Shuttle Inc.

Financial Statements for the Years Ended December 31, 2011 and 2010 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Shuttle Inc.

We have audited the accompanying balance sheets of Shuttle Inc. (the "Company") as of December 31, 2011 and 2010, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements as of and for the years ended December 31, 2011 and 2010 of Hong Yi Investment Co., Ltd. ("Hong Yi") in which the Company has long-term investments accounted for using equity method. The carrying values of the investments were 3.28% ($135,276 thousand) and 3.36% ($190,055 thousand) of the Company's total assets as of December 31, 2011 and 2010, respectively. The related investment income (loss) was $(4,454) thousand and $16,006 thousand in 2011 and 2010, respectively. The financial statements of Hong Yi were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Hong Yi, is based solely on the reports of other auditors

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 and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Shuttle Inc. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of Shuttle Inc. and subsidiaries as of and for the years ended December 31, 2011 and 2010 and have issued a modified unqualified opinion thereon in our report dated March 23, 2012

March 23, 2012

<u>Notice to Readers</u>

The accompanying financial statements are intended only to present the 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 financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying 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 financial statements shall prevail.

SHUTTLE INC.

BALANCE SHEETS
DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2011 Amount	2011 %	2010 Amount	2010 %
CURRENT ASSETS				
Cash (Note 4)	$ 958,527	23	$ 1,555,371	27
Financial assets at fair value through profit or loss (Notes 2 and 5)	5,874	-	29,782	1
Available-for-sale financial assets (Notes 2 and 6)	172,970	4	159,184	3
Notes receivable (Note 2)	100	-	-	-
Accounts receivable, net of allowance for doubtful accounts of $19,650 thousand in 2011 and $54,207 thousand in 2010 (Note 2)	39,307	1	116,756	2
Accounts receivable - related parties, net (Notes 2 and 20)	253,983	6	1,471,734	26
Other financial assets	23,160	1	8,069	-
Inventories (Notes 2 and 7)	192,000	5	377,722	7
Deferred income tax assets (Notes 2 and 17)	23,786	1	35,845	1
Other current assets (Notes 12 and 17)	62,046	1	23,191	-
Total current assets	1,731,753	42	3,777,654	67
LONG-TERM INVESTMENTS				
Available-for-sale financial assets (Notes 2 and 6)	7,685	-	28,665	1
Financial assets carried at cost (Notes 2 and 8)	60,352	1	77,054	1
Investments accounted for by the equity method (Notes 2 and 9)	1,307,611	32	741,296	13
Total investments	1,375,648	33	847,015	15
PROPERTY, PLANT, AND EQUIPMENT (Notes 2, 10 and 21)				
Cost				
Land	442,685	11	442,685	8
Buildings	453,827	11	453,806	8
Machinery and equipment	76,980	2	362,347	6
Transportation equipment	21,186	-	16,531	-
Office equipment	22,108	1	20,276	-
Other equipment	15,668	-	24,152	1
Total cost	1,032,454	25	1,319,797	23
Less: Accumulated depreciation	202,216	5	427,271	8
Less: Accumulated impairment	7,651	-	26,980	-
Fixed assets cost and revaluation	822,587	20	865,546	15
Construction in progress and prepayments for equipment	123	-	-	-
Property plant, and equipment, net	822,710	20	865,546	15
INTANGIBLE ASSETS				
Deferred pension cost	1,191	-	-	-
OTHER ASSETS				
Assets leased to others (Notes 2, 11 and 21)	81,953	2	82,299	1
Refundable deposits	34,126	1	25	-
Deferred charges (Notes 2, 12 and 20)	21,182	1	27,821	1
Deferred income tax assets (Notes 2 and 17)	59,942	1	58,894	1
Total other assets	197,203	5	169,039	3
TOTAL	$ 4,128,505	100	$ 5,659,254	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2011 Amount	2011 %	2010 Amount	2010 %
CURRENT LIABILITIES				
Short-term loans (Notes 13 and 21)	$ -	-	$ 514,294	9
Notes payable	-	-	198	-
Accounts payable	128,206	3	872,114	15
Accounts payable - related parties (Note 20)	18,469	1	23,697	1
Accrued expenses	294,309	7	321,109	6
Other financial liabilities	4,044	-	1,653	-
Deferred credits - gain on intercompany transactions (Notes 2 and 20)	40,396	1	78,812	1
Other current liabilities	11,200	-	3,133	-
Total current liabilities	496,624	12	1,815,010	32
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 14)	12,373	-	14,000	-
Guarantee deposits	-	-	300	-
Deferred credits - gain on intercompany transactions (Notes 2 and 20)	647	-	-	-
Total other liabilities	13,020	-	14,300	-
Total liabilities	509,644	12	1,829,310	32
STOCKHOLDERS EQUITY				
Capital stock - $10 par value; authorized: 500,000 thousand shares; issued: 352,158 thousand shares	3,521,583	86	3,521,583	62
Capital surplus				
Additional paid-in capital	208,899	5	665,836	12
Treasury stock transactions	87,195	2	87,195	2
Total capital surplus	296,094	7	753,031	14
Unappropriated earnings (accumulated deficit)	11,262	-	(456,937)	(8)
Others				
Cumulative translation adjustments	(10,319)	-	(43,976)	(1)
Net loss not recognized as pension cost	(860)	-	-	-
Unrealized gain (loss) on financial instruments	(89,284)	(2)	56,243	1
Treasury stock - 12,027 thousand shares	(109,615)	(3)	-	-
Total other equity	(210,078)	(5)	12,267	-
Total stockholders' equity	3,618,861	88	3,829,944	68
TOTAL	$ 4,128,505	100	$ 5,659,254	100

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

(With Deloitte & Touche audit report dated March 23, 2012)

SHUTTLE INC.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2011		2010	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 20)				
Sales	$ 1,941,686	104	$ 2,980,255	102
Less: Sales returns and allowances	66,436	4	51,937	2
Net sales	1,875,250	100	2,928,318	100
Technical services revenue	396,047	21	-	-
Processing revenue	-	-	14,713	-
Total operating revenues	2,271,297	121	2,943,031	100
OPERATING COSTS (Notes 7, 18 and 20)				
Cost of goods sold	1,625,253	86	2,379,271	81
Processing costs	-	-	6,391	-
Total operating costs	1,625,253	86	2,385,662	81
GROSS PROFIT	646,044	35	557,369	19
REALIZED (UNREALIZED) INTERCOMPANY GAIN (Note 2)	38,416	2	(44,454)	(1)
REALIZED GROSS PROFIT	684,460	37	512,915	18
OPERATING EXPENSES (Notes 18 and 20)				
Marketing	137,389	7	277,042	10
General and administrative	162,273	9	188,823	6
Research and development	375,158	20	400,856	14
Total operating expenses	674,820	36	866,721	30
OPERATING INCOME (LOSS)	9,640	1	(353,806)	(12)
NONOPERATING INCOME AND GAINS (Notes 2, 5 and 20)				
Exchange gain, net	10,762	1	-	-
Dividend income	10,285	1	8,910	-
Gain on disposal of property, plant and equipment	10,232	-	-	-
Valuation gain on financial instruments, net	5,874	-	29,782	1
Interest income	2,537	-	1,874	-
Rental revenue	1,260	-	2,316	-
Others	38,363	2	14,068	1
Total nonoperating income and gains	79,313	4	56,950	2

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SHUTTLE INC.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2011		2010	
	Amount	**%**	**Amount**	**%**
NONOPERATING EXPENSES AND LOSSES (Notes 2, 8, 9, 10 and 18)				
Loss on sale of investment, net	$ 21,900	1	$ 902	-
Investment loss recognized under equity method	11,660	1	75,525	3
Impairment loss	4,702	-	33,368	1
Interest expense	1,767	-	3,700	-
Loss on disposal of property, plant and equipment	28	-	7,891	-
Exchange loss, net	-	-	75,131	3
Others	26,560	2	2,889	-
Total nonoperating expenses and losses	66,617	4	199,406	7
INCOME (LOSS) BEFORE INCOME TAX	22,336	1	(496,262)	(17)
INCOME TAX EXPENSE (BENEFIT) (Notes 2 and 17)	11,074	-	(39,810)	(1)
NET INCOME (LOSS)	$ 11,262	1	$ (456,452)	(16)

	2011		2010	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS (LOSS) PER SHARE (Note 19)				
Basic	$ 0.06	$ 0.03	$ (1.52)	$ (1.40)

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

(With Deloitte & Touche audit report dated March 23, 2012) (Concluded)

SHUTTLE INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	Common Capital Stock		Capital Surplus (Notes 2, 15 and 16)			Accumulated Deficit (Notes 2, 15 and 17)			Others (Notes 2 and 15)				
	Shares (In Thousands)	Amount	Additional Paid-in Capital	Treasury Stock Transactions	Employee Stock Options	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	Net Loss Not Recognized as Pension Cost	Treasury Stock	Total Stockholders' Equity
BALANCE, JANUARY 1, 2010	302,158	$ 3,021,583	$ 872,073	$ 28,248	$ 97,435	$ 47,287	$ 43,216	$ (455,740)	$ 21,056	$ 20,931	$ -	$ (87,450)	$ 3,608,639
Additional paid-in capital and capital reserves used to offset company losses	-	-	(365,237)	-	-	(47,287)	(43,216)	455,740	-	-	-	-	-
Issuance of common stock for cash - NT$13.18 per share	50,000	500,000	159,000	-	-	-	-	-	-	-	-	-	659,000
Transfer of treasury stock to employees	-	-	-	58,947	(97,435)	-	-	-	-	-	-	87,450	48,962
Net changes in valuation gain/loss on available-for-sale financial assets - Shuttle Inc.	-	-	-	-	-	-	-	-	-	10,206	-	-	10,206
Net changes in valuation gain/loss on available-for-sale financial assets - subsidiaries	-	-	-	-	-	-	-	-	-	25,106	-	-	25,106
Translation adjustments	-	-	-	-	-	-	-	-	(65,032)	-	-	-	(65,032)
Adjustment brought by changes in percentage of ownership in equity-method investees	-	-	-	-	-	-	-	(485)	-	-	-	-	(485)
Net loss for the year ended December 31, 2010	-	-	-	-	-	-	-	(456,452)	-	-	-	-	(456,452)
BALANCE, DECEMBER 31, 2010	352,158	3,521,583	665,836	87,195	-	-	-	(456,937)	(43,976)	56,243	-	-	3,829,944
Additional paid-in capital used to offset company losses	-	-	(456,937)	-	-	-	-	456,937	-	-	-	-	-
Acquisition of treasury stock - 12,027 thousand shares	-	-	-	-	-	-	-	-	-	-	-	(109,615)	(109,615)
Net changes in valuation gain/loss on available-for-sale financial assets - Shuttle Inc.	-	-	-	-	-	-	-	-	-	(95,202)	-	-	(95,202)
Net changes in valuation gain/loss on available-for-sale financial assets - subsidiaries	-	-	-	-	-	-	-	-	-	(50,325)	-	-	(50,325)
Translation adjustments	-	-	-	-	-	-	-	-	33,657	-	-	-	33,657
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	(860)	-	(860)
Net income for the year ended December 31, 2011	-	-	-	-	-	-	-	11,262	-	-	-	-	11,262
BALANCE, DECEMBER 31, 2011	352,158	$ 3,521,583	$ 208,899	$ 87,195	$ -	$ -	$ -	$ 11,262	$ (10,319)	$ (89,284)	$ (860)	$ (109,615)	$ 3,618,861

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

(With Deloitte & Touche audit report dated March 23, 2012)

SHUTTLE INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 11,262	$ (456,452)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation	23,288	76,868
Amortization	121,097	29,569
Valuation gain on financial instruments	(5,874)	(29,782)
Provision for (reversal of) doubtful accounts	(34,557)	14,727
Provision for loss on inventories	23,416	40,339
Abandonment loss on inventories	3,618	-
Impairment loss	4,702	33,368
Loss on sale of investments	21,900	902
Loss (gain) on disposal of property, plant and equipment	(10,204)	7,891
Investment loss recognized under equity method, net	11,660	75,525
Unrealized (realized) gross profit	(38,416)	44,454
Deferred income tax	11,011	(39,810)
Pension liabilities	(3,678)	(3,168)
Changes in operating assets and liabilities		
Financial instruments held for trading	29,782	(802)
Notes receivable	(100)	545
Accounts receivable	112,006	(44,851)
Accounts receivable - related parties	1,234,841	(1,357,920)
Other financial assets	(15,091)	(8,029)
Inventories	158,688	(260,640)
Other current assets	(125,653)	14,953
Notes payable	(198)	36
Accounts payable	(743,908)	645,207
Accounts payable - related parties	(5,228)	22,189
Accrued expenses	(26,800)	206,639
Other financial liabilities	1,703	422
Other current liabilities	8,067	(1,739)
Net cash provided by (used in) operating activities	767,334	(989,559)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of available-for-sale financial assets	(157,223)	(88,199)
Proceeds from disposal of available-for-sale financial assets	47,315	22,210
Decrease (increase) in accounts receivable - related parties	(17,090)	3,926
Acquisition of investments accounted for by equity method	(744,183)	(125,620)
Proceed from investees' capital reduction	161,540	-
Acquisition of financial assets carried at cost	-	(35,000)
Acquisition of property, plant and equipment	(9,531)	(78,718)
Proceeds from disposal of property, plant and equipment	40,964	-

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SHUTTLE INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
Increase in refundable deposits	$ (34,101)	$ (2)
Increase in deferred charges	(27,660)	(53,476)
Net cash used in investing activities	(739,969)	(354,879)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	(514,294)	514,294
Decrease in guarantee deposits	(300)	-
Cash paid for acquisition of treasury stock	(109,615)	-
Proceeds from issuance of capital stock	-	659,000
Net cash provided by (used in) financing activities	(624,209)	1,173,294
NET DECREASE IN CASH AND CASH EQUIVALENTS	(596,844)	(171,144)
CASH, BEGINNING OF YEAR	1,555,371	1,726,515
CASH, END OF YEAR	$ 958,527	$ 1,555,371
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 1,425	$ 2,995
Income tax paid	$ 239	$ 190
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NONCASH ITEMS		
Acquisition of property, plant, and equipment	$ 10,219	$ 70,491
Decrease (increase) in payables for equipment purchased (included in other financial liabilities)	(688)	8,227
Cash paid for acquisition of properties	$ 9,531	$ 78,718

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

(With Deloitte & Touche audit report dated March 23, 2012) (Concluded)

1. ORGANIZATION AND OPERATIONS

Shuttle Inc. (the "Company" or "Shuttle") was incorporated in June 1983. The Company is engaged in manufacturing and selling laptops, barebones, mainboards, other computer peripherals, and in 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.

As of December 31, 2011 and 2010, the Company had 421 and 481 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 Republic of China (ROC). Significant accounting policies are summarized as follows:

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.

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, allowance for doubtful accounts was provided on the basis of a review of the collectibility of accounts receivable. The probability of collections of accounts receivable was assessed by examining the aging analysis of the outstanding receivables.

Effective January 1, 2011, the Company 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 Company 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.

Investments Accounted for by the Equity Method

Investments in which the Company holds 20 percent or more of the investees' voting shares or exercises significant influence over the investees' operating and financial policy decisions are accounted for by the equity method.

The investment cost is allocated to the assets and liabilities of the investee on the basis of their fair values at the date of investment, and the investment cost in excess of the fair value of the identifiable net assets of the investee is recognized as goodwill. Goodwill is not amortized. The fair value of the net identifiable assets of the investee in excess of the investment cost is used to reduce the fair value of each of the noncurrent assets of the investee in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain.

Profits from downstream transactions with an equity-method investee are eliminated in proportion to the Company's percentage of ownership in the investee; however, if the Company has control over the investee, all the profits are eliminated. Profits from upstream transactions with an equity-method investee are eliminated in proportion to the Company's percentage of ownership in the investee.

Investments accounted for by the equity method are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective avidence of impairment.

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

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, had no impairment loss 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; and other equipment - 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 new 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 and mold. 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, had no impairment loss 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 Company 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 allowance 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 development expenditures 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 treasury stock transferred to employees 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 Company 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 Company 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 Company 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 Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." Under the revisions, loans and receivables originated by the Company are now covered by SFAS No. 34. This accounting change did not have a significant effect on the financial statements as of and for the year ended December 31, 2011.

Operating Segments

On January 1, 2011, the Company 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." SFAS No. 41 only changed the way the Group discloses information of the segments.

4. CASH

	December 31	
	2011	2010
Cash		
Cash on hand	$ 300	$ 150
Checking accounts and demand deposits	137,157	326,808
Foreign demand accounts in domestic banks	125,890	118,270
Foreign demand accounts in overseas banks	-	143
Time deposits - annual yield rates - 0.42%-0.88% in 2011, 0.17%-0.55% in 2010	634,630	1,110,000
Foreign time deposits - annual yield - 0.60-0.65% in 2011	60,550	-
	$ 958,527	$ 1,555,371

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

Financial instruments classified as held for trading were as follows:

	December 31	
	2011	2010
Trading financial assets		
Forward exchange contracts	$ 5,874	$ 29,782

The Company entered into derivative contracts during the years ended December 31, 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)
December 31, 2011			
Sell	EUR/NTD	2012.2.13-2012.3.26	EUR900/NTD37,112
Sell	EUR/USD	2012.2.1-2012.5.3	EUR2,400/USD3,235
Sell	JPY/USD	2012.2.16-2012.5.16	JPY60,000/USD782
December 31, 2010			
Sell	USD/NTD	2011.2.15-2011.4.29	USD32,000/NTD957,623
Sell	EUR/USD	2011.1.3-2011.2.1	EUR1,350/USD1,889
Sell	JPY/USD	2011.1.3-2011.4.6	JPY22,000/USD263

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

Gain and loss on financial assets held for trading for the years ended December 31, 2011 and 2010 were a net loss of $33,857 thousand and a net gain of $27,311 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2011	2010
Current		
Domestic quoted stocks	$ 163,379	$ 158,154
Overseas quoted stocks	9,591	-
Mutual funds	-	1,030
	$ 172,970	$ 159,184
Noncurrent		
Domestic quoted stocks	$ 4,346	$ 7,734
Overseas quoted stocks	3,339	20,931
	$ 7,685	$ 28,665

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

	2011	2010
Balance, beginning of year	$ (6,303)	$ (16,509)
Recognized in shareholders' equity	(86,866)	12,746
Transferred to profit or loss	(8,336)	(2,540)
Balance, end of year	$ (101,505)	$ (6,303)

7. INVENTORIES

	December 31 2011	December 31 2010
Finished goods	$ 122,341	$ 68,103
Raw materials	62,952	256,124
Work in process	6,278	52,218
Merchandise	429	1,277
	$ 192,000	$ 377,722

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2011 and 2010 was $1,625,253 thousand and $2,379,271 thousand, respectively, which included $23,416 thousand and $40,339 thousand, respectively, loss on write-downs of inventories. Abandonment loss on inventories was $3,618 thousand for the year ended December 31, 2011. Gain and loss on physical inventory for the years ended December 31, 2011 and 2010 were gain of $141 thousand and loss of $707 thousand, respectively.

8. FINANCIAL ASSETS CARRIED AT COST

	December 31 2011	December 31 2010
Domestic unquoted common stocks		
iCatch Technology, Inc.	$ 35,000	$ 35,000
Technology Partner IV Venture Capital Corp.	18,000	30,000
Twinmos Technologies Inc.	-	-
	53,000	65,000
Emerging market stocks		
Partner Tech Corp.	7,352	12,054
	$ 60,352	$ 77,054

The stocks 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. cash of $12,000 thousand in June 2011 as return of capital.

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 2011 and 2010, the Company recognized impairment loss of $4,702 thousand and $3,160 thousand on its investments in Partner Tech Corp.

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

9. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2011		2010	
	Amount	% of Ownership	Amount	% of Ownership
Unlisted companies				
Holco (BVI) Inc.	$ 703,098	100	$ 35,374	100
Gold Fountain Limited	444,084	100	490,870	100
Hong Yi Investment Co., Ltd.	135,276	100	190,055	100
Shuttle Computer Incorporation	25,153	100	24,997	100
	$ 1,307,611		$ 741,296	

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%.

The Company invested in Gold Fountain Limited the amounts of $32,010 thousand, $92,010 thousand, $86,640 thousand and $29,600 thousand in August 2010, November 2010, July 2011 and September 2011, respectively. The Company received $58,880 thousand and $90,660 thousand from Gold Fountain Limited as return of capital in February and September 2011.

The Company invested in Holco (BVI) Inc. the amounts of $6,383 thousand, $58,880 thousand, $7,320 thousand, $148,000 thousand and $407,360 thousand in January, February, April, September and October 2011.

The investment gain and loss recognized by the equity-method in 2011 and 2010 are summarized as follows:

	Years Ended December 31	
	2011	2010
Gold Fountain Limited	$ (38,595)	$ (84,526)
Holco (BVI) Inc.	31,233	(5,409)
Hong Yi Investment Co., Ltd.	(4,454)	16,006
Shuttle Computer Incorporation	156	(1,596)
	$ (11,660)	$ (75,525)

The investment income from equity-method investees for the years ended December 31, 2011 and 2010 was based on audited financial statements.

All subsidiaries were included in the Company's consolidated financial statements as of and for the years ended December 31, 2011 and 2010.

10. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2011	2010
Accumulated depreciation		
Buildings	$ 107,747	$ 99,653
Machinery and equipment	60,168	292,256
Transportation equipment	10,625	6,730
Miscellaneous equipment	11,160	10,968
Other equipment	12,516	17,664
	$ 202,216	$ 427,271
Accumulated impairment		
Machinery and equipment	$ 7,651	$ 26,980

The depreciation expense for the year ended December 31, 2011 and 2010 was $22,942 thousand and $76,522 thousand, respectively.

The Company recognized loss on retirement of property, plant and equipment of $5,597 thousand for the year ended December 31, 2010.

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

11. ASSETS LEASED TO OTHERS

	December 31	
	2011	2010
Cost		
Land	$ 69,953	$ 69,953
Buildings	19,316	19,316
	89,269	89,269
Less: Accumulated depreciation	7,316	6,970
	$ 81,953	$ 82,299

12. DEFERRED EXPENSES

Deferred expenses mainly consist of computer software and mold. The Company recognized impairment loss of $9,916 thousand on mold for the year ended December 31, 2010 based on the assessed shorter product life. The Company classified mold as other current assets because the estimated service life was less than one year.

13. SHORT-TERM LOANS

	December 31	
	2011	2010
Usance letters of credit	$ -	$ 514,294

Interest rates ranged from 0.9123% to 1.8816% at December 31, 2010.

14. 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 $14,656 thousand and $13,242 thousand for the years ended December 31, 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.

Information about the defined benefit plan was as follows:

a. Components of net periodic pension cost

	Years Ended December 31	
	2011	2010
Service cost	$ 786	$ 751
Interest cost	375	360
Projected return on plan assets	(185)	(83)
Amortization	307	321
	$ 1,283	$ 1,349

b. Reconciliation of funded status of the plan and accrued pension cost as of December 31, 2011 and 2010

	December 31	
	2011	2010
Benefit obligation		
Vested benefit obligation	$ 22,011	$ 11,143
Non-vested benefit obligation	2,232	4,131
Accumulated benefit obligation	24,243	15,274
Additional benefit based on future salaries	4,143	3,487
Projected benefit obligation	28,386	18,761
Fair value of plan assets	(11,870)	(6,810)
Funded status	16,516	11,951
Unrecognized net transition obligation	(1,191)	(1,609)
Unrecognized pension cost	(5,003)	3,658
Additional liability	2,051	-
Accrued pension cost	$ 12,373	$ 14,000
Vested benefit	$ 27,167	$ 13,908

c. Actuarial assumptions as of December 31, 2011 and 2010

	December 31	
	2011	**2010**
Discount rate used in determining present values	2.00%	2.00%
Future salary increase rate	2.25%	2.25%
Expected rate of return on plan assets	2.00%	2.00%

	Years Ended December 31	
	2011	**2010**
d. Contributions to the fund	$ 4,961	$ 4,517
e. Payments from the fund	$ -	$ -

15. SHAREHOLDERS' EQUITY

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from shares 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. Under the revised Company Law issued on January 4, 2012, the aforementioned capital surplus also may be distributed in cash. 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, should be distributed, provided that 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, net loss not recognized as pension cost and unrealized loss on financial instruments) shall be appropriated 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 had reversed.

The appropriations of earnings for 2011 had been proposed in the board of directors' meeting on March 23, 2012. The proposed appropriations were as follows:

	Appropriation of Earnings
	For Year 2011
Legal reserve	$ 1,126
Special reserve	10,136

For the year ended December 31, 2010, there were no bonus to employees and no remuneration to directors and supervisors because of accumulated deficit.

Legal reserve shall be appropriated until it has reached the Company's paid-in capital. This reserve may be used to offset a deficit. Under the revised Company Law issued on January 4, 2012, when the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under the Integrated Income Tax System that became effective on January 1, 1998, ROC resident shareholders are allowed tax credit on 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 shareholders meetings held on June 15, 2011 and June 15, 2010, respectively.

The appropriations of 2011 earnings for reserve and dividend, and the amounts of bonus to employees and remuneration to directors and supervisors will be resolved by the shareholders in their meeting scheduled for June 15, 2012.

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 for expenses were approved by the board of directors. On December 25, 2009 and July 6, 2010, the board of directors approved the issuance of and had issued 100,000 thousand and 50,000 thousand common stock at $12 and $13.18 per share.

16. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Year	Movements: Addition During the Year	Movements: Reduction During the Year	Number of Shares, End of Year
Year ended December 31, 2011				
To maintain the Company's creditability and shareholders' interest	-	12,027	-	12,027
Year ended December 31, 2010				
For transfer to employees	5,300	-	5,300	-

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

From August to December 2011, the Company bought 12,027 thousand shares of treasury stock in order to maintain the Company's creditability and shareholders' interest.

Under the Securities and Exchange Act, treasury stock should not exceed 10% of outstanding common stock 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.

17. INCOME TAX

a. A reconciliation of income tax expense based on income before income tax at the statutory rate of 17% and income tax expense was as follows:

	Years Ended December 31	
	2011	2010
Income tax expense (benefit) at the statutory rate	$ 3,797	$ (84,365)
Tax effect of adjusting items:		
Permanent differences	2,788	(1,611)
Temporary differences	(11,648)	44,801
Income tax payable	$ -	$ -

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

	Years Ended December 31	
	2011	2010
Income tax currently payable	$ -	$ -
Deferred income tax	11,011	(39,810)
Income tax adjustments to prior years	63	-
Income tax expense (benefit)	$ 11,074	$ (39,810)

c. In May 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduced 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:

	December 31	
	2011	2010
Current		
Warranty liabilities	$ 9,156	$ 10,948
Provision for doubtful accounts	7,982	8,067
Deferred credits	6,867	13,398
Investment tax credits	2,392	-
Unrealized allowance for loss on inventories	1,637	7,496
Unrealized exchange gains	(2,741)	(4,095)
Others	646	31
	25,939	35,845
Less: Valuation allowance	2,153	-
Deferred income tax assets	$ 23,786	$ 35,845
Noncurrent		
Loss carryforwards	$ 125,509	$ 120,446
Investment tax credits	55,317	57,618
Investment loss recognized on overseas equity-method investments	22,391	21,139

(Continued)

	December 31	
	2011	2010
Impairment loss	$ 17,237	$ 17,621
Accrued pension cost	1,657	2,288
Deferred credits	110	-
Others	464	39
	222,685	219,151
Less: Valuation allowance	162,743	160,257
Deferred income tax assets	$ 59,942	$ 58,894

(Concluded)

As of December 31, 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
			$ 57,709	

As of December 31, 2011, loss carryforwards consisted of the following:

Expiry Year	Unused Amount
2019	$ 79,271
2020	41,175
2021	5,063
	$ 125,509

d. Information about integrated income tax was as follows:

	December 31	
	2011	2010
Balance of imputation credit account (ICA)	$ 5,961	$ 3,522

The estimated rate of creditable tax from distribution of earnings of 2011 was 20.48%. As of December 31, 2010, the Company had accumulated deficit. Balance of imputation credit account (ICA) will be allocated to shareholders of the Company on the date of dividend distribution.

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

All of the Company's earnings generated prior to December 31, 1997 have been used to make up for deficit.

The tax authorities have examined income tax returns of the Company through 2008.

18. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2011			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Nonoperating Expenses and Losses	Total
Personnel				
Salary	$ 21,927	$ 336,845	$ -	$ 358,772
Insurance and social welfare	1,926	22,541	-	24,467
Pension	1,103	14,836	-	15,939
Others	1,013	9,064	-	10,077
	$ 25,969	$ 383,286	$ -	$ 409,255
Depreciation	$ 10,292	$ 12,650	$ 346	$ 23,288
Amortization	$ 119,029	$ 2,068	$ -	$ 121,097

	Year Ended December 31, 2010			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Nonoperating Expenses and Losses	Total
Personnel				
Salary	$ 99,544	$ 257,156	$ -	$ 356,700
Insurance and social welfare	7,672	16,248	-	23,920
Pension	3,816	10,775	-	14,591
Others	7,630	9,677	-	17,307
	$ 118,662	$ 293,856	$ -	$ 412,518
Depreciation	$ 31,072	$ 45,450	$ 346	$ 76,868
Amortization	$ 1,237	$ 28,332	$ -	$ 29,569

19. EARNINGS (LOSS) PER SHARE

	Amounts (Numerator)			EPS (NT$)	
	Before Income Tax	After Income Tax	Shares (Denominator) (In Thousands)	Before Income Tax	After Income Tax
Year ended December 31, 2011					
Basic and diluted EPS					
Income for the year attributable to common stockholders	$ 22,336	$ 11,262	350,603	$ 0.06	$ 0.03

(Continued)

	Amounts (Numerator)		Shares	EPS (NT$)	
	Before Income Tax	After Income Tax	(Denominator) (In Thousands)	Before Income Tax	After Income Tax
Year ended December 31, 2010					
Basic and diluted EPS					
Loss for the year attributable to common stockholders	$ (496,262)	$ (456,452)	326,853	$ (1.52)	($ 1.40)

(Concluded)

20. RELATED-PARTY TRANSACTIONS

a. The Company's related parties were as follows:

Related Party	Relationship with the Company
Gold Fountain Limited	Subsidiary
Hong Yi Investment Co., Ltd. (Hong Yi)	Subsidiary
Holco (BVI) Inc.	Subsidiary
Shuttle Computer Incorporation (Shuttle Computer)	Subsidiary
Shuttle Commerce (Shenzhen) Ltd. (S.C.M.)	Subsidiary of Gold Fountain Limited
Shuttle Computer Handels GmbH (S.C.H.)	Subsidiary of Gold Fountain Limited
Shuttle Computer Group INC. (S.C.G.)	Subsidiary of Gold Fountain Limited
Japan Shuttle Co., Ltd. (S.C.J.)	Subsidiary of Gold Fountain Limited
Shuttle Technology (Shenzhen) Ltd. (S.C.E.)	Subsidiary of Gold Fountain Limited
Shuttle Technology (Kunshan) Ltd. (S.C.Q.)	Subsidiary of Gold Fountain Limited
Shuttle Information Technology (SIP) Ltd. (S.C.S.)	Subsidiary of Gold Fountain Limited
Shuttle Computer (H.K.) Co., Ltd. (S.H.K.)	Subsidiary of Holco (BVI) Inc.
Shuttle International Inc. (S.C.A.)	Subsidiary of Holco (BVI) Inc.
Kaki Infotech (Shenzhen) Ltd. (KAKI)	Subsidiary of Holco (BVI) Inc.
Ares International Corporation	Chairman is the second degree relative of the Company's chairman
Hung-huei Yu	Chairman
Li-na Yu	Director

b. The significant transactions with the related parties were summarized as follows:

	Years Ended December 31			
	2011		2010	
	Amount	% to Total	Amount	% to Total
1) Net sales				
S.C.M.	$ 483,073	26	$ 1,093,512	37
S.C.H.	295,938	15	287,505	10
S.C.G.	185,729	10	212,843	7
S.C.J.	71,346	4	63,460	2
S.H.K.	14,560	1	-	-
KAKI	6,923	-	-	-
S.C.Q.	218	-	-	-
	$ 1,057,787	56	$ 1,657,320	56

	Years Ended December 31			
	2011		2010	
	Amount	% to Total	Amount	% to Total
2) Technical service revenue				
S.H.K.	$ 396,047	100	$ -	-
3) Purchases				
S.C.M.	$ 67,148	5	$ 43,822	2
S.H.K.	17,040	2	-	-
	$ 84,188	7	$ 43,822	2
4) Operating expenses				
S.C.Q.	$ 28,047	4	$ -	-
S.C.A.	15,429	3	33,568	4
S.C.S.	14,029	2	19,509	2
	$ 57,505	9	$ 53,077	6
5) Nonoperating income and gain				
Others				
S.C.A.	$ 6,769	18	$ 25	-
S.C.H.	2,147	6	4,626	33
S.H.K.	2,040	5	-	-
S.C.M.	570	2	153	1
KAKI	111	-	-	-
S.C.G.	91	-	3,614	26
S.C.S.	41	-	-	-
S.C.J.	40	-	32	-
S.C.E.	17	-	-	-
	$ 11,826	31	$ 8,450	60
6) Purchase of software (included in deferred charges)				
Ares International Corporation	$ 706	3	$ -	-

	December 31			
	2011		2010	
	Amount	% to Total	Amount	% to Total
7) Accounts receivable - related parties				
Accounts receivable				
S.H.K.	$ 108,478	43	$ -	-
S.C.H.	64,995	25	50,590	4
S.C.G.	31,097	12	30,075	2
S.C.J.	15,741	6	30,994	2
KAKI	7,367	3	-	-
S.C.M.	7,208	3	392,716	27
	234,886	92	504,375	35
Other receivable				
S.C.S.	2,007	1	4,305	-
S.C.M.	-	-	963,054	65
	2,007	1	967,359	65
Financing provided				
S.C.J.	17,090	7	-	-
	$ 253,983	100	$ 1,471,734	100
8) Accounts payable - related parties				
S.C.Q.	$ 15,530	84	$ -	-
S.C.E.	1,988	11	9,652	41
Ares International Corporation	706	4	-	-
S.C.A.	245	1	14,045	59
	$ 18,469	100	$ 23,697	100
9) Deferred credits - current				
S.C.H.	$ 16,278	40	$ 15,255	19
S.C.G.	11,620	29	6,454	8
S.H.K.	8,949	22	-	-
S.C.J.	3,374	9	2,881	4
S.C.M.	175	-	54,222	69
	$ 40,396	100	$ 78,812	100

The Company sold to S.C.S. property, plant and equipment with book value of $30,049 thousand (original cost $68,711 thousand less accumulated depreciation $37,546 thousand and accumulated impairment $1,116 thousand) for $30,730 thousand. The amount of $681 thousand gain on disposal of the asset was initially recorded as deferred credit - noncurrent. In 2011, the Company recognized $34 thousand as realized gain on disposal of the asset.

Related Party	Year Ended December 31, 2011 Maximum Balance	Ending Balance	Interest Rate	Interest Income
10) Financing to related parties				
Year ended December 31, 2011				
S.C.J.	$ 17,090	$ 17,090	-	$ -
Year ended December 31, 2010				
S.C.J.	-	7,742	-	-

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 on behalf of the related parties.

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 S.C.M to S.H.K. S.C.M transferred the inventories to S.H.K. at cost, along with some other payable to the Company.

The Company provided research and development skill and consultation to S.H.K. and charged fees for technical services.

The Company's sales prices to related parties are based on based on the price levels in the areas. The Company's purchases from related parties are based on cost-plus price. The payment period of the accounts payable is 120 days. The related-party transactions were conducted under normal terms.

c. Compensation of directors, supervisors and management personnel:

	Years Ended December 31 2011	2010
Salaries	$ 16,383	$ 12,768
Incentives	4,081	3,694
	$ 20,464	$ 16,462

21. MORTGAGED OR PLEDGED ASSETS

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

	December 31 2011	2010
Property, plant and equipment, net	$ 788,204	$ 796,434
Leased assets, net	81,912	82,258
	$ 870,116	$ 878,692

22. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of December 31, 2011, unused letters of credit amounted to $21,253 thousand.

The Company and Shuttle Computer Group, Inc. were sued by Lenovo (Singapore) Pte. Ltd. for 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 stayed pending reexamination. The case will stay 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 approved the Order of Dismissal filed by Lenovo (Singapore) Pte. Ltd. The Company recognized the royalty expenses for the years ended December 31, 2011 and 2010.

23. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

	December 31			
	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Non-derivative financial instruments				
Financial assets at fair value equivalent to book value	$ 1,309,203	$ 1,309,203	$ 3,151,955	$ 3,151,955
Available-for-sale financial assets	180,655	180,655	187,849	187,849
Financial assets carried at cost	60,352	48,854	77,054	66,464
Investments accounted for by the equity method	1,307,611	1,307,611	741,296	741,296
Financial liabilities at fair value equivalent to book value	445,028	445,028	1,733,365	1,733,365
Derivative financial instruments, categorized by location of transaction counterparty				
Domestic				
Forward exchange contract	5,874	5,874	29,782	29,782

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, 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	
	December 31		December 31	
	2011	2010	2011	2010
Assets				
Financial assets at fair value through profit or loss	$ -	$ -	$ 5,874	$ 29,782
Available-for-sale financial assets	180,655	187,849	-	-

d. Valuation gains (losses) from changes in fair value of financial instruments determined using valuation techniques were $(33,857) thousand and $27,311 thousand for the years ended December 31, 2011 and 2010, respectively.

e. As of December 31, 2011 and 2010, financial assets exposed to fair value interest rate risk amounted to $733,378 thousand and $1,115,772 thousand, respectively; financial liabilities exposed to fair value interest rate risk amounted to zero and $433,440 thousand, respectively; financial assets exposed to cash flow interest rate risk amounted to $259,275 thousand and $439,624 thousand, respectively; and financial liabilities exposed to cash flow interest rate risk amounted to zero and $81,154 thousand, respectively.

f. As of December 31, 2011 and 2010, the interest income (expense) associated with financial assets (liabilities) other than those at FVTPL was as follows:

	Years Ended December 31	
	2011	2010
Total interest income	$ 2,537	$ 1,874
Total interest expense	(1,767)	(3,700)

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 December 31, 2011 are between February 1, 2012 and May 16, 2012. Management does not expect the changes in fair values to be material.

2) Credit risk

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

3) Liquidity risk

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

The subsidiaries' investments in debt instruments are traded in active markets and can be disposed of quickly at close to their fair values. The Company'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 EUR3,300 thousand and JPY60,000 thousand and cash inflow of NT$37,112 thousand and US$4,017 thousand. The forward rate was determined; therefore, the liquidity risk is not expected to be material.

24. OTHERS

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

	December 31					
	2011			2010		
	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)
Financial assets						
Monetary items						
JPY	$ 105,214	0.3906	$ 41,097	$ 98,065	0.3582	$ 35,127
USD	10,636	30.275	322,000	53,898	29.13	1,570,052
EUR	3,258	39.18	127,666	2,613	38.92	101,686
HKD	4	3.897	16	18	3.748	67
RMB	413	4.8049	1,985	891	4.4205	3,938
Non-monetary items						
USD	782	29.96-30.02	192	32,263	29.13-30.41	27,291
EUR	3,300	39.19-43.81	5,682	1,350	40.72-40.83	2,491
Investments accounted for by the equity method						
USD	37,892	30.275	1,147,182	18,065	29.13	526,244
Financial liabilities						
Monetary items						
USD	5,167	30.275	156,428	49,110	29.13	1,430,582
EUR	35	39.18	1,360	1	38.92	39
HKD	119	3.897	464	49	3.748	183
GBP	-	-	-	17	45.19	749

25. ADDITIONAL DISCLOSURES

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

a. Financings provided: Table 1 (attached);

b. Endorsements/guarantees provided: Table 2 (attached);

c. Marketable securities held: Table 3 (attached);

d. Marketable securities acquired or disposed of at costs or prices of at least $100 million or 20% of the paid-in capital: Table 4 (attached);

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 5 (attached);

h. Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital: Table 6 (attached);

i. Names, locations, and related information of investees over which the Company exercises significant influence: Table 7 (attached);

j. Derivative transactions of the Company: Notes 5 and 23; 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 8 (attached);

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

a) Amount of purchase and accounts payable

Purchase Company	Related Party	Cost of Sales Amount	Cost of Sales % to Cost of Sales	Accounts Payable Amount	Accounts Payable % to Accounts Payable
Shuttle Inc.	S.C.M.	$ 67,148	5	$ -	-
S.C.G.	S.C.M.	203	-	-	-
S.H.K.	S.C.M.	127	-	-	-

b) Amount of sales and accounts receivable

		Sales		Accounts Receivable	
Seller Company	**Related Party**	**Amount**	**% to Sales**	**Amount**	**% to Accounts Receivable**
Shuttle Inc.	S.C.M.	$ 483,073	26	$ 7,208	3
Shuttle Inc.	S.C.Q.	218	-	-	-
Shuttle Inc.	KAKI	6,923	-	7,367	3
S.H.K.	KAKI	52,176	-	47,506	-
S.H.K.	S.C.M.	29,942	-	9,733	-

c) The amount of disposal of property, plant and equipment: Note 20;

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

26. OPERATING SEGMENT FINANCIAL INFORMATION

The Company and subsidiaries' segment information was disclosed in the consolidated financial statements as of and for the years ended December 31, 2011 and 2010.

27. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Company and subsidiaries made pre-disclosure information on the adoption of International Financial Reporting Standards (IFRSs) in the consolidated financial statements.

SHUTTLE INC.

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2011
(In Thousands of New Taiwan Dollars)

No.	Financing Company Name	Borrower	Financial Statement Account	Maximum Balance for the Period	Ending Balance (Note 4)	Interest Rate	Type of Financing (Note 1)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Financing Company's Financing Amount Limits (Note 3)
											Item	Value		
0	Shuttle Inc.	S.C.J.	Other receivable - related parties	$ 17,090	$ 17,090	-	a.	$ 71,346	-	$ -	-	-	$ 71,346	$ 723,772

Note 1: Type of financing:

a. Shuttle Inc. (the "Company") has transactions with the borrower.
b. The borrower needs short-term financing.

Note 2: The maximum financing amount is the transaction amount during the year ended December 31, 2011.

Note 3: The maximum financing amount is 20% of net assets of the Company.

SHUTTLE INC.

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2011
(Amounts in Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Each Guaranteed 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.	$ 2,852,855	$ 1,656,520	$ 1,656,520	$ -	-	$ 2,852,855

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 75% of the net value of the Company.

Note 2: The Company limits the endorsement/guarantee amount within 75% of the net value of the Company.

TABLE 3

SHUTTLE INC.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2011
(Amounts in Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2011				Note
				Shares/Units	Carrying Value (Note 3)	Percentage of Ownership (%)	Market Value or Net Asset Value (Note 1)	
Shuttle Inc.	Stock							
	Gold Fountain Limited	Subsidiary	Investments accounted for using equity method	18,172,000	$ 444,084	100.00	$ 444,084	
	Hong Yi Investment Co., Ltd.	Subsidiary	〃	16,000,000	135,276	100.00	135,276	
	Holco (BVI) Inc.	Subsidiary	〃	2,152.55	703,098	100.00	703,098	
	Shuttle Computer Incorporation	Subsidiary	〃	5,000,000	25,153	100.00	25,153	
	Mediatek Inc.	-	Available-for-sale financial assets - current	30,420	17,765	-	8,442	
	Au Optronics Corp.	-	〃	216,298	12,682	-	2,812	
	Amtran Technology Co., Ltd.	-	〃	784,711	25,316	0.10	12,398	
	Techmosa Intl Inc.	-	〃	1,850,793	15,872	2.50	39,144	
	Prime View International Co., Ltd.	-	〃	1,835,000	105,852	0.17	72,483	
	Catcher Technology Co., Ltd.	-	〃	200,000	30,508	0.03	28,100	
	ARMH-Arm Holdings Plc	-	〃	11,450	8,446	-	9,591	
	Elitegroup Computer Systems Co., Ltd.	-	Available-for-sale financial assets - noncurrent	684,377	46,411	0.06	4,346	
	Elad Europe Ltd.	-	〃	637,522	19,308	0.90	3,339	Note 5
	Twinmos Technologies Inc.	-	Financial assets carried at cost - noncurrent	805,000	-	0.39	-	Note 4
	Partner Tech Corp.	-	〃	1,193,508	7,352	1.94	14,818	Emerging stock
	Technology Partner IVVenture Capital Corp.	-	〃	1,800,000	18,000	3.24	11,697	
	iCatch Technology, Inc.	-	〃	2,500,000	35,000	4.55	22,339	
Holco (BVI) Inc.	Share certificate							
	Shuttle Computer (H.K.) Limited	Subsidiary	Investments accounted for using equity method	-	630,669	100.00	630,669	
	Shuttle International Inc.	Subsidiary	〃	-	23,568	100.00	23,568	
	Kaki Infortech (Shenzhen) Ltd.	Subsidiary	〃	-	11,853	60.00	11,853	
Gold Fountain Limited	Stock							
	Shuttle Computer Group, Inc.	Subsidiary	Investments accounted for using equity method	30,000	127,701	100.00	127,701	
	Shuttle Computer Handels GmbH	Subsidiary	〃	-	159,391	100.00	159,391	
	Japan Shuttle Co., Ltd.	Subsidiary	〃	1,000	5,439	100.00	5,439	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2011				Note
				Shares/Units	Carrying Value (Note 3)	Percentage of Ownership (%)	Market Value or Net Asset Value (Note 1)	
	Share certificate							
	Shuttle Commerce (Shenzhen) Ltd.	Subsidiary	〃	-	$ -	100.00	$ -	Note 2
	Shuttle Technology (Shenzhen) Ltd.	Subsidiary	〃	-	6,476	100.00	6,476	
	Shuttle Technology (Kunshan) Ltd.	Subsidiary	〃	-	28,953	100.00	28,953	
	Shuttle Information Technology (SIP) Ltd.	Subsidiary	〃	-	133,811	100.00	133,811	
Hong Yi Investment Co., Ltd.	Stock							
	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	17,732	
	Techmosa Intl Inc.	-	〃	1,292,934	11,244	1.75	27,346	
	Prime View International Co., Ltd.	-	〃	476,000	28,646	0.04	18,802	
	Partner Tech Corp.	-	Financial assets carried at cost - noncurrent	1,631,901	10,052	2.66	20,262	Emerging stock
	Gvision Incorporated	-	〃	105,470	1,781	0.37	-	

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 December 31, 2011.

Note 2: The accumulated book value had a credit amount of $18,698 thousand as of December 31, 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: Elad Europe Ltd. (originally called "Orad (Hai) Investments Holdings Ltd.") swapped its 100 original shares for 1 new share in May 2011.

(Concluded)

SHUTTLE INC.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2011
(In Thousands of New Taiwan Dollars, Except Shares/Units)

Acquiring or Selling Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount	Investment Loss Recognized Under Equity Method	Cumulative Translation Adjustments	Shares (Thousand)	Amount
Shuttle Inc.	<u>Domestic unquoted common stocks</u>													
	Gold Fountain Limited	Investment accounted for using equity method	-	A subsidiary	19,172,000	$ 490,870	4,000,000	$ 116,240 (Note 1)	5,000,000	$ 149,540 (Note 2)	$ (38,595) (Note 3)	$ 25,109	18,172,000	$ 444,084
	Holco (BVI) Inc.	Investment accounted for using equity method	-	A subsidiary	105	35,374	2,047.55	627,943 (Note 1)	-	-	31,233 (Note 3)	8,548	2,152.55	703,098
	<u>Domestic common stocks</u>													
	Prime View International Co., Ltd.	Available-for-sale financial assets - current	-	-	-	-	1,964,000	113,292	129,000	7,440	-	-	1,835,000	105,852
Gold Fountain Limited	<u>Domestic unquoted common stocks</u>													
	Shuttle Information Technology (SIP) Ltd.	Investment accounted for using equity method	-	A subsidiary	-	83,969	-	116,240 (Note 1)	-	-	(76,877) (Note 3)	10,479	-	133,811
Holco (BVI) Inc.	<u>Domestic unquoted common stocks</u>													
	Shuttle Computer (H.K.) Limited	Investment accounted for using equity method	-	A subsidiary	-	(4,681)	-	613,623 (Note 1)	-	-	29,157 (Note 3)	(7,430)	-	630,669

Note 1: The amount of additional investment.

Note 2: The investee returned capital in cash.

Note 3: Recognition of investment gains (losses) was based on the investee's audited financial statements.

SHUTTLE INC.

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 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	$ (483,073)	(26)	Within 120 days	Note 1	Month end 120 days	$ 7,208	3	
	Shuttle Computer Handels GmbH	Subsidiary of Gold Fountain Limited	Sale	(295,938)	(15)	Within 120 days	Note 1	Month end 120 days	64,995	26	
	Shuttle Computer Group, Inc.	Subsidiary of Gold Fountain Limited	Sale	(185,729)	(10)	Within 120 days	Note 1	Month end 120 days	31,097	12	
Shuttle Commerce (Shenzhen) Ltd.	Shuttle Inc.	Subsidiary of Gold Fountain Limited	Purchase	483,073	22	Within 120 days	Note 1	Month end 120 days	(7,208)	(24)	
S.C.H	Shuttle Inc.	Subsidiary of Gold Fountain Limited	Purchase	295,938	87	Within 120 days	Note 1	Month end 120 days	(64,995)	(99)	
Shuttle Computer Group, Inc.	Shuttle Inc.	Subsidiary of Gold Fountain Limited	Purchase	185,729	74	Within 120 days	Note 1	Month end 120 days	(31,097)	(67)	

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

SHUTTLE INC.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 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 Computer (H.K.) Limited	Subsidiary of Holco (BVI) Inc.	Accounts receivable $ 108,478	7.57	$ -	-	$ -	$ -

SHUTTLE INC.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2011
(In Thousands of New Taiwan Dollars

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2011			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2011	December 31, 2010	Shares	Percentage of Ownership	Carrying Value			
Shuttle Inc.	Gold Fountain Limited	Cayman Islands	Holding company	$ 804,499	$ 837,799	18,172,000	100	$ 444,084	$ (38,595)	$ (38,595)	Subsidiary; Notes 1 and 3
	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	135,276	(4,454)	(4,454)	Subsidiary; Notes 1 and 3
	Holco (BVI) Inc.	B.V.I.	Holding company	661,490	33,547	2,152.55	100	703,098	31,233	31,233	Subsidiary; Notes 1 and 3
	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	25,153	156	156	Subsidiary; Notes 1 and 3
Holco (BVI) Inc.	Shuttle Computer (H.K.) Limited	Unit 511 5/F, Tower 1 Silvercord 30 Canton Road Kl	Selling of computer peripherals	613,659	36	-	100	630,669	29,157	29,157	Sub-subsidiary; Notes 1 and 3
	Shuttle International Inc.	48389 Fremont Blvd Ste 110 Fremont CA 94538-6558	Selling of computer peripherals	25,737	25,737	-	100	23,568	4,585	4,585	Sub-subsidiary; Notes 1 and 3
	Kaki Infortech (Shenzhen) Ltd.	2F, West Wing, Guanghua Building, Terra 8th Road, Futian District, Shenzhen	Selling of computer peripherals	14,320	-	-	60	11,853	(13,567)	(2,504)	Sub-subsidiary; Notes 1 and 3
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	127,701	14,228	14,228	Sub-subsidiary; Notes 1 and 3
	Shuttle Computer Handels GmbH	Fritz-Strassmann Str. 5 D-25337 Elmshorn, Germany	Selling of computer peripherals	239,815	239,815	-	100	159,391	15,405	15,405	Sub-subsidiary; Notes 1 and 3
	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	-	22,600	22,600	Sub-subsidiary; Notes 1, 2 and 3
	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	5,439	1,048	1,048	Sub-subsidiary; Notes 1 and 3
	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	6,476	(15,838)	(15,838)	Sub-subsidiary; Notes 1 and 3
	Shuttle Technology (Kunshan) Ltd.	No. 520, Haoteng Road, Development Zone, Kunshan Jiangsu P.R. China	Selling of computer peripherals	32,010	32,010	-	100	28,953	1,671	1,671	Sub-subsidiary; Notes 1 and 3
	Shuttle Information Technology (SIP) Ltd.	No. 200, Central Suhong Rd. Integrated Free Trade Zone, Suzhou Industrial Park	Selling of computer peripherals	208,250	92,010	-	100	133,811	(76,877)	(76,877)	Sub-subsidiary; Notes 1 and 3

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 $18,698 thousand as of December 31, 2011 and was classified as other liabilities.

Note 3: 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.

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 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 December 31, 2011	Percentage of Ownership in Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2011	Accumulated Inward Remittance of Earnings as of December 31, 2011
					Outflow	Inflow					
Shuttle Commerce (Shenzhen) Ltd.	Selling of computer peripherals	$ 40,457	(Note 1)	$ 40,457	$ -	$ -	$ 40,457	100	$ 22,600	$ - (Note 4)	$ -
Shuttle Technology (Shenzhen) Ltd.	Selling of computer peripherals	25,736	(Note 1)	25,736	-	-	25,736	100	(15,838)	6,476	-
Shuttle Technology (Kunshan) Ltd.	Selling of computer peripherals	32,010	(Note 1)	32,010	-	-	32,010	100	1,671	28,953	-
Shuttle Information Technology (SIP) Ltd.	Selling of computer peripherals	208,250	(Note 1)	92,010	116,240	-	208,250	100	(76,877)	133,811	-
Kaki Infortech (Shenzhen) Ltd.	Selling of computer peripherals	23,733	(Note 1)	-	14,320	-	14,320	60	(2,504)	11,853	-

Accumulated Investment in Mainland China as of December 31, 2011	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3)
$328,394	US$16,750,000	$3,618,861 × 60% = $2,171,317

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 $18,698 thousand as of December 31, 2011 and was classified as other liabilities.