Shuttle Inc. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2012 and 2011 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Shuttle Inc.

We have audited the accompanying consolidated balance sheets of Shuttle Inc. and subsidiaries (collectively, the "Group") as of June 30, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

As stated in Note 2 to the financial statement, we were unable to obtain audited financial statements of certain consolidated subsidiaries. Their total assets and total liabilities as of June 30, 2012 were NT$994,443 thousand and NT$71,230 thousand, which were 13.17% of consolidated total assets and 1.84% of consolidated total liabilities. Their total assets and total liabilities as of June 30, 2011 were NT$4,023,362 thousand and NT$1,599,607 thousand, which were 62.02% of consolidated total assets and 59.19% of consolidated total liabilities. Their net operating income for the six months ended June 30, 2012 and 2011 amounted to NT$743,627 thousand and NT$3,807,838 thousand, representing 12.48% and 86.53% of consolidated net operating income, respectively. Their net income (loss) for the six months ended June 30, 2012 and 2011 amounted to NT$63,148 thousand and NT$(13,670) thousand, respectively.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the financial statements of the consolidated subsidiaries been audited, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Shuttle Inc. and subsidiaries as of June 30, 2012 and 2011, and the consolidated results of their operations and their consolidated cash flows for the six months then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

August 29, 2012

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

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

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

SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Par Value Data)

	2012		2011	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 1,475,596	20	$ 1,449,958	22
Financial assets at fair value through profit or loss (Notes 2 and 5)				
Available-for-sale financial assets (Notes 2 and 6)	205,463	3	201,977	3
Notes receivable (Notes 2 and 3)	-	-	103	-
Accounts receivable, net of allowance for doubtful accounts of $24,547 thousand in 2012 and $52,036 thousand in 2011 (Notes 2 and 3)	2,792,822	37	1,977,164	30
Other financial assets	17,620	-	15,205	-
Inventories (Notes 2 and 7)	1,631,604	22	1,459,822	23
Restricted assets (Note 21)	20,017	-	-	-
Deferred income tax assets (Notes 2 and 16)	39,300	-	40,438	1
Other current assets	59,783	1	122,199	2
Total current assets	6,243,398	83	5,267,172	81
LONG-TERM INVESTMENTS				
Investments accounted for by the equity method (Notes 2 and 9)	7,086	-	-	-
Available-for-sale financial assets (Notes 2 and 6)	13,555	-	12,588	-
Financial assets carried at cost (Notes 2 and 8)	72,185	1	83,317	2
Total long-term investments	92,826	1	95,905	2
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10 and 20)				
Cost				
Land	448,557	6	449,193	7
Buildings	472,709	6	474,735	7
Machinery and equipment	117,754	2	309,578	5
Transportation equipment	30,272	-	31,033	-
Office equipment	33,432	-	33,121	1
Leasehold improvements	62,025	1	4,047	-
Other equipment	60,283	1	36,010	1
Total cost	1,225,032	16	1,337,717	21
Less: Accumulated depreciation	265,061	3	417,914	7
Less: Accumulated impairment	7,651	-	26,808	-
Fixed assets cost and revaluation	952,320	13	892,995	14
Construction in progress and prepayments for equipment	8,895	-	23,233	-
Property, plant and equipment, net	961,215	13	916,228	14
INTANGIBLE ASSETS				
Goodwill (Note 2)	12,682	-	-	-
Deferred pension cost (Note 2)	1,191	-	-	-
Total intangible assets	13,873	-	-	-
OTHER ASSETS				
Assets leased to others (Notes 2, 11 and 20)	81,780	1	82,126	1
Refundable deposits (Note 21)	40,196	1	18,570	-
Deferred charges (Note 2)	27,448	-	18,027	-
Deferred income tax assets (Notes 2 and 16)	89,732	1	89,602	2
Total other assets	239,156	3	208,325	3
TOTAL	$ 7,550,468	100	$ 6,487,630	100

	2012		2011	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Note 12)	$ 471,974	6	$ 58,080	1
Notes payable	-	-	50	-
Accounts payable	2,904,484	38	2,162,804	34
Accounts payable - related parties (Note 19)	82	-	-	-
Accrued expenses	418,962	6	365,909	6
Other financial liabilities	13,541	-	2,834	-
Receipts in advance	43,485	1	79,379	1
Other current liabilities	17,104	-	21,148	-
Total current liabilities	3,869,632	51	2,690,204	42
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 13)	10,527	-	12,217	-
Guarantee deposits	1,020	-	100	-
Total other liabilities	11,547	-	12,317	-
Total liabilities	3,881,179	51	2,702,521	42
EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT				
Capital stock - $10 par value; authorized: 500,000 thousand shares. Issued: 340,131 thousand shares in 2012, 352,158 thousand shares in 2011	3,401,313	45	3,521,583	54
Capital surplus				
Additional paid-in capital	201,765	3	208,899	3
Treasury stock transactions	104,984	1	87,195	2
Long-term investments	2,325	-	-	-
Total capital surplus	309,074	4	296,094	5
Retained earnings				
Legal reserve	1,126	-	-	-
Special reserve	10,136	-	-	-
Unappropriated earnings	89,565	2	4,242	-
Total retained earnings	100,827	2	4,242	-
Others				
Cumulative translation adjustments	(28,001)	-	(33,560)	(1)
Net loss not recognized as pension cost	(860)	-	-	-
Unrealized loss on financial instruments	(133,925)	(2)	(3,250)	-
Total other equity	(162,786)	(2)	(36,810)	(1)
Equity attributable to stockholders of the parent	3,648,428	49	3,785,109	58
MINORITY INTERESTS	20,861	-	-	-
Total stockholders' equity	3,669,289	49	3,785,109	58
TOTAL	$ 7,550,468	100	$ 6,487,630	100

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

(With Deloitte & Touche audit report dated August 29, 2012)

SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Earnings Per Share Data)

	2012 Amount	2012 %	2011 Amount	2011 %
OPERATING REVENUES (Note 2)				
Sales	$ 6,021,456	101	$ 4,430,181	101
Less: Sales returns and allowances	64,214	1	29,628	1
Net sales	5,957,242	100	4,400,553	100
OPERATING COSTS (Note 17)				
Cost of goods sold	5,235,412	88	3,864,426	88
GROSS PROFIT	721,830	12	536,127	12
OPERATING EXPENSES (Notes 17 and 19)				
Marketing	287,814	5	198,717	5
General and administrative	224,731	4	175,984	4
Research and development	157,982	2	144,391	3
Total operating expenses	670,527	11	519,092	12
OPERATING INCOME	51,303	1	17,035	-
NON-OPERATING INCOME AND GAINS (Notes 2, 5 and 6)				
Gain on sale of investments, net	49,452	1	816	-
Interest income	3,565	-	1,879	-
Valuation gain on financial instruments, net	1,193	-	306	-
Rental revenue	883	-	665	-
Gain on disposal of property, plant and equipment	372	-	2,400	-
Dividend income	29	-	-	-
Others	27,172	1	6,997	-
Total non-operating income and gains	82,666	2	13,063	-
NON-OPERATING EXPENSES AND LOSSES (Notes 2, 5, 8 and 17)				
Exchange loss, net	11,353	-	9,211	-
Interest expense	7,116	-	4,334	-
Impairment loss	-	-	4,771	-
Others	27,507	1	2,787	-
Total non-operating expenses and losses	45,976	1	21,103	-

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SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Earnings Per Share Data)

	2012		2011	
	Amount	**%**	**Amount**	**%**
INCOME BEFORE INCOME TAX	$ 87,993	2	$ 8,995	-
INCOME TAX EXPENSE (BENEFIT) (Notes 2 and 16)	(7,150)	-	4,753	-
NET INCOME	$ 95,143	2	$ 4,242	-
ATTRIBUTABLE TO:				
Stockholders of parent	$ 89,565	2	$ 4,242	-
Minority interest	5,578	-	-	-
	$ 95,143	2	$ 4,242	-

	2012 Income Attributable to Shareholders of the Parent		2011 Income Attributable to Shareholders of the Parent	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 18)				
Basic	$ 0.24	$ 0.26	$ 0.03	$ 0.01

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

(With Deloitte & Touche audit report dated August 29, 2012) (Concluded)

SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Amount Per Share)

	Common Capital Stock		Capital Surplus (Notes 2, 14 and 15)			Accumulated Deficit (Notes 2, 14 and 16)			Others (Notes 2 and 15)					
	Shares (In Thousands)	Amount	Additional Paid-in Capital	Treasury Stock Transactions	Long-term Investments	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Gain (Loss) on Financial Instruments	Treasury Stock	Minority Interests	Total Stockholders' Equity
BALANCE, JANUARY 1, 2012	352,158	$ 3,521,583	$ 208,899	$ 87,195	$ -	$ -	$ -	$ 11,262	$ (10,319)	$ (860)	$ (89,284)	$ (109,615)	$ 3,916	$ 3,622,777
Appropriation of 2011 earnings														
Legal reserve	-	-	-	-	-	1,126	-	(1,126)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	10,136	(10,136)	-	-	-	-	-	-
Retirement of treasury stock - 12,027 thousand shares	(12,027)	(120,270)	(7,134)	17,789	-	-	-	-	-	-	-	109,615	-	-
Net changes in valuation gain/loss on available-for-sale financial assets - Shuttle Inc.	-	-	-	-	-	-	-	-	-	-	(26,586)	-	-	(26,586)
Net changes in valuation gain/loss on available-for-sale financial assets - subsidiaries	-	-	-	-	-	-	-	-	-	-	(18,055)	-	-	(18,055)
Translation adjustments	-	-	-	-	-	-	-	-	(17,682)	-	-	-	-	(17,682)
Adjustment brought by changes in percentage of ownership in equity-method investees	-	-	-	-	2,325	-	-	-	-	-	-	-	-	2,325
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	-	-	11,367	11,367
Net income for the six months ended June 30, 2012	-	-	-	-	-	-	-	89,565	-	-	-	-	5,578	95,143
BALANCE, JUNE 30, 2012	340,131	$ 3,401,313	$ 201,765	$ 104,984	$ 2,325	$ 1,126	$ 10,136	$ 89,565	$ (28,001)	$ (860)	$ (133,925)	$ -	$ 20,861	$ 3,669,289
BALANCE, JANUARY 1, 2011	352,158	$ 3,521,583	$ 665,836	$ 87,195	$ -	$ -	$ -	$ (456,937)	$ (43,976)	$ -	$ 56,243	$ -	$ -	$ 3,829,944
Additional paid-in capital and capital reserves used to offset company losses	-	-	(456,937)	-	-	-	-	456,937	-	-	-	-	-	-
Net changes in valuation gain/loss on available-for-sale financial assets - Shuttle Inc.	-	-	-	-	-	-	-	-	-	-	(46,738)	-	-	(46,738)
Net changes in valuation gain/loss on available-for-sale financial assets - subsidiaries	-	-	-	-	-	-	-	-	-	-	(12,755)	-	-	(12,755)
Translation adjustments	-	-	-	-	-	-	-	-	10,416	-	-	-	-	10,416
Net income for the six months ended June 30, 2011	-	-	-	-	-	-	-	4,242	-	-	-	-	-	4,242
BALANCE, JUNE 30, 2011	352,158	$ 3,521,583	$ 208,899	$ 87,195	$ -	$ -	$ -	$ 4,242	$ (33,560)	$ -	$ (3,250)	$ -	$ -	$ 3,785,109

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

(With Deloitte & Touche audit report dated August 29, 2012)

SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributable to shareholders of the parent	$ 95,143	$ 4,242
Adjustments to reconcile consolidated net income to net cash provided by (used in) operating activities		
Depreciation and amortization	70,824	84,443
Provision for (reversal of) doubtful accounts	3,657	(4,875)
Provision for loss on inventories	12,503	557
Abandonment loss on inventories	2,277	2,208
Gain on sale of investments	(49,452)	(816)
Impairment loss	-	4,771
Gain on disposal of property, plant and equipment	(372)	(2,400)
Valuation gain on financial instruments	(1,193)	(306)
Deferred income tax	(9,126)	(945)
Pension liabilities	(1,846)	(1,783)
Changes in operating assets and liabilities		
Financial instruments held for trading	5,874	29,782
Notes receivable	100	(103)
Accounts receivable	(733,028)	(711,897)
Inventories	(584,205)	(524,137)
Other current assets	52,994	(82,248)
Other financial assets	18,925	1,505
Notes payable	-	(148)
Accounts payable	1,236,409	941,442
Accounts payable - related parties	(624)	-
Receipts in advance	(37,724)	61,179
Accrued expenses	19,009	(40,120)
Other financial liabilities	12,722	(463)
Other current liabilities	3,964	7,428
Net cash provided by (used in) operating activities	116,831	(232,684)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of available-for-sale financial assets	(76,749)	-
Proceeds from disposal of available-for-sale financial assets	107,077	1,166
Acquisition of investments accounted for by equity method	(7,495)	-
Proceeds from investees' capital reduction	-	12,000
Acquisition of property, plant and equipment	(37,186)	(26,120)
Proceeds from disposal of property, plant and equipment	372	2,436
Increase in restricted assets	(20,017)	-
Increase in goodwill	(6,703)	-
Decrease (increase) in refundable deposits	1,473	(12,584)
Increase in deferred charges	(49,194)	(47,062)
Net cash used in investing activities	(88,422)	(70,164)

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SHUTTLE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	$ (157,822)	$ (455,514)
Increase (decrease) in guarantee deposits	249	(200)
Increase in minority interests	11,367	-
Net cash used in financing activities	(146,206)	(455,714)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	2,316	8,041
NET DECREASE IN CASH AND CASH EQUIVALENTS	(115,481)	(750,521)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,591,077	2,200,479
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,475,596	$ 1,449,958
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 7,184	$ 4,145
Income tax paid	$ 2,480	$ 15,005
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NONCASH ITEMS		
Acquisition of property, plant and equipment	$ 39,395	$ 27,040
Increase in payables for equipment purchased (recorded as other financial liabilities)	(2,209)	(920)
Cash paid for acquisition of properties	$ 37,186	$ 26,120

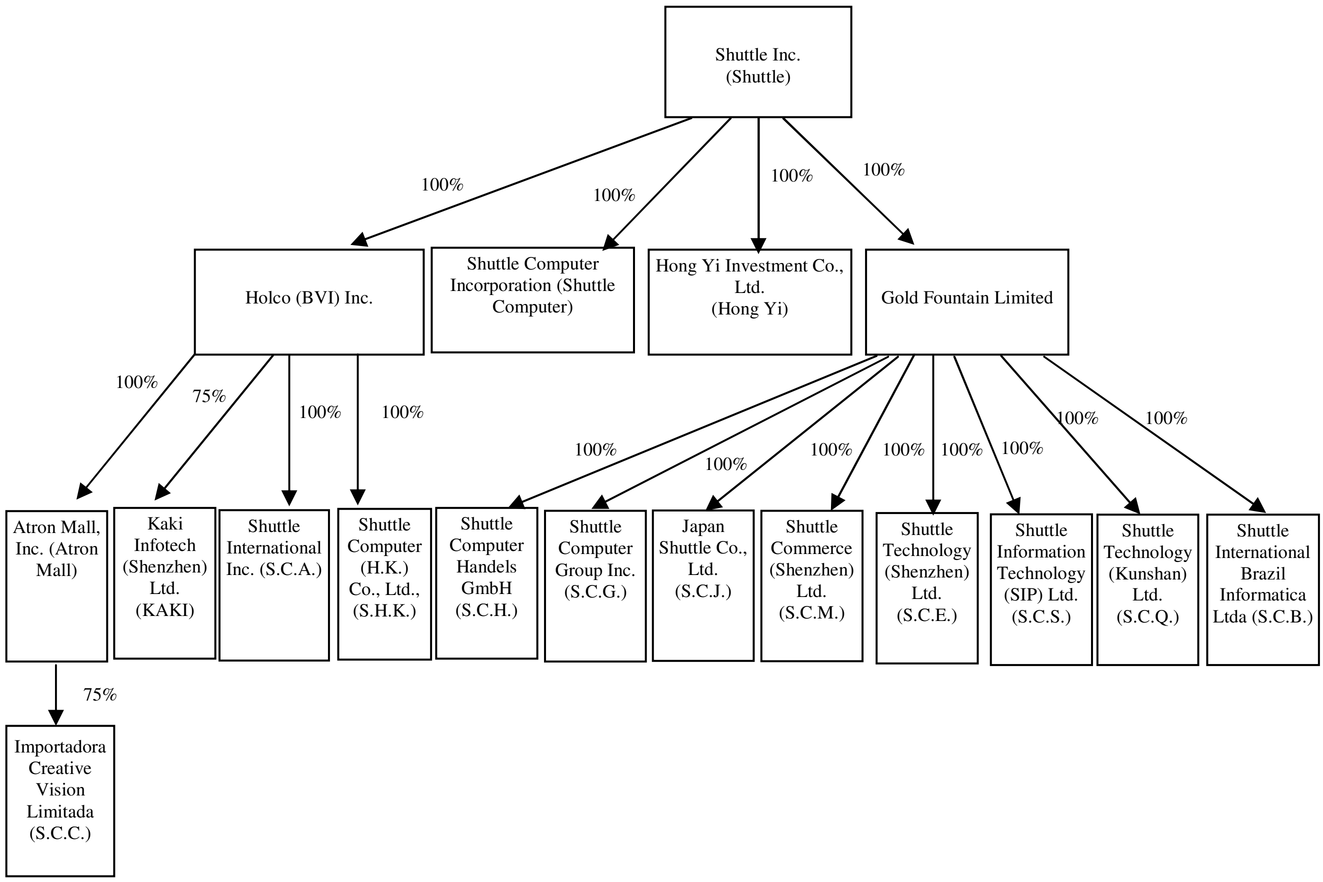
The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated August 29, 2012) (Concluded)

1. ORGANIZATION AND OPERATIONS

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

The structure and shares proportion of the Company and its subsidiaries (collectively, the "Group") as of Jun 30, 2012 were as follows:



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

As of June 30, 2012 and 2011, the Group had 1,933 and 1,590 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 (R.O.C.). Significant accounting policies are summarized as follows:

Principles of Consolidation

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

The separate financial statements of the parent company and its subsidiaries are prepared in their functional currencies. When preparing consolidated financial statements, assets and liabilities are translated into New Taiwan dollars (NTD) 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 period.

The consolidated financial statements for the six months ended June 30, 2011 include the accounts of Shuttle Inc., Holco (BVI) Inc., Shuttle Computer, Gold Fountain Limited, Hong Yi, S.H.K., S.C.J., S.C.G.,, S.C.A., S.C.H., S.C.M., S.C.E.,S.C.Q. and S.C.S.

In October 2011, Holco (BVI) Inc. acquired 60% equity interest in KAKI. However, in March 2012, Holco (BVI) Inc. did not participate in capital increase of KAKI and resulted in a decrease of the percentage of ownership from 60% to 50%. In June 2012, Holco (BVI) Inc. increased its investment in KAKI and rose the percentage of ownership from 50% to 75%. In addition, in April 2012, Holco (BVI) Inc. acquired 100% equity interest in Atron Mall and indirectly obtained 75% equity interest in S.C.C. In March 2012, Gold Fountain Limited acquired 100% equity interest in S.C.B. The consolidated financial statements for the six months ended June 30, 2012 include the accounts of Shuttle Inc., Holco (BVI) Inc., Shuttle Computer, Gold Fountain Limited, Hong Yi, S.H.K., S.C.J., S.C.G., S.C.A., S.C.H., S.C.M., S.C.E., S.C.Q., S.C.S., KAKI, S.C.B., Atron Mall and S.C.C.

The financial statements of subsidiaries, except S.H.K and S.C.S., included in the consolidated financial statements were unaudited due to these subsidiaries do not meet the criteria of "important subsidiaries" stated in Rule No. 0920103698 issued by the Taiwan Stock Exchange (TWSE). The total assets of these subsidiaries as of June 30, 2012 and 2011 were $994,443 thousand and $4,023,362 thousand, representing 13.17% and 62.02% of consolidated total assets, respectively. The total liabilities of these subsidiaries as of June 30, 2012 and 2011 were $71,230 thousand and $1,599,607 thousand, representing 1.84% and 59.19% of consolidated total liabilities, respectively. The net operating revenues of these subsidiaries for the six months ended June 30, 2012 and 2011 were $743,627 thousand and $3,807,838 thousand, representing 12.48% and 86.53% of consolidated net operating revenues, respectively. The net income (loss) of these subsidiaries for the six months ended June 30, 2012 and 2011 was $63,148 thousand and $(13,670) thousand, respectively.

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 Non-current Assets and Liabilities

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

Cash Equivalents

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

Financial Assets and Liabilities at Fair Value through Profit or Loss

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

Available-for-sale Financial Assets

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

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

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

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

Financial Assets Carried at Cost

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

Impairment of Accounts Receivable

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

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

Inventories

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

Investments Accounted for by the Equity Method

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

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

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

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

Property, Plant and Equipment, and Leased Assets

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

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

Depreciation is computed using the straight-line method over the following estimated service lives: buildings - 2 to 60 years; machinery and equipment - 2 to 7 years; transportation equipment - 5 to 7 years; office equipment - 2 to 5 years; leasehold improvement - 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 newly estimated useful lives.

The related cost, accumulated depreciation, and accumulated impairment losses of an item of property, plant and equipment, and leased assets are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in non-operating gains or losses in the period of disposal.

Goodwill

The acquisition cost is allocated to the assets acquired and liabilities assumed on the basis of their fair values at the date of acquisition, and the acquisition cost in excess of the fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not being amortized but instead is assessed for impairment periodically.

Deferred Expenses

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

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

Pension Cost

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

Income Tax

The Group applies the inter-year allocation methods to its income tax, whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowances is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or non-current in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or non-current based on the expected length of time before it is realized or settled.

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

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

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

Stock-based Compensation

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

Treasury Stock

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

Revenue Recognition

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

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

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, the Group adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." Due to the revisions, loans and receivables originated by the Group are now covered by SFAS No. 34.

Operating Segments

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

4. CASH AND CASH EQUIVALENTS

	June 30 2012	June 30 2011
Cash		
Cash on hand	$ 1,060	$ 1,109
Checking accounts and demand deposits	323,681	636,053
Foreign demand accounts	447,972	576,503
Time deposits - annual yield rates from 0.72% to 0.88% in 2012; from 0.80% to 0.82% in 2011	480,000	44,700
Foreign time deposits - annual yield - from 0.2% to 0.7% in 2012; 1.15% in 2011	211,286	112,443
	1,463,999	1,370,808
Cash equivalents		
Repurchase agreements collateralized by bonds	11,597	10,982
Money market fund	-	68,168
	11,597	79,150
	$ 1,475,596	$ 1,449,958

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

Financial instruments classified as held for trading were as follows:

	June 30 2012	June 30 2011
Trading financial assets		
Forward exchange contracts	$ 1,193	$ 306

The Company entered into derivative contracts during the six months ended June 30, 2012 and 2011 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Company is to minimize risks due to changes in fair value or cash flows.

Outstanding forward exchange contracts consisted of the following:

	Currency	Maturity Date	Contract Amount (In Thousands)
June 30, 2012			
Sell	JPY/NTD	2012.08.13-2012.12.6	JPY77,000/NTD28,479
Sell	USD/NTD	2012.07.06	USD2,495/NTD74,505
Sell	EUR/NTD	2012.07.04-2012.10.18	EUR2,397/NTD91,686
June 30, 2011			
Sell	JPY/USD	2011.08.18-2011.11.15	JPY43,000/USD534
Sell	USD/NTD	2011.07.13-2011.09.23	USD14,000/NTD402,201
Sell	EUR/USD	2011.09.06-2011.09.15	EUR1,240/USD1,791

Loss on financial assets held for trading for the six months ended June 30, 2012 and 2011 was $4,742 thousand and $40,394 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30 2012	June 30 2011
Current		
Domestic quoted stocks	$ 196,324	$ 200,129
Overseas quoted stocks	8,139	-
Mutual funds	1,000	1,848
	$ 205,463	$ 201,977
Noncurrent		
Domestic quoted stocks	$ 8,418	$ 5,989
Overseas quoted stocks	5,137	6,599
	$ 13,555	$ 12,588

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

	2012			2011		
	The Company	Subsidiaries	Total	The Company	Subsidiaries	Total
Balance, beginning of period	$(101,505)	$ 12,221	$ (89,284)	$ (6,303)	$ 62,546	$ 56,243
Recognized in shareholders' equity	(5,723)	(1,953)	(7,676)	(47,964)	(12,755)	(60,719)
Transferred to profit or loss	(20,863)	(16,102)	(36,965)	1,226	-	1,226
Balance, end of period	$(128,091)	$ (5,834)	$(133,925)	$ (53,041)	$ 49,791	$ (3,250)

In February 2012, Techmosa International Inc. (Techmosa) merged to WT Microelectronics Co., Ltd. (WT Microelectronics); therefore, stock of Techmosa held by the Group has been transferred to stock of WT Microelectronics. The Group has recognized gain on sale of investment in the amount of $48,632 thousand for the six months ended June 30, 2012.

7. INVENTORIES

	June 30 2012	June 30 2011
Raw materials	$ 938,717	$ 1,048,888
Finished goods	471,835	239,062
Work in process	186,163	150,024
Merchandise	34,889	21,848
	$ 1,631,604	$ 1,459,822

The cost of inventories recognized as cost of goods sold for the six months ended June 30, 2012 and 2011 was $5,235,412 thousand and $3,864,426 thousand, respectively, which included $12,503 thousand and $557 thousand, respectively, loss on write-downs of inventories. Abandonment loss on inventories was $2,277 thousand and $2,208 for the six months ended June 30, 2012 and 2011, respectively. Gain on physical inventory for the six months ended June 30, 2011 was $11 thousand.

8. FINANCIAL ASSETS CARRIED AT COST

	June 30	
	2012	2011
Domestic unquoted common stocks		
iCatch Technology, Inc.	$ 35,000	$ 35,000
Technology Partner IV Venture Capital Corp.	18,000	18,000
GVision Co., Ltd.	1,781	1,781
Twinmos Technologies Inc.	-	-
	54,781	54,781
Emerging market stocks		
Partner Tech Corp.	17,404	28,536
	$ 72,185	$ 83,317

The stock and beneficiary certificate held by the Group 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 the fourth quarter of 2011, the Group recognized impairment loss of $11,132 thousand on its investments in Partner Tech Corp.

For the six months ended June 30, 2011, the subsidiaries recognized impairment loss of $4,771 thousand on GVision Co., Ltd.

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

9. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	June 30, 2012	
	Carrying Amount	% of Ownership
Unlisted companies	$ 7,086	30

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

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

10. PROPERTY, PLANT AND EQUIPMENT

	June 30	
	2012	2011
Accumulated depreciation		
Buildings	$ 123,950	$ 115,891
Machinery and equipment	69,111	242,536
Transportation equipment	16,833	11,926
Miscellaneous equipment	20,689	20,989
Leasehold improvements	14,903	2,988
Other equipment	19,575	23,584
	$ 265,061	$ 417,914
Accumulated impairment		
Machinery and equipment	$ 7,651	$ 26,808

The depreciation expense for the six months ended June 30, 2012 and 2011 was $24,813 thousand and $15,391 thousand, respectively.

11. ASSETS LEASED TO OTHERS

	June 30	
	2012	2011
Cost		
Land	$ 69,953	$ 69,953
Buildings	19,316	19,316
	89,269	89,269
Less: Accumulated depreciation	7,489	7,143
	$ 81,780	$ 82,126

12. SHORT-TERM LOANS

	June 30	
	2012	2011
Usance letters of credit	$ 471,974	$ 58,080

Interest rates ranged from 1.335% to 1.650% and from 1.208% to 1.4615% at June 30, 2012 and 2011, respectively.

13. PENSION PLANS

The pension plan under the Labor Pension Act (the “LPA”) is a defined contribution plan. Based on the LPA, the Company makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages. Such pension costs were $8,478 thousand and $7,150 thousand for the six months ended June 30, 2012 and 2011, respectively.

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

Defined benefit pension information was summarized as follows:

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

	Six Months Ended June 30	
	2012	2011
Balance, beginning of period	$ 11,870	$ 6,810
Contributions	2,849	2,424
Interest	-	15
Balance, end of period	$ 14,719	$ 9,249

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

	Six Months Ended June 30	
	2012	2011
Balance, beginning of period	$ 12,373	$ 14,000
Add: Payments	1,003	641
Less: Contributions	(2,849)	(2,424)
Balance, end of period	$ 10,527	$ 12,217

The pension mechanism under the Labor Pension Act (the "Act") is deemed a defined contribution plan. Pursuant to the Act, S.C.H., S.C.M., S.C.E., S.C.S., S.C.Q., KAKI and S.C.J. make monthly contributions in accordance with each employee's monthly salary. S.C.G. and S.C.A. make monthly contributions at a prescribed percentage of salaries to personal investment accounts pursuant to the U.S. IRC 401 (K) plan. S.C.C. has no pension plans. There was no qualified employee under the plans in Holco (BVI) Inc., Gold Fountain Limited, Hong Yi, S.H.K., S.C.B., Atron Mall and Shuttle Computer.

14. SHAREHOLDERS' EQUITY

Employee Restricted Stock Plans

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

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

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

As of June 30, 2012, the Company had not yet issued any restricted shares to employees.

Capital Surplus

The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's paid-in capital and once a year).

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

Appropriation of Earnings and Dividend Policy

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

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

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

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

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

For the six months ended June 30, 2012 and 2011, there were both no bonus to employees and no remuneration to directors and supervisors of the Company because the distributable earnings is not sufficient to the special reserve regulated by SFB.

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

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

15. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Period	Movements: Addition During the Period	Movements: Reduction During the Period	Number of Shares, End of Period
Six months ended June 30, 2012				
To maintain the Company's credibility	12,027	-	12,027	-

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

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

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

16. INCOME TAX

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

	Six Months Ended June 30 2012	Six Months Ended June 30 2011
Income tax currently payable	$ 1,337	$ 5,612
Deferred income tax	(9,126)	(945)
Income tax adjustments on prior years	639	86
Income tax expense (benefit)	$ (7,150)	$ 4,753

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

	June 30 2012	June 30 2011
Current		
Investment tax credits	$ 57,509	$ -
Loss carryforwards	29,707	3,178
Warranty liabilities	9,853	12,709
Provision for doubtful accounts	7,881	7,921
Deferred credits	5,990	6,012
Unrealized allowance for loss on inventories	2,563	9,266
Unrealized advertisement expense	2,222	-

(Continued)

	June 30	
	2012	2011
Unrealized exchange gains	$ (1,765)	$ (259)
Others	857	1,611
	114,817	40,438
Less: Valuation allowance	75,517	-
Deferred income tax assets	$ 39,300	$ 40,438
Noncurrent		
Loss carryforwards	$ 139,626	$ 152,879
Investment loss recognized on overseas equity-method investments	27,104	22,642
Impairment loss	17,151	21,727
Accrued pension cost	1,328	1,982
Deferred credits	104	116
Investment tax credits	-	57,709
Others	464	465
	185,777	257,520
Less: Valuation allowance	96,045	167,918
Deferred income tax assets	$ 89,732	$ 89,602

(Concluded)

As of June 30, 2012, investment tax credits comprised of:

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Research and development expenditures/personnel training expenditures	$ 3,574	$ 2,192	2012
Statute for Upgrading Industries	Research and development expenditures/personnel training expenditures	55,317	55,317	2013
			$ 57,509	

As of June 30, 2012, loss carryforwards of Shuttle consisted of the following:

Expiry Year	Unused Amount
2019	$ 71,670
2020	41,175
2021	5,063
	$ 117,908

As of June 30, 2012, loss carryforwards of Shuttle Computer Company consisted of the following:

Expiry Year	Unused Amount
2017	$ 317
2019	1,262
2021	3,000
2022	228
	$ 4,807

As of June 30, 2012, unused loss carryforwards of S.C.G. and S.C.J. was $24,633 thousand and $6,703 thousands, respectively; expiry year for loss carryforward of S.C.G. and S.C.J. was 2029 and 2018, respectively. Unused loss carryforwards of S.C.S. and S.C.Q. was $13,968 thousand and $1,314 thousand, respectively; expiry years for loss carryforwards of S.C.S. and S.C.Q. were both 2016.

c. Information about integrated income tax was as follows:

	June 30	
	2012	2011
Balance of imputation credit account (ICA):		
Shuttle	$ 3,288	$ 3,522
Hong Yi	6,759	5,588
Shuttle Computer	-	-

The creditable ratio for distribution of the Company's earnings of 2011 was 20.48%.

As of December 31, 2010, Shuttle, Hong Yi, and Shuttle Computer had accumulated deficits. Balances of imputation credit account (ICA) will be allocated to shareholders on the date of dividend distribution.

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

The tax authorities have examined income tax returns of Shuttle, Shuttle Computer, Hong Yu through 2010, except income tax return for 2009 of Shuttle.

d. 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

	Six Months Ended June 30, 2012			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Expenses and Losses	Total
Personnel				
Salary	$ 64,159	$ 315,466	$ -	$ 379,625
Insurance and social welfare	4,979	24,601	-	29,580
Pension	4,979	13,385	-	18,364
Others	6,258	8,687	-	14,945
	$ 80,375	$ 362,139	$ -	$ 442,514
Depreciation	$ 13,703	$ 11,110	$ 173	$ 24,986
Amortization	$ 43,982	$ 1,856	$ -	$ 45,838

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

18. EARNINGS PER SHARE

	Amounts (Numerator)		Shares	EPS (NT$)	
	Before Income Tax	After Income Tax	(Denominator) (In Thousands)	Before Income Tax	After Income Tax
Six months ended June 30, 2012					
Basic and diluted EPS					
Income for the period attributable to common stockholders	$ 82,415	$ 89,565	340,131	$ 0.24	$ 0.26
Six months ended June 30, 2011					
Basic and diluted EPS					
Income for the period attributable to common stockholders	$ 8,995	$ 4,242	352,158	$ 0.03	$ 0.01

19. RELATED-PARTY TRANSACTIONS

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

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

b. Transactions with the above related parties:

	Six Months Ended June 30			
	2012		2011	
	Amount	% to Total	Amount	% to Total
Operating expense				
Ares International Corporation	$ 114	-	$ -	-

	June 30			
	2012		2011	
	Amount	% to Total	Amount	% to Total
Accounts payable - related parties				
Ares International Corporation	$ 82	100	$ -	-

20. MORTGAGED OR PLEDGED ASSETS

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

	June 30	
	2012	2011
Property, plant and equipment, net	$ 784,171	$ 792,321
Leased assets, net	81,739	82,085
	$ 865,910	$ 874,406

21. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of June 30, 2012, unused letters of credit amounted to $222,852 thousand.

In March 2012, Technology Properties Limited, LLC (TPL) filed a lawsuit in the U.S. International Trade Commission (ITC) and the U.S. District Court for Eastern District of Texas, alleging that the Company infringed the U.S. patents No. 7295443 and No. 7255424. The litigation is now under investigation by the representatives of government. As of August 29, 2012, the Company was unable to assess the result and the potential loss of the lawsuit.

The Company has entered into a Taipei City Electronic Schoolbag Operation Agreement with the Ministry of Economic Affairs (MOEA). The contract period was from June 1, 2011 to November 30, 2012. According to the agreement, prior to applying for subsidies from MOEA of each applicable period, the Company should provide a performance bank guarantee for that period. As of June 30, 2012, the performance bank guarantees and subsidies from MOEA were recorded as refundable deposits of $20,000 thousand and restricted assets - current of $20,017 thousand, respectively.

22. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

	June 30			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Non-derivative financial instruments				
Financial assets				
Financial assets at fair value equivalent to book value	$ 4,346,251	$ 4,346,251	$ 3,461,000	$ 3,461,000
Available-for-sale financial assets	219,018	219,018	214,565	214,565
Financial assets carried at cost	72,185	67,698	83,317	71,509
Investments accounted for by the equity method	7,086	7,086	-	-
Financial liabilities				
Financial liabilities at fair value equivalent to book value	3,810,063	3,810,063	2,589,777	2,589,777
Derivative financial instruments, categorized by location of transaction counterparty				
Domestic				
Forward exchange contract	1,193	1,193	306	306

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, restricted 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. For those instruments with no quoted market prices, their fair values are determined by the carrying values. Fair values of financial assets carried at cost are based on the Company's proportionate share of the net assets of the investees.

3) Fair values of derivatives are based on their quoted prices in an active market. For those derivatives with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

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

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

	Quoted Market Prices		Valuation Techniques	
	June 30		June 30	
	2012	2011	2012	2011
Assets				
Available-for-sale financial assets	$ 219,018	$ 214,565	$ -	$ -
Financial assets at fair value through profit or loss	-	-	1,193	306

d. Valuation losses arising from changes in fair value of financial instruments determined using valuation techniques were $4,742 thousand and $40,394 thousand for the six months ended June 30, 2012 and 2011, respectively.

e. As of June 30, 2012 and 2011, financial assets exposed to fair value interest rate risk amounted to $744,981 thousand and $193,364 thousand, respectively; financial liabilities exposed to fair value interest rate risk amounted to $472,994 thousand and $58,180 thousand, respectively; financial assets exposed to cash flow interest rate risk amounted to $790,828 thousand and $1,275,164 thousand, respectively. There were both no financial liabilities exposed to cash flow interest rate risk on June 30, 2012 and 2011.

f. As of June 30, 2012 and 2011, the interest income (expense) associated with financial assets (liabilities) other than those at FVTPL was as follows:

	Six Months Ended June 30	
	2012	**2011**
Total interest income	$ 3,565	$ 1,879
Total interest expense	(7,116)	(4,334)

g. Financial risks

1) Market risk

The Company invests in forward exchange contract, of which the fair values are affected by changes in market interest rates. The expiry dates of the Company's outstanding forward exchange contract as of June 30, 2012 are between July 4, 2012 and December 6, 2012. Management does not expect the changes of the fair values to be material.

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Group if the counter-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The 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 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 EUR2,397 thousand, JPY77,000 thousand, and US$2,495 thousand and cash inflow of NT$194,670 thousand from July 4, 2012 to December 6, 2012. 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:

	June 30					
	2012			2011		
	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)
Financial assets						
Monetary items						
USD	$ 77,795	29.88	$ 2,324,521	$ 86,592	28.725	$ 2,401,169
JPY	198,303	0.3754	74,443	54,704	0.3573	19,546
EUR	7,328	37.56	275,234	17,786	41.63	740,438
RMB	29,785	4.7242	140,710	8,877	4.4386	39,402
HKD	-	-	-	51	3.691	190
CLP	1,596,851	0.05862	93,606	-	-	-
Non-monetary items						
USD	-	-	-	13	28.725	367
EUR	44	37.56	1,657	-	-	-
Investments accounted for by the equity method						
RMB	1,500	4.7242	7,086	-	-	-
Financial liabilities						
Monetary items						
USD	113,961	29.88	3,405,145	80,203	28.725	2,303,827
EUR	62	37.56	2,322	1,778	41.63	74,005
HKD	26	3.802	100	94	3.691	348
GBP	1	47.24	45	-	-	-
JPY	3,719	0.3754	1,396	4,962	0.3573	1,773
RMB	33,175	4.7242	156,725	19,991	4.4386	88,732
CLP	74,656	0.05862	4,376	-	-	-
Non-monetary items						
USD	1	29.88	29	-	-	-
EUR	-	-	-	1	41.63	61
JPY	1,159	0.3754	435	-	-	-

24. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for the Group:

a. Financing provided: Table 1 (attached);

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

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

d. Marketable securities acquired and 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: None;

i. Names, locations, and related information of investees over which the Company exercises significant influence: Table 6 (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 7 (attached);

   2) Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss: Table 8 (attached);

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

   4) Financing 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 8 (attached)

25. OPERATING SEGMENT FINANCIAL INFORMATION

The Group is solely engaged in manufacturing and selling of computer equipment. Thus, information regarding segment reporting is not applicable.

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 the 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 Taiwan Stock Exchange ("TSE") or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their consolidated financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards (IASs), and the Interpretations as well as related guidance translated by the Accounting Research and Development Foundation (ARDF) and issued by the FSC. To comply with this framework, the Company has set up a project team and made a plan to adopt the IFRSs. Leading the implementation of this plan is Mr. Jess Pu, the chief financial officer. The main contents of the plan, anticipated schedule, and status of execution as of June 30, 2012 were as follows:

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

(Continued)

Contents of Plan	Expected Completion Date	Status of Execution
14) Complete the modification to the relevant internal controls (including the financial reporting process and relevant IT systems)	November 2011	Finished

(Concluded)

b. As of June 30, 2012, the material differences and effects between the existing accounting policies and the accounting policies to be adopted under IFRSs were as follows:

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

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

2) Reconciliation of consolidated balance sheet as of June 30, 2012:

R.O.C. GAAP		Effect of the Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Current assets	$ 6,243,398	$ -	$ (36,660)	$ 6,206,738	Current assets	c)
Long-term investments	92,826	-		92,826	Long-term investments	
Property, plant and equipment	961,215	-	4,743	965,958	Property, plant and equipment	b)
Investment properties	-	-	81,780	81,780	Investment properties	a)
Intangible assets	13,873	(1,191)	22,705	35,387	Intangible assets	b), e)
Other assets	239,156	50	(70,803)	168,403	Other non-current assets	a), b), c), d)
Total assets	$ 7,550,468	$ (1,141)	$ 1,765	$ 7,551,092	Total assets	
Current liabilities	$ 3,869,632	$ -	$ -	$ 3,869,632	Current liabilities	
Other liabilities	11,547	4,877	1,765	18,189	Other non-current liabilities	c), e)
Total liabilities	3,881,179	4,877	1,765	3,887,821	Total liabilities	
Capital stock	3,401,313	-	-	3,401,313	Capital stock	
Capital surplus	309,074	(2,325)	-	306,749	Capital surplus	g)
Retained earnings	100,827	(17,197)	-	83,630	Retained earnings	d), e), f), 4)
Other stockholders' equity	(162,786)	11,179	-	(151,607)	Other stockholders' equity	e), f)
Equity attributable to stockholders' of the parent	3,648,428	(8,343)		3,640,085	Equity attributable to stockholders' of the parent	
Minority interests	20,861	2,325	-	23,186	Non-controlling interests	g)
Total stockholders' equity	3,669,289	(6,018)	-	3,663,271	Total stockholders' equity	
Total	$ 7,550,468	$ (1,141)	$ 1,765	$ 7,551,092	Total	

3) Reconciliation of consolidated statement of comprehensive income for the six months ended June 30, 2012:

R.O.C. GAAP		Effect of the Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	Note
Operating revenues, net	$ 5,957,242	$ -	$ -	$ 5,957,242	Operating revenues, net	
Operating costs	(5,235,412)	-	-	(5,235,412)	Operating costs	
Gross profit	721,830	-	-	721,830	Gross profit	
Operating expenses					Operating expenses	
Marketing	(287,814)	63	-	(287,751)	Marketing	e)
General and administrative	(224,731)	77	-	(224,654)	General and administrative	e)
Research and development	(157,982)	187	-	(157,795)	Research and development	e)
Total operating expenses	(670,527)	327	-	(670,200)	Total operating expenses	
Income from operations	51,303	327	-	51,630	Income from operations	
Non-operating income and gains					Non-operating income and gains	
Interest income	3,565	-	(3,565)	-		h)
Gain on sale of investments, net	49,452	-	(49,452)	-		h)
Finance costs	-	-	(7,116)	(7,116)	Finance costs	h)
Valuation gain on financial instruments, net	1,193	-	(1,193)	-		
Dividend income	29	-	(29)	-		
Gain on disposal of property, plant and equipment	372	-	(372)	-		h)
	-	-	39,329	39,329	Other gains and losses	h)
Others	28,055	-	(23,578)	4,477	Other income	h)
	82,666	-	(45,976)	36,690		
Non-operating expense and losses						
Exchange loss, net	(11,353)	-	11,353	-		h)
Interest expense	(7,116)	-	7,116	-		h)
Others	(27,507)	-	27,507	-		h)
	(45,976)	-	45,976	-		
Income before income tax	87,993	327	-	88,320	Income before income tax	
Income tax benefit	7,150	50	-	7,200	Income tax benefit	d)
Net income	$ 95,143	$ 377	$ -	95,520	Net income	
				(17,682)	Exchange differences on translating foreign operations	h)
				(44,641)	Valuation gain on available-for-sale financial assets, net	h)
				(62,323)	Other comprehensive income for the period, net of tax effect	
				$ 33,197	Total comprehensive income for the period	

4) Special reserve at transition date of IFRSs

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

5) Exemptions from IFRS 1

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

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

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

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

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

e) Cumulative translation differences:

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

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

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

6) Notes to the significant reconciliation of transition to IFRSs

a) Classification of investment properties

As of January 1, 2012 and June 30, 2012, certain assets of the Group meet the definitions of IAS No. 40 "Investment Property" and were reclassified from other asset - leased assets to investment property in the amount of $81,953 thousand and $81,780 thousand, respectively.

b) Classification of deferred charges

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

As of January 1, 2012 and June 30, 2012, deferred charges reclassified to property, plant and equipment was $2,651 thousand and $4,743 thousand, respectively, and deferred charges reclassified to intangible assets was $21,459 thousand and $22,705 thousand, respectively.

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

Under R.O.C. GAAP, a deferred tax asset and liability is classified as current or non-current in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as either current or non-current based on the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset and liability is classified as non-current asset or liability and can not be presented by offsetting each other.

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

As of January 1, 2012 and June 30, 2012, deferred income tax assets reclassified to non-current assets was $31,412 thousand and $38,425 thousand, respectively; deferred income tax assets reclassified to deferred income tax liabilities was $2,741 thousand and $1,765 thousand, respectively.

d) Income tax

According to IAS No. 12 “Income Taxes”, the Group shall adjust related income tax accounts (income tax expense or benefit, deferred income tax assets or liabilities) due to transition to IFRSs. For six months ended June 30, 2012, the Group increased income tax benefit by $50 thousand due to transition to IFRSs.

e) Employee benefits

The Group had previously applied an actuarial valuation on its defined benefit obligation and recognized the related pension cost and retirement benefit obligation in conformity with R.O.C. GAAP. Under IFRSs, the Group should carry out actuarial valuation on defined benefit obligation in accordance with IAS No. 19, “Employee Benefits.”

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

Due to the transition to IFRSs, as of January 1, 2012 and June 30, 2012, accrued pension cost (recorded as other liabilities) increased by $5,204 thousand and $4,877 thousand, respectively; deferred pension costs both decreased by $1,191 thousand; retained earnings both decreased by $7,255 thousand; and net loss not recognized as pension cost both decreased by $860 thousand. For six months ended June 30, 2012, pension cost decreased by $327 thousand (including marketing expense $63 thousand, general and administrative expense $77 thousand, and research and development expense $187 thousand).

f) Cumulative translation differences:

The Group elected to recorded all cumulative translation adjustments as zero and recognized as retained earnings at the date of transition to IFRSs. As of January 1, 2012 and June 30, 2012, cumulative translation adjustments (recorded as other equity) both increased by $10,319 thousand and retained earnings both decreased by $10,319 thousand.

g) Capital surplus-long-term investments

Under R.O.C. GAAP, if an investee issues new shares and an investor does not purchase the new shares based on its holding percentage, the resulting changes should be adjusted to long-term investment and capital surplus - long-term investments. Under IFRSs, if such change does not result in loss of controlling power of the investee, it would be deemed as equity transaction. As of June 30, 2012, the capital surplus - long-term investments decreased by $2,325 thousand and non-controlling interest increased by $2,325 thousand.

h) Presentation of consolidated statement of comprehensive income

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

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

TABLE 1

SHUTTLE INC. AND SUBSIDIARIES

FINANCING PROVIDED
SIX MONTHS ENDED JUNE 30, 2012
(In Thousands of New Taiwan Dollars)

No.	Financing Company Name	Borrower	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Type of Financing (Note 1)	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company (Note 2)	Financing Company's Financing Amount Limits (Note 3)
											Item	Value		
0	Shuttle Inc.	S.C.J.	Other receivable - related parties	$ 17,090	$ -	-	a.	$ 39,650	-	$ -	-	-	$ 66,930	$ 720,714

Note 1: Type of financing:

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

Note 2: The maximum financing amount is the transaction amount during the six months ended June 30, 2012.

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

SHUTTLE INC. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
SIX MONTHS ENDED JUNE 30, 2012
(In Thousands of New Taiwan Dollars)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Each Guaranteed Party's Endorsement/ Guarantee Amount (Note 1)	Maximum Balance for the Period	Ending Balance	Value of Collateral	Ratio of Accumulated Amount of Collateral to Net Equity Shown in the Latest Financial Statements	Maximum Collateral/ Guarantee Amounts Allowed (Note 2)
		Name	Nature of Relationship						
0	Shuttle Inc.	S.H.K.	Subsidiary Holco (BVI) Inc.	$ 2,702,678	$ 1,656,520	$ 1,633,240	$ -	45.32%	$ 2,702,678
		S.C.C.	Subsidiary Holco (BVI) Inc.	2,702,678	8,853	8,853	8,853	0.25%	2,702,678

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
JUNE 30, 2012
(Amounts in Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2012 Shares/Units	June 30, 2012 Carrying Value (Note 3)	June 30, 2012 Percentage of Ownership (%)	June 30, 2012 Market Value or Net Asset Value (Note 1)	Note
Shuttle Inc.	Stock							
	Holco (BVI) Inc.	Subsidiary	Investments accounted for using equity method	3,270	$ 967,679	100.00	$ 967,679	Note 5
	Gold Fountain Limited	Subsidiary	〃	19,425,886	498,140	100.00	498,140	Note 5
	Hong Yi Investment Co., Ltd.	Subsidiary	〃	16,000,000	137,337	100.00	137,337	Note 5
	Shuttle Computer Incorporation	Subsidiary	〃	2,520,000	25,202	100.00	25,202	Note 5
	Prime View International Co., Ltd.	-	Available-for-sale financial assets - current	1,835,000	105,852	0.17	60,097	
	WT Microelectronics Co., Ltd.	-	〃	1,012,383	44,595	0.31	40,748	
	Amtran Technology Co., Ltd.	-	〃	784,711	25,316	0.10	18,833	
	Mediatek Inc.	-	〃	30,420	17,765	-	8,305	
	Au Optronics Corp.	-	〃	216,298	12,682	-	2,606	
	ARMH-Arm Holdings Plc.	-	〃	11,450	8,446	-	8,139	
	Elitegroup Computer Systems Co., Ltd.	-	Available-for-sale financial assets - noncurrent	684,377	46,411	0.06	8,418	
	Elad Europe Ltd.	-	〃	637,522	19,308	0.85	5,137	
	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	14,390	Emerging stock
	Technology Partner IVVenture Capital Corp.	-	〃	1,800,000	18,000	3.24	9,661	
	iCatch Technology, Inc.	-	〃	2,500,000	35,000	4.55	23,971	
	Fund							
	Franklin Temp SinoAm Glbl Mi Yid BdA	-	Available-for-sale financial assets - current	100,000	1,000	-	1,000	
Holco (BVI) Inc.	Share certificate							
	S.H.K.	Subsidiary	Investments accounted for using equity method	-	833,178	100.00	833,178	Note 5
	S.H.A.	Subsidiary	〃	-	29,268	100.00	29,268	Note 5
	KAKI	Subsidiary	〃	-	35,088	75.00	35,088	Note 5
	Atron Mall	Subsidiary	〃	-	41,692	100.00	41,692	Note 5

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2012				Note
				Shares/Units	Carrying Value (Note 3)	Percentage of Ownership (%)	Market Value or Net Asset Value (Note 1)	
Gold Fountain Limited	Stock							
	S.C.G.	Subsidiary	Investments accounted for using equity method	30,000	$ 125,339	100.00	$ 125,339	Note 5
	S.C.H.	Subsidiary	〃	-	155,045	100.00	155,045	Note 5
	S.C.J.	Subsidiary	〃	1,000	24,279	100.00	24,279	Note 5
	S.C.B.	Subsidiary	〃	638,085	9,397	100.00	9,397	Note 5
	Share certificate							
	S.C.M.	Subsidiary	〃	-	-	100.00	-	Note 2 and 5
	S.C.E.	Subsidiary	〃	-	5,052	100.00	5,052	Note 5
	S.C.Q.	Subsidiary	〃	-	27,803	100.00	27,803	Note 5
	S.C.S.	Subsidiary	〃	-	157,759	100.00	157,759	Note 5
Hong Yi Investment Co., Ltd.	Stock							
	Ares International Corporation.	Chairman within second degree of kinship to the Company's chairman	Available-for-sale financial assets - current	1,214,546	11,769	2.57	21,680	
	WT Microelectronics Co., Ltd.	-	〃	707,234	31,153	0.21	28,466	
	Prime View International Co., Ltd.	-	〃	476,000	28,646	0.04	15,589	
	Partner Tech Corp.	-	Financial assets carried at cost - noncurrent	1,631,901	10,052	2.66	19,676	Emerging stock
	GVision Co., Ltd.	-	〃	105,470	1,781	0.42	-	
Atron Mall, Inc.	Share certificate							
	S.C.C.	Subsidiary	Investments accounted for using equity method	-	40,178	75.00	40,178	Note 5
S.C.S.	Share certificate							
	Shanghai Wiwin Information Technology Co., Ltd.	-	Investments accounted for using equity method	-	7,086	30.00	7,086	

Note 1: For investments accounted for using equity method and financial assets carried at cost with no quoted market prices, their fair values are determined by the Company's proportionate share in the investee's equity. Fair values of available-for-sale investments are based on closing prices as of June 30, 2012. Mutual funds are based on net asset values as of June 30, 2012.

Note 2: The accumulated book value had a credit amount of $7,689 thousand as of June 30, 2012 and was classified as other liabilities.

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

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

Note 5: The amount was eliminated upon consolidation.

(Concluded)

SHUTTLE INC. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2012
(In Thousands of New Taiwan Dollars, Except Shares/Units)

Acquiring or Selling Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal		Adjustment Arising from Changes in Percentage of Ownership in Investees	Investment Loss Recognized Under Equity Method	Cumulative Translation Adjustments	Ending Balance	
					Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount				Shares (Thousand)	Amount
Shuttle Inc.	Domestic unquoted common stocks Holco (BVI) Inc.	Investment accounted for using equity method	-	Subsidiary	2,152.55	$ 703,098	$ 1,117.45	$ 324,567 (Note 1)	-	$ -	2,325	$ (55,866) (Note 2)	$ (6,445)	3,270	$ 967,679
Holco (BVI) Inc.	Domestic unquoted common stocks S.H.K.	Investment accounted for using equity method	-	Subsidiary	-	630,669	-	295,863 (Note 1)	-	-	-	(87,418) (Note 3)	(5,936)	-	833,178

Note 1: The amount of additional investment.

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

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

Note 4: The amount was eliminated upon consolidation.

TABLE 5

SHUTTLE INC. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2012
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Shuttle Inc.	S.C.G.	Subsidiary of Gold Fountain Limited	Sale	$ (142,882)	(21)	Within 120 days	Note 1	Month end 120 days	$ 53,018	18	
	S.C.H.	Subsidiary of Gold Fountain Limited	Sale	(145,925)	(22)	Within 120 days	Note 1	Month end 120 days	65,629	21	
S.C.G.	Shuttle Inc.	Parent company of Gold Fountain Limited	Purchase	142,882	91	Within 120 days	Note 1	Month end 120 days	(53,018)	(79)	
S.C.H.	Shuttle Inc.	Parent company of Gold Fountain Limited	Purchase	145,925	86	Within 120 days	Note 1	Month end 120 days	(65,629)	(96)	

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

Note 2: The amount was eliminated upon consolidation.

SHUTTLE INC. AND SUBSIDIARIES

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

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2012			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				June 30, 2012	June 30, 2011	Shares	Percentage of Ownership	Carrying Value			
Shuttle Inc.	Gold Fountain Limited	Cayman Islands	Holding company	$ 841,652	$ 804,499	19,425,886	100	$ 498,140	$ 28,140	$ 28,140	Subsidiary; Note 2
	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	137,337	20,116	20,116	Subsidiary; Note 2
	Holco (BVI) Inc.	B.V.I.	Holding company	986,057	661,490	3,270	100	967,679	(55,866)	(55,866)	Subsidiary; Note 2
	Shuttle Computer Incorporation	1F., No. 30, Ln. 76, Ruiguang Rd., Neihu Dist., Taipei City	Selling of computer peripherals	50,000	50,000	2,520,000	100	25,202	49	49	Subsidiary; Note 2
Holco (BVI) Inc.	S.H.K.	Unit 511 5/F, Tower 1 Silvercord 30 Canton Road Kl	Selling of computer peripherals	909,522	613,659	-	100	833,178	(87,418)	(87,418)	Indirect subsidiary; Note 1
	S.C.A.	48389 Fremont Blvd Ste 110 Fremont CA 94538-6558	Selling of computer peripherals	25,737	25,737	-	100	29,268	5,964	5,964	Indirect subsidiary; Note 2
	KAKI.	2F, West Wing, Guanghua Building, Terra 8th Road, Futian District, Shenzhen	Selling of computer peripherals	43,024	14,320	-	75	35,088	(13,005)	(7,303)	Indirect subsidiary; Note 2
	Atron Mall	17068 Evergreen PL, City of Industry, CA 91745 U.S.A.	Holding company	7,834	-	-	100	41,692	33,809	33,809	Indirect subsidiary; Note 2
Gold Fountain Limited	S.C.G.	17068 Evergreen Place Industry, CA 91745 U.S.A.	Selling of computer peripherals	186,662	186,662	30,000	100	125,339	(691)	(691)	Indirect subsidiary; Note 2
	S.C.H.	Fritz-Strassmann Str. 5 D-25337 Elmshorn, Germany	Selling of computer peripherals	239,815	239,815	-	100	155,045	2,298	2,298	Indirect subsidiary; Note 2
	S.C.B.	Avenida Brigadeiro Faria Lima, 1903-CJ. 143 - Jardim Paulist Ano	Selling of computer peripherals	10,624	-	638,085	100	9,397	(40)	(40)	Indirect subsidiary; Note 2
	S.C.M.	6H, West Wing, No. 210 Bldg Terra Technical & Commercial Garden, Terra 4th Road, Shenzhen	Selling of computer peripherals	40,457	40,457	-	100	-	10,645	10,645	Indirect subsidiary; Notes 2 and 3
	S.C.J.	7F, Aioisonpo Building, 2-8-11 Sumiyosi Koutou-Ku Tokyo 135-0002, Japan	Selling of computer peripherals	34,658	16,804	1,000	100	24,279	279	279	Indirect subsidiary; Note 2
	S.C.E.	D26, 8 Floor, No. 210 Bldg Terra Technical & Commercial Garden, Terra 4th Road, Shenzhen	Selling of computer peripherals	25,736	25,736	-	100	5,052	(1,309)	(1,309)	Indirect subsidiary; Note 2
	S.C.Q.	No. 520, Haoteng Road, Development Zone, Kunshan Jiangsu P.R. China	Selling of computer peripherals	32,010	32,010	-	100	27,803	(661)	(661)	Indirect subsidiary; Note 2
	S.C.S.	No. 200, Central Suhong Rd. Integrated Free Trade Zone, Suzhou Industrial Park	Selling of computer peripherals	215,745	208,250	-	100	157,759	18,648	18,648	Indirect subsidiary; Note 1
Atron Mall, Inc.	S.C.C.	Santa Clara 301 of 2806 Hue Churaba, Santiago, Chile	Selling of computer peripherals	5,440	-	-	75	40,178	45,119	33,839	Note 2

(Continued)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2012			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				June 30, 2012	June 30, 2011	Shares	Percentage of Ownership	Carrying Value			
S.C.S.	Shanghai Wiwin Information Technology Co., Ltd.	Room 203, No. 10, Lane 198, Zhangheng Rd., Zhongjiang Hi-Tech Park Shanghai 201203, China	Selling of computer peripherals	$ 7,086	$ -	-	30	$ 7,086	$ -	$ -	Note 2

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

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

Note 3: The accumulated book value had a credit amount of $7,689 thousand as of June 30, 2012 and was classified as other liabilities.

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

(Concluded)

SHUTTLE INC. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
SIX MONTHS ENDED JUNE 30, 2012
(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2012	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2012	Percentage of Ownership in Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of June 30, 2012	Accumulated Inward Remittance of Earnings as of June 30, 2012
					Outflow	Inflow					
S.C.M.	Selling of computer peripherals	$ 40,457	(Note 1)	$ 40,457	$ -	$ -	$ 40,457	100	$ 10,645	$ - (Note 4)	$ -
S.C.E.	Selling of computer peripherals	25,736	(Note 1)	25,736	-	-	25,736	100	(1,309)	5,052	-
S.C.Q.	Selling of computer peripherals	32,010	(Note 1)	32,010	-	-	32,010	100	(661)	27,803	-
S.C.S.	Selling of computer peripherals	215,745	(Note 1)	208,250	7,495	-	215,745	100	18,648	157,759	-
KAKI	Selling of computer peripherals	57,125	(Note 1)	14,320	28,704	-	43,024	75	(7,303)	35,088	-

Accumulated Investment in Mainland China as of June 30, 2012	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 3)
$364,593	US$16,750,000	$3,648,428 × 60% = $2,189,057

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

Note 2: Except those of S.C.S. were calculated on audited financial statements, the investment gains or losses were calculated on 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 $7,689 thousand as of June 30, 2012 and was classified as other liabilities.

Note 5: The amount was eliminated upon consolidation.

SHUTTLE INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Nature of Relationship (Note)	Transaction Details			% to Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
	Six months ended June 30 2012						
0	Shuttle Inc.	S.C.G.	1	Accounts receivable from related parties	$ 53,018	Month end 120 days	1
			1	Sales revenue	142,882	Month end 120 days	2
			1	Other non-operation gain	3	Month end 120 days	-
		S.C.H.	1	Accounts receivable from related parties	65,629	Month end 120 days	1
			1	Sales revenue	145,925	Month end 120 days	2
			1	Other non-operation gain	28	Month end 120 days	-
		S.C.J.	1	Accounts receivable from related parties	34,874	Month end 120 days	-
			1	Sales revenue	39,650	Month end 120 days	1
			1	Other non-operation gain	34	Month end 120 days	-
		S.C.M.	1	Accounts receivable from related parties	3,728	Month end 120 days	-
			1	Sales revenue	4,568	Month end 120 days	-
		S.H.K.	1	Accounts receivable from related parties	74,537	Month end 120 days	1
			1	Accounts payable from related parties	7,958	Month end 120 days	-
			1	Technical service income	324,043	Month end 120 days	5
			1	Cost of goods sold	15,466	Month end 120 days	-
			1	Other non-operation gain	3	Month end 120 days	-
		S.C.E.	1	Accounts payable from related parties	1,962	Month end 120 days	-
		S.C.A.	1	Accounts payable from related parties	916	Month end 120 days	-
		S.C.Q.	1	Accounts payable from related parties	3,902	Month end 120 days	-
			1	R&D expense	11,926	Month end 120 days	-
		S.C.S.	1	Accounts receivable from related parties	1,909	Month end 120 days	-
			1	Gain on disposal of property, plant and equipment	34	Month end 120 days	-
		KAKI	1	Accounts receivable	809	Month end 120 days	-
			1	Sales revenue	809	Month end 120 days	-
1	Gold Fountain Limited	S.H.K.	2	Accounts payable from related parties	178	Month end 120 days	-
2	S.C.G.	Shuttle Inc.	3	Accounts payable from related parties	53,018	Month end 120 days	1
			3	Cost of goods sold	142,885	Month end 120 days	2
		S.H.K.	2	Accounts payable from related parties	11,422	Month end 120 days	-
			2	Cost of goods sold	22,826	Month end 120 days	-
3	S.C.H.	Shuttle Inc.	3	Accounts payable from related parties	65,629	Month end 120 days	1
			3	Cost of goods sold	145,953	Month end 120 days	2
		S.H.K.	2	Accounts payable from related parties	1,942	Month end 120 days	-
			2	Cost of goods sold	1,928	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	
4	S.C.J.	Shuttle Inc.	3	Accounts payable from related parties	$ 34,874	Month end 120 days	-
			3	Cost of goods sold	39,684	Month end 120 days	1
5	S.C.M.	Shuttle Inc.	3	Accounts payable from related parties	3,728	Month end 120 days	-
			3	Cost of goods sold	4,568	Month end 120 days	-
		S.H.K.	2	Accounts payable from related parties	3,240	Month end 120 days	-
			2	Other non-operation gain	35,593	Month end 120 days	1
		KAKI	2	Accounts receivable from related parties	561	Month end 120 days	-
			2	Accounts payable from related parties	74	Month end 120 days	-
		S.H.E.	2	Accounts payable from related parties	2,933	Month end 120 days	-
6	S.C.A.	Shuttle Inc.	3	Accounts receivable from related parties	916	Month end 120 days	-
		S.C.S.	2	Accounts receivable from related parties	171	Month end 120 days	-
		S.H.K.	2	Accounts receivable from related parties	14,259	Month end 120 days	-
			2	Other non-operation gain	25,904	Month end 120 days	-
7	S.C.E.	Shuttle Inc.	3	Accounts receivable from related parties	1,962	Month end 120 days	-
		KAKI	2	Accounts receivable from related parties	121	Month end 120 days	-
		S.H.K.	2	Accounts receivable from related parties	49	Month end 120 days	-
			2	Accounts receivable from related parties	2,933	Month end 120 days	-
		S.C.S.	2	Non-operating expense	1,312	Month end 120 days	-
8	S.H.K.	Shuttle Inc.	3	Accounts payable from related parties	74,537	Month end 120 days	1
			3	Accounts receivable from related parties	7,958	Month end 120 days	-
				Sales revenue	15,466	Month end 120 days	-
			3	Cost of goods sold	3	Month end 120 days	-
			3	General and administrative expense	324,043	Month end 120 days	5
		Gold Fountain Limited	2	Accounts receivable from related parties	178	Month end 120 days	-
		S.C.M.	2	Accounts receivable from related parties	3,240	Month end 120 days	-
			2	Selling expense	35,593	Month end 120 days	1
		S.C.S.	2	Accounts payable from related parties	751,828	Month end 120 days	10
			2	Sales revenue	663	Month end 120 days	-
			2	Cost of goods sold	172,508	Month end 120 days	3
			2	General and administrative expense	25,738	Month end 120 days	-
		S.C.G.	2	Accounts receivable from related parties	11,422	Month end 120 days	-
			2	Sales revenue	22,826	Month end 120 days	-
		S.C.H.	2	Accounts receivable from related parties	1,942	Month end 120 days	-
			2	Sales revenue	1,928	Month end 120 days	-
		S.C.Q.	2	Accounts receivable from related parties	1,903	Month end 120 days	-
		S.C.E.	2	Accounts payable from related parties	49	Month end 120 days	-
		KAKI	2	Accounts receivable from related parties	52,039	Month end 120 days	1
			2	Sales revenue	51,028	Month end 120 days	1
		S.C.A.	2	Accounts payable from related parties	14,259	Month end 120 days	-
			2	Operating expense	25,904	Month end 120 days	-
		S.C.C.	2	Accounts receivable from related parties	128,013	Month end 120 days	2
			2	Sales revenue	184,915	Month end 120 days	3
			2	Selling expense	5,948	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	
9	S.C.Q.	Shuttle Inc.	3	Accounts receivable from related parties	$ 3,902	Month end 120 days	-
			3	Sales revenue	11,926	Month end 120 days	-
		S.H.K.	2	Accounts payable from related parties	1,903	Month end 120 days	-
10	KAKI	Shuttle Inc.	3	Accounts payable from related parties	809	Month end 120 days	-
			3	Cost of goods sold	809	Month end 120 days	-
		S.C.E.	2	Accounts payable from related parties	121	Month end 120 days	-
		S.C.S.	2	Accounts payable from related parties	58	Month end 120 days	-
		S.C.M.	2	Accounts receivable from related parties	74	Month end 120 days	-
			2	Accounts payable from related parties	561	Month end 120 days	-
		S.H.K.	2	Accounts payable from related parties	52,039	Month end 120 days	1
			2	Cost of goods sold	51,028	Month end 120 days	1
11	S.C.S.	Shuttle Inc.	3	Accounts payable from related parties	1,909	Month end 120 days	-
			3	Cost of goods sold	34	Month end 120 days	-
		S.H.K.	2	Accounts receivable from related parties	751,828	Month end 120 days	10
			2	Sales revenue	25,738	Month end 120 days	-
			2	Sales revenue	172,508	Month end 120 days	3
			2	Cost of goods sold	5	Month end 120 days	-
			2	General and administrative expense	658	Month end 120 days	-
		KAKI	2	Accounts receivable from related parties	58	Month end 120 days	-
		S.C.A.	2	Accounts payable from related parties	171	Month end 120 days	-
		S.C.E.	2	Non-operating gain	1,312	Month end 120 days	-
12	S.C.C.	S.H.K.	2	Accounts payable from related parties	128,013	Month end 120 days	2
			2	Sales revenue	5,948	Month end 120 days	-
			2	Cost of goods sold	184,915	Month end 120 days	3
	Six months ended June 30 2011						
0	Shuttle Inc.	S.C.H.	1	Sales revenue	106,896	Month end 120 days	2
			1	Other non-operating gain	72	Month end 120 days	-
			1	Accounts receivable from related parties	59,561	Month end 120 days	1
		S.C.G.	1	Sales revenue	90,855	Month end 120 days	2
			1	Other non-operating gain	50	Month end 120 days	-
			1	Accounts receivable from related parties	49,433	Month end 120 days	1
		S.C.J.	1	Sales revenue	44,066	Month end 120 days	1
			1	Other non-operating gain	10	Month end 120 days	-
			1	Accounts receivable from related parties	40,641	Month end 120 days	1
		S.C.M.	1	Sales revenue	471,832	Month end 120 days	11
			1	Other non-operating gain	521	Month end 120 days	-
			1	Accounts receivable from related parties	103,569	Month end 120 days	2
			1	Payment on behalf of others	292,519	Month end 120 days	5
			1	Cost of goods sold	64,575	Month end 120 days	1
		S.C.E.	1	Accounts payable to related parties	5,967	Month end 120 days	-
			1	R&D - pilot production	13,874	Month end 120 days	-
			1	Other non-operating gain	17	Month end 120 days	-
		S.C.A.	1	Selling - commission	15,429	Month end 90 days	-

(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 payable to related parties	$ 6,264	Month end 90 days	-
		S.C.S.	1	Other non-operating gain	31	Month end 120 days	-
			1	Other receivables	32,863	Month end 120 days	1
		S.H.K.	1	Sales revenue	65,625	Month end 120 days	1
			1	Technical service income	97,786	Month end 120 days	2
			1	Cost of goods sold	723	Month end 120 days	-
			1	Other non-operating gain	260	Month end 120 days	-
			1	Accounts receivable from related parties	33,631	Month end 120 days	1
			1	Payment on behalf of others	1,132,326	Month end 120 days	17
		S.C.Q.	1	Sales revenue	218	Month end 120 days	-
			1	R&D - pilot production	12,603	Month end 120 days	-
			1	Accounts payable to related parties	12,388	Month end 120 days	-
1	S.C.H.	Shuttle Inc.	2	Cost of goods sold	106,968	Month end 120 days	2
			2	Accounts payable to related parties	59,561	Month end 120 days	1
2	S.C.G.	Shuttle Inc.	2	Cost of goods sold	90,905	Month end 120 days	2
			2	Accounts payable to related parties	49,433	Month end 120 days	1
		S.C.M.	3	Cost of goods sold	201	Month end 45 days	-
			3	Accounts payable to related parties	198	Month end 45 days	-
3	S.C.J.	Shuttle Inc.	2	Cost of goods sold	44,076	Month end 100 days	1
			2	Accounts payable to related parties	40,641	Month end 100 days	1
4	S.C.M.	Shuttle Inc.	2	Cost of goods sold	472,353	Month end 120 days	11
			2	Accounts payable to related parties	103,569	Month end 120 days	2
			2	Other payables	292,519	Month end 120 days	5
			2	Sales revenue	64,575	Month end 120 days	1
		S.C.E.	3	Processing cost	14,699	Month end 45 days	-
			3	Accounts payable to related parties	281	Month end 45 days	-
		S.C.G.	3	Sales revenue	201	Month end 45 days	-
			3	Accounts receivable from related parties	198	Month end 45 days	-
		S.C.S.	3	Processing cost	23,115	Month end 45 days	1
			3	Sales revenue	774	Month end 45 days	-
			3	Accounts payable to related parties	3,129	Month end 45 days	-
		S.C.A.	3	Accounts payable to related parties	270	Month end 45 days	-
		S.H.K.	3	Accounts payable to related parties	20,867	Month end 120 days	-
			3	Cost of goods sold	411	Month end 120 days	-
5	S.C.A.	Shuttle Inc.	2	Other non-operating gains	15,429	Month end 90 days	-
			2	Accounts receivable from related parties	6,264	Month end 90 days	-
		S.C.M.	3	Accounts receivable from related parties	270	Month end 45 days	-
		S.H.K.	3	Accounts receivable from related parties	13,169	Month end 120 days	-
			3	Other non-operating gains	13,327	Month end 120 days	-
		S.C.S.	3	Accounts receivable from related parties	182	Month end 120 days	-
6	S.C.E	Shuttle Inc.	2	Accounts receivable from related parties	5,967	Month end 120 days	-
			2	Sales revenue	13,874	Month end 120 days	-
			2	Cost of goods sold	17	Month end 120 days	-

(Continued)

No.	Company Name	Related Party	Nature of Relationship (Note)	Transaction Details			% to Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
		S.C.M.	3	Sales revenue	$ 14,699	Month end 45 days	-
			3	Accounts receivable from related parties	281	Month end 45 days	-
		S.H.K.	3	Accounts receivable from related parties	49	Month end 120 days	-
			3	Sales revenue	49	Month end 120 days	-
7	S.C.S.	Shuttle Inc.	2	Other payables	32,863	Month end 120 days	1
			2	Cost of goods sold	31	Month end 120 days	-
		S.C.M.	3	Sales revenue	23,115	Month end 45 days	1
			3	General and administrative expense	774	Month end 45 days	-
			3	Accounts receivable from related parties	3,129	Month end 45 days	-
		S.C.Q.	3	Accounts payable to related parties	186	Month end 45 days	-
		S.C.A.	3	Accounts payable to related parties	182	Month end 120 days	-
		S.H.K.	3	Accounts receivable from related parties	315,763	Month end 90 days	5
			3	Sales revenue	27,507	Month end 90 days	1
8	S.H.K.	Shuttle Inc.	2	Cost of goods sold	65,885	Month end 120 days	1
			2	Sales revenue	723	Month end 120 days	-
			2	Accounts payable to related parties	33,631	Month end 120 days	1
			2	Other payables	1,132,326	Month end 120 days	17
			2	Selling expense	97,786	Month end 120 days	2
		S.C.A.	3	Accounts payable to related parties	13,169	Month end 120 days	-
			3	Selling expense	13,327	Month end 120 days	-
		S.C.M.	3	Accounts receivable from related parties	20,867	Month end 120 days	-
			3	Sales revenue	411	Month end 120 days	-
		S.C.S.	3	Accounts payable to related parties	315,763	Month end 90 days	5
			3	Processing cost	27,507	Month end 90 days	1
		S.C.E.	3	Accounts payable to related parties	49	Month end 120 days	-
			3	Processing cost	49	Month end 120 days	-
9	S.C.Q.	Shuttle Inc.	2	Prepaid expense	218	Month end 120 days	-
			2	Sales revenue	12,603	Month end 120 days	-
			2	Accounts receivable from related parties	12,388	Month end 120 days	-
		S.C.S.	3	Accounts receivable from related parties	186	Month end 45 days	-

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

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

(Concluded)