation and bitumen equipment	7-15 years

Main part of the defat equipment	3-15 years
Main part of the chemical refining equipment	4-10 years
Main part of the hydrodesulfurization equipment	5-15 years
Main part of the lube oil blending equipment	8-20 years
Main part of the light oil rectifying equipment	12 years
Main part of the cracking equipment	7-10 years
Main part of the boiler type heater and other heating equipment	10-25 years
Main part of the machine and equipment of oil transportation, storage	15-20 years
Main part of the oil storage tank	8-15 years
Main part of the submarine pipeline for natural gas	15 years
Main part of the main land-pipeline for natural gas	15 years
Main part of the LNG storage tank	20 years
Transportation equipment	
Motor vehicles	5-15 years
Oil tankers	14 years
Buildings	
Factory building	30-45 years
Office building	35-60 years

The related cost (including revaluation increment), accumulated depreciation, accumulated impairment losses and any unrealized revaluation increment of an item of properties are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the year of disposal.

Mineral Resources

Mineral resources previously recorded referred to the estimated value of the mineral reserves in areas for which the Government of the ROC had gratuitously granted the Corporation in 1990 the right to extract minerals. The estimated market value of these mineral reserves less costs to extract the minerals and normal gross profit up to June 2009 was capitalized as mineral resources and credited to capital surplus arising from donations. The capitalized costs were amortized using the unit-of-production method.

Pursuant to the Mining Law, which took effect on December 31, 2003, the Corporation has to make a payment for ownership of a mine based on the type of the mine, mining area and the right to explore or extract mineral deposits. When mining begins, the Corporation also has to pay for the mining right at 2% to 50% of the value of the minerals extracted. Therefore, the Corporation wrote off the net book value of mineral resources and reduced capital surplus arising from donations by the same amount on December 31, 2003.

Exploration Expenses

All geological and geophysical exploration costs are charged to current income.

The costs of drilling exploratory wells ("exploration well expenses") in sites that have not yet proven to contain reserves of commercial quantities ("unproven sites") are initially charged to current income. Exploration well expenses are subsequently capitalized as part of "oil and gas interests" accounts when (i) sites are proven to contain mineral reserves of commercial quantities and (ii) the construction of the wellhead equipment or offshore production platforms and flow lines is complete. The exploration expenses incurred in the current year are reclassified from "exploration expenses" to assets. Costs already charged to income in prior years are recognized as assets and as "nonoperating income."

The costs of drilling commercial wells, which are constructed after the sites are proven to contain mineral reserves of commercial quantities, are capitalized as assets. However, if the commercial wells turn out to be dry, such costs are charged to current income.

Oil and Gas Interests

To acquire an oil site, the Corporation's payments for this purchase or investments in foreign joint ventures involving interest in oil sites - including the Corporation's share in the costs of drilling commercial wells, production, transport and storage equipment but excluding the Corporation's share in the costs of drilling exploratory wells and other exploration expenses - are capitalized as oil and gas interests. The Corporation's share in joint ventures' net earnings (or net losses) is recognized as other operating revenues (or other operating costs). The Corporation recognizes earnings remitted by joint ventures as a reduction of oil and gas interests. These costs are amortized at the ratio of the actual quantity of minerals extracted from the wells for the year to the estimated mineral reserve. The amortized costs and operating expenses paid to joint ventures are regarded as the cost of the Corporation's share of the oil and gas extracted. The accompanying financial statements included the related sales and cost of goods sold attributable to the Corporation's share of the oil and gas sold by the joint ventures.

The Corporation recognizes earnings from OPIC-Houston ("Huffco") and translation adjustments based on the financial statements of Huffco for the same period as the Corporation.

Pension Cost

Under defined benefit pension plans, pension cost is recognized on the basis of actuarial calculations without considering the planned privatization. The transition obligation is amortized over 17 years and 18 years, depending on the classification of employees. Under government regulations, the Corporation may recognize additional pension cost to meet the additional pension obligation arising from the planned privatization, but the additional pension cost should not affect the budgeted dividends to be distributed to the government.

Under a defined contribution pension plan, the Corporation makes monthly contributions to employees' individual pension accounts and records them as current expenses.

3. Long-Term Investments

December 31, 2009 and 2008

(In Thousands of New Taiwan Dollars)

	2009	2008
Long -Term Investments		
China American Petrochemical Co., Ltd. -CPC owned 37.5% equity	$ 3,863,699	$ 3,135,461
Kuo Kuang Power Company Ltd. -CPC owned 45% equity	1,813,411	1,779,681
Faraway Maritime Shipping Corp. -CPC owned 40% equity	1,574,644	1,361,246
NiMiC Ship Holding Co., Ltd. -CPC owned 45% equity	1,010,178	(1,483,559)
CPC Shell Lubricants Company Ltd. -CPC owned 49% equity	794,606	1,201,635
Chun Pin Enterprise Co., Ltd. -CPC owned 49% equity	299,290	284,063
Daihai Petrol Corporation. -CPC owned 35% equity	131,149	132,176
Kuokuang Petrochemical Technology Co., Ltd. -CPC owned 43% equity	103,134	158,884
NiMiC Ship Management Co., Ltd. -CPC owned 45% equity	(7,101)	(1,491)
	9,583,010	6,568,096
Credit balance of long-term investments reclassified to other liabilities	7,101	1,485,050
Total Long-Term Investments	$ 9,590,111	$ 8,035,146

4. Properties

December 31, 2009 and 2009

(In Thousands of New Taiwan Dollars)

	2009	2008
Land	$230,699,962	$230,907,720
Land improvement	14,200,872	14,050,903
Less: Accumulated depreciation on land improvement	10,329,867	9,989,379
Buildings	36,633,906	36,393,574
Less: Accumulated depreciation on buildings	22,246,382	21,494,288
Machinery and equipment	383,516,561	376,103,078
Less: Accumulated depreciation and accumulated impairment loss on machinery and equipment	334,768,507	326,991,326
Transportation equipment	28,546,476	30,912,059
Less: Accumulated depreciation and accumulated impairment loss on transportation equipment	26,008,215	27,993,734
Miscellaneous equipment	5,006,694	5,117,011
Less: Accumulated depreciation and accumulated impairment loss on miscellaneous equipment	4,353,187	4,360,541
Leasehold improvements	805	857
Less: Accumulated depreciation on leasehold improvements	648	645
Construction in progress	46,464,976	36,459,934
Net Properties	$347,363,446	$339,115,223

5. Long-Term Debt

December 31, 2009 and 2008

(In Thousands of New Taiwan Dollars)

	2009	2008
Improvement of Finance Structure	$ 69,255,815	$22,406,611
Construction of Gas-Station Plan	908,660	252,918
Construction of RFCC Unit in Talin Refinery	5,035,818	560,163
The RDS Project of Taoyuan Refinery	103,172	128,965
Construction of LNG Receiving Terminal Project North Taiwan	13,937,675	8,927,069
No.6 Naphtha Cracker Project of Petrochemical Business Division	5,386,009	570,798
Upgrading of Gas and Diesel Quality Project in Talin Refinery	2,247,421	181,966
No.5-6 CCR Project Expansile in Talin Refinery	679,519	154,603
No.12 Boiler Replace Project of Petrochemical Business Division	646,404	700,920
No.4 Boiler Project in Taoyuan Refinery	601,171	10,200
Upgrading of NO.2 FCC Project in KOR	344,267	136,612
The Alkylation Project of Talin Refinery	155,051	-
Others	1,099,018	969,175
Total Long-Term Debt	$100,400,000	$35,000,000

6. Pension Plans

The pension plan under the Labor Pension Act (the LPA) is a defined contribution plan. Based on the LPA, the Corporation has made monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The Corporation also has defined benefit plans under the Labor Standards Law (the "LSL"). Benefits under the plans are based on employee's length of service and average basic pay in the last six months before retirement (for the length of service before the LSL was enacted) or three months before retirement (for the length of service after the LSL was enacted).

Personnel employed by the Corporation are referred to as either appointees or employees. The appointees' retirement fund (the "ARF"), established under the guidelines of the Ministry of Economic Affairs, requires monthly contributions of amounts equal to 15% of monthly salaries and is administered by a pension plan committee. The ARF is deposited in the committee's name in a bank. The employees retirement fund (the "ERF") entails monthly contributions by the Corporation to a fund at amounts equal to a fixed percentage of salaries, which has been 15%. The ERF is administered by a monitoring committee and is deposited in the committee's name in the Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in July 2007, with the Bank of Taiwan as the survivor entity).

Starting from June 1, 1999, the Corporation has stopped paying pensions out of the pension funds. Pensions paid by the Corporation were charged to accrued pension cost. Pension payments totaled $16,808,520 thousand from June 1999 to December 2008 and $447,134 thousand in 2009, resulting in a decrease in accrued pension cost of $17,255,654 thousand.

Under government regulations, the Corporation may recognize additional pension cost to meet the additional pension obligation arising from the planned privatization, but the additional pension cost should not affect the budgeted dividends to be distributed to the government.

Certain pension information is summarized as follows:

	2009	2008
Appointees' retirement plan	$2,624,940	$3,173,275
Employees' retirement plan	13,308,085	13,959,691
Accrued pension cost	$15,933,025	$17,132,966

CPC

A Five-year Financial Summary

(In Thousands of New Taiwan Dollars)

	2009	2008	2007	2006	2005
Sales and other operating revenues	735,000,475	957,630,646	882,026,498	776,900,838	667,824,141
Income before income tax	28,935,249	-138,681,109	14,344,844	-18,764,760	7,004,482
per dollar of sales and other operating revenues (NT$)	0.04	-0.14	0.02	-0.02	0.01
Cash dividends	–	–	–	2,671,536	4,838,900
per dollar of capita l(NT$)	–	–	–	0.02	0.04
Owner's equity	253,225,695	213,867,151	335,609,444	324,019,101	337,954,937
per dollar of capital (NT$)	1.95	1.64	2.58	2.49	2.60
General taxes and import duties	38,801,757	50,668,842	49,193,245	44,965,454	42,574,627
Commodity tax	65,295,400	61,703,178	67,432,967	67,980,220	64,902,613
Total taxes	104,097,157	112,372,020	116,626,212	112,945,674	107,467,240
Working capital (current assets less current liabilities)	15,744,846	-29,877,272	69,711,200	53,413,995	58,633,987
Ratio of current assets to current liabilities	1.08	0.86	1.53	1.43	1.61
Long-term Liabilities	171,863,196	147,149,705	106,591,420	99,149,596	82,534,124
Properties, plant, and equipment-gross	775,077,504	729,952,388	715,758,299	703,120,487	704,469,628
Properties, plant, and equipment-net	347,363,446	339,115,223	333,092,049	328,086,283	340,437,541
Expenditures for plant and related assets	24,688,058	18,170,583	17,858,436	14,300,088	11,067,693
Exploration expenses (including all dry holes)	2,411,914	2,557,275	2,137,771	2,280,438	2,044,131
Total assets	647,335,082	590,868,764	596,948,959	570,992,622	542,899,024
Employed capital (owner's equity, long-term debt)	425,088,891	361,016,856	442,200,864	423,168,697	420,489,061
Employees on December 31	14,931	14,843	14,768	14,729	14,989
Sales and other operating revenues per employee	49,226	64,517	59,726	52,746	44,554

Financial Statements

A Five-year Operation Summary

	2009	2008	2007	2006	2005
Crude oil produced-total KL	564,059	857,151	904,291	919,378	828,359
daily average KL	1,545	2,348	2,478	2,519	2,269
Natural gas produced-total MCM	356,744	357,357	416,830	426,959	548,456
MCM per day	977	979	1,142	1,170	1,502
Wells drilled during the year	4	4	4	4	5
Crude oil processed-total KL	27,395,603	26,009,603	30,014,609	32,864,635	34,887,987
daily average KL	75,056	71,259	82,232	90,040	95,583
Natural gas sold-total MCM	11,139,358	11,449,599	10,727,103	9,839,917	9,578,411
MCM per day	30,519	31,369	29,389	26,959	26,242
Refined products sold-total KL	34,174,102	35,160,109	40,032,138	32,560,128	32,511,703
daily average KL	93,628	96,329	109,677	89,206	89,073
Petrochemicals sold-MT	4,160,566	3,893,507	4,769,252	4,406,659	4,627,243
daily average MT	11,399	10,667	13,066	12,073	12,677

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