

Shuttle Inc. and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2011 and 2010 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Shuttle Inc.

We have audited the accompanying consolidated balance sheets of Shuttle Inc. and subsidiaries (collectively, the "Group") as of June 30, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted 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 audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the financial statement, we were unable to obtain audited financial statements of the consolidated subsidiaries. Their total assets and total liabilities as of June 30, 2011 were NT\$4,023,362 thousand and NT\$1,599,607 thousand, which were 62.02% of consolidated total assets and 59.19% of consolidated total liabilities. Their total assets and total liabilities as of June 30, 2010 were NT\$2,499,738 thousand and NT\$501,695 thousand, which were 38.93% of consolidated total assets and 21.56% of consolidated total liabilities. Their net operating income for the six months ended June 30, 2011 and 2010 amounted to NT\$3,807,838 thousand and NT\$1,409,677 thousand, representing 86.53% and 58.33% of consolidated net operating income. Their net income (loss) for the six months ended June 30, 2011 and 2010 amounted to (NT\$13,670) thousand and NT\$2,554 thousand, respectively.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the financial statements of the consolidated subsidiaries been audited, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Shuttle Inc. and subsidiaries as of June 30, 2011 and 2010, and the consolidated results of their operations and their consolidated cash flows for the six months then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

August 25, 2011

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdiction. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and consolidated financial statements shall prevail.

SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2011 AND 2010

(In Thousands of New Taiwan Dollars, Except Par Value Data)

ASSETS	2011		2010		LIABILITIES AND STOCKHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 1,449,958	22	\$ 2,078,510	32	Short-term loans (Note 11)	\$ 58,080	1	\$ 227,912	3
Financial assets at fair value through profit or loss (Notes 2 and 5)	306	-	1,642	-	Notes payable	50	-	90	-
Available-for-sale financial assets (Notes 2 and 6)	201,977	3	234,478	4	Accounts payable	2,162,804	34	1,776,028	28
Notes receivable (Note 2)	103	-	439	-	Accrued expenses	365,909	6	229,884	4
Accounts receivable, net of allowance for doubtful accounts of \$52,036 thousand in 2011 and \$64,471 thousand in 2010 (Note 2)	1,977,164	30	1,217,566	19	Financial liabilities at fair value through profit or loss (Notes 2 and 5)	-	-	983	-
Other financial assets	15,205	-	2,320	-	Receipts in advance	79,379	1	6,877	-
Inventories (Notes 2 and 7)	1,459,822	23	1,554,175	24	Other financial liabilities	2,834	-	20,346	-
Deferred income tax assets (Notes 2 and 15)	40,438	1	29,960	1	Other current liabilities	<u>21,148</u>	<u>-</u>	<u>49,000</u>	<u>1</u>
Other current assets	<u>122,199</u>	<u>2</u>	<u>65,795</u>	<u>1</u>	Total current liabilities	<u>2,690,204</u>	<u>42</u>	<u>2,311,120</u>	<u>36</u>
Total current assets	<u>5,267,172</u>	<u>81</u>	<u>5,184,885</u>	<u>81</u>	OTHER LIABILITIES				
LONG-TERM INVESTMENTS					Accrued pension liabilities (Notes 2 and 12)	12,217	-	15,690	-
Available-for-sale financial assets (Notes 2 and 6)	12,588	-	17,572	-	Guarantee deposits	<u>100</u>	<u>-</u>	<u>300</u>	<u>-</u>
Financial assets carried at cost (Notes 2 and 8)	<u>83,317</u>	<u>2</u>	<u>72,214</u>	<u>1</u>	Total other liabilities	<u>12,317</u>	<u>-</u>	<u>15,990</u>	<u>-</u>
Total investments	<u>95,905</u>	<u>2</u>	<u>89,786</u>	<u>1</u>	Total liabilities	<u>2,702,521</u>	<u>42</u>	<u>2,327,110</u>	<u>36</u>
PROPERTY, PLANT, AND EQUIPMENT (Notes 2, 9 and 19)					EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT				
Cost					Capital stock - \$10 par value; authorized: 500,000 thousand shares in 2011, 320,000 thousand shares in 2010. Issued: 352,158 thousand shares in 2011, 302,158 thousand shares in 2010	<u>3,521,583</u>	<u>54</u>	<u>3,021,583</u>	<u>47</u>
Land	449,193	7	448,832	7	Advance receipts for common stock	<u>-</u>	<u>-</u>	<u>659,000</u>	<u>11</u>
Buildings	474,735	7	473,288	7	Capital surplus				
Machinery and equipment	309,578	5	436,071	7	Additional paid-in capital	665,836	10	506,836	8
Transportation equipment	31,033	-	18,825	-	Treasury stock transactions	<u>87,195</u>	<u>2</u>	<u>87,195</u>	<u>1</u>
Office equipment	33,121	1	32,682	1	Total capital surplus	<u>753,031</u>	<u>12</u>	<u>594,031</u>	<u>9</u>
Leasehold improvements	4,047	-	3,800	-	Accumulated deficit	<u>(452,695)</u>	<u>(7)</u>	<u>(178,643)</u>	<u>(3)</u>
Other equipment	<u>36,010</u>	<u>1</u>	<u>31,316</u>	<u>1</u>	Others				
Total cost	1,337,717	21	1,444,814	23	Unrealized gain (loss) on financial instruments	(3,250)	-	10,641	-
Less: Accumulated depreciation	417,914	7	489,468	8	Cumulative translation adjustments	<u>(33,560)</u>	<u>(1)</u>	<u>(12,754)</u>	<u>-</u>
Less: Accumulated impairment	<u>26,808</u>	<u>-</u>	<u>6,688</u>	<u>-</u>	Total other equity	<u>(36,810)</u>	<u>(1)</u>	<u>(2,113)</u>	<u>-</u>
Fixed assets cost and revaluation	892,995	14	948,658	15	Equity attributable to stockholders of the parent	<u>3,785,109</u>	<u>58</u>	<u>4,093,858</u>	<u>64</u>
Construction in progress and prepayments for equipment	<u>23,233</u>	<u>-</u>	<u>499</u>	<u>-</u>	MINORITY INTERESTS	<u>-</u>	<u>-</u>	<u>5</u>	<u>-</u>
Property plant, and equipment, net	<u>916,228</u>	<u>14</u>	<u>949,157</u>	<u>15</u>	Total stockholders' equity	<u>3,785,109</u>	<u>58</u>	<u>4,093,863</u>	<u>64</u>
OTHER ASSETS					TOTAL	<u>\$ 6,487,630</u>	<u>100</u>	<u>\$ 6,420,973</u>	<u>100</u>
Assets leased to others (Notes 2, 10 and 19)	82,126	1	82,472	1					
Refundable deposits	18,570	-	501	-					
Deferred charges (Note 2)	18,027	-	46,698	1					
Deferred income tax assets (Notes 2 and 15)	<u>89,602</u>	<u>2</u>	<u>67,474</u>	<u>1</u>					
Total other assets	<u>208,325</u>	<u>3</u>	<u>197,145</u>	<u>3</u>					
TOTAL	<u>\$ 6,487,630</u>	<u>100</u>	<u>\$ 6,420,973</u>	<u>100</u>					

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated August 25, 2011)

SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share Data)

	2011		2010	
	Amount	%	Amount	%
OPERATING REVENUES (Note 2)				
Sales	\$ 4,430,181	101	\$ 2,438,923	101
Less: Sales returns and allowances	<u>29,628</u>	<u>1</u>	<u>35,201</u>	<u>1</u>
Net sales	4,400,553	100	2,403,722	100
Processing revenue	<u>-</u>	<u>-</u>	<u>13,164</u>	<u>-</u>
Total operating revenues	<u>4,400,553</u>	<u>100</u>	<u>2,416,886</u>	<u>100</u>
OPERATING COSTS (Note 16)				
Cost of goods sold	3,864,426	88	2,092,715	87
Processing costs	<u>-</u>	<u>-</u>	<u>4,863</u>	<u>-</u>
Total operating costs	<u>3,864,426</u>	<u>88</u>	<u>2,097,578</u>	<u>87</u>
GROSS PROFIT	<u>536,127</u>	<u>12</u>	<u>319,308</u>	<u>13</u>
OPERATING EXPENSES (Note 16)				
Marketing	198,717	5	176,623	7
General and administrative	175,984	4	212,830	9
Research and development	<u>144,391</u>	<u>3</u>	<u>155,004</u>	<u>6</u>
Total operating expenses	<u>519,092</u>	<u>12</u>	<u>544,457</u>	<u>22</u>
OPERATING INCOME (LOSS)	<u>17,035</u>	<u>-</u>	<u>(225,149)</u>	<u>(9)</u>
NON-OPERATING INCOME AND GAINS (Notes 2 and 5)				
Gain on disposal of property, plant and equipment	2,400	-	-	-
Interest income	1,879	-	1,450	-
Gain on sale of investments, net	816	-	26,605	1
Rental revenue	665	-	1,156	-
Valuation gain on financial instruments, net	306	-	659	-
Exchange gain, net	-	-	12,304	1
Others	<u>6,997</u>	<u>-</u>	<u>6,137</u>	<u>-</u>
Total non-operating income and gains	<u>13,063</u>	<u>-</u>	<u>48,311</u>	<u>2</u>

(Continued)

SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share Data)

	2011		2010	
	Amount	%	Amount	%
NON-OPERATING EXPENSES AND LOSSES				
(Notes 2, 5, 8 and 16)				
Exchange loss, net	\$ 9,211	-	\$ -	-
Impairment loss	4,771	-	-	-
Interest expense	4,334	-	311	-
Loss on disposal of property, plant and equipment	-	-	2,294	-
Others	<u>2,787</u>	<u>-</u>	<u>2,772</u>	<u>-</u>
Total non-operating expenses and losses	<u>21,103</u>	<u>-</u>	<u>5,377</u>	<u>-</u>
INCOME (LOSS) BEFORE INCOME TAX	8,995	-	(182,215)	(7)
INCOME TAX EXPENSE (BENEFIT) (Notes 2 and 15)	<u>4,753</u>	<u>-</u>	<u>(4,057)</u>	<u>-</u>
NET INCOME (LOSS)	<u>\$ 4,242</u>	<u>-</u>	<u>\$ (178,158)</u>	<u>(7)</u>
	2011		2010	
	Income Attributable to Shareholders of the Parent		Income Attributable to Shareholders of the Parent	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS (LOSS) PER SHARE (Note 17)				
Basic	<u>\$ 0.03</u>	<u>\$ 0.01</u>	<u>\$ (0.61)</u>	<u>\$ (0.59)</u>

The accompanying notes are an integral part of the consolidated financial statements

(With Deloitte & Touche audit report dated August 25, 2011)

(Concluded)

SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY SIX MONTHS ENDED JUNE 30, 2011 AND 2010 (In Thousands of New Taiwan Dollars, Except Amount Per Share)

	Common Capital Stock		Advance Receipts for Common Stock (Note 13)	Capital Surplus (Notes 2 and 13)			Accumulated Deficit (Notes 2, 13 and 15)			Others (Notes 2 and 14)			Total Stockholders' Equity	
	Shares (In Thousands)	Amount		Additional Paid-in Capital	Treasury Stock Transactions	Employee Stock Options	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Unrealized Gain (Loss) On Financial Instruments	Cumulative Translation Adjustments	Treasury Stock		Minority Interests
BALANCE, JANUARY 1, 2011	352,158	\$ 3,521,583	\$ -	\$ 665,836	\$ 87,195	\$ -	\$ -	\$ -	\$ (456,937)	\$ 56,243	\$ (43,976)	\$ -	\$ -	\$ 3,829,944
Net changes of valuation gain/loss on available-for-sale financial assets - Shuttle Inc.	-	-	-	-	-	-	-	-	-	(46,738)	-	-	-	(46,738)
Net changes of valuation gain/loss on available-for-sale financial assets - subsidiaries	-	-	-	-	-	-	-	-	-	(12,755)	-	-	-	(12,755)
Translation adjustments	-	-	-	-	-	-	-	-	-	-	10,416	-	-	10,416
Net income for the six months ended June 30, 2011	-	-	-	-	-	-	-	-	4,242	-	-	-	-	4,242
BALANCE, JUNE 30, 2011	352,158	\$ 3,521,583	\$ -	\$ 665,836	\$ 87,195	\$ -	\$ -	\$ -	\$ (452,695)	\$ (3,250)	\$ (33,560)	\$ -	\$ -	\$ 3,785,109
BALANCE, JANUARY 1, 2010	302,158	\$ 3,021,583	\$ -	\$ 872,073	\$ 28,248	\$ 97,435	\$ 47,287	\$ 43,216	\$ (455,740)	\$ 20,931	\$ 21,056	\$ (87,450)	\$ 1,498	\$ 3,610,137
Additional paid-in capital and capital reserves used to offset company losses	-	-	-	(365,237)	-	-	(47,287)	(43,216)	455,740	-	-	-	-	-
Transfer of treasury stock to employees	-	-	-	-	58,947	(97,435)	-	-	-	-	-	87,450	-	48,962
Issuance of common stock for cash - NTS\$13.18 per share	-	-	659,000	-	-	-	-	-	-	-	-	-	-	659,000
Net changes of valuation gain/loss on available-for-sale financial assets - Shuttle Inc.	-	-	-	-	-	-	-	-	-	(32,037)	-	-	-	(32,037)
Net changes of valuation gain/loss on available-for-sale financial assets - subsidiaries	-	-	-	-	-	-	-	-	-	21,747	-	-	(378)	21,369
Translation adjustments	-	-	-	-	-	-	-	-	-	-	(33,810)	-	-	(33,810)
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	-	-	-	-	-	-	(485)	-	-	-	485	-
Decrease in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,600)	(1,600)
Net loss for the six months ended June 30, 2010	-	-	-	-	-	-	-	-	(178,158)	-	-	-	-	(178,158)
BALANCE, JUNE 30, 2010	302,158	\$ 3,021,583	\$ 659,000	\$ 506,836	\$ 87,195	\$ -	\$ -	\$ -	\$ (178,643)	\$ 10,641	\$ (12,754)	\$ -	\$ 5	\$ 4,093,863

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated August 25, 2011)

SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) attributable to shareholders of the parent	\$ 4,242	\$ (178,158)
Adjustments to reconcile consolidated net income (loss) to net cash used in operating activities		
Depreciation and amortization	84,443	39,864
Provision for (reversal of) doubtful accounts	(4,875)	5,044
Gain (loss) on disposal of property, plant and equipment	(2,400)	2,294
Valuation gain on financial instruments	(306)	(659)
Provision for loss on inventories	557	8,130
Abandonment loss on inventories	2,208	-
Gain on sale of investments	(816)	(26,605)
Impairment loss	4,771	-
Deferred income tax	(945)	(6,006)
Pension liabilities	(1,783)	(1,478)
Changes in operating assets and liabilities		
Financial instruments held for trading	29,782	4,306
Notes receivable	(103)	106
Accounts receivable	(711,897)	(1,023,707)
Inventories	(524,137)	(1,320,144)
Other current assets	(82,248)	(23,548)
Other financial assets	1,505	(1,670)
Notes payable	(148)	(72)
Accounts payable	941,442	1,538,698
Accounts payable - related parties	-	(1,508)
Receipts in advance	61,179	3,814
Accrued expenses	(40,120)	87,653
Other financial liabilities	(463)	89
Other current liabilities	7,428	44,428
Net cash used in operating activities	<u>(232,684)</u>	<u>(849,129)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of available-for-sale financial assets	-	(89,921)
Proceeds from disposal of available-for-sale financial assets	1,166	47,342
Proceeds from investees' capital reduction	12,000	-
Acquisition of property, plant and equipment	(26,120)	(52,232)
Proceeds from disposal of property, plant and equipment	2,436	-
Decrease (increase) in refundable deposits	(12,584)	839
Increase in deferred charges	(47,062)	(38,434)
Net cash used in investing activities	<u>(70,164)</u>	<u>(132,406)</u>

(Continued)

SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	\$ (455,514)	\$ 227,912
Proceeds from issuance of capital stock	-	659,000
Decrease in guarantee deposits	(200)	-
Decrease in minority interests	<u>-</u>	<u>(1,600)</u>
Net cash provided by (used in) financing activities	<u>(455,714)</u>	<u>885,312</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>8,041</u>	<u>(34,054)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(750,521)	(130,277)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>2,200,479</u>	<u>2,208,787</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 1,449,958</u>	<u>\$ 2,078,510</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 4,145</u>	<u>\$ 71</u>
Income tax paid	<u>\$ 15,005</u>	<u>\$ 2,018</u>
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NONCASH ITEMS		
Acquisition of property, plant, and equipment	\$ 27,040	\$ 63,031
Increase in payables for equipment purchased (included in other financial liabilities)	<u>(920)</u>	<u>(10,799)</u>
Cash paid for acquisition of properties	<u>\$ 26,120</u>	<u>\$ 52,232</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated August 25, 2011)

(Concluded)

SHUTTLE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

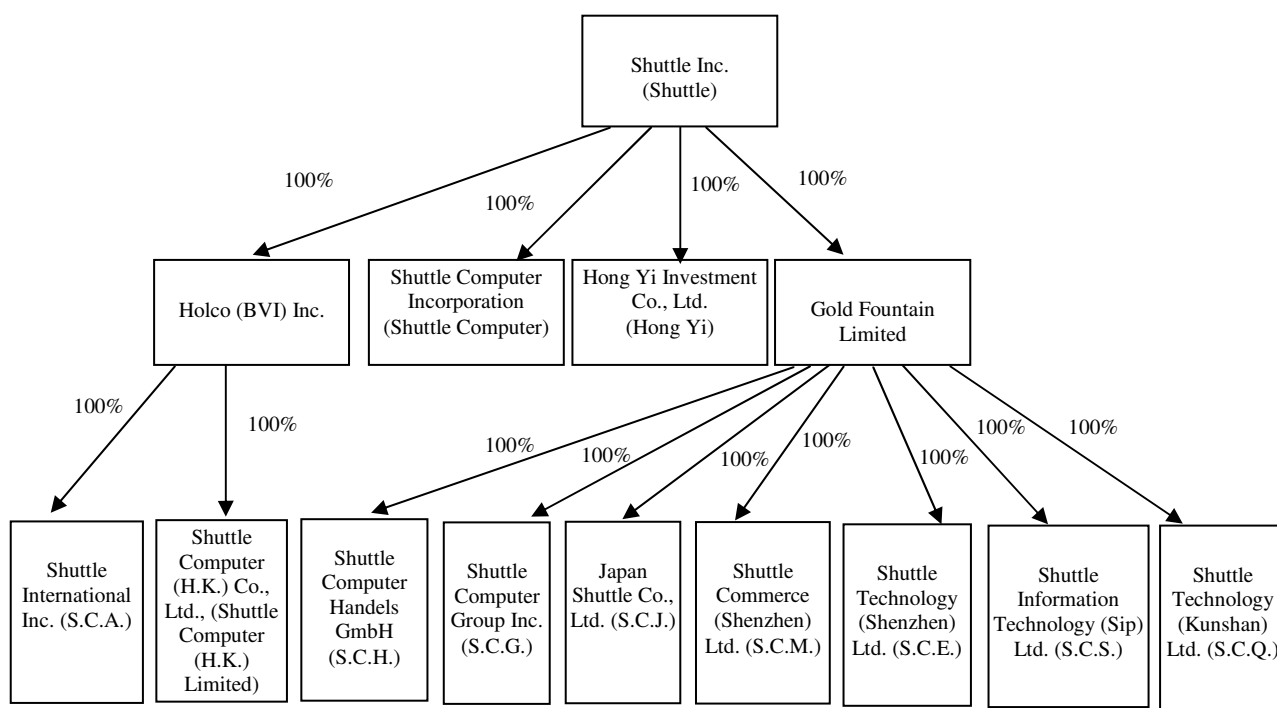
SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Shuttle Inc. (the “Company”) was incorporated in June 1983. The Company is engaged in manufacturing and selling laptops, barbones, mainboards, other computer peripherals, and providing related technical services. In order to improve operating efficiency, reduce exchange rate risk, increase flexibility of fund procurement and lower the borrowing costs, the Company relocated part of its operation from its subsidiaries in China to its subsidiaries in Hong Kong.

The structure and shares proportion of the Company and its subsidiaries (collectively, the “Group”) as of Jun 30, 2011 were as follows:



Holco (BVI) Inc., Gold Fountain Limited and Hong Yi are investments holding companies. Shuttle Computer, Shuttle International Inc., Shuttle Computer (H.K.) Limited, Shuttle Computer Handels GmbH, Shuttle Computer Group, Inc., S.C.J., S.C.M., S.C.E., S.C.S. and S.C.Q. are engaged in manufacturing and selling laptops, arbones, mainboards, other computer peripherals, and providing related technical services.

As of June 30, 2011 and 2010, the Group had 1,590 and 1,073 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are presented in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the R.O.C. Significant accounting policies are summarized as follows:

Principles of Consolidation

The consolidated financial statements include the accounts of the Group, i.e, the company and its directly and indirectly controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated.

The separate financial statements of the parent company and its subsidiaries are prepared in their functional currencies. When preparing consolidated financial statements, assets and liabilities are translated into New Taiwan (NT) dollars at the exchange rates prevailing on the balance sheet date; stockholders' equity accounts are translated at historical exchange rates; and revenue and expense items are translated at average exchange rates for the year.

The consolidated financial statements for the six months ended June 30, 2010 include the accounts of Shuttle Inc., Holco (BVI) Inc., Shuttle Computer, Gold Fountain Limited, Hong Yi, Shuttle Computer (H.K.) Limited, S.C.J., Shuttle Computer Group, Inc., Shuttle International Inc., Shuttle Computer Handels GmbH, S.C.M., S.C.E. and Shuttle Computer (Shanghai) Incorporation Limited. S.C.Q. and S.C.S. were incorporated by Gold Fountain Limited in August and November of 2010, respectively. Shuttle Computer (Shanghai) Incorporation Limited was terminated in August 2010. The consolidated financial statements for the six months ended June 30, 2011 include the accounts of Shuttle Inc., Holco (BVI) Inc., Shuttle Computer, Gold Fountain Limited, Hong Yi, Shuttle Computer (H.K.) Limited, S.C.J., Shuttle Computer Group, Inc., Shuttle International Inc., Shuttle Computer Handels GmbH, S.C.M., S.C.E., S.C.Q. and S.C.S.

The consolidated subsidiaries do not meet the criteria of "important subsidiaries" stated in Rule No. 0920103698 issued by the Taiwan Stock Exchange (TWSE). The separate financial statements of the consolidated subsidiaries have not been audited. The unaudited total assets and total liabilities as of June 30, 2011 were \$4,023,362 thousand and \$1,599,607 thousand, which were 62.02% and 59.19% of total consolidated assets and liabilities. The unaudited total assets and total liabilities as of June 30, 2010 were \$2,499,738 thousand and \$501,695 thousand, which were 38.93% and 21.56% of total consolidated assets and liabilities. Net operating income for the six months ended June 30, 2011 and 2010 amounted to \$3,807,838 thousand and \$1,409,677 thousand, representing 86.53% and 58.33% of consolidated net operating income. Net income (loss) for the six months ended June 30, 2011 and 2010 amount to \$(13,670) thousand and \$2,554 thousand, respectively.

Foreign Currencies

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - spot rates at period-end; shareholders' equity - historical rates; income and expenses - average rates during the period. The resulting translation adjustments are recorded as a separate component of shareholders' equity.

Accounting Estimates

Under above guidelines, law and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, depreciation of property, plant and equipment, income tax, pension cost, allowance for product warranties, etc. Actual results may differ from these estimates.

Current and Noncurrent Assets and Liabilities

Current assets include cash and cash equivalents, and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as property, plant and equipment are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Cash Equivalents

Cash equivalents, consisting of collateralized repurchase agreements and money market fund, are highly liquid financial instruments with maturities of three months or less when acquired and with carrying amounts that approximate their fair values.

Financial Assets and Liabilities at Fair Value through Profit or Loss

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Cash dividends are recognized on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share.

Fair value is determined as follows: Open-end mutual funds - net asset values at the end of the period; publicly traded stocks - closing prices at the end of the period.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss for an equity instrument classified as available-for-sale is recognized directly in equity.

Financial Assets Carried at Cost

Investments in equity instruments with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks and stocks traded in the Emerging Stock Market, are measured at their original cost. The accounting treatment for dividends on financial assets carried at cost is the same with that for dividends on available-for-sale financial assets. An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

Impairment of Accounts Receivable

Previous to January 1, 2011, an allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Group assesses the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables.

The Group adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that impairment of receivables originated by the Group should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected.

The amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral and guarantees, discounted at the receivable's original effective interest rate. The carrying amount of the accounts receivable is reduced through the use of an allowance account.

Inventories

Inventories consist of raw materials, finished goods, work-in-process and merchandise and 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.

Property, Plant and Equipment, and Leased Assets

Property, plant and equipment, and leased assets are stated at cost less accumulated depreciation and accumulated impairment losses. Major additions and improvements to property, plant and equipment, and leased assets are capitalized, while costs of repairs and maintenance are expensed currently.

When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, as if no impairment loss had been recognized.

Depreciation is computed using the straight-line method over the following estimated service lives: buildings - 2 to 60 years; machinery and equipment - 2 to 7 years; motor vehicles - 5 years; office equipment - 2 to 5 years; leasedhold improvement - 5 to 15 years; and other equipments - 2 to 10 years. Property, plant and equipment, and leased assets still in use beyond their original estimated useful lives are further depreciated over their newly estimated useful lives.

The related cost, accumulated depreciation, and accumulated impairment losses of an item of property, plant and equipment, and leased assets 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.

Deferred Expenses

Deferred expenses mainly consist of computer software. The amounts are stated at cost and are amortized over 2 years.

When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the previously recognized impairment loss would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of amortization, as if no impairment loss had been recognized.

Pension Cost

Pension cost under a defined benefit plan is determined by actuarial valuations. Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

Income Tax

The Group applies the intra-year and inter-year allocation methods to its income tax, whereby (1) a portion of income tax expense is allocated to the cumulative effect of changes in accounting principles or charged or credited directly to shareholders' equity; and (2) deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowances is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

The Company's tax credits for research and developments expenditure are recognized using the flow-through method.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Stock-based Compensation

Effective January 1, 2008, the Company adopted SFAS No. 39, "Accounting for Share-based Payment." Compensation cost of transfer of treasury stock to employee is measured by option pricing model.

Treasury Stock

Treasury stock is stated at cost and shown as a deduction in shareholders' equity.

Revenue Recognition

Revenue from sales of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable. The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Group and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, the Group adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." Due to the revisions, loans and receivables originated by the Group are now covered by SFAS No. 34. This accounting change did not have a significant effect on the consolidated financial statements as of and for the six months ended June 30, 2011.

Operating Segments

On January 1, 2011, the Group adopted the newly issued SFAS No. 41, "Operating Segments." The statement requires that segment information be disclosed based on the information about the components of the Company that management uses to make operating decisions. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20, "Segment Reporting."

4. CASH AND CASH EQUIVALENTS

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Cash		
Cash on hand	\$ 1,109	\$ 446
Checking accounts and demand deposits	636,053	1,243,165
Foreign demand accounts	576,503	613,929
Time deposits - annual yield rates from 0.80% to 0.82%	44,700	-
Foreign time deposits - annual yield - 1.15% and 0.25% for 2011 and 2010, respectively	<u>112,443</u>	<u>129,756</u>
	<u>1,370,808</u>	<u>1,987,296</u>
Cash equivalents		
Money market fund	68,168	79,100
Repurchase agreements collateralized by bonds	<u>10,982</u>	<u>12,114</u>
	<u>79,150</u>	<u>91,214</u>
	<u>\$ 1,449,958</u>	<u>\$ 2,078,510</u>

5. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments classified as held for trading were as follows:

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Trading financial assets		
Forward exchange contracts	<u>\$ 306</u>	<u>\$ 1,642</u>
Trading financial liabilities		
Foreign option contracts	<u>\$ -</u>	<u>\$ 983</u>

The Company entered into derivative contracts during the six months ended June 30, 2011 and 2010 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Company is to minimize risks due to changes in fair value or cash flows.

Outstanding forward exchange contracts consisted of the following:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>June 30, 2011</u>			
Sell	JPY/USD	2011.8.18-2011.11.15	JPY43,000/USD534
Sell	USD/NTD	2011.7.13-2011.9.23	USD14,000/NTD402,201
Sell	EUR/USD	2011.9.6-2011.9.15	EUR1,240/USD1,791
<u>June 30, 2010</u>			
Sell	JPY/USD	2010.11.26-2010.12.28	JPY48,600/USD542
Sell	NTD/USD	2010.9.23	NTD126,990/USD4,000

Outstanding foreign option contracts as of June 30, 2010 were as follows:

Contract	Rate	Period	Contract Amount (In Thousands)
Buy GBP put/USD call	1.51	May-December 2010	GBP1,500/USD2,265

The Company invested Ability Enterprise Co., Ltd. five-year zero coupon rate for the first time domestic unsecured convertible bonds \$30,060 thousand on February 2010 and recognized gain on disposal of investments \$946 thousand in the first quarter 2010.

Gain and loss on financial assets held for trading for the six months ended June 30, 2011 and 2010 were a net loss of \$40,394 thousand and a net gain of \$2,561 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30	
	2011	2010
Current		
Domestic quoted stocks	\$ 200,129	\$ 223,232
Mutual funds	<u>1,848</u>	<u>11,246</u>
	<u>\$ 201,977</u>	<u>\$ 234,478</u>
Non-current		
Domestic quoted stocks	\$ 5,989	\$ 9,638
Overseas quoted stocks	<u>6,599</u>	<u>7,934</u>
	<u>\$ 12,588</u>	<u>\$ 17,572</u>

Movements of unrealized gain or loss on financial instruments were as follows:

	2011			2010		
	The Company	Subsidiaries	Total	The Company	Subsidiaries	Total
Balance, beginning of period	\$ (6,303)	\$ 62,546	\$ 56,243	\$ (16,509)	\$ 37,440	\$ 20,931
Recognized in shareholders' equity	(47,964)	(12,755)	(60,719)	(42,134)	27,124	(15,010)
Transferred to profit or loss	<u>1,226</u>	<u>-</u>	<u>1,226</u>	<u>10,097</u>	<u>(5,377)</u>	<u>4,720</u>
Balance, end of period	<u>\$ (53,041)</u>	<u>\$ 49,791</u>	<u>\$ (3,250)</u>	<u>\$ (48,546)</u>	<u>\$ 59,187</u>	<u>\$ 10,641</u>

7. INVENTORIES

	June 30	
	2011	2010
Raw materials	\$ 1,048,888	\$ 1,044,678
Finished goods	239,062	179,707
Work in process	150,024	314,019
Merchandise	<u>21,848</u>	<u>15,771</u>
	<u>\$ 1,459,822</u>	<u>\$ 1,554,175</u>

The cost of inventories recognized as cost of goods sold for the six months ended June 30, 2011 and 2010 was \$3,864,426 thousand and \$2,092,715 thousand, respectively, which included \$557 thousand and \$8,130 thousand, respectively, loss on write-downs of inventories. Abandonment loss on inventories was \$2,208 for the six months ended June 30, 2011. Gain and loss on physical inventory for the six months ended June 30, 2011 and 2010 were gain of \$11 thousand and loss of \$324 thousand, respectively.

8. FINANCIAL ASSETS CARRIED AT COST

	June 30	
	2011	2010
Domestic unquoted common stocks		
iCatch Technology, Inc.	\$ 35,000	\$ -
Technology Partner IV Venture Capital Corp.	18,000	30,000
GVision Incorporated	1,781	6,552
Twinmos Technologies Inc.	<u>-</u>	<u>-</u>
	<u>54,781</u>	<u>36,552</u>
Emerging market stocks		
Partner Tech Corp.	<u>28,536</u>	<u>35,662</u>
	<u>\$ 83,317</u>	<u>\$ 72,214</u>

The stock and beneficiary certificate held by the Company were measured at cost because they had no active market and their fair values could not be reliably measured.

The Company received from Technology Partner IV Venture Capital Corp. returned cash of \$12,000 thousand in June 2011.

In August 2010, the Company invested in iCatch Technology, Inc. \$35,000 thousand and obtained iCatch's common stock of 2,500 thousand shares with 4.55% of ownership.

In 2010, the Company recognized impairment loss of \$3,160 thousand on its investments in Partner Tech Corp. For the six months ended June 30, 2011, the Corporation recognized impairment loss of \$4,771 thousand on GVision Incorporated.

The Company recognized impairment loss of \$38,500 thousand on its investments in Twinmos Technologies Inc.

9. PROPERTY, PLANT AND EQUIPMENT

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Accumulated depreciation		
Buildings	\$ 115,891	\$ 106,677
Machinery and equipment	242,536	327,636
Transportation equipment	11,926	8,097
Miscellaneous equipment	20,989	23,415
Leasehold improvements	2,988	2,840
Other equipment	<u>23,584</u>	<u>20,803</u>
	<u>\$ 417,914</u>	<u>\$ 489,468</u>
Accumulated impairment		
Machinery and equipment	<u>\$ 26,808</u>	<u>\$ 6,688</u>

The depreciation expense for the six months ended June 30, 2011 and 2010 was \$15,391 thousand and \$31,729 thousand, respectively.

The Company assessed the recoverable amount of property, plant and equipment, and recognized impairment loss of \$20,292 thousand for the years ended December 31, 2010.

10. ASSETS LEASED TO OTHERS

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Cost		
Land	\$ 69,953	\$ 69,953
Buildings	<u>19,316</u>	<u>19,316</u>
	89,269	89,269
Less: Accumulated depreciation	<u>7,143</u>	<u>6,797</u>
	<u>\$ 82,126</u>	<u>\$ 82,472</u>

11. SHORT-TERM LOANS

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Usance letters of credit	<u>\$ 58,080</u>	<u>\$ 227,912</u>

Interest rates ranged from 1.208% to 1.4615% and from 0.9108% to 1.82% at June 30, 2011 and 2010, respectively.

12. PENSION PLANS

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Such pension costs were \$7,150 thousand and \$6,408 thousand for the six months ended June 30, 2011 and 2010, respectively.

Based on the defined benefit plan under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan in the committee's name.

Defined benefit pension information was summarized as follows:

Movements of the fund under the defined benefit plans were summarized as follows:

	Six Months Ended June 30	
	2011	2010
Balance, beginning of period	\$ 6,810	\$ 2,250
Contributions	2,424	2,153
Interest	<u>15</u>	<u>12</u>
Balance, end of period	<u>\$ 9,249</u>	<u>\$ 4,415</u>

Movements of the accrued pension cost under the defined benefit plans were summarized as follows:

	Six Months Ended June 30	
	2011	2010
Balance, beginning of period	\$ 14,000	\$ 17,168
Add: Payments	641	675
Less: Contributions	<u>(2,424)</u>	<u>(2,153)</u>
Balance, end of period	<u>\$ 12,217</u>	<u>\$ 15,690</u>

The pension mechanism under the Labor Pension Act (the "Act") is deemed a defined contribution plan. Pursuant to the Act, S.C.H., S.C.M., S.C.E., S.C.S., S.C.Q. and S.C.J. have made monthly contributions in accordance with each employee's monthly salary. There was no employee in Holco (BVI) Inc., Gold Fountain Limited, Hong Yi Investment Co., Ltd., Shuttle Computer (H.K.) Limited and Shuttle Computer Incorporation.

13. SHAREHOLDERS' EQUITY

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par (additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be capitalized, which however is limited to a certain percentage of the Company's paid-in capital. Also, the capital surplus from long-term investments may not be used for any purpose.

The Company's Articles of Incorporation provide that, under the board of directors' resolution, annual net income less any deficit and 10% as legal reserve plus unappropriated earnings of prior years should be distributed. Bonus to directors and profit sharing to employees of Shuttle of not more than 3% and not less than 8% of the remainder, respectively; provided that the ratio for cash dividend shall not exceed 10% of the total distribution.

A special capital reserve equivalent to the net debit balance of the other components of shareholders' equity (for example, cumulative translation adjustments and unrealized loss on financial instruments) shall be made from unappropriated earnings pursuant to existing regulations promulgated by the Securities and Futures Bureau (SFB). Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

For the six months ended June 30, 2011 and 2010, there were no bonus to employees and no remuneration to directors and supervisors because of accumulated deficit, respectively.

The appropriation for legal capital reserve shall be made until the reserve equals Shuttle's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends and bonuses for the portion in excess of 50% of the paid-in capital if Shuttle has no unappropriated earnings and the reserve balance has exceeded 50% of Shuttle's paid-in capital. The Company Law also prescribes that, when the reserve has reached 50% of Shuttle's paid-in capital, up to 50% of the reserve may be transferred to capital.

Under the Integrated Income Tax System that became effective on January 1, 1998, ROC resident shareholders are allowed a tax credit for their proportionate share of the income tax paid by Shuttle on earnings generated since January 1, 1998.

The Company's losses for 2010 and 2009 had been approved in the Shuttle's shareholders meetings held on June 15, 2011 and June 15, 2010, respectively.

Information on the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

On June 26, 2009, the Company's shareholders resolved to issue up to 150,000 thousand common shares at \$10.00 par value and the offering price, offering amount, planning and fund was approved by the board of directors. This common share issuance was approved by and registered with the government authorities on March 6, 2009. On June 1, 2010, the board of directors resolved to issue 50,000 thousand common shares at \$13.18 par value and set June 18, 2010 as the fund raising deadline. This common share issuance was approved by and registered with the government authorities on July 6, 2010.

14. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Period	Movements		Number of Shares, End of Period
		Addition During the Period	Reduction During the Period	
<u>Six months ended June 30, 2010</u>				
For transfer to employees	<u>5,300</u>	=	<u>5,300</u>	=

At November 30, 2009, the board of directors transferred to its employees 2,600 thousand and 2,700 thousand shares bought back from the market at \$10.83 and \$7.76 per share. Compensation cost recognized for treasury stock was \$97,435 thousand for the year ended December 31, 2009. The treasury stock was transferred in January 2010.

Under the Securities and Exchange Act, treasury stock shares should not exceed 10% of outstanding common stock shares and the amount should not exceed the total of retained earnings and additional paid-in capital. The Company should neither pledge treasury stock nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

15. INCOME TAX

- a. A reconciliation of income tax expense based on "income before income tax" at the statutory rates and income tax currently payable was as follows:

	<u>Six Months Ended June 30</u>	
	<u>2011</u>	<u>2010</u>
Income tax expense based on "income before income tax" at statutory rates	\$ 11,980	\$ (29,504)
Tax effect of the following:		
Permanent differences	822	(4,267)
Temporary differences	(1,952)	35,720
Net operating loss carryforwards used	<u>(5,238)</u>	<u>-</u>
Income tax currently payable	<u>\$ 5,612</u>	<u>\$ 1,949</u>

- b. Income tax expense (benefit) consisted of the following:

	<u>Six Months Ended June 30</u>	
	<u>2011</u>	<u>2010</u>
Income tax currently payable	\$ 5,612	\$ 1,949
Deferred income tax	(945)	(6,006)
Income tax adjustments on prior years	<u>86</u>	<u>-</u>
Income tax expense (benefit)	<u>\$ 4,753</u>	<u>\$ (4,057)</u>

- c. In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 20% to 17%, effective January 1, 2010. The Company recalculated its deferred income tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as an income tax expense or benefit.

Net deferred income tax assets consisted of the following:

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Current		
Warranty liabilities	\$ 12,709	\$ 8,464
Unrealized allowance for loss on inventories	9,266	3,212
Provision for doubtful accounts	7,921	7,943
Deferred credits	6,012	7,752
Loss carryforwards	3,178	5,156
Unrealized exchange gains	(259)	(2,598)
Others	<u>1,611</u>	<u>31</u>
Deferred income tax assets	<u>\$ 40,438</u>	<u>\$ 29,960</u>

(Continued)

	June 30	
	2011	2010
Non-current		
Loss carryforwards	\$ 152,879	\$ 132,226
Investment tax credits	57,709	71,095
Investment income recognized on overseas equity-method investments	22,642	7,669
Impairment loss	21,727	16,852
Accrued pension cost	1,982	2,577
Deferred credits	116	-
Others	<u>465</u>	<u>49</u>
	257,520	230,468
Less: Valuation allowance	<u>167,918</u>	<u>162,994</u>
Deferred income tax assets	<u>\$ 89,602</u>	<u>\$ 67,474</u>

(Concluded)

As of June 30, 2011, investment tax credits comprised of:

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Research and development expenditures/personnel training expenditures	\$ 3,574	\$ 2,392	2012
Statute for Upgrading Industries	Research and development expenditures/personnel training expenditures	55,317	55,317	2013
			<u>\$ 57,709</u>	

As of June 30, 2011, loss carryforwards of Shuttle consisted of the following:

Expiry Year	Unused Amount
2019	\$ 76,803
2020	<u>41,175</u>
	<u>\$ 117,978</u>

As of June 30, 2011, loss carryforwards of Shuttle Computer Company consisted of the following:

Expiry Year	Unused Amount
2017	\$ 317
2019	1,262
2020	<u>3,021</u>
	<u>\$ 4,600</u>

As of June 30, 2011, loss carryforwards unused amount of Shuttle Computer Group, Inc. and S.C.J. was \$23,679 thousands and \$9,800 thousand; expiry year for loss carryforward of Shuttle Computer Group, Inc. and S.C.J. was 2030 and 2018.

- d. Information about integrated income tax was as follows:

	June 30	
	2011	2010
Balance of imputation credit account (ICA):		
Shuttle	\$ 3,522	\$ 742
Hong Yi	5,588	4,531
Shuttle Computer	-	-

As of June 30, 2011 and 2010, Shuttle, Hong Yi and Shuttle Computer had accumulated deficit. Balance of imputation credit account (ICA) will be allocated to shareholders of the Company until the date of dividend distribution.

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to shareholders of the Company is based on the balance of the ICA as of the date of dividend distribution.

The tax authorities have examined income tax returns of Shuttle through 2008. The tax authorities have examined income tax returns of Shuttle Computer Company and Hong Yi Investment Co., Ltd. through 2009.

- e. Undistributed earnings information

All of Shuttle's earnings generated prior to June 30, 1997 have been used to make up for deficit.

16. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Six Months Ended June 30, 2011			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Expenses and Losses	Total
Personnel				
Salary	\$ 60,997	\$ 238,178	\$ -	\$ 299,175
Insurance and social welfare	2,184	16,741	-	18,925
Pension	1,150	10,536	-	11,686
Others	<u>1,062</u>	<u>6,064</u>	<u>-</u>	<u>7,126</u>
	<u>\$ 65,393</u>	<u>\$ 271,519</u>	<u>\$ -</u>	<u>\$ 336,912</u>
Depreciation	<u>\$ 7,875</u>	<u>\$ 7,516</u>	<u>\$ 173</u>	<u>\$ 15,564</u>
Amortization	<u>\$ 65,040</u>	<u>\$ 3,839</u>	<u>\$ -</u>	<u>\$ 68,879</u>

Six Months Ended June 30, 2010

	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Expenses and Losses	Total
Personnel				
Salary	\$ 60,611	\$ 214,355	\$ -	\$ 274,966
Insurance and social welfare	4,661	12,478	-	17,139
Pension	2,086	7,556	-	9,642
Others	<u>4,572</u>	<u>9,511</u>	<u>-</u>	<u>14,083</u>
	<u>\$ 71,930</u>	<u>\$ 243,900</u>	<u>\$ -</u>	<u>\$ 315,830</u>
Depreciation	<u>\$ 16,990</u>	<u>\$ 14,739</u>	<u>\$ 173</u>	<u>\$ 31,902</u>
Amortization	<u>\$ 520</u>	<u>\$ 7,442</u>	<u>\$ -</u>	<u>\$ 7,962</u>

17. EARNINGS PER SHARE

	Amounts (Numerator)		Shares (Denominator) (In Thousands)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>Six months ended June 30, 2011</u>					
Basic and diluted EPS					
Income for the year attributable to common stockholders	<u>\$ 8,995</u>	<u>\$ 4,242</u>	<u>352,158</u>	<u>\$ 0.03</u>	<u>\$ 0.01</u>
<u>Six months ended June 30, 2010</u>					
Basic and diluted EPS					
Income for the year attributable to common stockholders	<u>\$ (185,020)</u>	<u>\$ (178,158)</u>	<u>301,956</u>	<u>\$ (0.61)</u>	<u>\$ (0.59)</u>

18. RELATED-PARTY TRANSACTIONS

- a. The following summarizes the relationship between the Group and its related parties:

Related Party	Relationship with the Company
Yu, Hung-Huei	Chairman
Yu, Li-Na	Vice president

- b. Transactions with the above related parties:

The Company subscribed to 160,000 shares of Hong Yi for \$1,600 thousand (original shareholders include Hung-huei Yu and Li-na Yu). After the subscription, the Company's percentage of ownership in Hong Yi increased from 99% to 100%.

19. MORTGAGED OR PLEDGED ASSETS

The Group's assets mortgaged or pledged as collateral for bank loans and other financings were as follows:

	June 30	
	2011	2010
Property, plant and equipment, net	\$ 792,321	\$ 800,547
Leased assets, net	<u>82,085</u>	<u>82,431</u>
	<u>\$ 874,406</u>	<u>\$ 882,978</u>

20. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of June 30, 2011, unused letters of credit amounted to \$147,397 thousand.

The Company and Shuttle Computer Group, Inc. were sued by Lenovo (Singapore) Pte. Ltd. alleged infringement of patent of mini laptops. In February 2009, the Company filed a request for reexamination of the patents. On March 25, 2009 the Court granted a stay pending reexamination. The case should be stayed pending final resolution of the reexamination. The Company and Lenovo (Singapore) Pte. Ltd. signed a cross-licensing agreement on April 14, 2011 for the company to pay \$100 thousand of royalty each year from year 2005 to year 2016. The Court has entered the Order of Dismissal filed by Lenovo (Singapore) Pte. Ltd. The Company has recognized the royalty expense for the six months ended June 30, 2011 and 2010.

21. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

	June 30			
	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Non-derivative financial instruments</u>				
Financial assets at fair value equivalent to book value	\$ 3,461,000	\$ 3,461,000	\$ 3,299,336	\$ 3,299,336
Available-for-sale financial assets	214,565	214,565	252,050	252,050
Financial assets carried at cost	83,317	71,509	72,214	62,559
Financial liabilities at fair value equivalent to book value	2,589,777	2,589,777	2,254,560	2,254,560
<u>Derivative financial instruments, categorized by location of transaction counter party</u>				
Domestic				
Forward exchange contract	306	306	1,642	1,642
Foreign currency options	-	-	(983)	(983)

b. Methods and assumptions used to estimate the fair values of financial instruments were as follows:

- 1) The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: Cash and cash equivalents, receivables, other financial assets, refundable deposit, short-term bank loans, payables, accrued expenses, other financial liabilities and guarantee deposits received.
- 2) Fair values of available-for-sale financial assets are based on their quoted prices in an active market. Fair values of financial assets carried at cost are based on the Company's proportionate share of the net assets of the investees.
- 3) Fair values of derivatives are based on their quoted prices in an active market. For those derivatives with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

The Company uses the exchange rate of foreign exchange swap by Reuters.

c. Fair values of financial assets and liabilities based on quoted market prices or valuation techniques were as follows:

	Quoted Market Prices		Valuation Techniques	
	June 30		June 30	
	2011	2010	2011	2010
<u>Assets</u>				
Available-for-sale financial assets	\$ 214,565	\$ 252,050	\$ -	\$ -
Financial assets at fair value through profit or loss	-	-	306	1,642
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	-	-	-	983

- d. Valuation gains (losses) arising from changes in fair value of financial instruments determined using valuation techniques were \$(40,394) thousand and \$2,561 thousand for the six months ended June 30, 2011 and 2010, respectively.
- e. As of June 30, 2011 and 2010, financial assets exposed to fair value interest rate risk amounted to \$193,364 thousand and \$143,806 thousand, respectively; financial liabilities exposed to fair value interest rate risk amounted to \$58,180 thousand and \$167,411 thousand, respectively; financial assets exposed to cash flow interest rate risk amounted to \$1,275,164 thousand and \$1,935,205 thousand, respectively; and financial liabilities exposed to cash flow interest rate risk amounted to zero and \$60,801 thousand, respectively.
- f. As of June 30, 2011 and 2010, the interest income (expense) associated with financial assets (liabilities) other than those at FVTPL was as follows:

	Six Months Ended June 30	
	2011	2010
Total interest income	\$ 1,879	\$ 1,450
Total interest expense	(4,334)	(311)

g. Financial risks

1) Market risk

The Company invests in forward exchange contract and foreign currency options, of which the fair values are affected by changes in market interest rates. The expiry dates of the Company's outstanding forward exchange contract and foreign currency options as of June 30, 2011 are between July 13, 2011 and November 15, 2011. Management does not expect the changes of the fair values to be material.

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Group if the counter-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties to the foregoing financial instruments are reputable financial institutions and business organizations. Management does not expect the Group's exposure to default by those parties to be material.

3) Liquidity risk

The Group's operating funds are deemed sufficient to meet the cash flow demand, therefore, liquidity risk is not considered to be significant.

The Company's subsidiaries' investments in debt instruments are traded in active markets and can be disposed of quickly at close to their fair values. The Group's investments in financial assets carried at cost have no active markets; therefore, the liquidity risk is expected to be high.

The Company's investment in forward exchange contracts are expected to produce cash outflow of EUR1,240 thousand, JPY43,000 thousand and US\$11,675 thousand and cash inflow of NT\$402,201 thousand. The forward rate was determined; therefore, the liquidity risk is not expected to be material.

22. OTHERS

The significant foreign-currency financial assets and liabilities were as follows:

	June 30					
	2011			2010		
	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)
<u>Financial assets</u>						
Monetary items						
USD	\$ 86,592	28.725	\$ 2,401,169	\$ 59,032	32.15	\$ 1,897,873
JPY	54,704	0.3573	19,546	43,955	0.3628	15,947
EUR	17,786	41.63	740,438	5,095	39.32	200,325
RMB	8,877	4.4386	39,402	28,759	4.7409	136,346
HKD	51	3.691	190	36	4.13	148
Non-monetary items						
USD	14,534	28.61-28.84	367	4,542	31.74-31.75	1,642
EUR	(124)	40.22-41.80	(61)	-	-	-
GBP	-	-	-	(4,200)	48.4	(983)

(Continued)

June 30

	2011			2010		
	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)
<u>Financial liabilities</u>						
Monetary items						
USD	\$ 80,203	28.725	\$ 2,303,827	\$ 56,331	32.15	\$ 1,811,035
EUR	1,778	41.63	74,005	408	39.32	16,038
HKD	94	3.691	348	76	4.13	315
GBP	-	-	-	4	48.4	169
JPY	4,962	0.3573	1,773	3,274	0.3628	1,188
RMB	19,991	4.4386	88,732	2,749	4.7409	13,033
						(Concluded)

23. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for the Company and its investees:

- a. Financings provided: None;
- b. Endorsements/guarantees provided: Table 1 (attached);
- c. Marketable securities held: Table 2 (attached);
- d. Marketable securities acquired or disposed of at costs or prices of at least \$100 million or 20% of the paid-in capital: None;
- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: None;
- f. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: Table 3 (attached);
- h. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 4 (attached);
- i. Names, locations, and related information of investees over which the Company exercises significant influence: Table 5 (attached);
- j. Derivative transactions of the Company: Notes 5 and 21; Derivative transaction of investees over which the Company has a controlling interest: None.
- k. Investments in Mainland China
 - 1) Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China: Table 6 (attached);

2) Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss:

a) The amount and percentage to total of purchases and payables:

Selling Company	Counter Company	Cost of Goods Sold		Payable	
		Amount	% to Total Purchases	Amount	% to Total Payables
The Company	S.C.M.	\$ 64,575	7	\$ -	-

b) The amount and percentage to total of sales and receivables:

Selling Company	Counter Company	Sales		Receivable	
		Amount	% to Total Sales	Amount	% to Total Receivables
The Company	S.C.M.	\$ 471,832	36	\$ 103,569	5
The Company	S.C.Q.	218	-	-	-

The Company deferred unrealized gain of \$2,334 thousand on down-stream transactions.

c) Property transaction:

The Company sold property of \$30,049 thousand (original cost of \$68,711 thousand less \$37,546 thousand of accumulated depreciation and \$1,116 thousand of accumulated impairment) to its related party, S.C.S., for \$30,730 thousand. The Company has deferred the unrealized gain of \$681 thousand on the down-stream transaction.

d) Endorsements, guarantees or collateral directly or indirectly provided to the investees: None.

e) Financings directly or indirectly provided to the investees: None.

f) Other transactions that significantly impacted current year's profit or loss or financial position: None.

1. Intercompany relationships and significant transactions: Table 7 (attached)

24. OPERATING SEGMENT FINANCIAL INFORMATION

The Group engages solely in manufacturing and selling of computer equipments. Thus, the Group need not disclose operating segments information.

SHUTTLE INC. AND SUBSIDIARIES

**ENDORSEMENT/GUARANTEE PROVIDED
SIX MONTHS ENDED JUNE 30, 2011
(Amounts in Thousands of New Taiwan Dollars)**

No.	Endorsement/ Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amount (Note 1)	Maximum Balance for the Period	Ending Balance	Value of Collateral	Ratio of Accumulated Amount of Collateral to Net Equity Shown in the Latest Financial Statements	Maximum Collateral/ Guarantee Amounts Allowable (Note 2)
		Name	Nature of Relationship						
0	Shuttle Inc.	Shuttle Computer (H.K.) Limited	Subsidiary of Holco (BVI) Inc.	\$ 1,892,554	\$ 1,630,600	\$ 1,630,600	\$ -	43%	\$ 1,892,554

Note 1: The Company limits the endorsement/guarantee amount on each entity to within 20% of the net value of the Company; for 100% held foreign subsidiary the amount is limited to within 50% of the net value of the Company.

Note 2: The Company limits the endorsement/guarantee amount within 50% of the net value of the Company

SHUTTLE INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 2011

(Amounts in Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2011				Note
				Shares/Units	Carrying Value (Note 3)	Percentage of Ownership (%)	Market Value or Net Asset Value (Note 1)	
Shuttle Inc.	<u>Stock</u> Gold Fountain Limited	Subsidiary	Investments accounted for using equity method	17,172,000	\$ 425,283	100	\$ 425,283	Note 8
	Hong Yi Investment Co., Ltd.	Subsidiary	"	16,000,000	172,436	100	172,436	Note 8
	Holco (BVI) Inc.	Subsidiary	"	352	116,241	100	116,241	Note 8
	Shuttle Computer Incorporation	Subsidiary	"	5,000,000	25,030	100	25,030	Note 8
	Mediatek Inc.	-	Available-for-sale financial assets - current	30,420	17,765	-	9,491	
	Au Optronics Corp.	-	"	216,298	12,682	-	4,239	
	Amtran Technology Co., Ltd.	-	"	1,574,152	53,561	0.20	38,567	
	Greatek Electronics Inc.	-	"	775,196	27,202	0.14	20,698	
	Techmosa Intl Inc.	-	"	1,814,503	15,873	2.50	54,254	
	Elitegroup Computer Systems Co., Ltd.	-	Available-for-sale financial assets - noncurrent	684,377	46,411	0.06	5,989	
	Elad Europe Ltd.	-	"	637,522	19,308	0.9	6,599	Note 7
	Twinmos Technologies Inc.	-	Financial assets carried at cost - noncurrent	805,000	-	0.39	-	Note 4
	Partner Tech Corp.	-	"	1,193,508	12,054	1.94	14,089	Emerging stock
	Technology Partner IV Venture Capital Corp.	-	"	1,800,000	18,000	3.24	12,385	
	iCatch Technology, Inc.	-	"	2,500,000	35,000	4.55	25,684	
Shuttle Inc.	<u>Fund</u> Sinopac Global Emerging Markets Fund	-	Available-for-sale financial assets - current	100,000	1,000	-	924	
Holco (BVI) Inc.	<u>Share certificate</u> Shuttle Computer (H.K.) Limited	Subsidiary	Investments accounted for using equity method	-	52,304	100	52,304	Note 8
	Shuttle International Inc.	Subsidiary	"	-	28,897	100	28,897	Note 8
Gold Fountain Limited	<u>Stock</u> Shuttle Computer Group, Inc.	Subsidiary	Investments accounted for using equity method	30,000	121,906	100	121,906	Note 8
	Shuttle Computer Handels GmbH	Subsidiary	"	-	233,729	100	233,729	Note 8
	Shuttle Commerce (Shenzhen) Ltd.	Subsidiary	"	-	-	100	-	Notes 2 and 8
	Japan Shuttle Co., Ltd.	Subsidiary	"	1,000	6,290	100	6,290	Note 8

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2011				Note
				Shares/Units	Carrying Value (Note 3)	Percentage of Ownership (%)	Market Value or Net Asset Value (Note 1)	
Hong Yi Investment Co., Ltd.	Shuttle Technology (Shenzhen) Ltd.	Subsidiary	"	-	\$ -	100	\$ -	Notes 5 and 8
	Shuttle Technology (Kunshan) Ltd.	Subsidiary	"	-	1,170	100	1,170	Note 8
	Shuttle Information Technology (SIP) Ltd.	Subsidiary	"	-	-	100	-	Notes 6 and 8
	<u>Stock</u> Ares International Corporation.	Chairman within second degree of kinship to the Company's chairman	Available-for-sale financial assets - current	1,214,546	11,769	2.57	34,979	
	Techmosa Intl Inc.	-	Available-for-sale financial assets - current	1,267,583	11,244	1.75	37,901	
	Partner Tech Corp.	-	Financial assets carried at cost - noncurrent	1,631,901	16,482	2.66	19,264	Emerging stock
	Gvision Incorporated	-	"	105,470	1,781	0.04	87	
<u>Fund</u> Sinopac Global Emerging Markets Fund	-	Available-for-sale financial assets - current	100,000	1,000	-	924		

Note 1: For investments accounted for using equity method and financial assets carried at cost with no quoted market prices, their fair values are determined by the Company's proportionate share in the investee's equity. Fair values of available-for-sale investments are based on closing prices as of June 30, 2011. Mutual funds are based on net asset values as of June 30, 2011.

Note 2: The accumulated book value had a credit amount of \$57,144 thousand as of June 30, 2011 and was classified as other liabilities.

Note 3: Available-for-sale financial assets are stated at the original acquisition cost.

Note 4: An impairment loss was recognized to the full amount of the original acquisition cost.

Note 5: The accumulated book value had a credit amount of \$11,838 thousand as of June 30, 2011 and was classified as other liabilities.

Note 6: The accumulated book value had a credit amount of \$23,104 thousand as of June 30, 2011 and was classified as other liabilities.

Note 7: Elad Europe Ltd. (originally called "Orad (Hai) Investments Holdings Ltd.") swap its 100 original shares for 1 new share in May 2011.

Note 8: The amount was eliminated upon consolidation.

SHUTTLE INC. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2011
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Shuttle Inc.	Shuttle Commerce (Shenzhen) Ltd.	Subsidiary of gold fountain limited	Sale	\$ (471,832)	(36)	Within 120 days	Note 1	Month end 120 days	\$ 103,569	5	
	Shuttle Computer Handels GmbH	Subsidiary of gold fountain limited	Sale	(106,896)	(8)	Within 120 days	Note 1	Month end 120 days	59,561	3	
Shuttle Commerce (Shenzhen) Ltd.	Shuttle Inc.	Subsidiary of gold fountain limited	Purchase	471,832	21	Within 120 days	Note 1	Month end 120 days	(103,569)	(14)	
S.C.H	Shuttle Inc.	Subsidiary of gold fountain limited	Purchase	106,896	85	Within 120 days	Note 1	Month end 120 days	(59,561)	(98)	

Note 1: The prices were determined after taking the selling and post-sale service expenses into consideration.

Note 2: The amount was eliminated upon consolidation.

SHUTTLE INC. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2011
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Shuttle Inc.	Shuttle Commerce (Shenzhen) Ltd.	Subsidiary of Gold Fountain Limited	Accounts receivable \$ 103,569 Payment on behalf of others 292,519 (Note 1)	-	\$ -	-	\$ 219,572	\$ -
	Shuttle Computer (H.K.) Limited	Subsidiary of Holco (BVI) Inc.	Accounts receivable 33,631 Payment on behalf of others 1,132,326 (Note 1)	-	-	-	523,326	-

Note 1: Accounts receivable from related parties are mainly advances by the Company to Shuttle Commerce (Shenzhen) Ltd. and Shuttle Computer (H.K.) Limited for purchase transactions; the collection period is 60-90 days; the Company paid to suppliers and payments for a considerable period.

Note 2: The amount was eliminated upon consolidation.

SHUTTLE INC. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
SIX MONTHS ENDED JUNE 30, 2011
(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2011			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				June 30, 2011	June 30, 2010	Shares	Percentage of Ownership	Carrying Value			
Shuttle Inc.	Gold Fountain Limited	Cayman Islands	Holding company	\$ 778,919	\$ 837,799	17,172,000	100	\$ 425,283	\$ (19,373)	\$ (19,373)	Subsidiary; Notes 1 and 5
	Hong Yi Investment Co., Ltd.	1F., No. 30, Ln. 76, Ruiguang Rd., Neihu Dist., Taipei City	Investment	160,000	160,000	16,000,000	100	172,436	(4,864)	(4,864)	Subsidiary; Notes 1 and 5
	Holco (BVI) Inc.	B.V.I.	Holding company	106,130	33,547	352	100	116,241	10,534	10,534	Subsidiary; Notes 1 and 5
	Shuttle Computer Incorporation	1F., No. 30, Ln. 76, Ruiguang Rd., Neihu Dist., Taipei City	Selling of computer peripherals	50,000	50,000	5,000,000	100	25,030	33	33	Subsidiary; Notes 1 and 5
Holco (BVI) Inc.	Shuttle Computer (H.K.) Limited	Unit 511 5/F, Tower 1 Silvercord 30 Canton Road K1	Selling of computer peripherals	58,916	36	-	100	52,304	(537)	(537)	Sub-sub-sidiary; Notes 1 and 5
	Shuttle International Inc.	48389 Fremont Blvd Ste 110 Fremont CA 94538-6558	Selling of computer peripherals	25,737	25,737	-	100	28,897	11,150	11,150	Sub-sub-sidiary; Notes 1 and 5
Gold Fountain Limited	Shuttle Computer Group, Inc.	17068 Evergreen Place Industry, CA 91745 U.S.A.	Selling of computer peripherals	186,662	186,662	30,000	100	121,906	14,826	14,826	Sub-sub-sidiary; Notes 1 and 5
	Shuttle Computer Handels GmbH	Fritz-Strassmann Str. 5 D-25337 Elmshorn, Germany	Selling of computer peripherals	239,815	239,815	-	100	233,729	18,064	18,064	Sub-sub-sidiary; Notes 1 and 5
	Shuttle Commerce (Shenzhen) Ltd.	6h, West Wing, No. 210 Bldg Terra Technical & Commercial Garden, Terra 4th Road, Shenzhen	Selling of computer peripherals	40,457	40,457	-	100	-	(17,836)	(17,836)	Sub-sub-sidiary; Notes 1, 2 and 5
	Japan Shuttle Co., Ltd.	7F, Aioisonpo Building, 2-8-11 Sumiyosi Koutou-Ku Tokyo 135-0002, Japan	Selling of computer peripherals	16,804	16,804	1,000	100	6,290	2,313	2,313	Sub-sub-sidiary; Notes 1 and 5
	Shuttle Technology (Shenzhen) Ltd.	D26, 8 Floor, No. 210 Bldg Terra Technical & Commercial Garden, Terra 4th Road, Shenzhen	Selling of computer peripherals	25,736	25,736	-	100	-	(12,235)	(12,235)	Sub-sub-sidiary; Notes 1, 3 and 5
	Shuttle Technology (Kunshan) Ltd.	No. 520, Haoteng Road, Development Zone, Kunshan Jiangsu P.R. China	Selling of computer peripherals	32,010	32,010	-	100	1,170	668	668	Sub-sub-sidiary; Notes 1 and 5
	Shuttle Information Technology (SIP) Ltd.	No. 200, Central Suhong Rd. Integrated Free Trade Zone, Suzhou Industrial Park	Selling of computer peripherals	92,010	92,010	-	100	-	(24,640)	(24,640)	Sub-sub-sidiary; Notes 1, 4 and 5

Note 1: Recognition of investment gains (losses) was based on the investee's audited financial statements.

Note 2: The accumulated book value had a credit amount of \$57,144 thousand as of June 30, 2011 and was classified as other liabilities.

Note 3: The accumulated book value had a credit amount of \$11,838 thousand as of June 30, 2011 and was classified as other liabilities.

Note 4: The accumulated book value had a credit amount of \$23,104 thousand as of June 30, 2011 and was classified as other liabilities.

Note 5: The ending balance of the investments, investment gain (loss) and the Company's share in the investee's equity were eliminated upon consolidation.

SHUTTLE INC. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
SIX MONTHS ENDED JUNE 30, 2011
(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2011	Percentage of Ownership in Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of June 30, 2011	Accumulated Inward Remittance of Earnings as of June 30, 2011
					Outflow	Inflow					
Shuttle Commerce (Shenzhen) Ltd.	Selling of computer peripherals	\$ 40,457	Note 1	\$ 40,457	\$ -	\$ -	\$ 40,457	100	\$ (17,836)	- Note 4	\$ -
Shuttle Technology (Shenzhen) Ltd.	Selling of computer peripherals	25,736	Note 1	25,736	-	-	25,736	100	(12,235)	Note 5	-
Shuttle Technology (Kunshan) Ltd.	Selling of computer peripherals	32,010	Note 1	32,010	-	-	32,010	100	668	1,170	-
Shuttle Information Technology (SIP) Ltd.	Selling of computer peripherals	92,010	Note 1	92,010	-	-	92,010	100	(24,640)	- Note 6	-

Accumulated Investment in Mainland China as of June 30, 2011	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3)
\$197,834	US\$8,900,000	\$3,785,109 × 60% = \$2,271,065

Note 1: Investments were through a holding company registered in a third region.

Note 2: Calculated with unaudited financial statements for the same period.

Note 3: Subject to 60% of net asset value of GUC according to the revised "Guidelines Governing the Approval of Investment or Technical Cooperation in Mainland China" issued by the Investment Commission.

Note 4: The accumulated book value had a credit amount of \$57,144 thousand as of June 30, 2011 and was classified as other liabilities.

Note 5: The accumulated book value had a credit amount of \$11,838 thousand as of June 30, 2011 and was classified as other liabilities.

Note 6: The accumulated book value had a credit amount of \$23,104 thousand as of June 30, 2011 and was classified as other liabilities.

Note 7: The amount was eliminated upon consolidation.

SHUTTLE INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Nature of Relationship (Note)	Transaction Details			% to Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
	<u>Six months ended June 30 2011</u>						
0	Shuttle Inc.	Shuttle Computer Handels GmbH	1	Sales revenue	\$ 106,896	Month end 120 days	2
			1	Other non-operating gain	72	Month end 120 days	-
			1	Accounts receivable from related parties	59,561	Month end 120 days	1
		Shuttle Computer Group, Inc.	1	Sales revenue	90,855	Month end 120 days	2
			1	Other non-operating gain	50	Month end 120 days	-
			1	Accounts receivable from related parties	49,433	Month end 120 days	1
		Japan Shuttle Co., Ltd.	1	Sales revenue	44,066	Month end 120 days	1
			1	Other non-operating gain	10	Month end 120 days	-
			1	Accounts receivable from related parties	40,641	Month end 120 days	1
		Shuttle Commerce (Shenzhen) Ltd.	1	Sales revenue	471,832	Month end 120 days	11
			1	Other non-operating gain	521	Month end 120 days	-
			1	Accounts receivable from related parties	103,569	Month end 120 days	2
			1	Payment on behalf of others	292,519	Month end 120 days	5
			1	Cost of goods sold	64,575	Month end 120 days	1
		Shuttle Technology (Shenzhen) Ltd.	1	Accounts payable to related parties	5,967	Month end 120 days	-
			1	R&D - pilot production	13,874	Month end 120 days	-
			1	Other non-operating gain	17	Month end 120 days	-
		Shuttle International Inc.	1	Selling - commission	15,429	Month end 90 days	-
			1	Accounts payable to related parties	6,264	Month end 90 days	-
		Shuttle Information Technology (SIP) Ltd.	1	Other non-operating gain	31	Month end 120 days	-
			1	Other receivables	32,863	Month end 120 days	1
		Shuttle Computer (H.K.) Limited	1	Sales revenue	65,625	Month end 120 days	1
			1	Technical service income	97,786	Month end 120 days	2
			1	Cost of goods sold	723	Month end 120 days	-
			1	Other non-operating gain	260	Month end 120 days	-
			1	Accounts receivable from related parties	33,631	Month end 120 days	1
			1	Payment on behalf of others	1,132,326	Month end 120 days	17
		Shuttle Technology (Kunshan) Ltd.	1	Sales revenue	218	Month end 120 days	-
			1	R&D - pilot production	12,603	Month end 120 days	-
			1	Accounts payable to related parties	12,388	Month end 120 days	-
1	Shuttle Computer Handels GmbH	Shuttle Inc.	2	Cost of goods sold	106,968	Month end 120 days	2
			2	Accounts payable to related parties	59,561	Month end 120 days	1
2	Shuttle Computer Group, Inc.	Shuttle Inc.	2	Cost of goods sold	90,905	Month end 120 days	2
			2	Accounts payable to related parties	49,433	Month end 120 days	1
		Shuttle Commerce (Shenzhen) Ltd.	3	Cost of goods sold	201	Month end 45 days	-
			3	Accounts payable to related parties	198	Month end 45 days	-

(Continued)

No.	Company Name	Related Party	Nature of Relationship (Note)	Transaction Details			% to Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
3	Japan Shuttle Co., Ltd.	Shuttle Inc.	2	Cost of goods sold	\$ 44,076	Month end 100 days	1
			2	Accounts payable to related parties	40,641	Month end 100 days	1
4	Shuttle Commerce (Shenzhen) Ltd.	Shuttle Inc.	2	Cost of goods sold	472,353	Month end 120 days	11
			2	Accounts payable to related parties	103,569	Month end 120 days	2
			2	Other receivables	292,519	Month end 120 days	5
			2	Sales revenue	64,575	Month end 120 days	1
		Shuttle Technology (Shenzhen) Ltd.	3	Processing cost	14,699	Month end 45 days	-
			3	Accounts payable to related parties	281	Month end 45 days	-
			3	Sales revenue	201	Month end 45 days	-
		Shuttle Computer Group, Inc.	3	Accounts receivable from related parties	198	Month end 45 days	-
			3	Processing cost	23,115	Month end 45 days	1
			3	Sales revenue	774	Month end 45 days	-
		Shuttle Information Technology (SIP) Ltd.	3	Accounts payable to related parties	3,129	Month end 45 days	-
			3	Accounts payable to related parties	270	Month end 45 days	-
			3	Accounts payable to related parties	20,867	Month end 120 days	-
Shuttle International Inc.	Shuttle Computer (H.K.) Limited	3	Cost of goods sold	411	Month end 120 days	-	
		3	Cost of goods sold	411	Month end 120 days	-	
5	Shuttle International Inc.	Shuttle Inc.	2	Other non-operating gains	15,429	Month end 90 days	-
			2	Accounts receivable from related parties	6,264	Month end 90 days	-
		Shuttle Commerce (Shenzhen) Ltd.	3	Accounts receivable from related parties	270	Month end 45 days	-
			3	Accounts receivable from related parties	13,169	Month end 120 days	-
		Shuttle Computer (H.K.) Limited	3	Other non-operating gains	13,327	Month end 120 days	-
3	Accounts receivable from related parties	182	Month end 120 days	-			
6	Shuttle Technology (Shenzhen) Ltd.	Shuttle Inc.	2	Accounts receivable from related parties	5,967	Month end 120 days	-
			2	Sales revenue	13,874	Month end 120 days	-
			2	Cost of goods sold	17	Month end 120 days	-
		Shuttle Commerce (Shenzhen) Ltd.	3	Sales revenue	14,699	Month end 45 days	-
			3	Accounts receivable from related parties	281	Month end 45 days	-
		Shuttle Computer (H.K.) Limited	3	Accounts receivable from related parties	49	Month end 120 days	-
3	Sales revenue	49	Month end 120 days	-			
7	Shuttle Information Technology (SIP) Ltd.	Shuttle Inc.	2	Other receivables	32,863	Month end 120 days	1
			2	Cost of goods sold	31	Month end 120 days	-
		Shuttle Commerce (Shenzhen) Ltd.	3	Sales revenue	23,115	Month end 45 days	1
			3	Management expense	774	Month end 45 days	-
			3	Accounts receivable from related parties	3,129	Month end 45 days	-
		Shuttle Technology (Kunshan) Ltd.	3	Accounts payable to related parties	186	Month end 45 days	-
			3	Accounts payable to related parties	182	Month end 120 days	-
		Shuttle International Inc.	3	Accounts payable to related parties	182	Month end 120 days	-
Shuttle Computer (H.K.) Limited	3	Accounts receivable from related parties	315,763	Month end 90 days	5		
3	Sales revenue	27,507	Month end 90 days	1			
8	Shuttle Computer (H.K.) Limited	Shuttle Inc.	2	Cost of goods sold	65,885	Month end 120 days	1
			2	Sales revenue	723	Month end 120 days	-
			2	Accounts payable to related parties	33,631	Month end 120 days	1
			2	Other receivables	1,132,326	Month end 120 days	17
			2	Selling expense	97,786	Month end 120 days	2
		Shuttle International Inc.	3	Accounts payable to related parties	13,169	Month end 120 days	-
			3	Selling expense	13,327	Month end 120 days	-

(Continued)

No.	Company Name	Related Party	Nature of Relationship (Note)	Transaction Details			% to Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
		Shuttle Commerce (Shenzhen) Ltd.	3	Accounts receivable from related parties	\$ 20,867	Month end 120 days	-
			3	Sales revenue	411	Month end 120 days	-
		Shuttle Information Technology (SIP) Ltd.	3	Accounts payable to related parties	315,763	Month end 90 days	5
			3	Processing cost	27,507	Month end 90 days	1
		Shuttle Technology (Shenzhen) Ltd.	3	Accounts payable to related parties	49	Month end 120 days	-
			3	Processing cost	49	Month end 120 days	-
9	Shuttle Technology (Kunshan) Ltd.	Shuttle Inc.	2	Prepaid expense	218	Month end 120 days	-
			2	Sales revenue	12,603	Month end 120 days	-
			2	Accounts receivable from related parties	12,388	Month end 120 days	-
		Shuttle Information Technology (SIP) Ltd.	3	Accounts receivable from related parties	186	Month end 45 days	-
0	<u>Six months ended June 30 2010</u> Shuttle Inc.	Shuttle Computer Handels GmbH	1	Sales revenue	86,900	Month end 120 days	4
			1	Accounts receivable from related parties	8,512	Month end 120 days	-
			1	Other non-operating gains	1,301	Month end 120 days	-
		Shuttle Computer Group, Inc.	1	Sales revenue	95,260	Month end 120 days	4
			1	Other non-operating gains	26	Month end 120 days	-
			1	Accounts receivable from related parties	24,368	Month end 120 days	-
		Japan Shuttle Co., Ltd.	1	Sales revenue	21,263	Month end 100 days	1
			1	Other non-operating gains	14	Month end 100 days	-
			1	Accounts receivable from related parties	17,919	Month end 100 days	-
		Shuttle Commerce (Shenzhen) Ltd.	1	Sales revenue	433,758	Month end 120 days	18
			1	Other non-operating gains	152	Month end 120 days	-
			1	Accounts receivable from related parties	217,235	Month end 120 days	3
			1	Accounts receivable from related parties - payment on behalf of others	1,060,896	Month end 120 days	17
			1	Cost of goods sold	21,398	Month end 120 days	1
		Shuttle Technology (Shenzhen) Ltd.	1	Accounts receivable from related parties - payment on behalf of others	349	Month end 120 days	-
		Shuttle International Inc.	1	Operating expense	8,960	Month end 90 days	-
			1	Accounts payable to related parties	8,863	Month end 90 days	-
			1	Other non-operating gains	47	Month end 90 days	-
1	Shuttle Computer Handels GmbH	Shuttle Inc.	2	Cost of goods sold	88,201	Month end 120 days	4
			2	Accounts payable to related parties	8,512	Month end 120 days	-
		Shuttle Commerce (Shenzhen) Ltd.	3	Cost of goods sold	645	Month end 30 days	-
			3	Accounts payable to related parties	650	Month end 30 days	-
2	Shuttle Computer Group, Inc.	Shuttle Inc.	2	Cost of goods sold	95,286	Month end 120 days	4
			2	Accounts payable to related parties	24,368	Month end 120 days	-
		Shuttle Commerce (Shenzhen) Ltd.	3	Cost of goods sold	1,039	Month end 30 days	-
			3	Accounts payable to related parties	1,047	Month end 30 days	-
3	Japan Shuttle Co., Ltd.	Shuttle Inc.	2	Cost of goods sold	21,277	Month end 100 days	1
			2	Accounts payable to related parties	17,919	Month end 100 days	-
		Shuttle Commerce (Shenzhen) Ltd.	3	Cost of goods sold	764	Month end 30 days	-
			3	Accounts payable to related parties	770	Month end 30 days	-

(Continued)

No.	Company Name	Related Party	Nature of Relationship (Note)	Transaction Details			% to Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
4	Shuttle Commerce (Shenzhen) Ltd.	Shuttle Inc.	2	Cost of goods sold	\$ 433,910	Month end 120 days	18
			2	Accounts payable to related parties	217,235	Month end 120 days	3
			2	Sales revenue	21,398	Month end 120 days	1
			2	Other receivables	1,060,896	Month end 120 days	17
		Shuttle Computer Handels GmbH	3	Sales revenue	645	Month end 30 days	-
			3	Accounts receivable from related parties	650	Month end 30 days	-
			3	Sales revenue	1,039	Month end 30 days	-
		S.C.G	3	Accounts receivable from related parties	1,047	Month end 30 days	-
			3	Sales revenue	764	Month end 30 days	-
		Japan Shuttle Co., Ltd.	3	Accounts receivable from related parties	770	Month end 30 days	-
			3	Processing cost	28,224	Month end 30 days	1
			3	Accounts receivable from related parties - payment on behalf of others	4,230	Month end 30 days	-
			3	Accounts payable to related parties	19,048	Month end 30 days	-
5	Shuttle International Inc.	Shuttle Inc.	2	Cost of goods sold	47	Month end 90 days	-
			2	Other non-operating gains	8,960	Month end 90 days	-
			2	Accounts receivable from related parties	8,863	Month end 90 days	-
6	Shuttle Technology (Shenzhen) Ltd.	Shuttle Inc.	2	Other receivables	349	Month end 120 days	-
			3	Processing income	28,224	Month end 30 days	1
		Shuttle Commerce (Shenzhen) Ltd.	3	Other receivables	4,230	Month end 30 days	-
			3	Accounts receivable from related parties	19,048	Month end 30 days	-

Note: Related party transactions are divided into three categories as follows:

1. The Company to subsidiaries.
2. Subsidiaries to subsidiaries.
3. Subsidiaries to the Company.

(Concluded)