

Sunshine Social Welfare
Foundation

Financial Report and Audit
Report

For the Years 2008 and 2007

COPY

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萬象翻譯股份有限公司
Linguitronics Co., Ltd.
14TH FLOOR, NO.57 FUXING NORTH ROAD, SONSHAN DISTRICT, TAIPEI, POST CODE 105
I HEREBY CERTIFY THAT THIS TRANSLATION IS A TRUE AND CORRECT ENGLISH VERSION OF THE ATTACHED ORIGINAL TO THE BEST OF MY KNOWLEDGE AND BELIEF.
DATE: JUN 29 2009
TRANSLATOR: <i>stay</i>

Accountant's Audit Report

M/S Sunshine Social Welfare Foundation:

We have audited the Balance Sheets and Fund Statements of Sunshine Social Welfare Foundation for years ending December 31, 2008 and 2007, as well as the Statements of Income, Statements of Changes in Funds and Cash Flow Statements for the periods of January 1 to December 31, 2008 and 2007. These financial statements are the responsibility of the Foundation's directors. The responsibility of this firm is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the *Rules Governing the Audit of Financial Statements by Certified Public Accountants* and generally accepted auditing standards in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunshine Social Welfare Foundation as of December 31, 2008 and 2007, and the results of its Balance Sheet and Fund Balance, as well as Income and Expenditure and Cash Flows for the years then ended, in accordance with the *Business Accounting Law* and the relevant financial accounting standards under the *Guidelines Governing Business Accounting*, and accounting standards generally accepted in the Republic of China.

Deloitte and Touche

YOU Chih-Hui,
Accountant
March 25, 2009

Sunshine Social Welfare Foundation
Balance Sheet and Fund Statement
December 31, 2008 & 2007

Assets	Dec 31, 2008		Currency Unit: NT\$ Dec 31, 2007	
	Amount	%	Amount	%
Current Assets				
Cash (Notes 2 & 5)	\$ 122,302,360	39	\$ 102,281,699	30
Accounts Receivable	15,069,552	5	15,870,689	5
Available-for-Sale Financial Assets – Current (Notes 3 & 9)	-	-	27,317,690	8
Inventory (Notes 3 & 7)	967,012	-	5,715,014	2
Prepaid Expenses & Other Current Assets	<u>128,784</u>	<u>-</u>	<u>893,540</u>	<u>-</u>
Total Current Assets	138,467,708	44	152,078,632	45
Fixed Deposits of Funds (Note 2)	30,000,000	9	30,000,000	9
Financial Assets measured at cost – Non-Current (Notes 3 & 8)	15,781,000	5	17,781,000	5
Fixed Assets – Net (Notes 2, 3, 10 & 12)	133,103,177	42	134,054,086	40
Restricted Certificates of Deposit – Non-Current (Note 9)	-	-	55,664	-
Other Assets	<u>763,421</u>	<u>-</u>	<u>1,408,413</u>	<u>1</u>
Total Assets	<u>\$ 318,115,306</u>	<u>100</u>	<u>\$ 335,377,795</u>	<u>100</u>
Liabilities & Funds				
Current Liabilities				
Accounts Payable	\$ 6,389,117	2	\$ 8,404,599	2
Income Tax Payable (Notes 2 & 15)	1,999,144	1	-	-
Accrued Expenses	14,980,556	5	14,360,226	4
Disability Employment Funds Payable (Note 16)	8,897,156	3	9,054,367	3
Other Current Liabilities	<u>1,565,690</u>	<u>-</u>	<u>1,979,205</u>	<u>1</u>
Total Current Liabilities	<u>33,831,663</u>	<u>11</u>	<u>33,798,397</u>	<u>10</u>
Other Liabilities				
Accrued Pension Liabilities (Notes 3 & 11)	3,990,572	1	4,133,168	1
Deposits Received	<u>44,500</u>	<u>-</u>	<u>42,500</u>	<u>-</u>
Total Other Liabilities	<u>4,035,072</u>	<u>1</u>	<u>4,175,668</u>	<u>1</u>
Total Liabilities	<u>37,866,735</u>	<u>12</u>	<u>37,974,065</u>	<u>11</u>
Funds				
Foundation Funds (Notes 2 & 3)	162,276,000	51	162,276,000	48
Asset Funds (Notes, 3, 10 & 12)	22,942,646	7	23,490,470	7
Contingency Reserves (Notes 9, 12 & 16)	39,512,324	12	33,886,500	10

Unrealised Gains (Losses) from Financial Derivatives (Notes 3 & 9)	-	-	1,649,231	1
Budget Surplus	<u>55,517,601</u>	<u>18</u>	<u>76,101,529</u>	<u>23</u>
Total Funds	<u>280,248,571</u>	<u>88</u>	<u>297,403,730</u>	<u>89</u>
Total Liabilities & Funds	<u>\$ 318,115,306</u>	<u>100</u>	<u>\$ 335,377,795</u>	<u>100</u>

The accompanying Notes are an integral part of this financial statement.

Chairman:

CHUAY Ho-Yuan

CEO:

SHU Ching-Shyen

Chief Accountant:

CHANG Cyong-Chang

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Sunshine Social Welfare Foundation
Statement of Income
January 1 to 31 December 2008 & 2007

Currency Unit: NT\$

	2008		2007	
	Amount	%	Amount	%
Revenue & Income				
Revenue from Donations (Notes 2 and 3)	\$ 50,825,858	64	\$ 52,313,412	54
Revenue from Subsidies (Note 2)	16,733,602	21	21,053,091	22
Revenue from Sale of Assistive Equipment	2,820,172	3	2,844,666	3
Interest Revenue (Note 2)	2,546,257	3	2,525,726	3
Revenue from Charity Sales (Note 3)	4,038,410	5	2,452,901	2
Revenue from Services	737,248	1	619,124	1
Dividend Income (Note 3)	-	-	133,396	-
Other Revenues	2,050,133	3	1,733,049	2
Profits from Social Enterprises (Note 2, 11, 13, 14 & 16)	<u>154,773</u>	<u>-</u>	<u>12,190,541</u>	<u>13</u>
Total Revenue & Profit	<u>79,906,453</u>	<u>100</u>	<u>95,865,906</u>	<u>100</u>
Expenses and Losses				
Salaries (Note 13)	39,344,851	49	38,390,112	40
Contingency Fund Expenses (Note 16)	7,526,764	9	2,161,060	2
Project & Activity Expenses	9,599,150	12	13,289,997	14
Training Expenses	829,523	1	1,282,639	1
Scholarships	4,429,960	6	4,334,500	5
Renovation Expenses	1,163,004	1	1,859,053	2
Financial Aid	5,577,712	7	7,109,350	7
Insurance Fees (Note 13)	3,747,344	5	3,416,065	4
Equipment & Machinery (Note 3 and 12)	2,360,819	3	1,933,552	2
Promotion and Promotional Material Expenses	1,171,095	1	2,243,106	2
Post and Communication	1,256,076	2	1,140,337	1
Meal Allowances	1,831,090	2	1,738,911	2
Pension Fund (Note 3, 11 and 13)	2,444,022	3	2,226,649	2
Water and Electricity Fees	894,566	1	766,434	1
Production Costs for Charity Sale Items	2,454,186	3	1,182,862	1
Travelling Expenses	497,182	1	697,443	1

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	2008		2007	
	Amount	%	Amount	%
Stationery Expenses	\$ 404,057	1	\$ 654,754	1
Rental Expenses	1,156,500	1	1,038,500	1
Employee Welfare	577,468	1	747,640	1
Losses from Disposal of Investments – Net (Notes 3, 6 & 9)	3,282,483	4	681,962	1
Miscellaneous Expenses (Appendix 1)	<u>2,137,185</u>	<u>3</u>	<u>2,092,394</u>	<u>2</u>
Total Expenses & Losses	<u>92,685,037</u>	<u>116</u>	<u>88,987,320</u>	<u>93</u>
Pre-Tax Budget Surplus (Deficit)	(12,778,584)	(16)	6,878,586	7
Income Tax Expense (Notes 3 & 15)	<u>2,179,520</u>	<u>3</u>	<u>19,732</u>	-
Budget Surplus (Deficit)	(\$ <u>14,958,104</u>)	(<u>19</u>)	\$ <u>6,858,854</u>	<u>7</u>

The accompanying Notes are an integral part of this financial statement.

Chairman:
CHUAY Ho-Yuan

CEO:
SHU Ching-Shyen

Chief Accountant:
CHANG Cyong-Chang

Sunshine Social Welfare Foundation
Statement of Changes in Fund Balance
January 1 to 31 December 2008 & 2007

Currency Unit: NT\$

	Foundation Funds (Notes 2 & 3)	Asset Funds (Notes 3, 10 & 12)	Contingency Reserves (Notes 9, 12 & 16) Business Incubator Reserve Funds	Financial Derivatives Unrealised Gains (Losses) (Notes 3 & 9)	Balance Operating Income & Expenses	Total Funds
Balance as at January 1, 2007	\$ 162,276,000	\$ 21,526,413	\$ 23,016,372	\$ 2,112,095	\$ 80,112,803	\$ 289,043,683
Asset Acquisition Fund – Fixed Assets	-	1,964,057	-	-	-	1,964,057
2007 Budget Surplus	-	-	-	-	6,858,854	6,858,854
Provision for Contingency Reserves	-	-	-	-	-	-
Business Incubator Reserve Fund	-	-	14,115,901	-	(14,115,901)	-
Disbursement of Contingency Reserve Fund – Business Incubator Reserve Fund	-	-	(3,245,773)	-	3,245,773	-
Changes to Unrealised Gains (Losses)	-	-	-	(462,864)	-	(462,864)
Available-for-Sale Financial Assets	162,276,000	23,490,470	33,886,500	1,649,231	76,101,529	297,403,730
Asset Acquisition Fund – Fixed Assets	-	1,545,627	-	-	-	1,545,627
Asset Acquisition Fund – Other Assets	-	91,200	-	-	-	91,200
Asset Disposition Fund – Fixed Assets	-	(2,184,651)	-	-	-	(2,184,651)
Budget Surplus (Deficit) for 2008	-	-	-	-	(14,958,104)	(14,958,104)
Provision for Contingency Reserves	-	-	-	-	-	-
Business Incubator Reserve Fund	-	-	5,054,918	-	(5,054,918)	-
Contingency Reserve Disbursement – Business Incubator Reserve Fund	-	-	(8,069,094)	-	8,069,094	-
Reversal of Contingency Reserve	-	-	-	-	-	-
Disbursement – Business Incubator Reserve Fund	-	-	8,640,000	-	(8,640,000)	-
Changes to Unrealised Gains (Losses) to Available-for-Sale Financial Assets	-	-	-	(1,649,231)	-	(1,649,231)
Balance as at December 31, 2008	\$ 162,276,000	\$ 22,942,646	\$ 39,512,324	\$ -	\$ 55,517,601	\$ 280,248,571

The accompanying Notes are an integral part of this financial statement.

Chairman: CHUAY Ho-Yuan CEO: SHU Ching-Shyen Chief Accountant: CHANG Cyong-Chang

Sunshine Social Welfare Foundation
Cash Flow Statement
January 1 to 31 December 2008 & 2007

Currency Unit: NTS

	2008	2007
Cash Flow from Operating Activities		
Budget Surplus (Deficit)	(\$ 14,958,104)	\$ 6,858,854
Depreciation	177,269	116,000
Losses from Disposal of Assets – Net	3,282,483	796,200
Equipment and Machinery Expenses	1,636,827	1,964,057
Losses from Disposal of Fixed Assets by Social Enterprises	134,616	-
Reduction of Pension Benefits	(202,791)	-
Pension Fund Liabilities	60,195	(333,727)
Net Changes in Operating Assets & Liabilities		
Financial Assets Held for Trading	-	10,738,844
Accounts Receivable	801,137	(2,003,306)
Inventory	4,748,002	(2,290,653)
Prepaid Expenses & Other Current Assets	764,756	1,240,268
Accounts Payable	(2,015,482)	2,445,713
Accrued Expenses	2,619,474	1,728,894
Disability Employment Funds Payable	(157,211)	(804,430)
Other Current Liabilities	(413,515)	(676,397)
Net Cash Inflow (Outflow) from Operating Activities	(3,522,344)	19,780,317
Cash Flow from Investment Activities		
Return of share capital of financial assets measured at cost due to reduction in investment	2,000,000	1,710,000
Acquisition of Fixed Assets	(1,545,627)	(2,098,673)
Restricted Certificates of Deposits	55,664	64,555
Acquisition of Available-for-Sale Financial Assets	-	(22,473,414)
Proceeds from Sale of Available-for-Sale Financial Assets	22,385,976	3,977,592
Other Assets	644,992	(664,438)
Net Cash Inflow (Outflow) from Investment Activities	23,541,005	(19,484,378)
Cash Flow from Financing Activities		
Increase in Margin Deposits	2,000	8,000
Net Cash Inflow from Financing Activities	2,000	8,000

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	<u>2008</u>	<u>2007</u>
Net Cash Increase	\$ 20,020,661	\$ 303,939
Cash Balance – Beginning of Year	<u>102,281,699</u>	<u>101,977,760</u>
Cash Balance – End of Year	<u>\$ 122,302,360</u>	<u>\$ 102,281,699</u>
Addition Disclosure on Information Concerning Cash Flow		
Income Tax Paid	<u>\$ 180,376</u>	<u>\$ 19,732</u>

The accompanying Notes are an integral part of this financial statement.

Chairman:
CHUAY Ho-Yuan

CEO:
SHU Ching-Shyen

Chief Accountant:
CHANG Cyong-Chang

Sunshine Social Welfare Foundation
Notes to financial statements
2008 and 2007

Unit: NTS

1. Purpose and History of the Foundation

The Foundation was established on October 5, 1982, in accordance with the *Regulations for Non-profit Corporation* under the *Civil Code* and other related laws as Sunshine Culture & Education Foundation, R.O.C. In 1999, the Foundation obtained approval from the Ministry of the Interior and changed its name to Sunshine Social Welfare Foundation.

The purpose of the Foundation is to support people with facial disfigurement and burn survivors by providing social welfare services, including psychological counselling, job-placement assistance, career training, legal services, education, nursing, special education, financial aid, medical rehabilitation, and social education. The Foundation established the Heping Carwash Center in December 1992, Nanking MRT Station store in March 1996, Peihsin Carwash Center in December 1998, Kuting MRT Station store in March 2000, Sunshine Gas Station in March 2003, and Taichung City store in July 2003. However, the Nanking MRT Station store ceased operations in July 2005, Taichung store in December 2004, and Peihsin Carwash Center in October 2003.

The Foundation had 239 employees as at end 2007, and 246 employees as at end 2008.

2. Source of Funds and Budget

The Foundation was approved by the Court and the relevant government supervisory authorities on February 5, 2004 to hold total assets amounting to \$162,276,000, including \$6,610,000 in Bank Deposits, \$30,000,000 in Fund Fixed Deposits, \$15,781,000 in stocks and \$109,885,000 in real estate property.

The Foundation derives its main sources of income from donations, government subsidies, interest from fund deposits, and net profits generated by its social enterprises.

In general, the Foundation conducts its operations using interest from fund deposits and donations received after its establishment. Disposal of registered Foundation assets shall be prohibited unless approved by the board of directors and permitted by the competent authorities.

3. General Description of Important Accounting Policies

The financial statements are prepared in accordance with the *Business Accounting Law, Guidelines Governing Business Accounting* and generally accepted accounting principles. Depreciation of fixed assets and provision for pension must be based on reasonable estimates. However, because such estimates are based on judgement, the actual outcome may differ from the estimated amounts.

The important accounting principles are described as follows:

Classification Standards of Current and Non-Current Assets & Liabilities

Current assets include cash, as well as assets held for trading or assets expected to be realised within one year from the balance sheet date. Fixed assets and other assets that are not current assets are classified under non-current assets. Current liabilities include mainly liabilities from trading and liabilities to be paid within one year after the balance sheet date. Liabilities not classified as current liabilities are non-current liabilities.

Financial Derivatives included under Loss & Profit as a result of Fair Value Change

Financial derivatives with fair value changes entered as loss or profit are mainly financial assets held for trading. These financial assets are initially recognised based on fair value plus trading cost. Subsequent valuation is based on fair value, and any subsequent change to the fair value is recognised as loss or profit for the current financial period. Any purchase or sale of financial assets under standard trading terms is recognised based on trade date accounting.

Basis of fair value: The net asset values of beneficiary certificates of open-ended fund as at the balance sheet date.

Inventory

Inventories are valued using the weighted-average method.

Financial Assets Valued at Cost

Net stock value on the date of transfer is used to value equity investments without a reliable fair value and bequeathed stocks of companies not listed in the stock exchange or over-the-counter.

Cash dividends distributed by invested companies are recognised as income. Refund of share capital due to capital reduction is set off against investment cost. Stocks dividends are recognised as increased in the number of shares held without any increase in the book value of the stock. Any objective proof of asset impairment or loss is recognised as impairment loss, and such impairment lost amount shall not be reversible.

Available-for-Sale Financial Assets

Available-for-sale financial assets are initially recognised using fair value plus the trading cost. Subsequent valuation is based on fair value, and any value change is recognised as an adjustment to shareholder's equity. Accumulated profits or losses are entered as the current period's profit/loss upon derecognition of financial assets. Any purchase or sale of financial assets under standard trading terms is recognised using trade date accounting.

The point at which available-for-sale financial assets are recognised or derecognised and the basis of fair value determination are similar to those of financial derivatives, when change in fair value is recognised as a profit or loss.

Cash dividends is recognised as income on the date of board of directors' resolution, but net profits declared before the investment are deducted from the investment cost. Stock dividends are not recognised as investment income, but as an increase in the number of shares held. Cost per share is calculated based on the total number of shares held after stock dividend.

Impairment losses are recognised when the proof of impairment is evident. Where impairment loss is reduced during a subsequent period, such

reduction for available-for-sale equities is recognised as an adjustment to shareholders' equity.

Fixed Assets

Fixed assets acquired are credited as fixed assets at cost and recognised as asset fund. The cost of acquisition is debited as equipment and appliance expense. The laws and regulations also require that Asset Fund be transferred under Foundation Fund when a fixed asset is registered as the Foundation's asset with the court and the authorities. Under normal circumstances, no depreciation of fixed assets is provided. Fixed assets that are written-off or disposed are set off against fixed asset and asset fund accounts.

Fixed assets of the gas station, car wash center and MRT store are valued at cost minus accumulated depreciation. Material changes or improvements are treated as capital expenditure. Repair and maintenance expenses are recognised as expenses for the current period. Provision for depreciation of fixed assets is based on straight-line depreciation and service lives of between 2 and 5 years. Besides writing off the relevant costs and accumulated depreciation, losses or profits due to disposal of fixed assets are recognised as the current period's loss or profit.

Where there is material impairment loss to fixed assets whose book values are assessed according the relevant amount recoverable, loss is recognised based on the impairment amount. If, subsequently, such recoverable amount increases, the impairment loss reversed, and is recognised as profit. However, the book value the fixed asset after such reversal of impairment loss must not be more than its book value before recognition of impairment loss less the necessary provision for depreciation.

Income Recognition

Donation income is recognised upon the Foundation's actual receipt of cash, equipment or articles.

The value of donated assets are estimated and entered in the accounts based on objective reference price for valuation. Where no objective

reference price for valuation is available, no valuation or accounting entry is made.

Income from sales of goods and sales at charity bazaar is recognised when the actual sale takes place.

Classification of Capital Expenditure and Income Expenditure

Expenditures that are \$60,000 or more are recognised as assets; otherwise, expenditures are either recognised as an expense or loss.

Pension

Pension under the Defined Benefits (DB) scheme is recognised based on actuarial calculations. Pension under the Defined Contribution (DC) scheme is recognised as the current period's expense during the employee's employment period.

When DB scheme reduces its benefits or is liquidated, any loss or gain from such reduction or liquidation is recognised as the current period's net pension cost.

Income Tax

In accordance with the provisions under item 8, paragraph 1 of Article 2 of the *Applicable Standards of Income Tax Waiver for Educational, Cultural, Public Welfare and Charitable Organisations or Societies* revised on March 26, 2003 by the Executive Yuan, where the total expenditure of educational, cultural, public welfare and charitable organisations or groups for activities (including expenditure for products or labour services for sale and not-for-sale) relating to their founding objectives is no less than 70% of the sum of incomes derived from such activities (including income from products or labour services for sale and not-for-sale) and those activities unrelated to the founding objectives as well as from the social purpose businesses, the income of such organisation or group and its social purpose businesses shall be exempted from income tax.

Reclassification of Accounting Items

Several items under the 2006 financial statements were reclassified to ensure consistency with the presentation of the 2007 financial statements.

4. Reasons and Impact of Accounting Changes

Accounting Standards for Financial Derivatives

Since January 1, 2006, the Foundation applies the new provisions under the Standard 34 on *Accounting Principles on Derivatives*. The said communiqué revises mainly the provisions for the reclassification of financial assets held for trading for the entering of fair value changes as profit or loss. This accounting change has no material impact on the Foundation's 2008 financial statements.

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5. Cash

	<u>Dec 31, 2008</u>	<u>Dec 31, 2007</u>
Cash On-Hand & Petty Cash	\$ 295,497	\$ 643,283
Cashier's Cheque and Savings Deposits	20,786,863	56,338,416
Bank Term Deposit, Annual Interest Rate at 1.655%-2.69% in 2008, at 2.175%-2.56% in 2007	<u>101,220,000</u>	<u>45,300,000</u>
	<u>\$ 122,302,360</u>	<u>\$ 102,281,699</u>

6. Financial Derivatives Recognised as Profit or Loss due to Change of Fair Value

The Foundation was not holding financial assets held for trading as at Dec 31, 2008 and 2007. In 2007, profit from the disposal of financial assets was NT\$114,238. (2008: None)

7. Inventory

	<u>Dec 31, 2008</u>	<u>Dec 31, 2007</u>
Fuel Inventory	\$ -	\$ 5,399,504
Inventory of Commercial Products and Gifts	<u>967,102</u>	<u>315,510</u>
	<u>\$ 967,102</u>	<u>\$ 5,715,014</u>

8. Financial Assets Valued at Cost – Non-Current

	<u>Dec 31, 2008</u>	<u>Dec 31, 2007</u>
Domestic Non-Public Listed (OTC) Ordinary Shares Trust Venture Capital Co., Ltd.	<u>\$ 15,781,000</u>	<u>\$ 17,781,000</u>

The above stock investments held by the Foundation are valued at cost due to the lack of pricing from active market trading, and the fair value of which cannot be reliably assessed. The company reduced its capital and returned cash in the amount of NT\$1,710,000 in 2007, and NT\$2,000,000 in 2008. The Foundation received cash pro-rated according to its percentage shareholding, and reduced the book value of its investment.

9. Available-for-Sale Financial Assets – Current (2008: None)

	<u>Dec 31, 2007</u>
Domestic Public Listed Ordinary Shares	
Foxconn	\$ 9,765,690
Qisda Corporation	12,995,400
Epistar Corporation	2,780,000
Yuanta	<u>1,776,600</u>
	<u>\$ 27,317,690</u>

The aforesaid financial assets include a financial asset trust agreement signed on July 5, 2005 with the Trust Department of Fubon Commercial Bank and ending on February 29, 2008, (agreement could be extended till June 30, 2008, depending on the completion date of the Dream Maker project) entrusting the said company to carry out stock investments according to the Foundation's special project team's resolutions. The initial trust amount was NT\$8,640,000. As of December 31, 2007, the account invested NT\$7,340,683 (the remaining NT\$55,664 was entered under Certificate of Deposit-Restricted). After the Foundation sold off all the financial assets under the trust agreement and held for proprietary trading (Refer to Appendix 2 for Statement of Changes) during the first half of 2008, account balance was NT\$9,132,288 as at June 30, 2008. The trust agreement was terminated on June 30, 2008. Besides recognising the NT\$1,732,942 as disposal gains, the original entrusted amount of NT\$8,640,000 was reversed and entered as Business Incubation Reserve Fund to be drawn on by the Fund's activities.

10. Fixed Assets - Net

	<u>Dec 31, 2008</u>	<u>Dec 31, 2007</u>
<u>Foundation</u>		
Cost		
Land	\$ 79,502,000	\$ 79,502,000
Buildings	30,383,000	30,383,000
Leasehold Improvements	9,076,888	8,983,595
Rehabilitation Equipment	2,337,155	3,336,555
Transportation Equipment	2,367,000	2,367,000
Equipment & Machinery	1,393,586	1,393,586
Miscellaneous Equipment	<u>7,676,817</u>	<u>7,409,734</u>
Total Fixed Assets of Foundation	<u>132,736,446</u>	<u>133,375,470</u>

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	<u>Dec 31, 2008</u>	<u>Dec 31, 2007</u>
<u>Sunshine Gas Station</u>		
Cost - Miscellaneous Equipment	\$ -	\$ 134,616
Miscellaneous Equipment	-	134,616
<u>Car Wash Center – Heping Station</u>		
Cost – Machinery Equipment	696,000	696,000
Cost – Miscellaneous Equipment	80,000	80,000
Accumulated Depreciation – Machinery Equipment and Miscellaneous Equipment	(409,269)	(232,000)
Total Net Fixed Assets of Heping Station	<u>366,731</u>	<u>544,000</u>
<u>Store – Kuting Station</u>		
Cost – Miscellaneous Equipment	-	1,227,207
Accumulated Depreciation – Miscellaneous Equipment	-	(1,227,207)
Net Fixed Assets of Kuting Station	<u>-</u>	<u>-</u>
	<u>\$ 133,103,177</u>	<u>\$ 134,054,086</u>

The respective fixed asset depreciation costs of Social Enterprises for 2008 and 2007 totalled at NT\$177,269 and NT\$116,000.

11. Pension

Pension under *Labour Pension Act* is based on a defined contribution plan, under which, 6% of an employee's salary will be allocated for contribution to the employee's personal pension account with the Bureau of Labour Insurance. The Foundation has recognised pension costs of NT\$4,226,427 for 2008 and NT\$3,508,921 for 2007.

Pension under the *Labour Insurance Act* is a defined benefits plan. Payment of employee pension is based on the number of years of service and the average salary during the last six months of an employee's service. The Foundation allocates 2% of the total monthly employees' salaries as pension. The amount is submitted to the Labour Pension Fund Supervisory Committee and deposited in the Committee's special account with the Bank of Taiwan (the original Central Trust of China was merged with the Bank of Taiwan in 2007). Pension reserves allocated in 2008 and 2007 were NT\$600,123 and NT\$691,916 respectively. Pension expense provisions for the same periods were NT\$692,465 and NT\$749,613 respectively.

Sunshine Gas Station, the Foundation's social enterprise, terminated operations in December 2008, and laid off part of its staff. The reduced pension benefits resulting from such termination was NT\$202,791.

12. Equipment & Machinery

Equipment and machinery expenses for 2008 and 2007 were NT\$2,605,647 and NT\$2,772,179 respectively, of which NT\$1,636,827 and NT\$1,964,057 were used respectively for acquiring miscellaneous equipment and other assets for the Foundation. Such amounts have been entered under Asset Fund.

13. Personnel, Depreciation and Amortisation Costs

	2008			
	Foundation	Social Enterprises		Total
		Operating Costs	Operating Expenses	
Personnel Expenses				
Salary Expenses	\$ 39,344,851	\$ 10,312,918	\$ 33,228,419	\$ 82,886,188
Labour & Health Insurance Expenses	3,645,634	1,018,502	2,960,493	7,624,629
Pension	2,444,022	613,351	1,833,462	4,890,835
Depreciation Expenses	-	177,269	-	177,269
	<u>\$ 45,434,507</u>	<u>\$ 12,122,040</u>	<u>\$ 38,022,374</u>	<u>\$ 95,578,921</u>
	2007			
	Foundation	Social Enterprises		Total
		Operating Costs	Operating Expenses	
Personnel Expenses				
Salary Expenses	\$ 38,390,112	\$ 10,338,740	\$ 29,131,043	\$ 77,859,895
Labour & Health Insurance Expenses	3,276,796	929,934	2,690,962	6,897,692
Pension	2,226,649	589,088	1,717,034	4,532,771
Depreciation Expenses	-	116,000	-	116,000
	<u>\$ 43,893,557</u>	<u>\$ 11,973,762</u>	<u>\$ 33,539,039</u>	<u>\$ 89,406,358</u>

14. Operating Profits / Losses of Social Enterprises

	2008		2007	
	Amount	%	Amount	%
<u>Sunshine Gas Station</u>				
Operating Income	\$ 593,143,709	100	\$ 601,610,042	100
Operating Cost	<u>526,086,534</u>	<u>89</u>	<u>529,092,368</u>	<u>88</u>
Gross Operating Profit	<u>67,057,175</u>	<u>11</u>	<u>72,517,674</u>	<u>12</u>

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	2008		2007	
	Amount	%	Amount	%
Operating Expenses				
Advertising & Promotion	\$ 8,456,975	1	\$ 7,690,943	1
Salaries	25,179,118	4	21,508,193	4
Contribution to Disability Employment Fund	8,897,156	2	9,024,151	2
Post & Communication	5,084,507	1	4,871,578	1
Rental	3,735,018	1	3,735,414	1
Equipment & Machinery	174,435	-	85,441	-
Insurance	2,143,123	-	1,914,621	-
Reserves (Appendix 16)	542,330	-	1,084,713	-
Meal Allowance	1,081,865	-	1,052,985	-
Pension	1,388,494	-	1,277,213	-
Employee Welfare	323,354	-	429,523	-
Water & Electricity	794,962	-	653,070	-
Special Projects	961,948	-	505,131	-
Miscellaneous (Appendix 1)	2,270,912	1	1,146,904	-
Total Operating Expense	61,034,197	10	54,979,880	9
Gas Station Operating Profit	6,022,978	1	17,537,794	3
Car Wash Center-Heping Station				
Operating Income	20,990,991	100	21,121,976	100
Operating Cost	17,692,104	84	17,288,667	82
Gross Operating Profit	3,298,887	16	3,833,309	18
Operating Expenses				
Salaries	6,180,976	29	6,069,811	29
Insurance	610,377	3	605,464	3
Employee Welfare	39,800	-	50,606	-
Pension	337,651	2	335,646	2
Meal Allowance	279,067	1	174,074	1
Post & Communication	120,935	1	121,560	1
Special Projects	114,917	1	137,020	-
Miscellaneous (Appendix 1)	191,389	1	265,842	1
Total Operating Expenses	7,875,112	38	7,760,023	37
Heping Station Operating Loss	(4,576,225)	(22)	(3,926,714)	(19)
Store — Kuting Station				
Operating Income	2,252,099	100	1,434,556	100
Operating Cost	1,002,976	45	539,980	38
Gross Operating Profit	1,249,123	55	894,576	62

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	2008		2007	
	Amount	%	Amount	%
Operating Expense				
Salaries	\$ 1,868,325	83	\$ 1,553,039	108
Insurance	239,238	11	170,877	12
Packing	23,397	1	73,489	5
Meal Allowance	47,106	2	63,563	4
Pension	107,317	5	104,175	7
Water & Electricity	104,731	4	98,552	7
Special Projects	6,099	-	321	-
Miscellaneous (Appendix 1)	<u>144,890</u>	<u>6</u>	<u>251,099</u>	<u>18</u>
Total Operating Expenses	<u>2,541,103</u>	<u>112</u>	<u>2,315,115</u>	<u>161</u>
Kuting Station Operating Loss	(<u>1,291,980</u>)	(<u>57</u>)	(<u>1,420,539</u>)	(<u>99</u>)
Net Operating Profit of Social Enterprises	<u>\$ 154,773</u>		<u>\$ 12,190,541</u>	

15. Income Tax

The Foundation met the requirements provided under item 8, paragraph 1 of Article 2 of the *Applicable Standards of Income Tax Waiver for Educational, Cultural, Public Welfare and Charitable Organisations or Societies* during 2008 and 2007, and was exempted from payment of income tax. Income tax payable for the sale of goods or labour services has been estimated and entered into the accounts. The Foundation's Income tax returns have been approved by the tax authorities up to the year 2006.

16. Commitments

The Foundation has signed a lease agreement with the Taipei City Department of Labour for the Heping Car Wash Center. The lease will expire at the end of December 2009.

The Foundation signed an operation contract for the Sunshine Gas Station with Taipei City Government on December 27, 2005 that expired at the end of December 2008. The Foundation has not obtained a renewal of the operation contract in 2008 and the operation rights of the gas station have reverted back to Taipei City Government.

Under the Operation Agreement's business plan, the Foundation shall contribute Disability Employment Funds (accounts shows as "Disability Employment Fund Payable") based on an agreed percentage of the profits generated from the Sunshine Gas Station, and shall allocate a provision for the Business Incubator Reserve Fund. Disability Employment Funds are to be allocated into a special account under the Taipei City Employment Fund for People with Disabilities for the use by organisations for people with mental or physical disabilities to develop and facilitate employment services. The Business Incubator Reserve Fund is to provide funding for new sheltered workshops to be built in the future, as well as for the promotion of employment services and staff employment plans. However, after the termination of operations of the Sunshine Gas Station, provision for the Business Incubator Reserve Fund is no longer necessary. The said reserve fund will be drawn on until the fund balance becomes zero.

The Foundation and gas station have put up proposals to draw on the Business Incubator Reserve Fund in 2008 and 2007: For 2008, NT\$7,526,764 for the Foundation and NT\$542,330 for the gas station, and for 2007, NT\$2,161,060 for the Foundation and NT\$1,084,713 for the gas station. Actual use of the Fund is detailed as follows:

	2008	2007
Heping Station Transformation Plan	\$ -	\$ 640,197
Dream Maker Project	5,963,194	1,271,063
Development of Business for Supported Employment	1,461,875	1,334,513
Others	<u>644,025</u>	<u>-</u>
	<u>\$ 8,069,094</u>	<u>\$ 3,245,773</u>

Sunshine Social Welfare Foundation
Statement of Miscellaneous Expenses for 2008 and 2007

Appendix 1

	Foundation		Gas Station		Heping Station		Kuting Station		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Employee Welfare	\$-	\$-	\$-	\$-	\$-	\$-	\$15,300	\$36,290	\$15,300	\$36,290
Stationeries	-	-	43,057	69,865	24,452	21,279	6,547	6,322	74,056	97,466
Training	-	-	49,286	104,900	-	38,470	-	9,270	49,286	152,640
Renovation	-	-	145,606	84,451	-	8,837	19,218	54,216	164,824	147,504
Post & Communication	-	-	-	-	-	-	17,292	14,825	17,292	14,825
Transportation	96,469	90,095	11,144	20,788	10,083	10,241	2,738	2,093	120,434	123,217
Entertainment (PR)	76,936	85,521	10,620	29,972	1,955	-	-	1,490	89,511	116,983
Magazines & Journals	43,997	71,169	845	4,403	7,400	10,955	-	613	52,242	87,140
Equipment & Machinery	-	-	-	-	32,000	38,495	4,393	40,494	36,393	78,989
Taxes	31,990	31,540	12,631	-	-	-	-	-	44,621	31,540
Advertising	-	-	-	-	30,600	46,988	-	1,365	30,600	48,353
Disability	-	-	-	-	30,216	30,216	-	-	30,216	30,216
Employment Funds	-	-	414	4,871	-	-	21,361	12,536	21,775	17,407
Operating Losses	280,000	160,000	-	-	-	-	-	-	280,000	160,000
Labour Services	1,607,793	1,654,069	1,997,309	827,654	54,683	60,361	58,041	71,585	3,717,826	2,613,669
Others	\$2,137,185	\$2,092,394	\$2,270,912	\$1,146,904	\$191,389	\$265,842	\$144,890	\$251,099	\$4,744,376	\$3,756,239

Sunshine Social Welfare Foundation
Changes to Long-Term Investments – Available-for-Sale Financial Assets
2008

Appendix 2

Invested Company	Balance, Beginning Period		Reversal of Unrealised Profit/Loss	Initial Cost	Current Period Increase		Current Period Reduction		Sale Price	Gains / Losses from Sale	Balance, End of Period	
	No. of Shares (A)	Amount (B)			No. of Shares (C)	Amount (D)	No. of Shares (E)	Cost (F)			No. of Shares G=A+C-E	Amount H=B+D-F
Dream Maker Project-Taipei Fubon Foxconn Qisda	48,345 13,000	\$ 9,765,690 465,400	(\$2,952,256) 61,850	\$ 6,813,434 527,250	- -	48,345 13,000	\$ 6,813,434 527,250	\$ 8,710,352 366,274	\$ 1,896,918 (160,976)	- -	\$ - -	
"Investment Team" – Mega Power Chip Qisda Yuanta Total	20,000 350,000 84,000	2,780,000 12,530,000 1,776,600 \$27,317,690	164,189 973,814 103,172 (\$1,649,231)	2,944,189 13,503,814 1,879,772 \$25,668,459	- - - \$ -	20,000 350,000 84,000	2,944,189 13,503,814 1,879,773 \$25,668,460	1,657,633 9,383,296 2,268,421 \$22,385,976	(1,286,556) (4,120,518) 388,649 (\$3,282,483)	- - - \$ -	- - - \$ -	

萬象翻譯股份有限公司

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I HEREBY CERTIFY THAT THIS TRANSLATION IS
A TRUE AND CORRECT ENGLISH VERSION OF THE
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DATE: JUN 20 2009 TRANSLATOR: *Stacy*