

Shuttle Inc. and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Shuttle Inc.

We have audited the accompanying consolidated balance sheets of Shuttle Inc. (the "Company") and subsidiaries (collectively, the "Group") as of December 31, 2011 and 2010, 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) and 3.15% (NT\$190,133 thousand) of the consolidated total assets as of December 31, 2011 and 2010, respectively; total liabilities as of December 31, 2010 was NT\$79 thousand. The net income (loss) for the years ended December 31, 2011 and 2010 amounted to (NT\$4,454 thousand) and \$15,932 thousand, respectively. The financial statements of Hong Yi were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in the accompanying consolidated financial statements for Hong Yi, is based solely on the reports of other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the 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, 2011 and 2010, 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 23, 2012

Notice to Readers

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

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

SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2011 AND 2010

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

ASSETS	2011		2010		LIABILITIES AND STOCKHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 1,591,077	25	\$ 2,200,479	36	Short-term loans (Notes 12 and 20)	\$ 639,302	10	\$ 514,294	9
Financial assets at fair value through profit or loss (Notes 2 and 5)	5,874	-	29,782	-	Notes payable	-	-	198	-
Available-for-sale financial assets (Notes 2 and 6)	236,850	4	245,743	4	Accounts payable	1,591,499	25	1,236,826	21
Notes receivable (Note 2)	100	-	-	-	Accounts payable - related parties (Note 19)	706	-	-	-
Accounts receivable, net of allowance for doubtful accounts of \$22,293 thousand in 2011 and \$74,767 thousand in 2010 (Note 2)	2,001,311	31	1,268,241	21	Income tax payable (Notes 2 and 16)	2,979	-	6,218	-
Other financial assets	29,539	1	18,329	-	Accrued expenses	399,246	6	404,879	7
Inventories (Notes 2 and 7)	1,069,193	17	945,752	16	Receipts in advance	82,502	2	15,469	-
Deferred income tax assets (Notes 2 and 16)	28,671	-	42,631	1	Other financial liabilities	4,592	-	2,374	-
Other current assets (Notes 11 and 16)	118,046	2	37,762	1	Other current liabilities	10,335	-	10,351	-
Total current assets	5,080,661	80	4,788,719	79	Total current liabilities	2,731,161	43	2,190,609	37
LONG-TERM INVESTMENTS					OTHER LIABILITIES				
Available-for-sale financial assets (Notes 2 and 6)	7,685	-	28,665	-	Accrued pension liabilities (Notes 2 and 13)	12,373	-	14,000	-
Financial assets carried at cost (Notes 2 and 8)	72,185	1	100,088	2	Guarantee deposits	783	-	300	-
Total investments	79,870	1	128,753	2	Total other liabilities	13,156	-	14,300	-
PROPERTY, PLANT, AND EQUIPMENT (Notes 2, 9 and 20)					Total liabilities	2,744,317	43	2,204,909	37
Cost					EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT				
Land	448,810	7	448,769	7	Capital stock - \$10 par value; authorized: 500,000 thousand shares; issued: 352,158 thousand shares	3,521,583	55	3,521,583	58
Buildings	473,524	7	473,372	8	Capital surplus				
Machinery and equipment	125,746	2	367,665	6	Additional paid-in capital	208,899	3	665,836	11
Transportation equipment	29,730	-	24,190	-	Treasury stock transactions	87,195	2	87,195	2
Office equipment	30,753	1	28,847	1	Total capital surplus	296,094	5	753,031	13
Leasehold improvements	56,447	1	3,964	-	Unappropriated earnings (accumulated deficit)	11,262	-	(456,937)	(8)
Other equipment	34,977	1	31,897	1	Others				
Total cost	1,199,987	19	1,378,704	23	Cumulative translation adjustments	(10,319)	-	(43,976)	(1)
Less: Accumulated depreciation	244,636	4	461,365	8	Net loss not recognized as pension cost	(860)	-	-	-
Less: Accumulated impairment	7,651	-	26,980	-	Unrealized gain (loss) on financial instruments	(89,284)	(1)	56,243	1
Fixed assets cost and revaluation	947,700	15	890,359	15	Treasury stock - 12,027 thousand shares	(109,615)	(2)	-	-
Construction in progress and prepayments for equipment	12,282	-	13,368	-	Total other equity	(210,078)	(3)	12,267	-
Property plant, and equipment, net	959,982	15	903,727	15	Equity attributable to stockholders of the parent	3,618,861	57	3,829,944	63
INTANGIBLE ASSETS					MINORITY INTERESTS	3,916	-	-	-
Goodwill (Note 2)	5,979	-	-	-	Total stockholders' equity	3,622,777	57	3,829,944	63
Deferred pension cost	1,191	-	-	-					
Total intangible assets	7,170	-	-	-					
OTHER ASSETS									
Assets leased to others (Notes 2, 10 and 20)	81,953	1	82,299	1					
Refundable deposits	41,802	1	5,964	-					
Deferred charges (Notes 2, 11 and 19)	24,110	-	39,802	1					
Deferred income tax assets (Notes 2 and 16)	91,546	2	85,589	2					
Total other assets	239,411	4	213,654	4					
TOTAL	\$ 6,367,094	100	\$ 6,034,853	100	TOTAL	\$ 6,367,094	100	\$ 6,034,853	100

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

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

SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
OPERATING REVENUES (Note 2)				
Sales	\$ 9,878,783	101	\$ 7,625,472	101
Less: Sales returns and allowances	<u>67,324</u>	<u>1</u>	<u>80,861</u>	<u>1</u>
Net sales	9,811,459	100	7,544,611	100
Processing revenue	<u>-</u>	<u>-</u>	<u>14,713</u>	<u>-</u>
Total operating revenues	<u>9,811,459</u>	<u>100</u>	<u>7,559,324</u>	<u>100</u>
OPERATING COSTS (Notes 7 and 17)				
Cost of goods sold	8,594,738	88	6,691,272	88
Processing costs	<u>-</u>	<u>-</u>	<u>6,391</u>	<u>-</u>
Total operating costs	<u>8,594,738</u>	<u>88</u>	<u>6,697,663</u>	<u>88</u>
GROSS PROFIT	<u>1,216,721</u>	<u>12</u>	<u>861,661</u>	<u>12</u>
OPERATING EXPENSES (Note 17)				
Marketing	423,060	4	482,292	7
General and administrative	423,838	4	402,955	5
Research and development	<u>347,500</u>	<u>4</u>	<u>400,855</u>	<u>5</u>
Total operating expenses	<u>1,194,398</u>	<u>12</u>	<u>1,286,102</u>	<u>17</u>
OPERATING INCOME (LOSS)	<u>22,323</u>	<u>-</u>	<u>(424,441)</u>	<u>(5)</u>
NONOPERATING INCOME AND GAINS (Notes 2 and 5)				
Dividend income	15,410	-	11,356	-
Gain on disposal of property, plant and equipment	10,200	-	-	-
Valuation gain on financial instruments, net	5,874	-	29,782	1
Interest income	4,481	-	3,606	-
Exchange gain, net	4,475	-	-	-
Rental revenue	1,820	-	2,690	-
Gain on sale of investments, net	-	-	16,998	-
Others	<u>46,466</u>	<u>1</u>	<u>19,306</u>	<u>-</u>
Total nonoperating income and gains	<u>88,726</u>	<u>1</u>	<u>83,738</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES (Notes 2, 5, 8, 9 and 17)				
Loss on sale of investments, net	21,921	-	-	-
Impairment loss	15,903	-	37,334	1
Interest expense	11,333	-	8,470	-

(Continued)

SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
Loss on disposal of property, plant and equipment	\$ 6,777	-	\$ 7,891	-
Exchange loss, net	-	-	77,536	1
Others	<u>33,076</u>	<u>1</u>	<u>17,885</u>	<u>-</u>
Total nonoperating expenses and losses	<u>89,010</u>	<u>1</u>	<u>149,116</u>	<u>2</u>
INCOME (LOSS) BEFORE INCOME TAX	22,039	-	(489,819)	(6)
INCOME TAX EXPENSE (BENEFIT) (Notes 2 and 16)	<u>21,840</u>	<u>-</u>	<u>(33,367)</u>	<u>-</u>
CONSOLIDATED NET INCOME (LOSS)	<u>\$ 199</u>	<u>-</u>	<u>\$ (456,452)</u>	<u>(6)</u>
ATTRIBUTABLE TO:				
Stockholders of parent	\$ 11,262	-	\$ (456,452)	(6)
Minority interest	<u>(11,063)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 199</u>	<u>-</u>	<u>\$ (456,452)</u>	<u>(6)</u>
	2011		2010	
	Income Attributable to Shareholders of the Parent		Income Attributable to Shareholders of the Parent	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS (LOSS) PER SHARE (Note 18)				
Basic	<u>\$ 0.06</u>	<u>\$ 0.03</u>	<u>\$ (1.50)</u>	<u>\$ (1.40)</u>

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

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

(Concluded)

SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY YEARS ENDED DECEMBER 31, 2011 AND 2010 (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 16)			Others (Notes 2 and 15)				Total Stockholders' Equity	
	Shares (In Thousands)	Amount	Additional Paid-in Capital	Treasury Stock Transactions	Employee Stock Options	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Cumulative Translation Adjustments	Unrealized Gain (Loss) On Financial Instruments	Net Loss Not Recognized as Pension Cost	Treasury Stock		Minority Interests
BALANCE, JANUARY 1, 2010	302,158	\$ 3,021,583	\$ 872,073	\$ 28,248	\$ 97,435	\$ 47,287	\$ 43,216	\$ (455,740)	\$ 21,056	\$ 20,931	\$ -	\$ (87,450)	\$ 1,498	\$ 3,610,137
Additional paid-in capital and capital reserves used to offset company losses	-	-	(365,237)	-	-	(47,287)	(43,216)	455,740	-	-	-	-	-	-
Issuance of common stock for cash - NT\$13.18 per share	50,000	500,000	159,000	-	-	-	-	-	-	-	-	-	-	659,000
Transfer of treasury stock to employees	-	-	-	58,947	(97,435)	-	-	-	-	-	-	87,450	-	48,962
Net changes in valuation gain/loss on available-for-sale financial assets - Shuttle Inc.	-	-	-	-	-	-	-	-	-	10,206	-	-	-	10,206
Net changes in valuation gain/loss on available-for-sale financial assets - subsidiaries	-	-	-	-	-	-	-	-	-	25,106	-	-	(378)	24,728
Translation adjustments	-	-	-	-	-	-	-	-	(65,032)	-	-	-	-	(65,032)
Adjustment brought by changes in percentage of ownership in equity-method investees	-	-	-	-	-	-	-	(485)	-	-	-	-	485	-
Decrease in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,605)	(1,605)
Net loss for the year ended December 31, 2010	-	-	-	-	-	-	-	(456,452)	-	-	-	-	-	(456,452)
BALANCE, DECEMBER 31, 2010	352,158	3,521,583	665,836	87,195	-	-	-	(456,937)	(43,976)	56,243	-	-	-	3,829,944
Additional paid-in capital used to offset company losses	-	-	(456,937)	-	-	-	-	456,937	-	-	-	-	-	-
Acquisition of treasury stock - 12,027 thousand shares	-	-	-	-	-	-	-	-	-	-	-	(109,615)	-	(109,615)
Net changes in valuation gain/loss on available-for-sale financial assets - Shuttle Inc.	-	-	-	-	-	-	-	-	-	(95,202)	-	-	-	(95,202)
Net changes in valuation gain/loss on available-for-sale financial assets - subsidiaries	-	-	-	-	-	-	-	-	-	(50,325)	-	-	-	(50,325)
Translation adjustments	-	-	-	-	-	-	-	-	33,657	-	-	-	-	33,657
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	(860)	-	-	(860)
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	<u>352,158</u>	<u>\$ 3,521,583</u>	<u>\$ 208,899</u>	<u>\$ 87,195</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,262</u>	<u>\$ (10,319)</u>	<u>\$ (89,284)</u>	<u>\$ (860)</u>	<u>\$ (109,615)</u>	<u>\$ 3,916</u>	<u>\$ 3,622,777</u>

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

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

SHUTTLE INC. AND SUBSIDIARIES

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

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income (loss)	\$ 199	\$ (456,452)
Adjustments to reconcile consolidated net income (loss) to net cash used in operating activities		
Depreciation and amortization	156,161	112,692
Provision for (reversal of) doubtful accounts	(34,531)	15,592
Provision for loss on inventories	51,975	109,539
Abandonment loss on inventories	3,916	-
Loss (gain) on sale of investments	21,921	(16,998)
Loss (gain) on disposal of property, plant and equipment	(3,423)	7,891
Valuation gain on financial instruments	(5,874)	(29,782)
Impairment loss	15,903	37,334
Deferred income tax	9,008	(39,281)
Pension liabilities	(3,678)	(3,168)
Changes in operating assets and liabilities		
Financial instruments held for trading	29,782	(802)
Notes receivable	(100)	545
Accounts receivable	(610,014)	(1,158,853)
Other financial assets	(17,828)	(10,549)
Inventories	(136,528)	(860,099)
Other current assets	(156,158)	(3,975)
Notes payable	(198)	36
Accounts payable	294,589	1,018,023
Accounts payable - related parties	706	(1,508)
Income tax payable	(3,421)	6,672
Accrued expenses	(12,461)	267,201
Receipts in advance	60,285	16,387
Other financial liabilities	1,480	422
Other current liabilities	1,985	3,814
Net cash used in operating activities	<u>(336,304)</u>	<u>(985,319)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of available-for-sale financial assets	(189,480)	(91,920)
Proceeds from disposal of available-for-sale financial assets	51,904	68,116
Acquisition of financial assets carried at cost	-	(35,000)
Proceeds from investees' capital reduction	12,000	-
Acquisition of property, plant and equipment	(76,954)	(101,073)
Proceeds from disposal of property, plant and equipment	11,996	-
Increase in goodwill	(5,979)	-
Increase in refundable deposits	(35,255)	(4,926)
Increase in deferred charges	(28,360)	(67,150)
Decrease in other assets	-	72
Net cash used in investing activities	<u>(260,128)</u>	<u>(231,881)</u>

(Continued)

SHUTTLE INC. AND SUBSIDIARIES

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

	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	\$ 106,341	\$ 514,294
Increase in guarantee deposits	441	-
Cash paid for acquisition of treasury stock	(109,615)	-
Increase (decrease) in minority interests	14,979	(1,605)
Proceeds from issuance of capital stock	<u>-</u>	<u>659,000</u>
Net cash provided by financing activities	<u>12,146</u>	<u>1,171,689</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(25,116)</u>	<u>37,203</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(609,402)	(8,308)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,200,479</u>	<u>2,208,787</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,591,077</u>	<u>\$ 2,200,479</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 10,992</u>	<u>\$ 7,764</u>
Income tax paid	<u>\$ 16,172</u>	<u>\$ 6,076</u>
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NONCASH ITEMS		
Acquisition of property, plant, and equipment	\$ 81,061	\$ 92,846
Increase (decrease) in payables for equipment purchased (included in other financial liabilities)	<u>(4,107)</u>	<u>8,227</u>
Cash paid for acquisition of properties	<u>\$ 76,954</u>	<u>\$ 101,073</u>

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

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

(Concluded)

SHUTTLE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

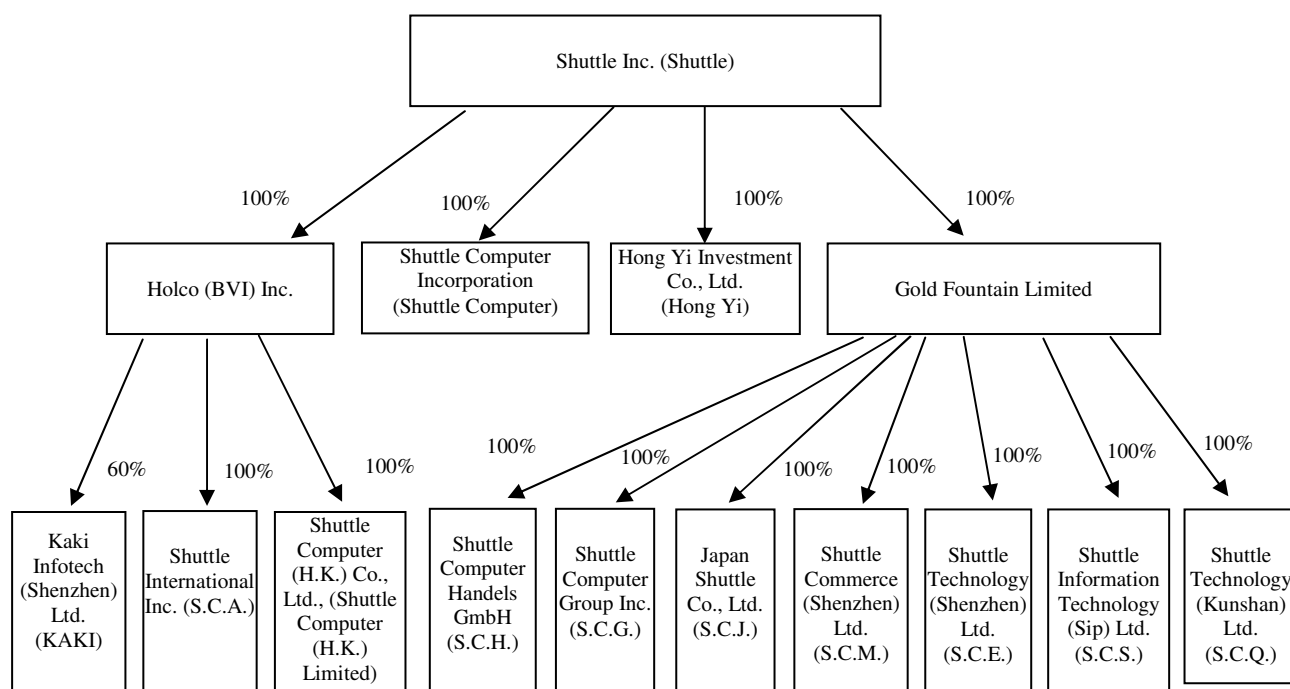
YEARS ENDED DECEMBER 31, 2011 AND 2010

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

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, 2011 were as follows:



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

As of December 31, 2011 and 2010, the Group had 1,474 and 1,137 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, 2010 included the accounts of Shuttle Inc., Holco (BVI) Inc., Shuttle Computer, Gold Fountain Limited, Hong Yi, Shuttle Computer (H.K.) Limited, S.C.J., Shuttle Computer Group, Inc., Shuttle International Inc., Shuttle Computer Handels GmbH, S.C.M., S.C.E., S.C.Q. and S.C.S. In October 2011, Holco (BVI) Inc. obtained 60% of KAKI. The consolidated financial statements for the year ended December 31, 2011 included the accounts of Shuttle Inc., Holco (BVI) Inc., Shuttle Computer, Gold Fountain Limited, Hong Yi, Shuttle Computer (H.K.) Limited, S.C.J., Shuttle Computer Group, Inc., Shuttle International Inc., Shuttle Computer Handels GmbH, S.C.M., S.C.E., S.C.Q., S.C.S. and KAKI.

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 are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Cash Equivalents

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

Financial Assets and Liabilities at Fair Value through Profit or Loss

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

Available-for-sale Financial Assets

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

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

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

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

Financial Assets Carried at Cost

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

Impairment of Accounts Receivable

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

Effective January 1, 2011, the Group adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that impairment of receivables originated by the Group should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected.

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

Inventories

Inventories consist of raw materials, finished goods, work-in-process and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

Property, Plant and Equipment, and Leased Assets

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

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

Depreciation is computed using the straight-line method over the following estimated service lives: buildings - 2 to 60 years; machinery and equipment - 2 to 7 years; motor vehicles - 5 to 7 years; office equipment - 2 to 5 years; leasedhold 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 and mold. The amounts are stated at cost and are amortized over 2 years.

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

Pension Cost

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

Income Tax

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

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

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

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

Stock-based Compensation

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

Treasury Stock

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

Revenue Recognition

Revenue from sales of goods is recognized when the 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." Under the revisions, loans and receivables originated by the Group are now covered by SFAS No. 34. This accounting change did not have a significant effect on the consolidated financial statements as of and for the year ended December 31, 2011.

Operating Segments

On January 1, 2011, the Group adopted the newly issued SFAS No. 41, "Operating Segments." The statement requires that segment information be disclosed based on the information about the components of the 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. This statement supersedes SFAS No. 20, "Segment Reporting." SFAS No. 41 only changed the way the Group discloses information of the segments.

4. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Cash		
Cash on hand	\$ 1,230	\$ 905
Checking accounts and demand deposits	191,317	376,220
Foreign demand accounts	569,817	484,409
Time deposits - annual yield rates - 0.42%-0.88% in 2011, 0.17%-0.55% in 2010	654,630	1,154,700
Foreign time deposits - annual yield - 0.35%-1.40% in 2011, 0.25% in 2010	<u>162,418</u>	<u>120,652</u>
	<u>1,579,412</u>	<u>2,136,886</u>
Cash equivalents		
Repurchase agreements collateralized by bonds	11,665	11,056
Money market fund	<u>-</u>	<u>52,537</u>
	<u>11,665</u>	<u>63,593</u>
	<u>\$ 1,591,077</u>	<u>\$ 2,200,479</u>

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

Financial instruments classified as held for trading were as follows:

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Trading financial assets		
Forward exchange contracts	<u>\$ 5,874</u>	<u>\$ 29,782</u>

The Company entered into derivative contracts during the years ended December 31, 2011 and 2010 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Company is to minimize risks due to changes in fair value or cash flows.

Outstanding forward exchange contracts consisted of the following:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2011</u>			
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
<u>December 31, 2010</u>			
Sell	USD/NTD	2011.2.15-2011.4.29	USD32,000/NTD957,623
Sell	EUR/USD	2011.1.3-2011.2.1	EUR1,350/USD1,889
Sell	JPY/USD	2011.1.3-2011.4.6	JPY22,000/USD263

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

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

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	2011	2010
Current		
Domestic quoted stocks	\$ 227,259	\$ 243,683
Overseas quoted stocks	9,591	-
Mutual funds	-	2,060
	<u>\$ 236,850</u>	<u>\$ 245,743</u>
Noncurrent		
Domestic quoted stocks	\$ 4,346	\$ 7,734
Overseas quoted stocks	3,339	20,931
	<u>\$ 7,685</u>	<u>\$ 28,665</u>

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

	<u>2011</u>			<u>2010</u>		
	The Company	Subsidiaries	Total	The Company	Subsidiaries	Total
Balance, beginning of year	\$ (6,303)	\$ 62,546	\$ 56,243	\$ (16,509)	\$ 37,440	\$ 20,931
Recognized in shareholders' equity	(86,866)	(50,295)	(137,161)	12,746	31,804	44,550
Transferred to profit or loss	(8,336)	(30)	(8,366)	(2,540)	(6,698)	(9,238)
Balance, end of year	<u>\$ (101,505)</u>	<u>\$ 12,221</u>	<u>\$ (89,284)</u>	<u>\$ (6,303)</u>	<u>\$ 62,546</u>	<u>\$ 56,243</u>

7. INVENTORIES

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Raw materials	\$ 635,688	\$ 662,723
Finished goods	294,373	216,412
Work in process	99,598	54,479
Merchandise	<u>39,534</u>	<u>12,138</u>
	<u>\$ 1,069,193</u>	<u>\$ 945,752</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2011 and 2010 was \$8,594,738 thousand and \$6,691,272 thousand, respectively, which included \$51,975 thousand and \$109,539 thousand, respectively, loss on write-downs of inventories. Abandonment loss on inventories was \$3,916 thousand for the year ended December 31, 2011. Gain and loss on physical inventory for the years ended December 31, 2011 and 2010 were gain of \$53 thousand and loss of \$707 thousand, respectively.

8. FINANCIAL ASSETS CARRIED AT COST

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Domestic unquoted common stocks		
iCatch Technology, Inc.	\$ 35,000	\$ 35,000
Technology Partner IV Venture Capital Corp.	18,000	30,000
GVision Incorporated	1,781	6,552
Twinmos Technologies Inc.	<u>-</u>	<u>-</u>
	<u>54,781</u>	<u>71,552</u>
Emerging market stocks		
Partner Tech Corp.	<u>17,404</u>	<u>28,536</u>
	<u>\$ 72,185</u>	<u>\$ 100,088</u>

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 \$12,000 thousand in June 2011 as return of capital.

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

In 2011 and 2010, the Group recognized impairment loss of \$11,132 thousand and \$7,126 thousand on its investments in Partner Tech Corp. For the year ended December 31, 2011, the subsidiaries recognized impairment loss of \$4,771 thousand on GVision Incorporated.

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

9. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31</u>	
	2011	2010
Accumulated depreciation		
Buildings	\$ 119,932	\$ 110,974
Machinery and equipment	67,569	297,416
Transportation equipment	14,126	9,270
Miscellaneous equipment	19,488	19,132
Leasehold improvements	5,201	2,814
Other equipment	<u>18,320</u>	<u>21,759</u>
	<u>\$ 244,636</u>	<u>\$ 461,365</u>
Accumulated impairment		
Machinery and equipment	<u>\$ 7,651</u>	<u>\$ 26,980</u>

The depreciation expense for the years ended December 31, 2011 and 2010 was \$31,057 thousand and \$79,585 thousand, respectively.

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

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

10. ASSETS LEASED TO OTHERS

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

11. DEFERRED EXPENSES

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

12. SHORT-TERM LOANS

	<u>December 31</u>	
	2011	2010
Usance letters of credit	<u>\$ 639,302</u>	<u>\$ 514,294</u>

Interest rates ranged from 1.6% to 2.35% and from 0.9123% to 1.8816% at December 31, 2011 and 2010, 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 \$14,656 thousand and \$13,242 thousand for the years ended December 31, 2011 and 2010, respectively.

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

Information about the defined benefit plan was as follows:

a. Components of net periodic pension cost

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

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

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

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

	<u>December 31</u>	
	2011	2010
Discount rate used in determining present values	2.00%	2.00%
Future salary increase rate	2.25%	2.25%
Expected rate of return on plan assets	2.00%	2.00%
	<u>Years Ended December 31</u>	
	2011	2010
d. Contributions to the fund	<u>\$ 4,961</u>	<u>\$ 4,517</u>
e. Payments from the fund	<u>\$ -</u>	<u>\$ -</u>

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

14. SHAREHOLDERS’ EQUITY

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be capitalized, which however is limited to a certain percentage of the Company’s paid-in capital. Under the revised Company Law issued on January 4, 2012, the aforementioned capital surplus also may be distributed in cash. The capital surplus from long-term investments may not be used for any purpose.

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

A special capital reserve equivalent to the net debit balance of the other components of shareholders’ equity (for example, cumulative translation adjustments, net loss not recognized as pension cost and unrealized loss on financial instruments) shall be appropriated from unappropriated earnings pursuant to existing regulations promulgated by the Securities and Futures Bureau (SFB). Any special reserve appropriated may be reversed to the extent that the net debit balance had reversed.

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

	<u>Appropriation of Earnings For Year 2011</u>
Legal reserve	\$ 1,126
Special reserve	10,136

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

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

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

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

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

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

On June 26, 2009, the Company's shareholders resolved to issue up to 150,000 thousand common shares at \$10.00 par value and the offering price, offering amount, planning and fund for expenses were approved by the board of directors. On December 25, 2009 and July 6, 2010, the board of directors approved the issuance of and had issued 100,000 thousand and 50,000 thousand common stock at \$12 and \$13.18 per share.

15. TREASURY STOCK

(Shares in Thousands)

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

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

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

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

16. INCOME TAX

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

	<u>Years Ended December 31</u>	
	<u>2011</u>	<u>2010</u>
Income tax currently payable	\$ 11,001	\$ 99
Deferred income tax	9,008	(39,281)
Income tax adjustments to prior years	<u>1,831</u>	<u>5,815</u>
Income tax expense (benefit)	<u>\$ 21,840</u>	<u>\$ (33,367)</u>

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

Net deferred income tax assets consisted of the following:

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Current		
Warranty liabilities	\$ 9,156	\$ 10,948
Provision for doubtful accounts	8,358	11,454
Deferred credits	8,025	13,398
Loss carryforwards	3,351	3,224
Investment tax credits	2,392	-
Unrealized allowance for loss on inventories	1,637	7,496
Unrealized exchange gains	(2,741)	(3,920)
Others	<u>646</u>	<u>31</u>
	30,824	42,631
Less: Valuation allowance	<u>2,153</u>	<u>-</u>
Deferred income tax assets	<u>\$ 28,671</u>	<u>\$ 42,631</u>
Noncurrent		
Loss carryforwards	\$ 158,669	\$ 152,679
Investment tax credits	55,317	57,618
Impairment loss	22,655	21,946
Investment income recognized on overseas equity-method investments	22,391	21,139
Accrued pension cost	1,657	2,288
Deferred credits	110	-
Others	<u>464</u>	<u>39</u>
	261,263	255,709
Less: Valuation allowance	<u>169,717</u>	<u>170,120</u>
Deferred income tax assets	<u>\$ 91,546</u>	<u>\$ 85,589</u>

As of December 31, 2011, investment tax credits comprised of:

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

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

Expiry Year	Unused Amount
2019	\$ 79,271
2020	41,175
2021	<u>5,063</u>
	<u>\$ 125,509</u>

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

Expiry Year	Unused Amount
2017	\$ 317
2019	1,262
2020	<u>3,000</u>
	<u>\$ 4,579</u>

As of December 31, 2011, unused amount of loss carryforwards of Shuttle Computer Group, Inc. and S.C.J. was \$24,958 thousand and \$6,974 thousand; expiry year for loss carryforward of Shuttle Computer Group, Inc. and S.C.J. was 2029 and 2018.

d. Information about integrated income tax was as follows:

	December 31	
	2011	2010
Balance of imputation credit account (ICA):		
Shuttle	\$ 5,961	\$ 3,522
Hong Yi	6,759	5,594
Shuttle Computer	-	-

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

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

The tax authorities have examined income tax returns of Shuttle through 2008. The tax authorities have examined income tax returns of Hong Yi Investment Co., Ltd. through 2009. The tax authorities have examined income tax returns of Shuttle Computer Company through 2010.

e. Undistributed earnings information

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

17. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2011			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Nonoperating Expenses and Losses	Total
Personnel				
Salary	\$ 132,618	\$ 551,912	\$ -	\$ 684,530
Insurance and social welfare	7,640	38,609	-	46,249
Pension	7,136	32,833	-	39,969
Others	<u>14,785</u>	<u>20,857</u>	<u>-</u>	<u>35,642</u>
	<u>\$ 162,179</u>	<u>\$ 644,211</u>	<u>\$ -</u>	<u>\$ 806,390</u>
Depreciation	<u>\$ 13,797</u>	<u>\$ 17,260</u>	<u>\$ 346</u>	<u>\$ 31,403</u>
Amortization	<u>\$ 119,029</u>	<u>\$ 5,729</u>	<u>\$ -</u>	<u>\$ 124,758</u>
	Year Ended December 31, 2010			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Nonoperating Expenses and Losses	Total
Personnel				
Salary	\$ 124,250	\$ 433,624	\$ -	\$ 557,874
Insurance and social welfare	7,819	20,892	-	28,711
Pension	5,208	19,937	-	25,145
Others	<u>7,821</u>	<u>16,993</u>	<u>-</u>	<u>24,814</u>
	<u>\$ 145,098</u>	<u>\$ 491,446</u>	<u>\$ -</u>	<u>\$ 636,544</u>
Depreciation	<u>\$ 31,140</u>	<u>\$ 48,445</u>	<u>\$ 346</u>	<u>\$ 79,931</u>
Amortization	<u>\$ 1,237</u>	<u>\$ 31,524</u>	<u>\$ -</u>	<u>\$ 32,761</u>

18. EARNINGS (LOSS) PER SHARE

	Amounts (Numerator)		Shares (Denominator) (In Thousands)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>Year ended December 31, 2011</u>					
Basic and diluted EPS					
Income for the year attributable to common stockholders	\$ 22,039	\$ 11,262	350,603	\$ 0.06	\$ 0.03
<u>Year ended December 31, 2010</u>					
Basic and diluted EPS					
Loss for the year attributable to common stockholders	\$ (489,819)	\$ (456,452)	326,853	\$ (1.50)	\$ (1.40)

19. RELATED-PARTY TRANSACTIONS

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

<u>Related Party</u>	<u>Relationship with the Group</u>
Ares International Corporation Yu, Hung-Huei Yu, Li-Na	Chairman is the second degree relative of the Company's chairman Chairman of Shuttle Director of Shuttle

- b. Transactions with related parties:

- 1) Purchases of computer software (accounted as deferred expenses)

	Years Ended December 31			
	2011		2010	
Related Party	Amount	% to Total	Amount	% to Total
Ares International Corporation	\$ 706	3	\$ -	-

- 2) Payables to related parties

	December 31			
	2011		2010	
Related Party	Amount	% to Total	Amount	% to Total
Ares International Corporation	\$ 706	100	\$ -	-

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

c. Compensation of directors, supervisors and management personnel:

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

20. MORTGAGED OR PLEDGED ASSETS

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

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

21. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of December 31, 2011, unused letters of credit amounted to \$195,091 thousand.

The Company and Shuttle Computer Group, Inc. were sued by Lenovo (Singapore) Pte. Ltd. for alleged infringement of patent of mini laptops. In February 2009, the Company filed a request for reexamination of the patents. On March 25, 2009, the Court granted a stay pending reexamination. The case will stay pending final resolution of the reexamination. The Company and Lenovo (Singapore) Pte. Ltd. signed a cross-licensing agreement on April 14, 2011 for the Company to pay \$100 thousand of royalty each year from year 2005 to year 2016. The Court approved the Order of Dismissal filed by Lenovo (Singapore) Pte. Ltd. The Company recognized the royalty expenses for the years ended December 31, 2011 and 2010.

22. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

	December 31			
	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Non-derivative financial instruments</u>				
Financial assets at fair value equivalent to book value	\$ 3,663,829	\$ 3,663,829	\$ 3,493,013	\$ 3,493,013
Available-for-sale financial assets	244,535	244,535	274,408	274,408
Financial assets carried at cost	72,185	69,116	100,088	87,688
Financial liabilities at fair value equivalent to book value	2,639,547	2,639,547	2,158,871	2,158,871

(Continued)

	December 31			
	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Derivative financial instruments, categorized by location of transaction counterparty				
Domestic				
Forward exchange contract	\$ 5,874	\$ 5,874	\$ 29,782	\$ 29,782 (Concluded)

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

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

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

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

	Quoted Market Prices		Valuation Techniques	
	December 31		December 31	
	2011	2010	2011	2010
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$ -	\$ -	\$ 5,874	\$ 29,782
Available-for-sale financial assets	244,535	274,408	-	-

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

- e. As of December 31, 2011 and 2010, financial assets exposed to fair value interest rate risk amounted to \$875,523 thousand and \$1,298,881 thousand, respectively; financial liabilities exposed to fair value interest rate risk amounted to \$640,085 thousand and \$433,440 thousand, respectively; financial assets exposed to cash flow interest rate risk amounted to \$757,356 thousand and \$907,562 thousand, respectively; and financial liabilities exposed to cash flow interest rate risk amounted to zero and \$81,154 thousand, respectively.
- f. As of December 31, 2011 and 2010, the interest income (expense) associated with financial assets (liabilities) other than those at FVTPL was as follows:

	Years Ended December 31	
	2011	2010
Total interest income	\$ 4,481	\$ 3,606
Total interest expense	(11,333)	(8,470)

g. Financial risks

1) Market risk

The Company invests in forward exchange contract and foreign currency options, of which the fair values are affected by changes in market interest rates. The expiry dates of the Company's outstanding forward exchange contract and foreign currency options as of December 31, 2011 are between February 1, 2012 and May 16, 2012. Management does not expect the changes in fair values to be material.

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Group if the counterparties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counterparties to the foregoing financial instruments are reputable financial institutions and business organizations. Management does not expect the 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 EUR3,300 thousand and JPY60,000 thousand and cash inflow of NT\$37,112 thousand and US\$4,017 thousand. The forward rate was determined; therefore, the liquidity risk is not expected to be material.

23. OTHERS

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

	December 31					
	2011			2010		
	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)
<u>Financial assets</u>						
Monetary items						
JPY	\$ 153,904	0.3906	\$ 60,115	\$ 67,198	0.3582	\$ 24,070
USD	85,808	30.275	2,597,823	29,021	29.13	845,378
RMB	11,965	4.8049	57,489	6,479	4.4205	28,642
EUR	7,559	39.18	296,160	6,254	38.92	243,398
HKD	4	3.897	16	18	3.748	67
Non-monetary items						
USD	782	29.96-30.02	192	32,263	29.13-30.41	27,291
EUR	3,300	39.19-43.81	5,682	1,350	40.72-40.83	2,491
<u>Financial liabilities</u>						
Monetary items						
USD	74,433	30.275	2,253,452	60,381	29.13	1,758,885
RMB	10,893	4.8049	52,339	15,707	4.4205	69,433
JPY	2,747	0.3906	1,073	2,007	0.3582	719
EUR	741	39.18	29,026	494	38.92	19,226
HKD	119	3.897	464	49	3.748	183
GBP	-	-	-	17	45.19	749

24. ADDITIONAL DISCLOSURES

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

- a. Financings provided: Table 1 (attached);
- b. Endorsements/guarantees provided: Table 2 (attached);
- c. Marketable securities held: Table 3 (attached);
- d. Marketable securities acquired or disposed of at costs or prices of at least \$100 million or 20% of the paid-in capital: Table 4 (attached);
- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: None;
- f. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties of at least \$100 million or 20% of the paid-in capital: Table 5 (attached);
- h. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 6 (attached);
- i. Names, locations, and related information of investees over which the Company exercises significant influence: Table 7 (attached);

- j. Derivative transactions of the Company: Notes 5 and 22; 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)

25. 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		Noncurrent Assets	
	Customers		December 31	
	Years December 31		December 31	
	2011	2010	2011	2010
America	\$ 6,825,758	\$ 4,699,352	\$ 933	\$ 1,735
Europe	1,089,747	1,554,893	14,723	14,620
Asia	1,035,960	602,770	1,115	1,183
Mainland China	741,270	526,400	137,884	38,563
Domestic	80,400	149,429	959,171	975,691
Other	<u>38,324</u>	<u>26,480</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,811,459</u>	<u>\$ 7,559,324</u>	<u>\$ 1,113,826</u>	<u>\$ 1,031,792</u>

c. Information about major customers

The major customers of the Group are detailed below.

Customer Name	Years Ended December 31			
	2011		2010	
	Amount	% to Total	Amount	% to Total
Company A	\$ 2,624,947	27	\$ 1,951,285	26
Company B	746,332	8	845,761	11
Company C	321,376	3	1,080,093	14

26. 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 ROC." 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, 2011 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 ROC 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

(Continued)

Contents of Plan	Expected Completion Date	Status of Execution
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	In progress
13) Prepare comparative financial information under IFRSs for 2012	December 2012	In progress
14) Complete the modification to relevant internal controls	November 2011	Finished (Concluded)

- b. As of December 31, 2011, the material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs were as follows:

Accounting Issues	Description of Differences
Cumulative translation adjustments	All cumulative translation differences are presumed zero at the first-time adoption of IFRS.
Actuarial gains and losses	Under ROC GAAP, the Group amortizes actuarial gains and losses using the corridor approach. However, under IFRSs, actuarial gains and losses may be recognized immediately as other comprehensive income (OCI)
Deferred income tax assets and liabilities and valuation allowance account.	<p>Under ROC GAAP, a deferred income tax asset or liability should, according to the classification of its related asset or liability, be classified as current or noncurrent. However, a deferred income tax asset or liability that is not related to an asset or liability for financial reporting should be classified as current or noncurrent according to the expected reversal or realization date of the temporary difference. By contrast, under IFRSs, a deferred income tax asset or liability is always classified as noncurrent.</p> <p>Under ROC GAAP, deferred tax assets are recognized in full but are reduced by a valuation allowance account if there is evidence showing that a portion or all of the deferred tax assets will not be realized. However, under IFRSs, an entity recognizes deferred tax assets only if realization is “probable” and a valuation allowance account is not used.</p>

- c. The Group has prepared the above assessments in accordance with (a) the 2010 version of the IFRSs translated by the ARDF and issued by the FSC and (b) the Guidelines Governing the Preparation of Financial Reports by Securities Issuers amended and issued by the FSC on December 22, 2011. These assessments may be changed as the 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, 2011
(In Thousands of New Taiwan Dollars)**

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

Note 1: Type of financing:

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

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

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

Note 4: The amount was eliminated upon consolidation.

SHUTTLE INC. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED

YEAR ENDED DECEMBER 31, 2011

(Amounts in Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Each Guaranteed Party's Endorsement/ Guarantee Amount (Note 1)	Maximum Balance for the Period	Ending Balance	Value of Collateral	Ratio of Accumulated Amount of Collateral to Net Equity Shown in the Latest Financial Statements	Maximum Collateral/ Guarantee Amounts Allowable (Note 2)
		Name	Nature of Relationship						
0	Shuttle Inc.	Shuttle Computer (H.K.) Limited	Subsidiary of Holco (BVI) Inc.	\$ 2,852,855	\$ 1,656,520	\$ 1,656,520	\$ -	-	\$ 2,852,855

Note 1: The Company limits the endorsement/guarantee amount on each entity to within 20% of the net value of the Company; for 100% held foreign subsidiary the amount is limited to within 75% of the net value of the Company.

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

SHUTTLE INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2011

(Amounts in Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2011				Note
				Shares/Units	Carrying Value (Note 3)	Percentage of Ownership (%)	Market Value or Net Asset Value (Note 1)	
Shuttle Inc.	<u>Stock</u> Gold Fountain Limited	Subsidiary	Investments accounted for using equity method	18,172,000	\$ 444,084	100.00	\$ 444,084	Note 6
	Hong Yi Investment Co., Ltd.	Subsidiary	"	16,000,000	135,276	100.00	135,276	Note 6
	Holco (BVI) Inc.	Subsidiary	"	2,152.55	703,098	100.00	703,098	Note 6
	Shuttle Computer Incorporation	Subsidiary	"	5,000,000	25,153	100.00	25,153	Note 6
	Mediatek Inc.	-	Available-for-sale financial assets - current	30,420	17,765	-	8,442	
	Au Optronics Corp.	-	"	216,298	12,682	-	2,812	
	Amtran Technology Co., Ltd.	-	"	784,711	25,316	0.10	12,398	
	Techmosa Intl Inc.	-	"	1,850,793	15,872	2.50	39,144	
	Prime View International Co., Ltd.	-	"	1,835,000	105,852	0.17	72,483	
	Catcher Technology Co., Ltd.	-	"	200,000	30,508	0.03	28,100	
	ARMH-Arm Holdings Plc	-	"	11,450	8,446	-	9,591	
	Elitegroup Computer Systems Co., Ltd.	-	Available-for-sale financial assets - noncurrent	684,377	46,411	0.06	4,346	
	Elad Europe Ltd.	-	"	637,522	19,308	0.90	3,339	Note 5
	Twinmos Technologies Inc.	-	Financial assets carried at cost - noncurrent	805,000	-	0.39	-	Note 4
	Partner Tech Corp.	-	"	1,193,508	7,352	1.94	14,818	Emerging stock
	Technology Partner IV Venture Capital Corp.	-	"	1,800,000	18,000	3.24	11,697	
iCatch Technology, Inc.	-	"	2,500,000	35,000	4.55	22,339		
Holco (BVI) Inc.	<u>Share certificate</u> Shuttle Computer (H.K.) Limited	Subsidiary	Investments accounted for using equity method	-	630,669	100.00	630,669	Note 6
	Shuttle International Inc.	Subsidiary	"	-	23,568	100.00	23,568	Note 6
	Kaki Infortech (Shenzhen) Ltd.	Subsidiary	"	-	11,853	60.00	11,853	Note 6
Gold Fountain Limited	<u>Stock</u> Shuttle Computer Group, Inc.	Subsidiary	Investments accounted for using equity method	30,000	127,701	100.00	127,701	Note 6
	Shuttle Computer Handels GmbH	Subsidiary	"	-	159,391	100.00	159,391	Note 6
	Japan Shuttle Co., Ltd.	Subsidiary	"	1,000	5,439	100.00	5,439	Note 6

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2011				Note
				Shares/Units	Carrying Value (Note 3)	Percentage of Ownership (%)	Market Value or Net Asset Value (Note 1)	
Hong Yi Investment Co., Ltd.	<u>Share certificate</u> Shuttle Commerce (Shenzhen) Ltd.	Subsidiary	"	-	\$ -	100.00	\$ -	Notes 2 and 6
	Shuttle Technology (Shenzhen) Ltd.	Subsidiary	"	-	6,476	100.00	6,476	Note 6
	Shuttle Technology (Kunshan) Ltd.	Subsidiary	"	-	28,953	100.00	28,953	Note 6
	Shuttle Information Technology (SIP) Ltd.	Subsidiary	"	-	133,811	100.00	133,811	Note 6
	<u>Stock</u> Ares International Corporation.	Chairman within second degree of kinship to the Company's chairman	Available-for-sale financial assets - current	1,214,546	11,769	2.57	17,732	
	Techmosa Intl Inc.	-	"	1,292,934	11,244	1.75	27,346	
	Prime View International Co., Ltd.	-	"	476,000	28,646	0.04	18,802	
	Partner Tech Corp.	-	Financial assets carried at cost - noncurrent	1,631,901	10,052	2.66	20,262	Emerging stock
Gvision Incorporated	-	"	105,470	1,781	0.37	-		

Note 1: For investments accounted for using equity method and financial assets carried at cost with no quoted market prices, their fair values are determined by the Company's proportionate share in the investee's equity. Fair values of available-for-sale investments are based on closing prices as of December 31, 2011. Mutual funds are based on net asset values as of December 31, 2011.

Note 2: The accumulated book value had a credit amount of \$18,698 thousand as of December 31, 2011 and was classified as other liabilities.

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

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

Note 5: Elad Europe Ltd. (originally called "Orad (Hai) Investments Holdings Ltd.") swapped its 100 original shares for 1 new share in May 2011.

Note 6: 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, 2011
(In Thousands of New Taiwan Dollars, Except Shares/Units)

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

Note 1: The amount of additional investment.

Note 2: The investee returned capital in cash.

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

Note 4: The amount was eliminated upon consolidation.

SHUTTLE INC. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2011
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Shuttle Inc.	Shuttle Commerce (Shenzhen) Ltd.	Subsidiary of Gold Fountain Limited	Sale	\$ (483,073)	(26)	Within 120 days	Note 1	Month end 120 days	\$ 7,208	3	
	Shuttle Computer Handels GmbH	Subsidiary of Gold Fountain Limited	Sale	(295,938)	(15)	Within 120 days	Note 1	Month end 120 days	64,995	26	
	Shuttle Computer Group, Inc.	Subsidiary of Gold Fountain Limited	Sale	(185,729)	(10)	Within 120 days	Note 1	Month end 120 days	31,097	12	
Shuttle Commerce (Shenzhen) Ltd.	Shuttle Inc.	Subsidiary of Gold Fountain Limited	Purchase	483,073	22	Within 120 days	Note 1	Month end 120 days	(7,208)	(24)	
S.C.H	Shuttle Inc.	Subsidiary of Gold Fountain Limited	Purchase	295,938	87	Within 120 days	Note 1	Month end 120 days	(64,995)	(99)	
Shuttle Computer Group, Inc.	Shuttle Inc.	Subsidiary of Gold Fountain Limited	Purchase	185,729	74	Within 120 days	Note 1	Month end 120 days	(31,097)	(67)	

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

Note 2: The amount was eliminated upon consolidation.

SHUTTLE INC. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2011

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Shuttle Inc.	Shuttle Computer (H.K.) Limited	Subsidiary of Holco (BVI) Inc.	Accounts receivable \$ 108,478 (Note)	7.57	\$ -	-	\$ -	\$ -

Note: The amount was eliminated upon consolidation.

SHUTTLE INC. AND SUBSIDIARIES

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

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2011			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2011	December 31, 2010	Shares	Percentage of Ownership	Carrying Value			
Shuttle Inc.	Gold Fountain Limited	Cayman Islands	Holding company	\$ 804,499	\$ 837,799	18,172,000	100	\$ 444,084	\$ (38,595)	\$ (38,595)	Subsidiary; Notes 1 and 3
	Hong Yi Investment Co., Ltd.	1F., No. 30, Ln. 76, Ruiguang Rd., Neihu Dist., Taipei City	Investment	160,000	160,000	16,000,000	100	135,276	(4,454)	(4,454)	Subsidiary; Notes 1 and 3
	Holco (BVI) Inc.	B.V.I.	Holding company	661,490	33,547	2,152.55	100	703,098	31,233	31,233	Subsidiary; Notes 1 and 3
	Shuttle Computer Incorporation	1F., No. 30, Ln. 76, Ruiguang Rd., Neihu Dist., Taipei City	Selling of computer peripherals	50,000	50,000	5,000,000	100	25,153	156	156	Subsidiary; Notes 1 and 3
Holco (BVI) Inc.	Shuttle Computer (H.K.) Limited	Unit 511 5/F, Tower 1 Silvercord 30 Canton Road K1	Selling of computer peripherals	613,659	36	-	100	630,669	29,157	29,157	Sub-sub-sidiary; Notes 1 and 3
	Shuttle International Inc.	48389 Fremont Blvd Ste 110 Fremont CA 94538-6558	Selling of computer peripherals	25,737	25,737	-	100	23,568	4,585	4,585	Sub-sub-sidiary; Notes 1 and 3
	Kaki Infotech (Shenzhen) Ltd.	2F, West Wing, Guanghua Building, Terra 8th Road, Futian District, Shenzhen	Selling of computer peripherals	14,320	-	-	60	11,853	(13,567)	(2,504)	Sub-sub-sidiary; Notes 1 and 3
Gold Fountain Limited	Shuttle Computer Group, Inc.	17068 Evergreen Place Industry, CA 91745 U.S.A.	Selling of computer peripherals	186,662	186,662	30,000	100	127,701	14,228	14,228	Sub-sub-sidiary; Notes 1 and 3
	Shuttle Computer Handels GmbH	Fritz-Strassmann Str. 5 D-25337 Elmshorn, Germany	Selling of computer peripherals	239,815	239,815	-	100	159,391	15,405	15,405	Sub-sub-sidiary; Notes 1 and 3
	Shuttle Commerce (Shenzhen) Ltd.	6H, West Wing, No. 210 Bldg Terra Technical & Commercial Garden, Terra 4th Road, Shenzhen	Selling of computer peripherals	40,457	40,457	-	100	-	22,600	22,600	Sub-sub-sidiary; Notes 1, 2 and 3
	Japan Shuttle Co., Ltd.	7F, Aioisonpo Building, 2-8-11 Sumiyosi Koutou-Ku Tokyo 135-0002, Japan	Selling of computer peripherals	16,804	16,804	1,000	100	5,439	1,048	1,048	Sub-sub-sidiary; Notes 1 and 3
	Shuttle Technology (Shenzhen) Ltd.	D26, 8 Floor, No. 210 Bldg Terra Technical & Commercial Garden, Terra 4th Road, Shenzhen	Selling of computer peripherals	25,736	25,736	-	100	6,476	(15,838)	(15,838)	Sub-sub-sidiary; Notes 1 and 3
	Shuttle Technology (Kunshan) Ltd.	No. 520, Haoteng Road, Development Zone, Kunshan Jiangsu P.R. China	Selling of computer peripherals	32,010	32,010	-	100	28,953	1,671	1,671	Sub-sub-sidiary; Notes 1 and 3
	Shuttle Information Technology (SIP) Ltd.	No. 200, Central Suhong Rd. Integrated Free Trade Zone, Suzhou Industrial Park	Selling of computer peripherals	208,250	92,010	-	100	133,811	(76,877)	(76,877)	Sub-sub-sidiary; Notes 1 and 3

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

Note 2: The accumulated book value had a credit amount of \$18,698 thousand as of December 31, 2011 and was classified as other liabilities.

Note 3: The ending balance of the investments, investment gain (loss) and the Company's share in the investee's equity were eliminated upon consolidation.

SHUTTLE INC. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2011
(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2011	Percentage of Ownership in Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2011	Accumulated Inward Remittance of Earnings as of December 31, 2011
					Outflow	Inflow					
Shuttle Commerce (Shenzhen) Ltd.	Selling of computer peripherals	\$ 40,457	(Note 1)	\$ 40,457	\$ -	\$ -	\$ 40,457	100	\$ 22,600	\$ - (Note 4)	\$ -
Shuttle Technology (Shenzhen) Ltd.	Selling of computer peripherals	25,736	(Note 1)	25,736	-	-	25,736	100	(15,838)	6,476	-
Shuttle Technology (Kunshan) Ltd.	Selling of computer peripherals	32,010	(Note 1)	32,010	-	-	32,010	100	1,671	28,953	-
Shuttle Information Technology (SIP) Ltd.	Selling of computer peripherals	208,250	(Note 1)	92,010	116,240	-	208,250	100	(76,877)	133,811	-
Kaki Infortech (Shenzhen) Ltd.	Selling of computer peripherals	23,733	(Note 1)	-	14,320	-	14,320	60	(2,504)	11,853	-

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

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

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

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

Note 4: The accumulated book value had a credit amount of \$18,698 thousand as of December 31, 2011 and was classified as other liabilities.

Note 5: The amount was eliminated upon consolidation.

SHUTTLE INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Nature of Relationship (Note)	Transaction Details			% to Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
	<u>Year ended December 31 2011</u>						
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	-
		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	5
		Shuttle Commerce (Shenzhen) Ltd.	1	Sales revenue	483,073	Month end 120 days	-
			1	Other non-operating gain	570	Month end 120 days	1
			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 Infotech (Shenzhen) Ltd.	1	Sales revenue	6,923	Month end 120 days	-
			1	Other non-operating gain	111	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

(Continued)

No.	Company Name	Related Party	Nature of Relationship (Note)	Transaction Details			% to Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
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. Shuttle Computer (H.K.) Limited	3	Cost of goods sold	203	Month end 120 days	-
			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
		Shuttle Computer Group, Inc. Shuttle International Inc. Shuttle Information Technology (SIP) Ltd. Shuttle Technology (Shenzhen) Ltd. Shuttle Computer (H.K.) Limited Kaki Infotech (Shenzhen) Ltd.	2	Accounts payable to related parties	7,208	Month end 120 days	-
			3	Sales revenue	203	Month end 120 days	-
			3	Accounts payable to related parties	16	Month end 120 days	-
			3	Processing cost	14,956	Month end 120 days	-
			3	Accounts payable to related parties	2,982	Month end 120 days	-
			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	-
			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	-
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. Shuttle Computer (H.K.) Limited	3	Accounts receivable from related parties	16	Month end 120 days	-
			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. Shuttle Information Technology (SIP) Ltd. Shuttle Computer (H.K.) Limited	3	Sales revenue	14,956	Month end 120 days	-
			3	Accounts receivable from related parties	2,982	Month end 120 days	-
			3	Accounts receivable from related parties	1,334	Month end 120 days	-
			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	-

(Continued)

No.	Company Name	Related Party	Nature of Relationship (Note)	Transaction Details			% to Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
		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	-
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 Infotech (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
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 Infotech (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	-
0	<u>Year ended December 31 2010</u> Shuttle Inc.	S.C.H.	1	Sales revenue	287,505	Month end 120 days	4
			1	Accounts receivable from related parties	50,590	Month end 120 days	1
			1	Other non-operating gain	4,626	Month end 120 days	-
		Shuttle Computer Group, Inc.	1	Sales revenue	212,843	Month end 120 days	3
			1	Other non-operating gain	3,614	Month end 120 days	-
			1	Accounts receivable from related parties	30,075	Month end 120 days	-
		Japan Shuttle Co., Ltd.	1	Sales revenue	63,460	Month 100 days	1
			1	Other non-operating gain	32	Month 100 days	-
			1	Accounts receivable from related parties	30,994	Month 100 days	1
		Shuttle Commerce (Shenzhen) Ltd.	1	Sales revenue	1,093,512	Month end 120 days	14
			1	Other non-operating gain	153	Month end 120 days	-
			1	Accounts receivable from related parties	392,716	Month end 120 days	7

(Continued)

No.	Company Name	Related Party	Nature of Relationship (Note)	Transaction Details			% to Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
			1	Accounts receivable from related parties - payment on behalf of others	\$ 963,054	Month end 120 days	16
		Shuttle Information Technology (SIP) Ltd.	1	Cost of goods sold	43,822	Month end 120 days	1
			1	Accounts payable to related parties	9,652	Month end 120 days	-
		Shuttle International Inc.	1	R&D pilot production	19,509	Month end 120 days	-
			1	Other non-operating gain	25	Month 90 days	-
			1	Accounts payable to related parties	14,045	Month 90 days	-
			1	Selling commission	33,568	Month 90 days	-
1	Shuttle Computer Handels GmbH	Shuttle Inc.	2	Cost of goods sold	292,131	Month end 120 days	4
		Shuttle Commerce (Shenzhen) Ltd.	2	Accounts payable to related parties	50,590	Month end 120 days	1
			3	Cost of goods sold	645	Month 45 days	-
2	Shuttle Computer Group, Inc.	Shuttle Inc.	2	Cost of goods sold	216,457	Month end 120 days	3
		Shuttle Commerce (Shenzhen) Ltd.	2	Accounts payable to related parties	30,075	Month end 120 days	-
			3	Cost of goods sold	1,039	Month 45 days	-
3	Japan Shuttle Co., Ltd.	Shuttle Inc.	2	Cost of goods sold	63,492	Month 100 days	1
		Shuttle Commerce (Shenzhen) Ltd.	2	Accounts payable to related parties	30,994	Month 100 days	1
			3	Cost of goods sold	764	Month 45 days	-
4	Shuttle Commerce (Shenzhen) Ltd.	Shuttle Inc.	2	Cost of goods sold	1,093,665	Month end 120 days	14
			2	Accounts payable to related parties	392,716	Month end 120 days	7
			2	Other payables	963,054	Month end 120 days	16
			2	Sales revenue	43,822	Month end 120 days	1
		Shuttle Computer Group, Inc.	3	Sales revenue	1,039	Month end 120 days	-
		Shuttle Computer Handels GmbH	3	Sales revenue	645	Month 45 days	-
		Japan Shuttle Co., Ltd.	3	Sales revenue	764	Month 45 days	-
		Shuttle International Inc.	3	Accounts payable to related parties	59	Month 45 days	-
		Shuttle Information Technology (SIP) Ltd.	3	Processing cost	70,344	Month 45 days	1
			3	Accounts payable to related parties	9,706	Month 45 days	-
			3	Accounts receivable from related parties - payment on behalf of others	7	Month 45 days	-
5	Shuttle International Inc.	Shuttle Inc.	2	Cost of goods sold	25	Month 90 days	-
			2	Other non-operating gain	33,568	Month 90 days	-
		Shuttle Commerce (Shenzhen) Ltd.	2	Accounts receivable from related parties	14,045	Month 90 days	-
			3	Accounts receivable from related parties	59	Month 45 days	-
6	Shuttle Information Technology (SIP) Ltd.	Shuttle Inc.	2	Accounts receivable from related parties	9,652	Month end 120 days	-
			2	Sales revenue	19,509	Month end 120 days	-
		Shuttle Commerce (Shenzhen) Ltd.	3	Processing income	70,344	Month 45 days	1
			3	Accounts receivable from related parties	9,706	Month 45 days	-
			3	Other payables	7	Month 45 days	-
7	Shuttle Technology (Shenzhen) Ltd.	Shuttle Inc.	2	Other payables	4,305	Month end 120 days	-

(Continued)

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)