Shuttle Inc. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2012 and 2011 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. (the "Company") and subsidiaries (collectively, the "Group") as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years 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. We did not audit the financial statements of Hong Yi Investment Co., Ltd. ("Hong Yi"), consolidated subsidiary, which reflect total assets constituting 2.12% (NT$135,276 thousand) of the consolidated total assets as of December 31, 2011. The net loss for the year ended December 31, 2011 amounted to NT$4,454 thousand. The financial statements of Hong Yi were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in the accompanying consolidated financial statements for Hong Yi, is based solely on the report 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 report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Shuttle Inc. and subsidiaries as of December 31, 2012 and 2011, and the consolidated results of their operations and their consolidated cash flows for the years 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.

March 21, 2013

<u>*Notice to Readers*</u>

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
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Par Value)

	2012		2011	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 4)	$ 1,338,774	18	$ 1,591,077	25
Financial assets at fair value through profit or loss (Notes 2 and 5)	-	-	5,874	-
Available-for-sale financial assets (Notes 2 and 6)	178,074	3	236,850	4
Notes receivable (Notes 2 and 3)	1,587	-	100	-
Accounts receivable, net of allowance for doubtful accounts of $19,069 thousand in 2012 and $22,293 thousand in 2011 (Notes 2 and 3)	3,447,616	47	2,001,311	31
Other financial assets	13,690	-	29,539	1
Inventories (Notes 2 and 7)	1,263,940	17	1,069,193	17
Deferred income tax assets (Notes 2 and 17)	63,405	1	28,671	-
Refundable deposits (Notes 22)	34,550	1	-	-
Other current assets	93,923	1	118,046	2
Total current assets	6,435,559	88	5,080,661	80
LONG-TERM INVESTMENTS				
Investments accounted for under equity method (Notes 2 and 8)	6,773	-	-	-
Available-for-sale financial assets (Notes 2 and 6)	6,153	-	7,685	-
Financial assets carried at cost (Notes 2 and 9)	67,704	1	72,185	1
Total investments	80,630	1	79,870	1
PROPERTY, PLANT, AND EQUIPMENT (Notes 2, 10 and 21)				
Cost				
Land	279,017	4	448,810	7
Buildings	248,169	3	473,524	7
Machinery and equipment	100,652	1	125,746	2
Transportation equipment	36,428	1	29,730	-
Office equipment	36,349	-	30,753	1
Leasehold improvements	66,796	1	56,447	1
Other equipment	49,505	1	34,977	1
Total cost	816,916	11	1,199,987	19
Less: Accumulated depreciation	198,093	2	244,636	4
Less: Accumulated impairment	6,993	-	7,651	-
Fixed assets cost and revaluation	611,830	9	947,700	15
Construction in progress and prepayments for equipment	-	-	12,282	-
Property plant, and equipment, net	611,830	9	959,982	15
INTANGIBLE ASSETS				
Goodwill (Notes 2 and 16)	-	-	5,979	-
Deferred pension cost (Note 13)	30	-	1,191	-
Total intangible assets	30	-	7,170	-
OTHER ASSETS				
Assets leased to others (Notes 2, 11 and 21)	81,607	1	81,953	1
Refundable deposits (Note 22)	21,747	-	41,802	1
Deferred charges (Note 2)	22,499	-	24,110	-
Deferred income tax assets (Notes 2 and 17)	38,848	1	91,546	2
Total other assets	164,701	2	239,411	4
TOTAL	$ 7,292,750	100	$ 6,367,094	100

	2012		2011	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Notes 12 and 21)	$ 511,127	7	$ 639,302	10
Accounts payable	2,398,368	33	1,591,499	25
Accounts payable - related parties (Note 20)	-	-	706	-
Income tax payable (Notes 2 and 17)	622	-	2,979	-
Accrued expenses	492,088	7	399,246	6
Financial liabilities at fair value through profit or loss (Notes 2 and 5)	574	-	-	-
Other financial liabilities	18,731	-	4,592	-
Receipts in advance	32,140	-	82,502	2
Other current liabilities	5,101	-	10,335	-
Total current liabilities	3,458,751	47	2,731,161	43
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 13)	567	-	12,373	-
Guarantee deposits	1,109	-	783	-
Total other liabilities	1,676	-	13,156	-
Total liabilities	3,460,427	47	2,744,317	43
EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT				
Capital stock - $10 par value; authorized: 500,000 thousand shares; issued: 340,131 thousand shares in 2012 and 352,158 thousand shares in 2011	3,401,313	47	3,521,583	55
Capital surplus				
Additional paid-in capital	201,765	3	208,899	3
Treasury stock transactions	104,984	1	87,195	2
For long-term equity investments accounted	2,325	-	-	-
Total capital surplus	309,074	4	296,094	5
Retained earnings				
Legal reserve	1,126	-	-	-
Special reserve	10,136	-	-	-
Unappropriated earnings	318,261	5	11,262	-
Total retained earnings	329,523	5	11,262	-
Others				
Cumulative translation adjustments	(66,865)	(1)	(10,319)	-
Net loss not recognized as pension cost	-	-	(860)	-
Unrealized loss on financial instruments	(148,409)	(2)	(89,284)	(1)
Treasury stock - 12,027 thousand shares	-	-	(109,615)	(2)
Total other equity	(215,274)	(3)	(210,078)	(3)
Equity attributable to stockholders of the parent	3,824,636	53	3,618,861	57
MINORITY INTERESTS	7,687	-	3,916	-
Total stockholders' equity	3,832,323	53	3,622,777	57
TOTAL	$ 7,292,750	100	$ 6,367,094	100

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

(With Deloitte & Touche audit report dated March 21, 2013)

SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2012		2011	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Note 2)				
Sales	$ 14,391,615	102	$ 9,878,783	101
Less: Sales returns and allowances	218,929	2	67,324	1
Net sales	14,172,686	100	9,811,459	100
OPERATING COSTS (Notes 7 and 18)				
Cost of goods sold	12,390,366	88	8,594,738	88
GROSS PROFIT	1,782,320	12	1,216,721	12
OPERATING EXPENSES (Note 18)				
Marketing	611,102	4	423,060	4
General and administrative	488,297	4	423,838	4
Research and development	346,021	2	347,500	4
Total operating expenses	1,445,420	10	1,194,398	12
OPERATING INCOME	336,900	2	22,323	-
NONOPERATING INCOME AND GAINS (Notes 2 and 5)				
Gain on sale of investments, net	38,808	-	-	-
Dividend income	18,051	-	15,410	-
Interest income	6,272	-	4,481	-
Rental revenue	2,331	-	1,820	-
Gain on disposal of property, plant and equipment	1,030	-	10,200	-
Valuation gain on financial instruments, net	-	-	5,874	-
Exchange gain, net	-	-	4,475	-
Others	59,390	1	46,466	1
Total nonoperating income and gains	125,882	1	88,726	1
NONOPERATING EXPENSES AND LOSSES (Notes 2, 5, 8, 9, 16 and 18)				
Interest expense	18,836	-	11,333	-
Loss on disposal of property, plant and equipment	15,217	-	6,777	-
Impairment loss	14,354	-	15,903	-
Exchange loss, net	9,664	-	-	-
Valuation loss on financial instruments, net	574	-	-	-

(Continued)

SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2012		2011	
	Amount	%	Amount	%
Investment loss recognized under equity method, net	$ 160	-	$ -	-
Loss on sale of investments, net	-	-	21,921	-
Others	68,004	1	33,076	1
Total nonoperating expenses and losses	126,809	1	89,010	1
INCOME BEFORE INCOME TAX	335,973	2	22,039	-
INCOME TAX EXPENSE (Notes 2 and 17)	25,525	-	21,840	-
CONSOLIDATED NET INCOME	$ 310,448	2	$ 199	-
ATTRIBUTABLE TO:				
Stockholders of parent	$ 318,261	2	$ 11,262	-
Minority interest	(7,813)	-	(11,063)	-
	$ 310,448	2	$ 199	-

	2012 Income Attributable to Shareholders of the Parent		2011 Income Attributable to Shareholders of the Parent	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 19)				
Basic	$ 1.01	$ 0.94	$ 0.06	$ 0.03
Diluted	$ 1.01	$ 0.93		

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

(With Deloitte & Touche audit report dated March 21, 2013) (Concluded)

SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Amount Per Share)

	Common Capital Stock		Capital Surplus (Notes 2, 14 and 15)			Accumulated Deficit (Notes 2, 14 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	Minority Interests	Total Stockholders' Equity
BALANCE, JANUARY 1, 2011	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)
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	14,979	14,979
Net income for the year ended December 31, 2011	-	-	-	-	-	-	-	11,262	-	-	-	-	(11,063)	199
BALANCE, DECEMBER 31, 2011	352,158	3,521,583	208,899	87,195	-	-	-	11,262	(10,319)	(860)	(89,284)	(109,615)	3,916	3,622,777
Appropriation of 2011 earnings														
Legal reserve	-	-	-	-	-	1,126	-	(1,126)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	10,136	(10,136)	-	-	-	-	-	-
Retirement of treasury stock - 12,027 thousand shares	(12,027)	(120,270)	(7,134)	17,789	-	-	-	-	-	-	-	109,615	-	-
Net changes in valuation gain/loss on available-for-sale financial assets - Shuttle Inc.	-	-	-	-	-	-	-	-	-	-	(32,155)	-	-	(32,155)
Net changes in valuation gain/loss on available-for-sale financial assets - subsidiaries	-	-	-	-	-	-	-	-	-	-	(26,970)	-	-	(26,970)
Translation adjustments	-	-	-	-	-	-	-	-	(56,546)	-	-	-	-	(56,546)
Adjustment brought by changes in percentage of ownership in equity-method investees	-	-	-	-	2,325	-	-	-	-	-	-	-	-	2,325
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	860	-	-	-	860
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	11,584	11,584
Net income for the year ended December 31, 2012	-	-	-	-	-	-	-	318,261	-	-	-	-	(7,813)	310,448
BALANCE, DECEMBER 31, 2012	340,131	$ 3,401,313	$ 201,765	$ 104,984	$ 2,325	$ 1,126	$ 10,136	$ 318,261	$ (66,865)	$ -	$ (148,409)	$ -	$ 7,687	$ 3,832,323

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

(With Deloitte & Touche audit report dated March 21, 2013)

SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 310,448	$ 199
Adjustments to reconcile consolidated net income to net cash used in operating activities		
Depreciation and amortization	147,619	156,161
Reversal of doubtful accounts	(3,071)	(34,531)
Provision for loss on inventories	74,382	51,975
Abandonment loss on inventories	2,278	3,916
Loss (gain) on sale of investments	(38,808)	21,921
Investment loss recognized under equity method, net	160	-
Loss (gain) on disposal of property, plant and equipment	14,187	(3,423)
Valuation loss (gain) on financial instruments	574	(5,874)
Impairment loss	14,354	15,903
Deferred income tax	16,808	9,008
Pension liabilities	(9,785)	(3,678)
Changes in operating assets and liabilities		
Financial instruments held for trading	5,874	29,782
Notes receivable	(1,487)	(100)
Accounts receivable	(1,443,081)	(610,014)
Other financial assets	15,849	(17,828)
Inventories	(271,407)	(136,528)
Other current assets	24,123	(156,158)
Notes payable	-	(198)
Accounts payable	806,869	294,589
Accounts payable - related parties	(706)	706
Income tax payable	(2,357)	(3,421)
Accrued expenses	92,842	(12,461)
Receipts in advance	(50,362)	60,285
Other financial liabilities	13,862	1,480
Other current liabilities	(5,234)	1,985
Net cash used in operating activities	(286,069)	(336,304)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of available-for-sale financial assets	(76,749)	(189,480)
Proceeds from disposal of available-for-sale financial assets	116,740	51,904
Increase in long-term equity investments accounted for under equity method	(7,495)	-
Proceeds from investees' capital reduction	2,700	12,000
Acquisition of property, plant and equipment	(39,467)	(76,954)
Proceeds from disposal of property, plant and equipment	317,262	11,996

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SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
Increase in goodwill	$ (6,703)	$ (5,979)
Increase in refundable deposits	(14,495)	(35,255)
Increase in deferred charges	(93,148)	(28,360)
Net cash provided by (used in) investing activities	198,645	(260,128)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	(128,175)	106,341
Increase in guarantee deposits	326	441
Cash paid for acquisition of treasury stock	-	(109,615)
Increase in minority interests	11,584	14,979
Net cash provided by (used in) financing activities	(116,265)	12,146
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(48,614)	(25,116)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(252,303)	(609,402)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,591,077	2,200,479
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,338,774	$ 1,591,077
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 18,768	$ 10,992
Income tax paid	$ 6,785	$ 16,172
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NONCASH ITEMS		
Acquisition of property, plant, and equipment	$ 38,779	$ 81,061
Increase (decrease) in payables for equipment purchased (included in other financial liabilities)	688	(4,107)
Cash paid for acquisition of properties	$ 39,467	$ 76,954

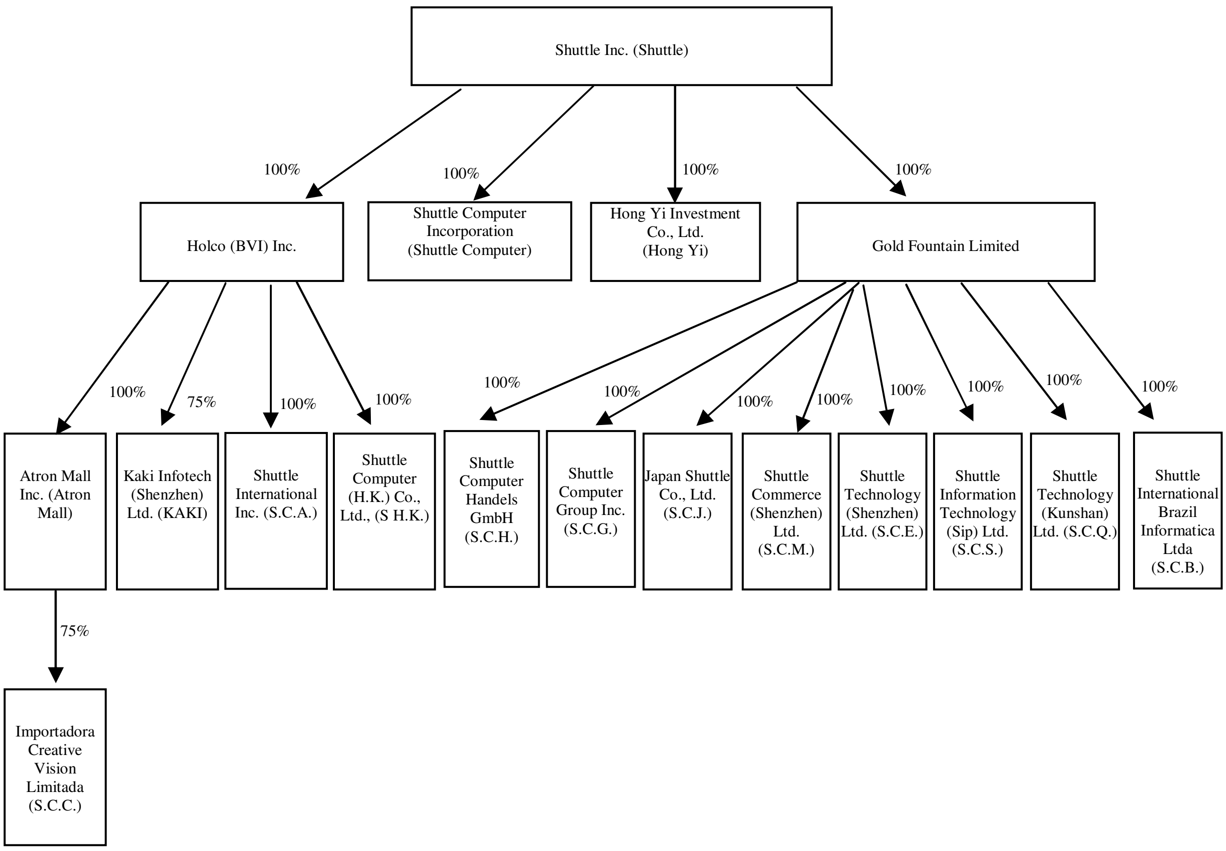
The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated March 21, 2013) (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.

The structure and shares proportion of the Company and its subsidiaries (collectively, the "Group") as of December 31, 2012 were as follows:



Holco (BVI) Inc., Gold Fountain Limited, Hong Yi, and Atron Mall Inc. are investments holding companies. Shuttle Computer, S.C.A., S.H.K., S.C.H., S.C.G., S.C.J., S.C.M., S.C.E., S.C.S., S.C.Q., KAKI, S.C.B. and S.C.C. are engaged in manufacturing and selling laptops, barebones, mainboards, other computer peripherals, and providing related repair and technical services.

As of December 31, 2012 and 2011, the Group had 1,827 and 1,474 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 Republic of China (ROC). 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 year ended December 31, 2011 include the accounts of Shuttle Inc., Holco (BVI) Inc., Shuttle Computer, Gold Fountain Limited, Hong Yi, S.H.K., S.C.J., S.C.G., S.C.A., S.C.H., S.C.M., S.C.E., S.C.Q., S.C.S. and KAKI.

In October 2011, Holco (BVI) Inc. acquired 60% equity interest in KAKI. However, in March 2012, Holco (BVI) Inc. did not participate in capital increase of KAKI and resulted in a decrease of the percentage of ownership from 60% to 50%. In June 2012, Holco (BVI) Inc. increased its investment in KAKI and the percentage of ownership rose from 50% to 75%. In addition, in April 2012, Holco (BVI) Inc. acquired 100% equity interest in Atron Mall and indirectly obtained 75% equity interest in S.C.C. In March 2012, Gold Fountain Limited acquired 100% equity interest in S.C.B. The consolidated financial statements for the year ended December 31, 2012 include the accounts of Shuttle Inc., Holco (BVI) Inc., Shuttle Computer, Gold Fountain Limited, Hong Yi, S.H.K., S.C.J., S.C.G., S.C.A., S.C.H., S.C.M., S.C.E., S.C.Q., S.C.S., KAKI, S.C.B., Atron Mall and S.C.C.

Foreign Currencies

Non-derivative foreign-currency transactions are recorded in functional currency 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 and intangible assets 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

Effective January 1, 2011, 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.

Investments Accounted for by the Equity Method

Investments accounted for by the equity method are stated at cost and adjusted for the Group's share in the net income or net loss of investees. Investment income or loss is recognized based on investees' net income or loss. Distribution of cash dividends is recognized as a reduction of investments.

When the Group subscribes for additional investee's newly issued shares at a percentage different from its existing ownership percentage, the resulting carrying amount of investment in the investee differs from the amount of the Group's share of the investee's equity. The Group records such a difference as an adjustment to long-term investments with the corresponding amount charged or credited to capital surplus or retained earnings.

Stock dividends are recorded as an increase in the number of shares held and do not affect investment income, and the cost per share is recalculated based on the new total number of shares. Cost of stock sold is determined by the weighted-average method.

Investments accounted for by the equity method are assessed for impairment at the end of each reporting period. An impairment loss is recognized if there is objective evidence that the investment is impaired.

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; transportation equipment - 5 to 7 years; office equipment - 2 to 5 years; leasehold improvements - 3 to 5 years; and other equipment - 2 to 12 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.

Goodwill

In equity investment or business acquisition, the cost of investment or acquisition is allocated to the assets and liabilities of the investee or acquiree (proportionate to the percentage of ownership) on the basis of their fair values at the date of investment or acquisition, and the investment or acquisition cost in excess of the fair value of the identifiable net assets of the investee or acquiree is recognized as goodwill. Goodwill is not amortized but tested for impairment annually.

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, 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 Group applies the intra-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.

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.

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 Group 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 Group's chief operating decision maker in order to allocate resources to the segments and assess their performance.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2012	**2011**
Cash		
Cash on hand	$ 1,321	$ 1,230
Checking accounts and demand deposits	450,542	191,317
Foreign demand accounts	463,312	569,817
Time deposits - annual yield rates - 0.87%-0.92% in 2012, 0.42%-0.88% in 2011	315,000	654,630
Foreign time deposits - annual yield - 0.20%-0.38% in 2012, 0.35%-1.40% in 2011	97,247	162,418
	1,327,422	1,579,412
Cash equivalents		
Repurchase agreements collateralized by bonds	11,352	11,665
	$ 1,338,774	$ 1,591,077

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

Financial instruments classified as held for trading were as follows:

	December 31	
	2012	**2011**
Trading financial assets		
Forward exchange contracts	$ -	$ 5,874
Trading financial liabilities		
Forward exchange contracts	$ 574	$ -

The Company entered into derivative contracts during the years ended December 31, 2012 and 2011 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, 2012			
Sell	EUR/NTD	2013.1.4-2013.5.29	EUR3,343/NTD126,887
Sell	JPY/NTD	2013.1.7-2013.6.21	JPY51,400/NTD18,546
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

Gain and loss on financial assets held for trading for the years ended December 31, 2012 and 2011 were net loss of $6,057 thousand and $33,857 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2012	**2011**
Current		
Domestic quoted stocks	$ 165,495	$ 227,259
Overseas quoted stocks	12,579	9,591
	$ 178,074	$ 236,850
Noncurrent		
Domestic quoted stocks	$ 6,153	$ 4,346
Overseas quoted stocks	-	3,339
	$ 6,153	$ 7,685

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

	2012			2011		
	The Company	Subsidiaries	Total	The Company	Subsidiaries	Total
Balance, beginning of year	$ (101,505)	$ 12,221	$ (89,284)	$ (6,303)	$ 62,546	$ 56,243
Recognized in shareholders' equity	(589)	(10,869)	(11,458)	(86,866)	(50,295)	(137,161)
Transferred to profit or loss	(31,566)	(16,101)	(47,667)	(8,336)	(30)	(8,366)
Balance, end of year	$ (133,660)	$ (14,749)	$ (148,409)	$ (101,505)	$ 12,221	$ (89,284)

In February 2012, Techmosa International Inc. (Techmosa) was merged into WT Microelectronics Co., Ltd. (WT Microelectronics); therefore, the stock of Techmosa held by the Group has been converted into stock of WT Microelectronics. The Group has recognized gain on merger included in gain on sale of investment in the amount of $48,632 thousand for the year ended December 31, 2012.

7. INVENTORIES

	December 31	
	2012	2011
Raw materials	$ 695,488	$ 635,688
Finished goods	444,060	294,373
Work in process	101,325	99,598
Merchandise	23,067	39,534
	$ 1,263,940	$ 1,069,193

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2012 and 2011 was $12,390,366 thousand and $8,594,738 thousand, respectively, which included $74,382 thousand and $51,975 thousand, respectively, loss on write-downs of inventories. Abandonment loss on inventories was $2,278 thousand and $3,916 thousand for the years ended December 31, 2012 and 2011, respectively. Gain and loss on physical inventory for the years ended December 31, 2012 and 2011 were loss of $1,811 thousand and gain of $53 thousand, respectively.

8. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31, 2012	
	Carrying Amount	% of Ownership
Unlisted companies	$ 6,773	30

In March 2012, S.C.S. acquired 30% equity of Shanghai Wiwin Information Technology Co., Ltd. (Shanghai Wiwin) for $7,495 thousand (RMB1,500 thousand). Shanghai Wiwin Information Technology Co., Ltd. is engaged in selling computer peripherals.

The aforementioned long-term investments and related investment income were based on Shanghai Wiwin's unaudited financial statements. The Company's management believes that there would be no material effect on the consolidated financial statements if the accounts were based on Shanghai Wiwin's audited financial statements.

9. FINANCIAL ASSETS CARRIED AT COST

	December 31 2012	December 31 2011
Domestic unquoted common stocks		
iCatch Technology, Inc.	$ 35,000	$ 35,000
Technology Partner IV Venture Capital Corp.	15,300	18,000
GVision Incorporated	-	1,781
Twinmos Technologies Inc.	-	-
	50,300	54,781
Emerging market stocks		
Partner Tech Corp.	17,404	17,404
	$ 67,704	$ 72,185

The stock and beneficiary certificates 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 $2,700 thousand and $12,000 thousand in August 2012 and June 2011, respectively, as return of capital.

For the year ended December 31, 2012 and 2011, the subsidiaries recognized impairment loss of $1,781 thousand and $4,771 thousand on GVision Co., Ltd., respectively.

In the fourth quarter of 2011, the Company recognized impairment loss of $11,132 thousand on its investments in Partner Tech Corp.

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

10. PROPERTY, PLANT AND EQUIPMENT

	December 31 2012	December 31 2011
Accumulated depreciation		
Buildings	$ 65,472	$ 119,932
Machinery and equipment	46,297	67,569
Transportation equipment	20,125	14,126
Office equipment	19,328	19,488
Leasehold improvements	24,747	5,201
Other equipment	22,124	18,320
	$ 198,093	$ 244,636
Accumulated impairment		
Machinery and equipment	$ 6,993	$ 7,651

In December 2012, the Company sold the land and buildings in Taoyuan to non-related party. The loss (recorded as non-operating expenses) derived from the sale of these assets amounted to $15,217 thousand, as the selling price of $336,160 thousand minus net book value of $332,107 thousand and related expense of $19,270 thousand.

The depreciation expense for the years ended December 31, 2012 and 2011 was $52,274 thousand and $31,057 thousand, respectively.

11. ASSETS LEASED TO OTHERS

	December 31	
	2012	2011
Cost		
Land	$ 69,953	$ 69,953
Buildings	19,316	19,316
	89,269	89,269
Less: Accumulated depreciation	7,662	7,316
	$ 81,607	$ 81,953

12. SHORT-TERM LOANS

	December 31	
	2012	2011
Usance letters of credit	$ 511,127	$ 639,302

Interest rates ranged from 1.18% to 1.55% and from 1.60% to 2.35% at December 31, 2012 and 2011, respectively.

13. 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 $23,868 thousand and $14,656 thousand for the years ended December 31, 2012 and 2011, 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.

In October 2012, the Company recognized settlement gains $5,820 thousand from settling part of benefit plan under the LSL.

Information about the defined benefit plan was as follows:

a. Components of net periodic pension cost

	Years Ended December 31	
	2012	2011
Service cost	$ 1,157	$ 786
Interest cost	568	375
Projected return on plan assets	(291)	(185)
Amortization	572	307
Curtailment or settlement gains	(5,820)	-
	$ (3,814)	$ 1,283

b. Reconciliation of funded status of the plan and accrued pension cost as of December 31, 2012 and 2011

	December 31	
	2012	2011
Benefit obligation		
Vested benefit obligation	$ -	$ 22,011
Non-vested benefit obligation	1,412	2,232
Accumulated benefit obligation	1,412	24,243
Additional benefit based on future salaries	400	4,143
Projected benefit obligation	1,812	28,386
Fair value of plan assets	(845)	(11,870)
Funded status	967	16,516
Unrecognized net transition obligation	(44)	(1,191)
Unrecognized pension cost	(386)	(5,003)
Additional liability	30	2,051
Accrued pension cost	$ 567	$ 12,373
Vested benefit	$ -	$ 27,167

c. Actuarial assumptions as of December 31, 2012 and 2011

	December 31	
	2012	2011
Discount rate used in determining present values	1.875%	2.00%
Future salary increase rate	2.5%	2.25%
Expected rate of return on plan assets	1.875%	2.00%

	Years Ended December 31	
	2012	2011
d. Contributions to the fund	$ 5,971	$ 4,961
e. Payments from the fund	$ 17,103	$ -

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., KAKI and S.C.J. make monthly contributions calculated based on each employee's monthly salary. S.C.G. and S.C.A. make monthly contributions at a prescribed percentage of salaries to personal investment accounts pursuant to the U.S. IRC 401 (K) plan. S.C.C. has no pension plan. There was no qualified employee under the plans in Holco (BVI) Inc., Gold Fountain Limited, Hong Yi, S.H.K., S.C.B., Atron Mall and Shuttle Computer.

14. SHAREHOLDERS' EQUITY

Employee Restricted Stock Plan

In their meeting on June 15, 2012, the stockholders of the Company approved a restricted stock plan for employees with a total amount of $75,000 thousand, consisting of 12,500 thousand shares, and authorize the board of directors to determine the issue prices of the restricted shares when they are issued. The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:

a. The employees should not sell, pledge, transfer, donate or in any other way dispose of these shares.
b. The employees holding these shares are not entitled to receive cash and stock dividends.
c. The employees holding these shares have no voting right.

If an employee fails to meet the vesting conditions, the Company will recall or buy back his/her restricted shares and have them canceled.

As of December 31, 2012, the Company has not yet issued any restricted shares to employees.

Capital Surplus

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 used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's paid-in capital and once a year).

The capital surplus from long-term investments and conversion options may not be used for any purpose.

Appropriation of Earnings and Dividend Policy

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, unrealized loss on financial instruments and net loss not recognized as pension cost) 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.

Under the Company Law, the appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings of the Company for 2011 had been approved in the shareholders' meeting of the Company on June 15, 2012. The approved appropriations for legal reserve and special reserve were $1,126 thousand and $10,136 thousand, respectively, but no appropriations for both bonus to employees and remuneration to directors and supervisors.

The Company's loss for 2010 had been approved in the shareholders' meeting held on June 15, 2011.

Bonus to employees and remuneration to directors and supervisors were calculated at 3% and 8%, respectively, of net income (net of the bonus and remuneration). Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

For the year ended December 31, 2011, there was no bonus to employees and no remuneration to directors and supervisors of the Company because the amount of distributable earnings was not sufficient for the special reserve regulated by the SFB.

The appropriations of earnings for 2012 had been approved in the shareholders' meeting on March 21, 2013. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 31,826	$ -
special reserve	205,139	-
Cash dividends	81,291	0.239

The board of directors proposed the distribution in cash of capital surplus from share premium of $88,774 thousand at NT$0.261 per share.

The appropriations of the 2012 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 21, 2013.

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.

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

15. 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, 2012				
To maintain the Company's creditability	12,027	-	12,027	-
Year ended December 31, 2011				
To maintain the Company's creditability	-	12,027	-	12,027

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

On January 6, 2012, the board of directors of the Company approved to cancel the treasury stock mentioned in the preceding paragraph; the cancellation of 12,027 shares with a total amount of $109,615 thousand decreased capital stock and capital surplus - issuance of common shares by $120,270 thousand and $7,134 thousand, respectively, and resulted in $17,789 of capital surplus - treasury stock transactions. The effective date of capital reduction was January 31, 2012.

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.

16. IMPAIRMENT LOSS OF GOODWILL

During the year ended December 31, 2012, the Company assessed the recoverable amount of the goodwill of its investments in KAKI and recognized an impairment loss of $12,573 thousand recorded as non-operating expenses.

17. INCOME TAX

a. Income tax expense consisted of the following:

	Years Ended December 31 2012	Years Ended December 31 2011
Income tax currently payable	$ 7,636	$ 11,001
Deferred income tax	16,808	9,008
Income tax adjustments to prior years	1,081	1,831
Income tax expense	$ 25,525	$ 21,840

b. Net deferred income tax assets consisted of the following:

	December 31 2012	December 31 2011
Current		
Loss carryforwards	$ 61,014	$ 3,351
Investment tax credits	55,317	2,392
Warranty liabilities	10,747	9,156
Provision for doubtful accounts	8,299	8,358
Deferred credits	7,732	8,025
Unrealized advertising expenses	3,693	-
Unrealized allowance for loss on inventories	1,651	1,637
Unrealized exchange gains	(448)	(2,741)
Others	859	646
	148,864	30,824
Less: Valuation allowance	85,459	2,153
Deferred income tax assets	$ 63,405	$ 28,671
Noncurrent		
Loss carryforwards	$ 123,046	$ 158,669
Impairment loss	17,038	22,655
Deferred credits	98	110
Accrued pension cost	67	1,657
Investment tax credits	-	55,317
Investment income (loss) recognized on overseas equity-method investments	(7,328)	22,391
Others	464	464
	133,385	261,263
Less: Valuation allowance	94,537	169,717
Deferred income tax assets	$ 38,848	$ 91,546

As of December 31, 2012, 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	$ 55,317	$ 55,317	2013

As of December 31, 2012, unused amount of loss carryforwards of Shuttle, Shuttle Computer and Hong Yi was $122,015 thousand, $4,938 thousand and $265 thousand, respectively; expiry years of loss carryforward of Shuttle, Shuttle Computer and Hong Yi are 2021, 2022 and 2021. Unused loss carryforward of S.C.G. and S.C.J. was $23,941 thousand and $8,188 thousand, respectively; expiry years of loss carryforward of S.C.G. and S.C.J. are 2029 and 2022, respectively. Unused loss carryforward of S.C.S., S.C.M and S.C.Q. was $15,565 thousand $8,009 thousand and $1,139 thousand, respectively; expiry years of loss carryforward of S.C.S., S.C.M. and S.C.Q. are all 2016.

d. Information about integrated income tax was as follows:

	December 31	
	2012	2011
Balance of imputation credit account (ICA):		
Shuttle	$ 3,859	$ 5,961
Hong Yi	6,759	6,759
Shuttle Computer	-	-

The rate of creditable tax from distribution of earnings of 2012 and 2011 was 1.2% (estimate) and 20.48%, respectively. The imputation credit allocated to stockholders is based on its balance as of the date of dividend distribution. The estimated ratio may change when the actual distribution of imputation credit is made.

As of December 31, 2011, Hong Yi, and Shuttle Computer had accumulated deficits. Balances of imputation credit account (ICA) will be allocated to shareholders on 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, Shuttle Computer through 2010, except income tax return for 2009 of Shuttle. The tax authorities have examined income tax returns of Hong Yi Investment Co., Ltd. through 2011.

e. Undistributed earnings information

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

18. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2012			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Nonoperating Expenses and Losses	Total
Personnel				
Salary	$ 166,637	$ 647,968	$ -	$ 814,605
Insurance and social welfare	15,984	39,029	-	55,013
Pension	15,984	26,018	-	42,002
Others	16,893	26,484	-	43,377
	$ 215,498	$ 739,499	$ -	$ 954,997
Depreciation	$ 28,862	$ 23,412	$ 346	$ 52,620
Amortization	$ 89,647	$ 5,352	$ -	$ 94,999

	Year Ended December 31, 2011			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Nonoperating Expenses and Losses	Total
Personnel				
Salary	$ 132,618	$ 551,912	$ -	$ 684,530
Insurance and social welfare	7,640	38,609	-	46,249
Pension	7,136	32,833	-	39,969
Others	14,785	20,857	-	35,642
	$ 162,179	$ 644,211	$ -	$ 806,390
Depreciation	$ 13,797	$ 17,260	$ 346	$ 31,403
Amortization	$ 119,029	$ 5,729	$ -	$ 124,758

19. EARNINGS (LOSS) PER SHARE

	Amounts (Numerator)		Shares	EPS (NT$)	
	Before Income Tax	After Income Tax	(Denominator) (In Thousands)	Before Income Tax	After Income Tax
Year ended December 31, 2012					
Basic EPS					
Income for the period attributable to common shareholders	$ 343,786	$ 318,261	340,131	$ 1.01	$ 0.94
Effect of dilutive potential common stock	-	-	624		
Diluted EPS					
Income for the period attributable to common shareholders plus effect of potential dilutive common stock	$ 343,786	$ 318,261	340,755	$ 1.01	$ 0.93
Year ended December 31, 2011					
Basic and diluted EPS					
Income for the year attributable to common stockholders	$ 22,039	$ 11,262	350,603	$ 0.06	$ 0.03

The ARDF issued Interpretation 2007-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Company may settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

20. RELATED-PARTY TRANSACTIONS

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

Related Party	Relationship with the Group
Ares International Corporation	Chairman is the second degree relative of the Company's chairman

b. Transactions with related parties:

	Years Ended December 31			
	2012		2011	
	Amount	% to Total	Amount	% to Total
Operating expenses				
Ares International Corporation	$ 134	-	$ -	-
Purchases of computer software (recognized as deferred expenses)				
Ares International Corporation	$ -	-	$ 706	3

	December 31			
	2012		2011	
	Amount	% to Total	Amount	% to Total
Payables to related parties				
Ares International Corporation	$ -	-	$ 706	100

c. Compensation of directors, supervisors and management personnel:

	Years Ended December 31	
	2012	2011
Salaries	$ 27,318	$ 16,383
Incentives	11,082	4,081
	$ 38,400	$ 20,464

21. MORTGAGED OR PLEDGED ASSETS

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

	December 31	
	2012	2011
Property, plant and equipment, net	$ 448,360	$ 788,204
Leased assets, net	81,566	81,912
	$ 529,926	$ 870,116

22. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of December 31, 2012, in addition to those disclosed in other notes, the Company's remaining commitments under non-cancelable contracts with various parties were as follows:

a. Unused letters of credit in the amount of $286,275 thousand.

b. In March 2012, Technology Properties Limited, LLC (TPL) filed a lawsuit in the U.S. International Trade Commission (ITC) and the U.S. District Court for Eastern District of Texas, alleging that the Company infringed the U.S. patents No. 7295443 and No. 7255424. The litigation is now under investigation by the representatives of government. As of March 21, 2013, the Company was unable to assess the result and the potential loss on the lawsuit.

c. The Company has entered into a Taipei City Electronic Schoolbag Operation Agreement with the Ministry of Economic Affairs (MOEA). The contract period was from June 1, 2011 to May 31, 2013. According to the agreement, prior to applying for subsidies from MOEA of each applicable period, the Company should provide a performance bank guarantee for that period. As of December 31, 2012, the performance bank guarantees were recorded as refundable deposits of $34,550 thousand.

23. SUBSEQUENT EVENTS: NONE

24. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

	December 31			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Non-derivative financial instruments				
Assets				
Financial assets at fair value equivalent to book value	$ 4,857,964	$ 4,857,964	$ 3,663,829	$ 3,663,829
Available-for-sale financial assets	184,227	184,227	244,535	244,535
Financial assets carried at cost	67,704	69,584	72,185	69,116
Investments accounted for by the equity method	6,773	6,773	-	-
Liabilities				
Financial liabilities at fair value equivalent to book value	3,422,045	3,422,045	2,639,547	2,639,547
Derivative financial instruments, categorized by location of transaction counterparty				
Domestic				
Assets				
Forward exchange contract	-	-	5,874	5,874
Liabilities				
Forward exchange contract	574	574	-	-

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, income tax 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. For those instruments with no quoted market prices, their fair values are determined by the carrying values. Fair values of financial assets carried at cost equity investments 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	
	2012	2011	2012	2011
Assets				
Financial assets at fair value through profit or loss	$ -	$ -	$ -	$ 5,874
Available-for-sale financial assets	184,227	244,535	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	-	-	574	-

d. Valuation losses from changes in fair value of financial instruments determined using valuation techniques were $6,057 thousand and $33,857 thousand for the years ended December 31, 2012 and 2011, respectively.

e. As of December 31, 2012 and 2011, financial assets exposed to fair value interest rate risk amounted to $503,654 thousand and $875,523 thousand, respectively; financial liabilities exposed to fair value interest rate risk amounted to $512,236 thousand and $640,085 thousand, respectively; financial assets exposed to cash flow interest rate risk amounted to $891,417 thousand and $757,356 thousand, respectively.

f. As of December 31, 2012 and 2011, the interest income (expense) associated with financial assets (liabilities) other than those at FVTPL were as follows:

	Years Ended December 31	
	2012	2011
Total interest income	$ 6,272	$ 4,481
Total interest expense	(18,836)	(11,333)

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, 2012 are between January 4, 2013 and June 21, 2013. 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 Group if the counter-parties 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 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 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 EUR3,343 thousand and JPY51,400 thousand and cash inflow of NT$145,433 thousand. The forward rate was determined; therefore, the liquidity risk is not expected to be material.

25. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

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

	December 31					
	2012			2011		
	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)
Financial assets						
Monetary items						
JPY	$ 151,134	0.3364	$ 50,841	$ 153,904	0.3906	$ 60,115
USD	130,361	29.04	3,785,674	85,808	30.275	2,597,823
RMB	9,742	4.6202	45,012	11,965	4.8049	57,489
EUR	6,878	38.49	264,748	7,559	39.18	296,160
HKD	1	3.747	3	4	3.897	16
CLP	2,045,355	0.0607	124,106	-	-	-
Non-monetary items						
JPY	51,400	0.3364	1,252	-	-	-
USD	-	-	-	782	30.275	192
EUR	-	-	-	3,300	39.18	5,682

(Continued)

	December 31					
	2012			2011		
	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)
Financial liabilities						
Monetary items						
USD	$ 78,992	29.04	$ 2,293,935	$ 74,433	30.275	$ 2,253,452
RMB	182,514	4.6202	843,243	10,893	4.8049	52,339
JPY	3,512	0.3364	1,182	2,747	0.3906	1,073
EUR	664	38.49	25,556	741	39.18	29,026
HKD	41	3.747	155	119	3.897	464
GBP	1	46.83	23	-	-	-
Non-monetary items						
EUR	3,343	38.49	1,826	-	-	-

(Concluded)

26. 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: Table 5 (attached);

g. Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: Table 6 (attached);

h. Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital: None;

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 24; 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: Table 9 (attached);

3) Endorsements, guarantees or collateral directly or indirectly provided to the investees: None;

4) Financings directly or indirectly provided to the investees: None;

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

l. Intercompany relationships and significant transactions: Table 9 (attached).

27. OPERATING SEGMENT FINANCIAL INFORMATION

a. The Group engages solely in manufacturing and selling of computer equipment. Thus, the accompanying financial statements reflect the Group's segment information.

b. Geographical information

The Group's revenue from continuing operations from external customers and information about its noncurrent assets by geographical location are detailed below.

	Revenue from External Customers		Noncurrent Assets	
	Years Ended December 31		December 31	
	2012	2011	2012	2011
America	$ 9,750,674	$ 6,825,758	$ 3,034	$ 933
Europe	1,473,192	1,089,747	13,691	14,723
Asia	1,454,438	1,035,960	847	1,115
Mainland China	1,064,690	741,270	125,124	137,884
Domestic	389,045	80,400	594,987	959,171
Other	40,647	38,324	-	-
	$ 14,172,686	$ 9,811,459	$ 737,683	$ 1,113,826

c. Information about major customers

The major customers of the Group are detailed below.

	Years Ended December 31			
	2012		2011	
Customer Name	Amount	% to Total	Amount	% to Total
Company A	$ 5,874,058	41	$ 2,624,947	27

28. 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 Group's pre-disclosure information on the adoption of International Financial Reporting Standards (IFRSs) was as follows:

a. On May 14, 2009, the FSC announced the "Framework for Adoption of International Financial Reporting Standards by Companies in the R.O.C." In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, Interpretations and related guidance translated by the ARDF and issued by the FSC. To comply with this framework, the Group has set up a project team and made a plan to adopt the IFRSs. Leading the implementation of this plan is Ms. Pu, chief financial. The main contents of the plan, anticipated schedule and status of execution as of December 31, 2012 were as follows:

Contents of Plan	Expected Completion Date	Status of Execution
1) Board of Directors' approval of the overall plan	November 2009	Finished
2) Establish the IFRSs taskforce	November 2009	Finished
3) Establish an IFRSs implementation plan	March 2011	Finished
4) Personnel training	March 2011	Finished
5) Identify the differences between R.O.C. GAAP and IFRSs	June 2011	Finished
6) Identify the consolidated entities under IFRSs	June 2011	Finished
7) Evaluate the impact of optional exemptions under IFRS based on IFRS1	March 2011	Finished
8) Evaluate the possible impact on the IT systems	November 2011	Finished
9) Evaluate the possible modification to relevant internal controls	November 2011	Finished
10) Select accounting policies under IFRS	June 2011	Finished
11) Determine applicable optional exemptions under IFRS based on IFRS1	June 2011	Finished
12) Prepare the opening balance sheet in conformity with IFRSs.	March 2012	Finished
13) Prepare comparative financial information under IFRSs for 2012	December 2012	Finished
14) Complete the modification to relevant internal controls	November 2011	Finished

b. As of December 31, 2012, the material differences and effects between the existing accounting policies and the accounting policies to be adopted under IFRSs were as follows:

1) Reconciliation of consolidated balance sheet as of January 1, 2012:

R.O.C. GAAP		Effect of the Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Current assets	$ 5,080,661	$ -	$ (28,671)	$ 5,051,990	Current assets	c)
Long-term investments	79,870	-	-	79,870	Long-term investments	
Property, plant and equipment	959,982	-	2,651	962,633	Property, plant and equipment	b)
Investment properties	-	-	81,953	81,953	Investment properties	a)
Intangible assets	7,170	(1,191)	21,459	27,438	Intangible assets	b), e)
Other assets	239,411	-	(74,651)	164,760	Other non-current assets	a), b), c)
Total assets	$ 6,367,094	$ (1,191)	$ 2,741	$ 6,368,644	Total assets	
Current liabilities	$ 2,731,161	$ -	$ -	$ 2,731,161	Current liabilities	
Other liabilities	13,156	5,204	2,741	21,101	Other non-current liabilities	c), e)
Total liabilities	2,744,317	5,204	2,741	2,752,262	Total liabilities	
Capital stock	3,521,583	-	-	3,521,583	Capital stock	
Capital surplus	296,094	-	-	296,094	Capital surplus	
Retained earnings	11,262	(17,574)	-	(6,312)	Retained earnings	d), e), f), 4)
Treasury stock	(109,615)			(109,615)		
Other stockholders' equity	(100,463)	11,179	-	(89,284)	Other stockholders' equity	e), f)
Equity attributable to stockholders' of the parent	3,618,861	(6,395)	-	3,612,466	Equity attributable to stockholders' of the parent	
Minority interests	3,916	-	-	3,916	Non-controlling interests	
Total stockholders' equity	3,622,777	(6,395)	-	3,616,382	Total stockholders' equity	
Total	$ 6,367,094	$ (1,191)	$ 2,741	$ 6,368,644	Total	

2) Reconciliation of consolidated balance sheet as of December 31, 2012:

R.O.C. GAAP		Effect of the Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Current assets	$ 6,435,559	$ -	$ (63,405)	$ 6,372,154	Current assets	c)
Long-term investments	80,630	-		80,630	Long-term investments	
Property, plant and equipment	611,830	-	5,423	617,253	Property, plant and equipment	b)
Investment properties	-	-	81,607	81,607	Investment properties	a)
Intangible assets	30	(30)	17,076	17,076	Intangible assets	b), e)
Other assets	164,701	(1,507)	(32,925)	130,269	Other non-current assets	a), b), c), d)
Total assets	$ 7,292,750	$ (1,537)	$ 7,776	$ 7,298,989	Total assets	
Current liabilities	$ 3,458,751	$ -	$ -	$ 3,458,751	Current liabilities	
Other liabilities	1,676	494	7,776	9,946	Other non-current liabilities	c), e)
Total liabilities	3,460,427	494	7,776	3,468,697	Total liabilities	
Capital stock	3,401,313	-	-	3,401,313	Capital stock	
Capital surplus	309,074	-	-	309,074	Capital surplus	
Retained earnings	329,523	(12,350)	-	317,173	Retained earnings	d), e), f), 4)
Other stockholders' equity	(215,274)	10,319	-	(204,955)	Other stockholders' equity	f)
Equity attributable to stockholders' of the parent	3,824,636	(2,031)		3,822,605	Equity attributable to stockholders' of the parent	
Minority interests	7,687	-	-	7,687	Non-controlling interests	
Total stockholders' equity	3,832,323	(2,031)	-	3,830,292	Total stockholders' equity	
Total	$ 7,292,750	$ (1,537)	$ 7,776	$ 7,298,989	Total	

3) Reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2012:

R.O.C. GAAP		Effect of the Transition to IFRSs		IFRSs		
Item	**Amount**	**Recognition and Measurement Difference**	**Presentation Difference**	**Amount**	**Item**	**Note**
Operating revenues, net	$ 14,172,686	$ -	$ -	$ 14,172,686	Operating revenues, net	
Operating costs	(12,390,366)	-	-	(12,390,366)	Operating costs	
Gross profit	1,782,320	-	-	1,782,320	Gross profit	
Operating expenses					Operating expenses	
Marketing	(611,102)	1,653	-	(609,449)	Marketing	e)
General and administrative	(488,297)	2,074	-	(486,223)	General and administrative	e)
Research and development	(346,021)	5,134	-	(340,887)	Research and development	e)
Total operating expenses	(1,445,420)	8,861	-	(1,436,559)	Total operating expenses	
Income from operations	336,900	8,861	-	345,761	Income from operations	
Non-operating income and gains					Non-operating income and gains	
Interest income	6,272	-	(6,272)	-		g)
Gain on sale of investments, net	38,808	-	(38,808)	-		g)
Dividend income	18,051	-	(18,051)	-		
Finance costs	-	-	(18,836)	(18,836)	Finance costs	g)
Others	61,721	-	(35,067)	26,654	Other income	g)
	124,852	-	(117,034)	7,818		
Non-operating expense and losses						
Exchange loss, net	(9,664)	-	9,664	-		g)
Interest expense	(18,836)	-	18,836	-		g)
Valuation gain on financial instruments, net	(574)	-	574	-		
Loss on disposal of property, plant and equipment	(14,187)	-	14,187	-		g)
			(8,745)	(8,745)	Other gains and losses	
Others	(82,518)	-	82,518	-		g)
	(125,779)	-	117,034	(8,745)		
Income before income tax	335,973	8,861	-	344,834	Income before income tax	
Income tax expense	(25,525)	(1,507)	-	(27,032)	Income tax benefit	d)
Net income	$ 310,448	$ 7,354	$ -	317,802	Net income	
				(56,546)	Exchange differences on translating foreign operations	g)
				(59,125)	Valuation gain on available-for-sale financial assets, net	g)
				(2,130)	Pension gains resulting from defined benefit plans	
				(117,801)	Other comprehensive income for the period, net of tax effect	
				$ 200,001	Total comprehensive income for the period	

4) Special reserve at transition date of IFRSs

In accordance with the order letter No. 1010012865 issued by FSC on April 6, 2012, an entity which elected the optional exemption of IFRS 1 to recognize all unrealized revaluation increment and cumulative translation adjustment under stockholders' equity to retained earnings at the transition date shall appropriate special reserve with corresponding amounts. However, if the increment of retained earnings at the transition date is insufficient for the special reserve, the entity may appropriate the special reserve up to the increment of retained earnings.

The adjustments from IFRSs adoption resulted in the decrease of retained earnings of the Company; therefore, the Company is not required to appropriate any amount to the special reserve.

5) Exemptions from IFRS 1

IFRS 1, “First-time Adoption of International Financial Reporting Standards” establishes the procedures for the Group’s first consolidated financial statements prepared in accordance with IFRSs. According to IFRS 1, the Group is required to determine the accounting policies under IFRSs and retrospectively apply to those accounting policies in its opening balance sheet at the date of transition to IFRSs; except for optional exemptions to such retrospective application provided under IFRS 1. The main optional exemptions the Group adopted are summarized as follows:

a) Business combinations. The Group elected not to apply IFRS 3 “Business Combinations” retrospectively to business combinations occurred before the date of transition to IFRSs.

b) Share-based payment. The Group elected to take the optional exemption from applying IFRS 2 “Share-based Payment” retrospectively for the shared-based payment transactions granted and vested before the date of transition to IFRSs.

c) Deemed costs. The Group elected to evaluate the property, plant and equipment and intangible assets by cost model according to IFRSs, and apply to relevant rules retrospectively.

d) Employee benefits. The Group elected to recognize all cumulative actuarial gains and losses in retained earnings at the date of transition to IFRSs

e) Cumulative translation differences:

The Group elected to recognize all cumulative translation adjustments arising from foreign operations into retained earnings at the date of transition to IFRSs.

The election of the foregoing optional exemption is subject to changes of the management’s consideration and assessment; therefore, the actual results may vary.

The impacts of the optional exemptions mentioned above were included in part 6 “ Notes to the significant reconciliation of transition to IFRSs”.

6) Notes to the significant reconciliation of transition to IFRSs

a) Classification of investment properties

As of January 1, 2012 and December 31, 2012, certain assets of the Group meet the definitions of IAS No. 40 “Investment Property” and were reclassified from other asset - leased assets to investment property in the amount of $81,953 thousand and $81,607 thousand, respectively.

b) Classification of deferred charges

Before the transition to IFRSs, deferred charges are recorded as other assets; after the transition to IFRSs, they are reclassified as property, plant and equipment and intangible assets according to their nature.

As of January 1, 2012 and December 31, 2012, deferred charges reclassified to property, plant and equipment was $2,651 thousand and $5,423 thousand, respectively, and deferred charges reclassified to intangible assets was $21,459 thousand and $17,076 thousand, respectively.

c) Classifications of deferred income tax asset/liability and valuation allowance

Under R.O.C. GAAP, a deferred tax asset and liability is classified as current or non-current 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, it is classified as either current or non-current based on the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset and liability is classified as non-current asset or liability and can not be presented by offsetting each other.

In addition, under R.O.C. GAAP, valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under IFRSs, deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and the valuation allowance account is no longer used.

As of January 1, 2012 and December 31, 2012, deferred income tax assets reclassified to non-current assets was $31,412 thousand and $63,853 thousand, respectively; deferred income tax assets reclassified to deferred income tax liabilities was $2,741 thousand and $448 thousand, respectively. Further, a reduction of deferred income tax asset under non-current asset reclassified to non-current deferred income tax liability was $7,328 thousand.

d) Income tax

According to IAS No. 12 “Income Taxes”, the Group shall adjust related income tax accounts (income tax expense or benefit, deferred income tax assets or liabilities) due to transition to IFRSs. For year ended December 31, 2012, the Group increased income tax expense by $1,507 thousand due to transition to IFRSs.

e) Employee benefits

The Group had previously applied an actuarial valuation on its defined benefit obligation and recognized the related pension cost and retirement benefit obligation in conformity with R.O.C. GAAP. Under IFRSs, the Group should carry out actuarial valuation on defined benefit obligation in accordance with IAS No. 19, “Employee Benefits.” Further, the Company elected to recognize pension gains (losses) resulting from defined benefit plans as other comprehensive income immediately and subsequent reclassification to earnings is not permitted.

In addition, under R.O.C. GAAP, unrecognized transition net assets or obligations should be amortized on a straight-line basis over the employee’s expected remaining service period. Under IFRSs, the unrecognized transition net obligations generated according to R.O.C. GAAP should be zero at the transition date.

Due to the transition to IFRSs, as of January 1, 2012 and December 31, 2012, accrued pension cost (recorded as other liabilities) increased by $5,204 thousand and $494 thousand, respectively; deferred pension costs decreased by $1,191 thousand and $30 thousand, respectively; retained earnings decreased by $7,255 thousand and $524 thousand, respectively; and net loss not recognized as pension cost decreased by $860 thousand and $0 thousand, respectively. For year ended December 31, 2012, pension cost decreased by $8,861 thousand (including marketing expense $1,653 thousand, general and administrative expense $2,074 thousand, and research and development expense $5,134 thousand). And pension loss resulting from defined benefit plans was $2,130 thousand.

f) Cumulative translation differences:

The Group elected to record all cumulative translation adjustments as zero and recognized as retained earnings at the date of transition to IFRSs. As of January 1, 2012 and December 31, 2012, cumulative translation adjustments (recorded as other equity) both increased by $10,319 thousand and retained earnings both decreased by $10,319 thousand.

g) Presentation of consolidated statement of comprehensive income

Under IFRSs, consolidated statement of comprehensive income include current year net income and other comprehensive income. Certain accounts in the financial statements have been reclassified to conform to the presentation of financial statements under IFRSs.

c. The Group's aforementioned assessment is based on the 2010 version of IFRSs translated by ARDF and the Guidelines Governing the Preparation of Financial Reports by Securities Issuers issued by FSC on December 22, 2011. However, the assessment result may be impacted as FSC may issue new rules governing the adoption of IFRSs, and as other laws and regulations may be amended to comply with the adoption of IFRSs. Actual results may differ from these assessments.

SHUTTLE INC. AND SUBSIDIARIES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2012
(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 (Note 4)	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	$ -	-	a.	$ 69,548	-	$ -	-	-	$ 69,548	$ 757,723

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 six months ended December 31, 2012.

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

Note 4: The amount was eliminated upon consolidation.

SHUTTLE INC. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2012
(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 Allowed (Note 2)
		Name	Nature of Relationship						
0	Shuttle Inc.	S.H.K.	Subsidiary of Holco (BVI) Inc.	$ 2,841,461	$ 1,656,520	$ 1,628,080	$ -	42.97%	$ 2,841,461
		S.C.C.	Indirect subsidiary Holco (BVI) Inc.	2,841,461	8,964	8,789	8,789	0.23%	2,841,461

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.

SHUTTLE INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2012
(Amounts in Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2012				Note
				Shares/Units	Carrying Value (Note 3)	Percentage of Ownership (%)	Market Value or Net Asset Value (Note 1)	
Shuttle Inc.	Stock							
	Holco (BVI) Inc.	Subsidiary	Investments accounted for using equity method	4,835.55	$ 1,579,644	100.00	$ 1,579,644	Note 5
	Gold Fountain Limited	Subsidiary	〃	19,525,886	503,107	100.00	503,107	Note 5
	Hong Yi Investment Co., Ltd.	Subsidiary	〃	16,000,000	132,284	100.00	132,284	Note 5
	Shuttle Computer Incorporation	Subsidiary	〃	2,520,000	20,300	100.00	20,300	Note 5
	Mediatek Inc.	-	Available-for-sale financial assets - current	30,420	17,765	-	9,841	
	Au Optronics Corp.	-	〃	216,298	12,682	-	2,812	
	Amtran Technology Co., Ltd.	-	〃	784,711	25,316	0.10	17,734	
	WT Microelectronics Co., Ltd.	-	〃	1,042,736	44,595	2.50	37,643	
	Prime View International Co., Ltd.	-	〃	1,835,000	105,852	0.17	40,645	
	ARMH-Arm Holdings Plc.	-	〃	11,450	8,446	-	12,579	
	Elitegroup Computer Systems Co., Ltd.	-	Available-for-sale financial assets - noncurrent	684,377	46,411	0.06	6,153	
	Twinmos Technologies Inc.	-	Financial assets carried at cost - noncurrent	805,000	-	0.39	-	Note 4
	Partner Tech Corp.	-	〃	1,193,508	7,352	1.98	14,708	Emerging stock
	Technology Partner IV Venture Capital Corp.	-	〃	1,530,000	15,300	3.24	9,844	
	iCatch Technology, Inc.	-	〃	2,500,000	35,000	4.55	24,355	
Holco (BVI) Inc.	Share certificate							
	S.H.K.	Subsidiary	Investments accounted for using equity method	-	1,511,598	100.00	1,511,598	Note 5
	S.C.A.	Subsidiary	〃	-	23,161	100.00	23,161	Note 5
	KAKI	Subsidiary	〃	-	12,109	75.00	12,109	Note 5
	Stock							
	Atron Mall, Inc.	Subsidiary	〃	197,500	11,365	100.00	11,365	Note 5

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2012				Note
				Shares/Units	Carrying Value (Note 3)	Percentage of Ownership (%)	Market Value or Net Asset Value (Note 1)	
Gold Fountain Limited	Stock							
	S.C.G.	Subsidiary	Investments accounted for using equity method	30,000	$ 120,217	100.00	$ 120,217	Note 5
	S.C.H.	Subsidiary	〃	-	158,619	100.00	158,619	Note 5
	S.C.J.	Subsidiary	〃	1,000	21,034	100.00	21,034	Note 5
	S.C.B.	Subsidiary	〃	638,085	8,419	100.00	8,419	Note 5
	Share certificate							
	S.C.M.	Subsidiary	〃	-	-	100.00	-	Notes 2 and 5
	S.C.E.	Subsidiary	〃	-	4,927	100.00	4,927	Note 5
	S.C.Q.	Subsidiary	〃	-	26,641	100.00	26,641	Note 5
	S.C.S.	Subsidiary	〃	-	161,072	100.00	161,072	Note 5
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	19,979	
	WT Microelectronics Co., Ltd.	-	〃	728,438	31,154	0.22	26,297	
	Prime View International Co., Ltd.	-	〃	476,000	28,646	0.04	10,544	
	Partner Tech Corp.	-	Financial assets carried at cost - noncurrent	1,631,901	10,052	2.70	20,677	Emerging stock
	GVision Co., Ltd.	-	〃	365	-	-	-	Note 4
Atron Mall, Inc.	Share certificate							
	S.C.C.	Subsidiary	Investments accounted for using equity method	-	10,952	75.00	10,952	Note 5
S.C.S.	Share certificate							
	Shanghai Wiwin Information Technology Co., Ltd.	-	Investments accounted for using equity method	-	6,773	30.00	6,773	

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, 2012.

Note 2: The accumulated book value had a credit amount of $477 thousand as of December 31, 2012 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 amount was eliminated upon consolidation.

(Concluded)

SHUTTLE INC. AND SUBSIDIARIES

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, 2012
(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		Adjustment Arising from Changes in Percentage of Ownership in Investees	Investment Loss Recognized Under Equity Method	Cumulative Translation Adjustments	Ending Balance	
					Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount				Shares (Thousand)	Amount
Shuttle Inc.	Domestic unquoted common stocks Holco (BVI) Inc.	Investment accounted for using equity method	-	Subsidiary	2,152.55	$ 703,098	2,683	$ 774,912 (Note 1)	-	$ -	$ 2,325	$ 138,081 (Note 2)	$ (38,772)	4,835.55	$ 1,579,644 (Note 3)
Holco (BVI) Inc.	Domestic unquoted common stocks S.H.K.	Investment accounted for using equity method	-	Subsidiary	-	630,669	-	751,154 (Note 1)	-	-	-	172,143 (Note 2)	(42,368)	-	1,511,598 (Note 3)

Note 1: The amount of additional investment.

Note 2: Recognition of investment losses was based on the investee's audited financial statements.

Note 3: The amount was eliminated upon consolidation.

SHUTTLE INC. AND SUBSIDIARIES

DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

Company Name	Individual Name	Transaction Date or Date of Occurrence	Original Date	Book Value	Transaction Amount	Price Charged Situations	Loss on Disposal	Transaction Object	Relationship	Disposal Purposes	The Reference Price Determination	Other Matters Agree
Shuttle Inc.	Land and buildings in Taoyuan	2012.12.27	1997 - 2004.6.30	$ 332,107	$ 340,000 (Note 1)	Full received.	$ 15,217	Apex Biotechnology Corp.	None	Integration of Corporate Resources	Real estate appraisers appraisal reports and resolutions of the board of directors	None

Note: Including VAT $3,840 thousand.

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
YEAR ENDED DECEMBER 31, 2012
(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.	S.C.H.	Subsidiary of Gold Fountain Limited	Sale	$ (343,552)	(26)	Within 120 days	Note 1	Month end 120 days	$ 60,323	26	
S.C.H.	Shuttle Inc.	Parent company of Gold Fountain Limited	Purchase	343,552	87	Within 120 days	Note 1	Month end 120 days	(60,323)	(98)	
Shuttle Inc.	S.C.G.	Subsidiary of Gold Fountain Limited	Sale	(247,772)	(19)	Within 120 days	Note 1	Month end 120 days	62,501	27	
S.C.G.	Shuttle Inc.	Parent company of Gold Fountain Limited	Purchase	247,772	89	Within 120 days	Note 1	Month end 120 days	(62,561)	(94)	

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

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
SIX MONTHS ENDED JUNE 30, 2012
(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2012			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2012	December 31, 2011	Shares	Percentage of Ownership	Carrying Value			
Shuttle Inc.	Holco (BVI) Inc.	B.V.I.	Holding company	$ 1,436,402	$ 661,490	4,835.55	100	$ 1,579,644	$ 138,081	$ 138,081	Subsidiary; Notes 1 and 4
	Gold Fountain Limited	Cayman Islands	Holding company	844,564	804,499	19,525,866	100	503,107	36,732	36,732	Subsidiary; Notes 1 and 4
	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	132,284	23,978	23,978	Subsidiary; Notes 1 and 4
	Shuttle Computer Incorporation	1F., No. 30, Ln. 76, Ruiguang Rd., Neihu Dist., Taipei City	Selling of computer peripherals	50,000	50,000	2,520,000	100	20,300	(4,853)	(4,853)	Subsidiary; Notes 1 and 4
Holco (BVI) Inc.	S.H.K.	Unit 511 5/F, Tower 1 Silvercord 30 Canton Road Kl	Selling of computer peripherals	1,364,813	613,659	-	100	1,511,598	172,143	172,143	Indirect subsidiary; Notes 1 and 4
	S.C.A.	48389 Fremont Blvd Ste 110 Fremont CA 94538-6558	Selling of computer peripherals	25,737	25,737	-	100	23,161	565	565	Indirect subsidiary; Notes 1 and 4
	KAKI	2F, West Wing, Guanghua Building, Terra 8th Road, Futian District, Shenzhen	Selling of computer peripherals	43,024	14,320	-	75	12,109	(26,211)	(17,217)	Indirect subsidiary; Notes 1 and 4
	Atron Mall, Inc.	17068 Evergreen PL, City of Industry, CA 91745 U.S.A.	Holding company	7,834	-	197,500	100	11,365	3,395	3,395	Indirect subsidiary; Notes 1 and 4
Gold Fountain Limited	S.C.G.	17068 Evergreen Place Industry, CA 91745 U.S.A.	Selling of computer peripherals	186,662	186,662	30,000	100	120,217	(2,317)	(2,317)	Indirect subsidiary; Notes 1 and 4
	S.C.H.	Fritz-Strassmann Str. 5 D-25337 Elmshorn, Germany	Selling of computer peripherals	239,815	239,815	-	100	158,619	2,010	2,010	Indirect subsidiary; Notes 1 and 4
	Shuttle International Brazil Informatica Ltda.	Avenida Brigadeiro Faria Lima, 1903-CJ. 143 - Jardim Paulist Ano	Selling of computer peripherals	10,624	-	638,085	100	8,419	(692)	(692)	Indirect subsidiary; Notes 1 and 4
	S.C.M.	6H, West Wing, No. 210 Bldg Terra Technical & Commercial Garden, Terra 4th Road, Shenzhen	Selling of computer peripherals	40,457	40,457	-	100	-	17,747	17,747	Indirect subsidiary; Notes 1, 3 and 4
	S.C.J.	7F, Aioisonpo Building, 2-8-11 Sumiyosi Koutou-Ku Tokyo 135-0002, Japan	Selling of computer peripherals	34,658	16,804	1,000	100	21,034	(519)	(519)	Indirect subsidiary; Notes 1 and 4
	S.C.E.	D26, 8 Floor, No. 210 Bldg Terra Technical & Commercial Garden, Terra 4th Road, Shenzhen	Selling of computer peripherals	25,736	25,736	-	100	4,927	(1,318)	(1,318)	Indirect subsidiary; Notes 1 and 4
	S.C.Q.	No. 520, Haoteng Road, Development Zone, Kunshan Jiangsu P.R. China	Selling of computer peripherals	32,010	32,010	-	100	26,641	(1,216)	(1,216)	Indirect subsidiary; Notes 1 and 4
	S.C.S.	No. 200, Central Suhong Rd. Integrated Free Trade Zone, Suzhou Industrial Park	Selling of computer peripherals	215,745	208,250	-	100	161,072	25,460	25,460	Indirect subsidiary; Notes 1 and 4
Atron Mall, Inc.	S.C.C.	Santa Clara 301 of 2806 Hue Churaba, Santiago, Chile	Selling of computer peripherals	5,440	-	-	75	10,952	4,723	3,542	Notes 1 and 4

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2012			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2012	December 31, 2011	Shares	Percentage of Ownership	Carrying Value			
S.C.S.	Shanghai Wiwin Information Technology Co., Ltd.	Room 203, No. 10, Lane 198, Zhangheng Rd., Zhongjiang Hi-Tech Park Shanghai 201203, China	Selling of computer peripherals	$ 7,495	$ -	-	30	$ 6,773	$ (533)	$ (160)	Note 2

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

Note 2: Recognition of investment gains (losses) was based on the investee's unaudited financial statements.

Note 3: The accumulated book value had a credit amount of $477 thousand as of December 31, 2012 and was classified as other liabilities.

Note 4: The ending balance of the investments, investment gain (loss) and the Company's share in the investee's equity were eliminated upon consolidation.

(Concluded)

SHUTTLE INC. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2012
(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, 2012	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31 2012	Percentage of Ownership in Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2012	Accumulated Inward Remittance of Earnings as of December 31, 2012
					Outflow	Inflow					
S.C.M.	Selling of computer peripherals	$ 40,457	(Note 1)	$ 40,457	$ -	$ -	$ 40,457	100	$ 17,747	$ - (Note 4)	$ -
S.C.E.	Selling of computer peripherals	25,736	(Note 1)	25,736	-	-	25,736	100	(1,318)	4,927	-
S.C.Q.	Selling of computer peripherals	32,010	(Note 1)	32,010	-	-	32,010	100	(1,216)	26,641	-
S.C.S.	Selling of computer peripherals	215,745	(Note 1)	208,250	7,495	-	215,745	100	25,460	161,072	-
KAKI	Selling of computer peripherals	57,125	(Note 1)	14,320	28,704	-	43,024	75	(17,217)	12,109	-

Accumulated Investment in Mainland China as of December 31, 2012	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3)
$364,593	US$16,750,000	$3,824,636 × 60% = $2,294,782

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

Note 2: Calculated on audited 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 $477 thousand as of December 31, 2012 and was classified as other liabilities.

Note 5: The amount was eliminated upon consolidation.

TABLE 9

SHUTTLE INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(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	
	Year ended December 31 2012						
0	Shuttle Inc.	S.C.H.	1	Accounts receivable from related parties	$ 60,323	Month end 120 days	1
			1	Sales revenue	343,552	Month end 120 days	2
			1	Other non-operation gain	35	Month end 120 days	-
			1	Cost of goods sold	208	Month end 120 days	-
		S.C.G.	1	Accounts receivable from related parties	62,561	Month end 120 days	1
			1	Sales revenue	247,722	Month end 120 days	2
			1	Other non-operation gain	3	Month end 120 days	-
		S.C.J.	1	Accounts receivable from related parties	16,555	Month end 120 days	-
			1	Sales revenue	69,548	Month end 120 days	-
			1	Other non-operation gain	39	Month end 120 days	-
		S.C.M.	1	Accounts receivable from related parties	14,306	Month end 120 days	-
			1	Sales revenue	19,040	Month end 120 days	-
		S.C.E.	1	Accounts payable from related parties	1,907	Month end 120 days	-
		S.C.A.	1	Accounts payable from related parties	534	Month end 120 days	-
			1	Sales revenue	10	Month end 120 days	-
		S.C.S.	1	Payment on behalf of others	1,867	Month end 120 days	-
		S.H.K.	1	Accounts receivable from related parties	33,823	Month end 120 days	-
			1	Accounts payable from related parties	3,442	Month end 120 days	-
			1	Technical service income	669,176	Month end 120 days	5
			1	Other non-operation gain	3	Month end 120 days	-
			1	Cost of goods sold	23,450	Month end 120 days	-
			1	General and administrative expense	851	Month end 120 days	-
		S.C.Q.	1	Accounts payable from related parties	1,862	Month end 120 days	-
			1	R&D - pilot production	27,050	Month end 120 days	-
		KAKI	1	Sales revenue	728	Month end 120 days	-
			1	R&D expense	71	Month end 120 days	-
1	S.C.H.	Shuttle Inc.	2	Accounts payable from related parties	60,323	Month end 120 days	1
			2	Sales revenue	208	Month end 120 days	-
			2	Cost of goods sold	343,587	Month end 120 days	2
		S.H.K.	3	Accounts payable from related parties	23	Month end 120 days	-
			3	Cost of goods sold	2,906	Month end 120 days	-
		S.C.G.	3	Accounts receivable from related parties	246	Month end 120 days	-
			3	Sales revenue	799	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	
2	S.C.G.	Shuttle Inc.	2	Accounts payable from related parties	$ 62,561	Month end 120 days	1
			2	Cost of goods sold	247,725	Month end 120 days	2
		S.H.K.	3	Accounts payable from related parties	130	Month end 120 days	-
			3	Cost of goods sold	28,914	Month end 120 days	-
		S.C.H.	3	Accounts payable from related parties	246	Month end 120 days	-
			3	Cost of goods sold	799	Month end 120 days	-
3	S.C.J.	Shuttle Inc.	2	Accounts payable from related parties	16,555	Month end 120 days	-
			2	Cost of goods sold	69,587	Month end 120 days	-
4	S.C.M.	Shuttle Inc.	2	Accounts payable from related parties	14,306	Month end 120 days	-
			2	Cost of goods sold	19,040	Month end 120 days	-
		S.C.E.	3	Accounts payable from related parties	2,976	Month end 120 days	-
		S.H.K.	3	Accounts payable from related parties	648	Month end 120 days	-
			3	Technical service income	70,975	Month end 120 days	1
		KAKI	3	Accounts receivable from related parties	8	Month end 120 days	-
			3	Selling expense	308	Month end 120 days	-
		S.C.S.	3	Sales revenue	467	Month end 120 days	-
5	S.C.A.	Shuttle Inc.	2	Accounts receivable from related parties	534	Month end 120 days	-
			2	Selling expense	10	Month end 120 days	-
		S.H.K.	3	Accounts receivable from related parties	12,826	Month end 120 days	-
			3	Other non-operation gain	58,258	Month end 120 days	-
			3	Selling expense	4,737	Month end 120 days	-
		S.C.S.	3	Accounts receivable from related parties	1,091	Month end 120 days	-
6	S.C.E.	Shuttle Inc.	2	Accounts receivable from related parties	1,907	Month end 120 days	-
		S.C.M.	3	Accounts receivable from related parties	2,976	Month end 120 days	-
		S.C.S.	3	Non-operating expense	1,301	Month end 120 days	-
		S.H.K.	3	Accounts receivable from related parties	49	Month end 120 days	-
		KAKI	3	Accounts receivable from related parties	11	Month end 120 days	-
7	S.C.S.	Shuttle Inc.	2	Other payables	1,867	Month end 120 days	-
			2	Cost of goods sold	68	Month end 120 days	-
		KAKI	3	Accounts receivable from related parties	56	Month end 120 days	-
		S.C.E.	3	Non-operating gain	1,301	Month end 120 days	-
		S.H.K.	3	Accounts receivable from related parties	804,119	Month end 120 days	11
			3	Sales revenue	404,325	Month end 120 days	3
			3	Cost of goods sold	12	Month end 120 days	-
			3	Operating expense	656	Month end 120 days	-
			3	Other non-operation gain	34,770	Month end 120 days	-
		S.C.A.	3	Accounts payable from related parties	1,091	Month end 120 days	-
		S.C.M.	3	Operating expense	467	Month end 120 days	-
8	S.H.K.	Shuttle Inc.	2	Accounts receivable from related parties	3,442	Month end 120 days	-
			2	Accounts payable from related parties	33,823	Month end 120 days	-
			2	Sales revenue	24,301	Month end 120 days	-
			2	Selling expense	669,176	Month end 120 days	5
			2	Cost of goods sold	3	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	
		S.C.G.	3	Accounts receivable from related parties	$ 130	Month end 120 days	-
			3	Sales revenue	28,914	Month end 120 days	-
		S.C.H.	3	Accounts receivable from related parties	23	Month end 120 days	-
			3	Sales revenue	2,906	Month end 120 days	-
		S.C.A.	3	Accounts payable from related parties	12,826	Month end 120 days	-
			3	Other non-operation gain	4,737	Month end 120 days	-
			3	Selling expense	58,258	Month end 120 days	-
		S.C.M.	3	Accounts receivable from related parties	648	Month end 120 days	-
			3	Selling expense	70,975	Month end 120 days	1
		S.C.S.	3	Accounts payable from related parties	804,119	Month end 120 days	11
			3	Sales revenue	668	Month end 120 days	-
			3	Processing cost	404,325	Month end 120 days	3
			3	Selling expense	34,770	Month end 120 days	-
		S.C.E.	3	Accounts payable from related parties	49	Month end 120 days	-
		KAKI	3	Accounts receivable from related parties	24,472	Month end 120 days	-
			3	Sales revenue	82,412	Month end 120 days	1
		S.C.Q.	3	Sales revenue	2,509	Month end 120 days	-
		S.C.C.	3	Accounts receivable from related parties	280,451	Month end 120 days	4
			3	Accounts payable from related parties	6,445	Month end 120 days	-
			3	Sales revenue	383,598	Month end 120 days	3
			3	Selling expense	11,834	Month end 120 days	-
9	S.C.Q.	Shuttle Inc.	2	Accounts receivable from related parties	1,862	Month end 120 days	-
			2	Sales revenue	27,050	Month end 120 days	-
		S.H.K.	3	Cost of goods sold	2,509	Month end 120 days	-
10	KAKI	Shuttle Inc.	2	Sales revenue	71	Month end 120 days	-
			2	Cost of goods sold	728	Month end 120 days	-
		S.C.M.	3	Accounts payable from related parties	8	Month end 120 days	-
			3	Sales revenue	308	Month end 120 days	-
		S.H.K.	3	Accounts payable from related parties	24,472	Month end 120 days	-
			3	Cost of goods sold	82,412	Month end 120 days	1
		S.C.S.	3	Accounts payable from related parties	56	Month end 120 days	-
		S.C.E.	3	Accounts payable from related parties	11	Month end 120 days	-
11	S.C.C.	S.H.K.	3	Accounts receivable from related parties	6,445	Month end 120 days	-
			3	Accounts payable from related parties	280,451	Month end 120 days	4
			3	Sales revenue	11,834	Month end 120 days	-
			3	Cost of goods sold	383,598	Month end 120 days	3
	Year ended December 31 2011						
0	Shuttle Inc.	Shuttle Computer Handels GmbH	1	Sales revenue	295,938	Month end 120 days	3
			1	Other non-operating gain	2,147	Month end 120 days	-
			1	Accounts receivable from related parties	64,995	Month end 120 days	1
		Shuttle Computer Group, Inc.	1	Sales revenue	185,729	Month end 120 days	2
			1	Other non-operating gain	91	Month end 120 days	-
			1	Accounts receivable from related parties	31,097	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	
		Japan Shuttle Co., Ltd.	1	Sales revenue	$ 71,346	Month end 120 days	1
			1	Other non-operating gain	40	Month end 120 days	-
			1	Accounts receivable from related parties	15,741	Month end 120 days	-
			1	Other receivable	17,090	Month end 120 days	-
		Shuttle Commerce (Shenzhen) Ltd.	1	Sales revenue	483,073	Month end 120 days	5
			1	Other non-operating gain	570	Month end 120 days	-
			1	Cost of goods sold	67,148	Month end 120 days	1
			1	Accounts receivable from related parties	7,208	Month end 120 days	-
		Shuttle Technology (Shenzhen) Ltd.	1	Other non-operating gain	17	Month end 120 days	-
			1	R&D - pilot production	14,029	Month end 120 days	-
			1	Accounts payable to related parties	1,988	Month end 120 days	-
		Shuttle International Inc.		Other non-operating gain	6,769	Month end 120 days	
		Shuttle International Inc.	1	Selling - commission	15,429	Month end 90 days	-
			1	Accounts payable to related parties	245	Month end 90 days	-
		Shuttle Information Technology (SIP) Ltd.	1	Other non-operating gain	41	Month end 120 days	-
			1	Other receivables	2,007	Month end 120 days	-
		Shuttle Computer (H.K.) Limited	1	Sales revenue	14,560	Month end 120 days	-
			1	Technical service income	396,047	Month end 120 days	4
			1	Cost of goods sold	17,040	Month end 120 days	-
			1	Other non-operating gain	2,040	Month end 120 days	-
			1	Accounts receivable from related parties	108,478	Month end 120 days	2
		Shuttle Technology (Kunshan) Ltd.	1	Sales revenue	218	Month end 120 days	-
			1	R&D - pilot production	28,047	Month end 120 days	-
			1	Accounts payable to related parties	15,530	Month end 120 days	-
		Kaki Infetech (Shenzhen) Ltd.	1	Sales revenue	6,923	Month end 120 days	-
			1	Other non-operating gain	111	Month end 120 days	-
			1	Accounts receivable from related parties	7,367	Month end 120 days	-
1	Shuttle Computer Handels GmbH	Shuttle Inc.	2	Cost of goods sold	298,085	Month end 120 days	3
			2	Accounts payable to related parties	64,995	Month end 120 days	1
2	Shuttle Computer Group, Inc.	Shuttle Inc.	2	Cost of goods sold	185,820	Month end 120 days	2
			2	Accounts payable to related parties	31,097	Month end 120 days	-
		Shuttle Commerce (Shenzhen) Ltd.	3	Cost of goods sold	203	Month end 120 days	-
		Shuttle Computer (H.K.) Limited	3	Cost of goods sold	23,446	Month end 120 days	-
3	Japan Shuttle Co., Ltd.	Shuttle Inc.	2	Cost of goods sold	71,386	Month end 120 days	1
			2	Accounts payable to related parties	32,831	Month end 120 days	1
4	Shuttle Commerce (Shenzhen) Ltd.	Shuttle Inc.	2	Sales revenue	67,148	Month end 120 days	1
			2	Cost of goods sold	483,643	Month end 120 days	5
			2	Accounts payable to related parties	7,208	Month end 120 days	-
		Shuttle Computer Group, Inc.	3	Sales revenue	203	Month end 120 days	-
		Shuttle International Inc.	3	Accounts payable to related parties	16	Month end 120 days	-
		Shuttle Information Technology (SIP) Ltd.	3	Processing cost	14,956	Month end 120 days	-
			3	Accounts payable to related parties	2,982	Month end 120 days	-
		Shuttle Technology (Shenzhen) Ltd.	3	Processing cost	31,731	Month end 120 days	-
			3	Sales revenue	783	Month end 120 days	-
			3	Accounts payable to related parties	1,782	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 Computer (H.K.) Limited	3	Accounts payable to related parties	$	9,733	Month end 120 days	-
			3	Technical service revenue		29,909	Month end 120 days	-
			3	Other non-operating gain		33	Month end 120 days	-
			3	Cost of goods sold		127	Month end 120 days	-
		Kaki Infetech (Shenzhen) Ltd.	3	Accounts receivable from related parties		28	Month end 120 days	-
5	Shuttle International Inc.	Shuttle Inc.	2	Cost of goods sold		6,769	Month end 120 days	-
			2	Other non-operating gain		15,429	Month end 120 days	-
			2	Accounts receivable from related parties		245	Month end 120 days	-
		Shuttle Commerce (Shenzhen) Ltd.	3	Accounts receivable from related parties		16	Month end 120 days	-
		Shuttle Computer (H.K.) Limited	3	Accounts receivable from related parties		10,231	Month end 120 days	-
			3	Other non-operating gain		45,121	Month end 120 days	-
6	Shuttle Technology (Shenzhen) Ltd.	Shuttle Inc.	2	Accounts receivable from related parties		1,988	Month end 120 days	-
			2	Sales revenue		14,029	Month end 120 days	-
			2	Cost of goods sold		17	Month end 120 days	-
		Shuttle Commerce (Shenzhen) Ltd.	3	Sales revenue		14,956	Month end 120 days	-
			3	Accounts receivable from related parties		2,982	Month end 120 days	-
		Shuttle Information Technology (SIP) Ltd.	3	Accounts receivable from related parties		1,334	Month end 120 days	-
		Shuttle Computer (H.K.) Limited	3	Accounts receivable from related parties		51	Month end 120 days	-
			3	Sales revenue		49	Month end 120 days	-
7	Shuttle Information Technology (SIP) Ltd.	Shuttle Inc.	2	Other payable		2,007	Month end 120 days	-
			2	Cost of goods sold		41	Month end 120 days	-
		Shuttle Commerce (Shenzhen) Ltd.	3	Sales revenue		31,731	Month end 120 days	-
			3	Management expense		783	Month end 120 days	-
			3	Accounts receivable from related parties		1,782	Month end 120 days	-
		Shuttle Information Technology (SIP) Ltd.	3	Accounts receivable from related parties		1,334	Month end 120 days	-
		Shuttle Technology (Kunshan) Ltd.	3	Accounts payable to related parties		201	Month end 120 days	-
		Shuttle Computer (H.K.) Limited	3	Other non-operating gain		4	Month end 120 days	-
			3	Processing cost		137,674	Month end 120 days	1
8	Shuttle Computer (H.K.) Limited	Shuttle Inc.	2	Cost of goods sold		16,600	Month end 120 days	-
			2	Sales revenue		17,040	Month end 120 days	-
			2	Accounts payable to related parties		108,478	Month end 120 days	2
			2	Selling expense		396,047	Month end 120 days	4
		Shuttle Computer Group, Inc.	3	Sales revenue		23,446	Month end 120 days	-
		Shuttle International Inc.	3	Accounts payable to related parties		10,231	Month end 120 days	-
			3	Selling expense		45,121	Month end 120 days	-
		Shuttle Commerce (Shenzhen) Ltd.	3	Accounts receivable from related parties		9,733	Month end 120 days	-
			3	Sales revenue		127	Month end 120 days	-
			3	Cost of goods sold		29,942	Month end 120 days	-
		Shuttle Technology (Shenzhen) Ltd.	3	Selling expense		4	Month end 120 days	-
			3	Processing cost		137,674	Month end 120 days	1
		Shuttle Information Technology (SIP) Ltd.	3	Accounts payable to related parties		51	Month end 120 days	-
			3	Processing cost		49	Month end 120 days	-
		Kaki Infetech (Shenzhen) Ltd.	3	Sales revenue		52,176	Month end 120 days	1
			3	Accounts receivable from related parties		47,506	Month end 120 days	1

(Continued)

No.	Company Name	Related Party	Nature of Relationship (Note)	Transaction Details			% to Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
9	Shuttle Technology (Kunshan) Ltd.	Shuttle Inc.	2	Prepaid expense	$ 218	Month end 120 days	-
			2	Sales revenue	28,047	Month end 120 days	-
			2	Accounts receivable from related parties	15,530	Month end 120 days	-
		Shuttle Technology (Shenzhen) Ltd.	3	Accounts receivable from related parties	201	Month end 120 days	-
10	Kaki Infetech (Shenzhen) Ltd.	Shuttle Inc.	2	Cost of goods sold	7,034	Month end 120 days	-
			2	Accounts payable to related parties	7,367	Month end 120 days	-
		Shuttle Commerce (Shenzhen) Ltd.	3	Accounts payable to related parties	28	Month end 120 days	-
		Shuttle Computer (H.K.) Limited	3	Cost of goods sold	52,176	Month end 120 days	1
			3	Accounts payable to related parties	47,506	Month end 120 days	1
		Shuttle Information Technology (SIP) Ltd.	3	Accounts receivable from related parties	186	Month end 45 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)