Shuttle Inc.

Financial Statements for the
Years Ended December 31, 2012 and 2011 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Shuttle Inc.

We have audited the accompanying balance sheets of Shuttle Inc. (the "Company") as of December 31, 2012 and 2011, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements as of and for the year ended December 31, 2011 of Hong Yi Investment Co., Ltd. ("Hong Yi") in which the Company has long-term investments accounted for using equity method. The carrying value of the investments was 3.28% ($135,276 thousand) of the Company's total assets as of December 31, 2011. The related investment loss was $4,454 thousand in 2011. The financial statements of Hong Yi were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Hong Yi, is based solely on the report of other auditors.

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

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Shuttle Inc. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of Shuttle Inc. and subsidiaries as of and for the years ended December 31, 2012 and 2011 and have issued a modified unqualified opinion thereon in our report dated March 21, 2013.

March 21, 2013

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

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

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

SHUTTLE INC.

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

ASSETS	2012 Amount	%	2011 Amount	%
CURRENT ASSETS				
Cash (Note 4)	$ 771,908	18	$ 958,527	23
Financial assets at fair value through profit or loss (Notes 2 and 5)	-	-	5,874	-
Available-for-sale financial assets (Notes 2 and 6)	121,254	3	172,970	4
Notes receivable (Notes 2 and 3)	-	-	100	-
Accounts receivable, net of allowance for doubtful accounts of $10,592 thousand in 2012 and $19,650 thousand in 2011 (Notes 2 and 3)	39,310	1	39,307	1
Accounts receivable - related parties, net (Notes 2, 3 and 18)	189,435	4	253,983	6
Other financial assets	8,913	-	23,160	1
Inventories (Notes 2 and 7)	177,970	4	192,000	5
Deferred income tax assets (Notes 2 and 15)	60,191	1	23,786	1
Refundable deposits (Note 20)	34,550	1	-	-
Other current assets	45,260	1	62,046	1
Total current assets	1,448,791	33	1,731,753	42
LONG-TERM INVESTMENTS				
Investments accounted for by the equity method (Notes 2 and 9)	2,235,335	52	1,307,611	32
Available-for-sale financial assets (Notes 2 and 6)	6,153	-	7,685	-
Financial assets carried at cost (Notes 2 and 8)	57,652	1	60,352	1
Total long-term investments	2,299,140	53	1,375,648	33
PROPERTY, PLANT, AND EQUIPMENT (Notes 2, 10 and 19)				
Cost				
Land	273,000	6	442,685	11
Buildings	228,819	5	453,827	11
Machinery and equipment	47,831	1	76,980	2
Transportation equipment	27,495	1	21,186	-
Office equipment	27,393	1	22,108	1
Other equipment	16,320	-	15,668	-
Total cost	620,858	14	1,032,454	25
Less: Accumulated depreciation	126,403	3	202,216	5
Less: Accumulated impairment	6,993	-	7,651	-
Construction in progress and prepayments for equipment	-	-	123	-
Property plant, and equipment, net	487,462	11	822,710	20
INTANGIBLE ASSETS				
Deferred pension cost (Notes 2 and 12)	30	-	1,191	-
OTHER ASSETS				
Assets leased to others (Notes 2, 11 and 19)	81,607	2	81,953	2
Refundable deposits (Note 20)	11,353	-	34,126	1
Deferred charges (Note 2)	14,565	1	21,182	1
Deferred income tax assets (Notes 2 and 15)	4,921	-	59,942	1
Total other assets	112,446	3	197,203	5
TOTAL	$ 4,347,869	100	$ 4,128,505	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2012 Amount	%	2011 Amount	%
CURRENT LIABILITIES				
Accounts payable	$ 175,896	4	$ 128,206	3
Accounts payable - related parties (Note 18)	7,745	-	18,469	1
Accrued expenses	285,539	7	294,309	7
Financial liabilities at fair value through profit or loss (Notes 2 and 5)	574	-	-	-
Other financial liabilities	1,865	-	4,044	-
Deferred credits - gain on intercompany transactions (Notes 2 and 18)	45,482	1	40,396	1
Other current liabilities	4,886	-	11,200	-
Total current liabilities	521,987	12	496,624	12
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 12)	567	-	12,373	-
Guarantee deposits	100	-	-	-
Deferred credits - gain on intercompany transactions (Notes 2 and 18)	579	-	647	-
Total other liabilities	1,246	-	13,020	-
Total liabilities	523,233	12	509,644	12
STOCKHOLDERS EQUITY				
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	78	3,521,583	86
Capital surplus				
Additional paid-in capital	201,765	5	208,899	5
Treasury stock transactions	104,984	2	87,195	2
Long-term investments	2,325	-	-	-
Total capital surplus	309,074	7	296,094	7
Retained earnings				
Legal reserve	1,126	-	-	-
Special reserve	10,136	-	-	-
Unappropriated earnings	318,261	8	11,262	-
Total retained earnings	329,523	8	11,262	-
Others				
Cumulative translation adjustments	(66,865)	(2)	(10,319)	-
Net loss not recognized as pension cost	-	-	(860)	-
Unrealized loss on financial instruments	(148,409)	(3)	(89,284)	(2)
Treasury stock - 12,027 thousand shares	-	-	(109,615)	(3)
Total other equity	(215,274)	(5)	(210,078)	(5)
Total stockholders' equity	3,824,636	88	3,618,861	88
TOTAL	$ 4,347,869	100	$ 4,128,505	100

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

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

SHUTTLE INC.

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

	2012		2011	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 18)				
Sales	$ 1,332,873	101	$ 1,941,686	104
Less: Sales returns and allowances	12,545	1	66,436	4
Net sales	1,320,328	100	1,875,250	100
Technical services revenue	669,176	51	396,047	21
Total operating revenues	1,989,504	151	2,271,297	121
OPERATING COSTS (Notes 7 and 18)				
Cost of goods sold	1,142,153	87	1,625,253	86
GROSS PROFIT	847,351	64	646,044	35
REALIZED (UNREALIZED) INTERCOMPANY GAIN (Note 2)	(5,086)	-	38,416	2
REALIZED GROSS PROFIT	842,265	64	684,460	37
OPERATING EXPENSES (Note 18)				
Marketing	172,070	13	137,389	7
General and administrative	169,780	13	162,273	9
Research and development	365,689	28	375,158	20
Total operating expenses	707,539	54	674,820	36
OPERATING INCOME	134,726	10	9,640	1
NONOPERATING INCOME AND GAINS (Notes 2, 5, 9 and 18)				
Investment gain recognized under equity method	193,938	15	-	-
Gain on sale of investments, net	18,898	2	-	-
Dividend income	12,427	1	10,285	1
Interest income	4,390	-	2,537	-
Rental revenue	1,750	-	1,260	-
Gain on disposal of property, plant and equipment	1,098	-	10,232	-
Exchange gain, net	-	-	10,762	1
Valuation gain on financial instruments, net	-	-	5,874	-
Others	40,244	3	38,363	2
Total nonoperating income and gains	272,745	21	79,313	4

(Continued)

SHUTTLE INC.

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

	2012		2011	
	Amount	**%**	**Amount**	**%**
NONOPERATING EXPENSES AND LOSSES (Notes 2, 5, 8, 9, 10 and 18)				
Loss on disposal of property, plant and equipment	$ 15,217	1	$ 28	-
Exchange loss, net	8,177	1	-	-
Valuation loss on financial instruments, net	574	-	-	-
Interest expense	7	-	1,767	-
Loss on sale of investment, net	-	-	21,900	1
Investment loss recognized under equity method	-	-	11,660	1
Impairment loss	-	-	4,702	-
Others	46,619	4	26,560	2
Total nonoperating expenses and losses	70,594	6	66,617	4
INCOME BEFORE INCOME TAX	336,877	25	22,336	1
INCOME TAX EXPENSE (Notes 2 and 15)	18,616	1	11,074	-
NET INCOME	$ 318,261	24	$ 11,262	1

	2012		2011	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 17)				
Basic	$ 0.99	$ 0.94	$ 0.06	$ 0.03
Diluted	$ 0.99	$ 0.93		

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

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

SHUTTLE INC.

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

	Common Capital Stock		Capital Surplus (Notes 2, 13 and 14)			Accumulated Deficit (Notes 2, 13 and 15)			Others (Notes 2 and 14)				
	Shares (In Thousands)	Amount	Additional Paid-in Capital	Treasury Stock Transactions	Long-term Investments	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Gain (Loss) on Financial Instruments	Treasury Stock	Total Stockholders' Equity
BALANCE, JANUARY 1, 2011	352,158	$ 3,521,583	$ 665,836	$ 87,195	$ -	$ -	$ -	$ (456,937)	$ (43,976)	$ -	$ 56,243	$ -	$ 3,829,944
Additional paid-in capital used to offset company losses	-	-	(456,937)	-	-	-	-	456,937	-	-	-	-	-
Acquisition of treasury stock - 12,027 thousand shares	-	-	-	-	-	-	-	-	-	-	-	(109,615)	(109,615)
Net changes in valuation gain/loss on available-for-sale financial assets - Shuttle Inc.	-	-	-	-	-	-	-	-	-	-	(95,202)	-	(95,202)
Net changes in valuation gain/loss on available-for-sale financial assets - subsidiaries	-	-	-	-	-	-	-	-	-	-	(50,325)	-	(50,325)
Translation adjustments	-	-	-	-	-	-	-	-	33,657	-	-	-	33,657
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	(860)	-	-	(860)
Net income for the year ended December 31, 2011	-	-	-	-	-	-	-	11,262	-	-	-	-	11,262
BALANCE, DECEMBER 31, 2011	352,158	3,521,583	208,899	87,195	-	-	-	11,262	(10,319)	(860)	(89,284)	(109,615)	3,618,861
Appropriation of 2011 earnings													
Legal reserve	-	-	-	-	-	1,126	-	(1,126)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	10,136	(10,136)	-	-	-	-	-
Retirement of treasury stock - 12,027 thousand shares	(12,027)	(120,270)	(7,134)	17,789	-	-	-	-	-	-	-	109,615	-
Net changes in valuation gain/loss on available-for-sale financial assets - Shuttle Inc.	-	-	-	-	-	-	-	-	-	-	(32,155)	-	(32,155)
Net changes in valuation gain/loss on available-for-sale financial assets - subsidiaries	-	-	-	-	-	-	-	-	-	-	(26,970)	-	(26,970)
Translation adjustments	-	-	-	-	-	-	-	-	(56,546)	-	-	-	(56,546)
Adjustment brought by changes in percentage of ownership in equity-method investees	-	-	-	-	2,325	-	-	-	-	-	-	-	2,325
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	860	-	-	860
Net income for the year ended December 31, 2012	-	-	-	-	-	-	-	318,261	-	-	-	-	318,261
BALANCE, DECEMBER 31, 2012	340,131	$ 3,401,313	$ 201,765	$ 104,984	$ 2,325	$ 1,126	$ 10,136	$ 318,261	$ (66,865)	$ -	$ (148,409)	$ -	$ 3,824,636

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

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

SHUTTLE INC.

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

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 318,261	$ 11,262
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	19,446	23,288
Amortization	91,796	121,097
Reversal of doubtful accounts	(9,058)	(34,557)
Unrealized (realized) gross profit	5,086	(38,416)
Provision for loss on inventories	17,560	23,416
Abandonment loss on inventories	1,249	3,618
Impairment loss	-	4,702
Loss (gain) on sale of investments	(18,898)	21,900
Investment loss (gain) recognized under equity method, net	(193,938)	11,660
Loss (gain) on disposal of property, plant and equipment	14,119	(10,204)
Valuation loss (gain) on financial instruments	574	(5,874)
Deferred income tax	18,616	11,011
Pension liabilities	(9,785)	(3,678)
Changes in operating assets and liabilities		
Financial instruments held for trading	5,874	29,782
Notes receivable	100	(100)
Accounts receivable	9,055	112,006
Accounts receivable - related parties	47,458	1,234,841
Other financial assets	14,247	(15,091)
Inventories	(4,779)	158,688
Other current assets	16,786	(125,653)
Notes payable	-	(198)
Accounts payable	47,690	(743,908)
Accounts payable - related parties	(10,724)	(5,228)
Accrued expenses	(8,770)	(26,800)
Other financial liabilities	(1,491)	1,703
Other current liabilities	(6,314)	8,067
Net cash provided by operating activities	364,160	767,334
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of available-for-sale financial assets	(45,595)	(157,223)
Proceeds from disposal of available-for-sale financial assets	85,586	47,315
Decrease (increase) in accounts receivable - related parties	17,090	(17,090)
Acquisition of investments accounted for by equity method	(814,977)	(744,183)
Proceed from investees' capital reduction	2,700	161,540
Acquisition of property, plant and equipment	(15,989)	(9,531)
Proceeds from disposal of property, plant and equipment	317,262	40,964
Increase in refundable deposits	(11,777)	(34,101)
Increase in deferred charges	(85,179)	(27,660)
Net cash used in investing activities	(550,879)	(739,969)

(Continued)

SHUTTLE INC.

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

	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	$ -	$ (514,294)
Increase (decrease) in guarantee deposits	100	(300)
Cash paid for acquisition of treasury stock	-	(109,615)
Net cash provided by (used in) financing activities	100	(624,209)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(186,619)	(596,844)
CASH, BEGINNING OF YEAR	958,527	1,555,371
CASH, END OF YEAR	$ 771,908	$ 958,527
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 7	$ 1,425
Income tax paid	$ 443	$ 239
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NONCASH ITEMS		
Acquisition of property, plant, and equipment	$ 15,301	$ 10,219
Decrease (increase) in payables for equipment purchased (included in other financial liabilities)	688	(688)
Cash paid for acquisition of properties	$ 15,989	$ 9,531

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

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

1. ORGANIZATION AND OPERATIONS

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

As of December 31, 2012 and 2011, the Company had 469 and 421 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are presented in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China (ROC). Significant accounting policies are summarized as follows:

Foreign Currencies

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

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

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

Accounting Estimates

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

Current and Noncurrent Assets and Liabilities

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

Financial Assets and Liabilities at Fair Value through Profit or Loss

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

Available-for-sale Financial Assets

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

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

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

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

Financial Assets Carried at Cost

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

Impairment of Accounts Receivable

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

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

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

Inventories

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

Investments Accounted for by the Equity Method

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

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

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

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

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

Property, Plant and Equipment, and Leased Assets

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

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

Depreciation is computed using the straight-line method over the following estimated service lives: buildings - 2 to 60 years; machinery and equipment - 2 to 7 years; transportation equipment - 3 to 5 years; office equipment - 2 to 5 years; and other equipment - 2 to 10 years. Property, plant and equipment, and leased assets still in use beyond their original estimated useful lives are further depreciated over their new estimated useful lives.

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

Deferred Expenses

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

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

Pension Cost

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

Income Tax

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

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

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

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

Treasury Stock

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

Revenue Recognition

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

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

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

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

Operating Segments

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

4. CASH

	December 31	
	2012	2011
Cash		
Cash on hand	$ 300	$ 300
Checking accounts and demand deposits	370,351	137,157
Foreign demand accounts in domestic banks	77,536	125,890
Time deposits - annual yield rates - 0.87-0.92% in 2012, 0.42-0.88% in 2011	315,000	634,630
Foreign time deposits - annual yield -0.2% in 2012, 0.60-0.65% in 2011	8,721	60,550
	$ 771,908	$ 958,527

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

Financial instruments classified as held for trading were as follows:

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

The Company entered into derivative contracts during the years ended December 31, 2012 and 2011 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Company is to minimize risks due to changes in fair value or cash flows.

Outstanding forward exchange contracts consisted of the following:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2012			
Sell	EUR/NTD	2013.01.04-2013.05.29	EUR3,343/NTD126,887
Sell	JPY/NTD	2013.01.07-2013.06.21	JPY51,400/NTD18,546
December 31, 2011			
Sell	EUR/NTD	2012.02.13-2012.03.26	EUR900/NTD37,112
Sell	EUR/USD	2012.02.01-2012.05.03	EUR2,400/USD3,235
Sell	JPY/USD	2012.02.16-2012.05.16	JPY60,000/USD782

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

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2012	2011
Current		
Domestic quoted stocks	$ 108,675	$ 163,379
Overseas quoted stocks	12,579	9,591
	$ 121,254	$ 172,970
Noncurrent		
Domestic quoted stocks	$ 6,153	$ 4,346
Overseas quoted stocks	-	3,339
	$ 6,153	$ 7,685

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

	2012	2011
Balance, beginning of year	$ (101,505)	$ (6,303)
Recognized in shareholders' equity	(589)	(86,866)
Transferred to profit or loss	(31,566)	(8,336)
Balance, end of year	$ (133,660)	$ (101,505)

In February 2012, Techmosa International Inc. (Techmosa) was merged into WT Microelectronics Co., Ltd. (WT Microelectronics); therefore, the stock of Techmosa held by the Company has been converted into stock of WT Microelectronics. The Company has recognized gain on merger included in gain on sale of investment in the amount of $28,722 thousand for the year ended December 31, 2012.

7. INVENTORIES

	December 31 2012	December 31 2011
Finished goods	$ 112,535	$ 122,341
Raw materials	62,847	62,952
Work in process	-	6,278
Merchandise	2,588	429
	$ 177,970	$ 192,000

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2012 and 2011 was $1,142,153 thousand and $1,625,253 thousand, respectively, which included $17,560 thousand and $23,416 thousand, respectively, loss on write-downs of inventories. Abandonment loss on inventories for the year ended December 31, 2012 and 2011 were $1,249 thousand and $3,618 thousand, respectively. Gain and loss on physical inventory for the years ended December 31, 2012 and 2011 were loss of $265 thousand and gain of $141 thousand, respectively.

8. FINANCIAL ASSETS CARRIED AT COST

	December 31 2012	December 31 2011
Domestic unquoted common stocks		
iCatch Technology, Inc.	$ 35,000	$ 35,000
Technology Partner IV Venture Capital Corp.	15,300	18,000
Twinmos Technologies Inc.	-	-
	50,300	53,000
Emerging market stocks		
Partner Tech Corp.	7,352	7,352
	$ 57,652	$ 60,352

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

The Company received from Technology Partner IV Venture Capital Corp. cash of $2,700 thousand and $12,000 thousand in August 2012 and June 2011, respectively, as return of capital.

In the fourth quarter of 2011, the Company recognized impairment loss of $4,702 thousand on its investments in Partner Tech Corp.

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

9. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31			
	2012		2011	
	Amount	% of Ownership	Amount	% of Ownership
Unlisted companies				
Holco (BVI) Inc.	$ 1,579,644	100	$ 703,098	100
Gold Fountain Limited	503,107	100	444,084	100
Hong Yi Investment Co., Ltd.	132,284	100	135,276	100
Shuttle Computer Incorporation	20,300	100	25,153	100
	$ 2,235,335		$ 1,307,611	

The Company invested in Holco (BVI) Inc. the amounts of $774,912 thousand and $627,943 thousand in 2012 and 2011, respectively.

The Company invested in Gold Fountain Limited the amount of $40,065 thousand and $116,240 thousand in 2012 and 2011, respectively. The Company received $149,540 thousand from Gold Fountain Limited as return of capital in 2011.

The investment gain and loss recognized by the equity-method in 2012 and 2011 are summarized as follows:

	Years Ended December 31	
	2012	2011
Holco (BVI) Inc.	$ 138,081	$ 31,233
Gold Fountain Limited	36,732	(38,595)
Hong Yi Investment Co., Ltd.	23,978	(4,454)
Shuttle Computer Incorporation	(4,853)	156
	$ 193,938	$ (11,660)

The investment income from equity-method investees for the years ended December 31, 2012 and 2011 was based on audited financial statements.

All subsidiaries were included in the Company's consolidated financial statements as of and for the years ended December 31, 2012 and 2011.

10. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2012	2011
Accumulated depreciation		
Buildings	$ 52,728	$ 107,747
Machinery and equipment	33,690	60,168
Transportation equipment	15,236	10,625
Office equipment	11,989	11,160
Other equipment	12,760	12,516
	$ 126,403	$ 202,216
Accumulated impairment		
Machinery and equipment	$ 6,993	$ 7,651

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

The depreciation expense for the year ended December 31, 2012 and 2011 was $19,100 thousand and $22,942 thousand, respectively.

11. ASSETS LEASED TO OTHERS

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

12. 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 $18,048 thousand and $14,656 thousand for the years ended December 31, 2012 and 2011, respectively.

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

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

Information about the defined benefit plan was as follows:

a. Components of net periodic pension cost (benefit)

	Years Ended December 31	
	2012	**2011**
Service cost	$ 1,157	$ 786
Interest cost	568	375
Projected return on plan assets	(291)	(185)
Amortization	572	307
Reduced and settle benefits	(5,820)	-
	$ (3,814)	$ 1,283

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

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

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

	December 31	
	2012	2011
Discount rate used in determining present values	1.875%	2.000%
Future salary increase rate	2.500%	2.250%
Expected rate of return on plan assets	1.875%	2.000%

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

13. SHAREHOLDERS' EQUITY

Employee Restricted Stock Plan

In their meeting on June 15, 2012, the stockholders 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 entitled to receive cash and stock dividends.
c. The employees holding these shares have voting right.

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

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

Capital Surplus

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

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

Appropriation of Earnings and Dividend Policy

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

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

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

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

Bonus to employees and remuneration to directors and supervisors are usually calculated at 3% and 8%, respectively, of net income (net of the bonus and remuneration). Material differences between estimated amounts and the amounts proposed by the board of directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting. For the year ended December 31, 2011, there was no bonus to employees and no remuneration to directors and supervisors because the amount of distributable earnings was not sufficient for the special reserve regulated by the SFB.

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

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

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

The appropriations of the 2012 earnings for reserve and dividend and the amounts of bonus to employees and remuneration to directors and supervisors will be resolved by the shareholders in their meeting scheduled for June 21, 2013.

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

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

14. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Year	Movements		Number of Shares, End of Year
		Addition During the Year	Reduction During the Year	
Year ended December 31, 2012				
To maintain the Company's creditability and shareholders' interest	12,027	-	12,027	-
Year ended December 31, 2011				
To maintain the Company's creditability and shareholders' interest	-	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 and shareholders' interest.

On January 6, 2012, the board of directors approved to cancel the treasury stock mentioned in the preceding paragraph; the cancellation of 12,027 shares with 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.

15. INCOME TAX

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

	Years Ended December 31	
	2012	**2011**
Income tax expense at the statutory rate	$ 57,269	$ 3,797
Tax effect of adjusting items:		
Permanent differences	(27,899)	2,788
Temporary differences	(25,201)	(11,648)
Loss carryforwards used	(3,969)	-
Investment tax credits used	(200)	-
Income tax payable	$ -	$ -

b. Income tax expense consisted of the following:

	Years Ended December 31	
	2012	**2011**
Income tax currently payable	$ -	$ -
Deferred income tax	18,616	11,011
Income tax adjustments to prior years	-	63
Income tax expense	$ 18,616	$ 11,074

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

	December 31	
	2012	**2011**
Current		
Loss carryforwards	$ 57,800	$ -
Investment tax credits	55,317	2,392
Warranty liabilities	10,747	9,156
Provision for doubtful accounts	8,299	7,982
Deferred credits	7,732	6,867
Unrealized advertisement expenses	3,693	-
Unrealized allowance for loss on inventories	1,651	1,637
Unrealized exchange gains	(448)	(2,741)
Others	859	646
	145,650	25,939
Less: Valuation allowance	85,459	2,153
Deferred income tax assets	$ 60,191	$ 23,786

(Continued)

	December 31 2012	December 31 2011
Noncurrent		
Loss carryforwards	$ 64,215	$ 125,509
Impairment loss	11,620	17,237
Deferred credits	98	110
Accrued pension cost	67	1,657
Investment tax credits	-	55,317
Investment loss (gain) recognized on overseas equity-method investments	(7,328)	22,391
Others	464	464
	69,136	222,685
Less: Valuation allowance	64,215	162,743
Deferred income tax assets	$ 4,921	$ 59,942

(Concluded)

As of December 31, 2012, investment tax credits comprised of:

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Research and development expenditures/personnel training expenditures	$ 55,317	$ 55,317	2013

As of December 31, 2012, loss carryforwards consisted of the following:

Expiry Year	Unused Amount
2019	$ 75,302
2020	41,175
2021	5,538
	$ 122,015

d. Information about integrated income tax was as follows:

	December 31 2012	December 31 2011
Balance of imputation credit account (ICA)	$ 3,859	$ 5,961

The estimated and the actual creditable ratios for the distribution of the Company's 2012 and 2011 earnings were 1.2% and 20.48% respectively. The imputation credit allocated to stockholders is based on the ICA balance as of the date of dividend distribution. The estimated ratio may change when the actual distribution of imputation credit is made.

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

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

The tax authorities have examined income tax returns of the Company through 2010 (except 2009).

16. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2012			
	Classified as Operating Costs	**Classified as Operating Expenses**	**Classified as Nonoperating Expenses and Losses**	**Total**
Personnel				
Salary	$ -	$ 383,219	$ -	$ 383,219
Insurance and social welfare	-	26,880	-	26,880
Pension	-	14,234	-	14,234
Others	-	15,723	-	15,723
	$ -	$ 440,056	$ -	$ 440,056
Depreciation	$ 4,793	$ 14,307	$ 346	$ 19,446
Amortization	$ 89,647	$ 2,149	$ -	$ 91,796

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

17. EARNINGS PER SHARE

	Amounts (Numerator)		Shares	EPS (NT$)	
	Before Income Tax	After Income Tax	(Denominator) (In Thousands)	Before Income Tax	After Income Tax
Year ended December 31, 2012					
Basic and diluted EPS					
Income for the year attributable to common stockholders	$ 336,877	$ 318,261	340,131	$ 0.99	$ 0.94
Effect of dilutive potential common stock					
Bonus to employees	-	-	624		
Diluted EPS					
Income for the period attributable to common shareholders plus effect of potential dilute common stock	$ 336,877	$ 318,261	340,755	$ 0.99	$ 0.93
Year ended December 31, 2011					
Basic and diluted EPS					
Income for the year attributable to common stockholders	$ 22,336	$ 11,262	350,603	$ 0.06	$ 0.03

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

18. RELATED-PARTY TRANSACTIONS

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

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

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

	Years Ended December 31			
	2012		2011	
	Amount	% to Total	Amount	% to Total
1) Net sales				
S.C.H.	$ 343,552	26	$ 295,938	15
S.C.G.	247,722	19	185,729	10
S.C.J.	69,548	5	71,346	4
S.C.M.	19,040	1	483,073	26
KAKI	728	-	6,923	-
S.C.A.	10	-	-	-
S.H.K.	-	-	14,560	1
S.C.Q.	-	-	218	-
	$ 680,600	51	$ 1,057,787	56
2) Technical service revenue				
S.H.K.	$ 669,176	100	$ 396,047	100
3) Purchases				
S.H.K.	$ 23,450	2	$ 17,040	2
S.C.H.	208	-	-	-
S.C.M.	-	-	67,148	5
	$ 23,658	2	$ 84,188	7
4) Operating expenses				
S.C.Q.	$ 27,050	4	$ 28,047	4
S.H.K.	851	-	-	-
Ares International Corporation	134	-	-	-
KAKI	71	-	-	-
S.C.A.	-	-	15,429	3
S.C.E.	-	-	14,029	2
	$ 28,106	4	$ 57,505	9

	Years Ended December 31			
	2012		2011	
	Amount	% to Total	Amount	% to Total
5) Nonoperating income and gain				
Others				
S.C.J.	$ 39	-	$ 40	-
S.C.H.	35	-	2,147	6
S.H.K.	3	-	2,040	5
S.C.G.	3	-	91	-
S.C.A.	-	-	6,769	18
S.C.M.	-	-	570	2
KAKI	-	-	111	-
S.C.S.	-	-	41	-
S.C.E.	-	-	17	-
	$ 80	-	$ 11,826	31
6) Purchase of software (included in deferred charges)				
Ares International Corporation	$ -	-	$ 706	3

	December 31			
	2012		2011	
	Amount	% to Total	Amount	% to Total
7) Accounts receivable - related parties				
Accounts receivable				
S.C.G.	$ 62,561	33	$ 31,097	12
S.C.H.	60,323	32	64,995	25
S.H.K.	33,823	18	108,478	43
S.C.J.	16,555	9	15,741	6
S.C.M.	14,306	7	7,208	3
KAKI	-	-	7,367	3
	187,568	99	234,886	92
Other receivable				
S.C.S.	1,867	1	2,007	1
Financing provided				
S.C.J.	-	-	17,090	7
	$ 189,435	100	$ 253,983	100

	December 31			
	2012		2011	
	Amount	% to Total	Amount	% to Total
8) Accounts payable - related parties				
S.H.K.	$ 3,442	49	$ -	-
S.C.E.	1,907	27	1,988	11
S.C.Q.	1,862	17	15,530	84
S.C.A.	534	7	245	1
Ares International Corporation	-	-	706	4
	$ 7,745	100	$ 18,469	100
9) Deferred credits - current				
S.C.H.	$ 20,162	44	$ 16,278	40
S.C.G.	19,289	42	11,620	29
S.C.J.	3,862	9	3,374	9
S.C.M.	2,169	5	175	-
S.H.K.	-	-	8,949	22
	$ 45,482	100	$ 40,396	100
10) Guarantees				
S.H.K.	$ 1,628,080	99	$ -	-
S.C.C.	8,789	1	-	-
	$ 1,636,869	100	$ -	-

The Company sold to S.C.S. property, plant and equipment with book value of $30,049 thousand (original cost $68,711 thousand less accumulated depreciation $37,546 thousand and accumulated impairment $1,116 thousand) for $30,730 thousand. The amount of $681 thousand gain on disposal of the asset was initially recorded as deferred credit - noncurrent. In 2012 and 2011, the Company recognized $68 thousand and $34 thousand as realized gain on disposal of the asset, respectively.

	Year Ended December 31, 2012			
Related Party	Maximum Balance	Ending Balance	Interest Rate	Interest Income
11) Financing to related parties				
Year ended December 31, 2012				
S.C.J.	$ -	$ 17,090	-	$ -
Year ended December 31, 2011				
S.C.J.	$ 17,090	$ 17,090	-	$ -

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

In order to improve operating efficiency, reduce exchange rate risk, increase flexibility of fund procurement and lower the borrowing costs, the Company relocated part of its operation from S.C.M to S.H.K. S.C.M transferred the inventories to S.H.K. at cost, along with some other payable to the Company.

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

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

c. Compensation of directors, supervisors and management personnel:

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

19. MORTGAGED OR PLEDGED ASSETS

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

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

20. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

As of December 31, 2012, unused letters of credit amounted to $5,971 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 March 21, 2013, the Company was unable to assess the result and the potential loss on 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 May 31, 2013. According to the agreement, prior to applying for subsidies from MOEA of each applicable period, the Company should provide a performance bank guarantee for that period. As of December 31, 2012, the performance bank guarantees and subsidies from MOEA were recorded as refundable deposits of $34,550 thousand.

21. SUBSEQUENT EVENTS: NONE

22. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

	December 31			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Non-derivative financial instruments				
Financial assets at fair value equivalent to book value	$ 1,055,469	$ 1,055,469	$ 1,309,203	$ 1,309,203
Available-for-sale financial assets	127,407	127,407	180,655	180,655
Financial assets carried at cost	57,652	49,321	60,352	48,854
Investments accounted for by the equity method	2,235,335	2,235,335	1,307,611	1,307,611
Financial liabilities at fair value equivalent to book value	471,145	471,145	445,028	445,028
Derivative financial instruments, categorized by location of transaction counterparty				
Financial assets held for trading				
Domestic				
Forward exchange contract	-	-	5,874	5,874
Financial liabilities held for trading				
Domestic				
Forward exchange contract	574	574	-	-

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

1) The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: Cash, receivables, other financial assets, refundable deposit, payables, accrued expenses, other financial liabilities and guarantee deposits received.

2) Fair values of available-for-sale financial assets are based on their quoted prices in an active market. Fair values of financial assets carried at cost are based on the Company's proportionate share of the net assets of the investees.

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

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

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

	Quoted Market Prices		Valuation Techniques	
	December 31		December 31	
	2012	2011	2012	2011
Assets				
Financial assets at fair value through profit or loss	$ -	$ -	$ -	$ 5,874
Available-for-sale financial assets	127,407	180,655	-	-
Liabilities				
Available-for-sale financial liabilities	-	-	574	-

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

e. As of December 31, 2012 and 2011, financial assets exposed to fair value interest rate risk amounted to $372,067 thousand and $733,378 thousand, respectively; financial liabilities exposed to fair value interest rate risk amounted $100 and $0 thousand, respectively; financial assets exposed to cash flow interest rate risk amounted to $445,743 thousand and $259,275 thousand, respectively.

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

	Years Ended December 31	
	2012	2011
Total interest income	$ 4,390	$ 2,537
Total interest expense	(7)	(1,767)

g. Financial risks

1) Market risk

The Company invests in forward exchange contract and foreign currency options, of which the fair values are affected by changes in market interest rates. The expiry dates of the Company's outstanding forward exchange contract and foreign currency options as of December 31, 2012 are between January 4, 2013 and June 21, 2013. Management does not expect the changes in fair values to be material.

2) Credit risk

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

3) Liquidity risk

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

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

The Company's investment in forward exchange contracts are expected to produce cash outflow of EUR3,343 thousand and JPY51,400 thousand and cash inflow of NT$145,433 thousand from January 4, 2013 and June 21, 2013. The forward rate was determined; therefore, the liquidity risk is not expected to be material.

23. OTHERS

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

	December 31					
	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	$ 4,574	29.04	$ 132,820	$ 10,636	30.275	$ 322,000
EUR	2,814	38.49	108,324	3,258	39.18	127,666
JPY	87,908	0.3364	29,572	105,214	0.3906	41,097
HKD	-	-	-	4	3.897	16
RMB	-	-	-	413	4.8049	1,985
Non-monetary items						
JPY	51,400	0.3364	1,252	-	-	-
EUR	-	-	-	3,300	39.18	5,682
USD	-	-	-	782	30.275	192
Investments accounted for by the equity method						
USD	71,720	29.04	2,082,751	37,892	30.275	1,147,182
Financial liabilities						
Monetary items						
USD	7,260	29.04	210,841	5,167	30.275	156,428
EUR	7	38.49	286	35	39.18	1,360
HKD	41	3.747	155	119	3.897	464
GBP	1	46.83	23	-	-	-
Nonmonetary items						
EUR	3,343	38.49	1,826	-	-	-

24. ADDITIONAL DISCLOSURES

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

a. Financings provided: Table 1 (attached);

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

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

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

e. Acquisition of individual real estate at costs of at least $100 million or 20% of the paid-in capital: None;

f. Disposal of individual real estate at prices of at least $100 million or 20% of the paid-in capital: Table 5 (attached);

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

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

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

j. Derivative transactions of the Company: Notes 5 and 22; derivative transaction of investees over which the Company has a controlling interest: None;

k. Investments in Mainland China

   1) Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China: Table 8 (attached);

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

      a) Amount of purchase and accounts payable: Note 18.

      b) Amount of sales and accounts receivable

		Sales		Accounts Receivable	
Seller Company	**Related Party**	**Amount**	**% to Sales**	**Amount**	**% to Accounts Receivable**
Shuttle Inc.	S.C.M.	$ 19,040	1	$ 14,306	3
Shuttle Inc.	KAKI	728	-	-	-
S.H.K.	S.C.Q.	2,509	-	-	-
S.H.K.	KAKI	82,412	6	24,472	1
S.H.K.	S.C.S.	668	-	3	-

      c) The amount of disposal of property, plant and equipment: None;

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

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

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

25. OPERATING SEGMENT FINANCIAL INFORMATION

The Company and subsidiaries' segment information was disclosed in the consolidated financial statements as of and for the years ended December 31, 2012 and 2011.

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 Company and subsidiaries made pre-disclosure information on the adoption of International Financial Reporting Standards (IFRSs) in the consolidated financial statements.

SHUTTLE INC.

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 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.	$ 69,548	-	$ -	-	-	$ 69,548	$ 757,723

Note 1: Type of financing:

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

Note 2: The maximum financing amount is the transaction amount during the six months ended December 31, 2012.

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

SHUTTLE INC.

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 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 of Holco (BVI) Inc.	$ 2,841,461	$ 1,656,520	$ 1,628,080	$ -	42.97%	$ 2,841,461
		S.C.C.	Indirect subsidiary Holco (BVI) Inc.	2,841,461	8,964	8,789	8,789	0.23%	2,841,461

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

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

SHUTTLE INC.

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

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

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2012				Note
				Shares/Units	Carrying Value (Note 3)	Percentage of Ownership (%)	Market Value or Net Asset Value (Note 1)	
Gold Fountain Limited	Stock							
	S.C.G.	Subsidiary	Investments accounted for using equity method	30,000	$ 120,217	100.00	$ 120,217	
	S.C.H.	Subsidiary	〃	-	158,619	100.00	158,619	
	S.C.J.	Subsidiary	〃	1,000	21,034	100.00	21,034	
	S.C.B.	Subsidiary	〃	638,085	8,419	100.00	8,419	
	Share certificate							
	S.C.M.	Subsidiary	〃	-	-	100.00	-	Note 2
	S.C.E.	Subsidiary	〃	-	4,927	100.00	4,927	
	S.C.Q.	Subsidiary	〃	-	26,641	100.00	26,641	
	S.C.S.	Subsidiary	〃	-	161,072	100.00	161,072	
Hong Yi Investment Co., Ltd.	Stock							
	Ares International Corporation.	Chairman within second degree of kinship to the Company's chairman	Available-for-sale financial assets - current	1,214,546	11,769	2.57	19,979	
	WT Microelectronics Co., Ltd.	-	〃	728,438	31,154	0.22	26,297	
	Prime View International Co., Ltd.	-	〃	476,000	28,646	0.04	10,544	
	Partner Tech Corp.	-	Financial assets carried at cost - noncurrent	1,631,901	10,052	2.70	20,677	Emerging stock
	GVision Co., Ltd.	-	〃	365	-	-	-	Note 4
Atron Mall, Inc.	Share certificate							
	S.C.C.	Subsidiary	Investments accounted for using equity method	-	10,952	75.00	10,952	
S.C.S.	Share certificate							
	Shanghai Wiwin Information Technology Co., Ltd.	-	Investments accounted for using equity method	-	6,773	30.00	6,773	

Note 1: For investments accounted for using equity method and financial assets carried at cost with no quoted market prices, their fair values are determined by the Company's proportionate share in the investee's equity. Fair values of available-for-sale investments are based on closing prices as of December 31, 2012.

Note 2: The accumulated book value had a credit amount of $477 thousand as of December 31, 2012 and was classified as other liabilities.

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

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

(Concluded)

SHUTTLE INC.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars, Except Shares/Units)

Acquiring or Selling Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal		Adjustment Arising from Changes in Percentage of Ownership in Investees	Investment Loss Recognized Under Equity Method	Cumulative Translation Adjustments	Ending Balance	
					Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount				Shares (Thousand)	Amount
Shuttle Inc.	Domestic unquoted common stocks Holco (BVI) Inc.	Investment accounted for using equity method	-	Subsidiary	2,152.55	$ 703,098	2,683	$ 774,912 (Note 1)	-	$ -	$ 2,325	$ 138,081 (Note 2)	$ (38,772)	4,835.55	$ 1,579,644
Holco (BVI) Inc.	Domestic unquoted common stocks S.H.K.	Investment accounted for using equity method	-	Subsidiary	-	630,669	-	751,154 (Note 1)	-	-	-	172,143 (Note 2)	(42,368)	-	1,511,598

Note 1: The amount of additional investment.

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

SHUTTLE INC.

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

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

Note 1: Including VAT $3,840 thousand.

SHUTTLE INC.

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Shuttle Inc.	S.C.H.	Subsidiary of Gold Fountain Limited	Sale	$ (343,552)	(26)	Within 120 days	Note 1	Month end 120 days	$ 60,323	26	
S.C.H.	Shuttle Inc.	Parent company of Gold Fountain Limited	Purchase	343,552	87	Within 120 days	Note 1	Month end 120 days	(60,323)	(98)	
Shuttle Inc.	S.C.G.	Subsidiary of Gold Fountain Limited	Sale	(247,772)	(19)	Within 120 days	Note 1	Month end 120 days	62,561	27	
S.C.G.	Shuttle Inc.	Parent company of Gold Fountain Limited	Purchase	247,772	89	Within 120 days	Note 1	Month end 120 days	(62,561)	(94)	

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

SHUTTLE INC.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2012			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2012	December 31, 2011	Shares	Percentage of Ownership	Carrying Value			
Shuttle Inc.	Holco (BVI) Inc.	B.V.I.	Holding company	$ 1,436,402	$ 661,490	4,835.55	100	$ 1,579,644	$ 138,081	$ 138,081	Subsidiary; Note 1
	Gold Fountain Limited	Cayman Islands	Holding company	844,564	804,499	19,525,866	100	503,107	36,732	36,732	Subsidiary; Note 1
	Hong Yi Investment Co., Ltd.	1F., No. 30, Ln. 76, Ruiguang Rd., Neihu Dist., Taipei City	Investment	160,000	160,000	16,000,000	100	132,284	23,978	23,978	Subsidiary; Note 1
	Shuttle Computer Incorporation	1F., No. 30, Ln. 76, Ruiguang Rd., Neihu Dist., Taipei City	Selling of computer peripherals	50,000	50,000	2,520,000	100	20,300	(4,853)	(4,853)	Subsidiary; Note 1
Holco (BVI) Inc.	S.H.K.	Unit 511 5/F, Tower 1 Silvercord 30 Canton Road Kl	Selling of computer peripherals	1,364,813	613,659	-	100	1,511,598	172,143	172,143	Indirect subsidiary; Note 1
	S.C.A.	48389 Fremont Blvd Ste 110 Fremont CA 94538-6558	Selling of computer peripherals	25,737	25,737	-	100	23,161	565	565	Indirect subsidiary; Note 1
	KAKI	2F, West Wing, Guanghua Building, Terra 8th Road, Futian District, Shenzhen	Selling of computer peripherals	43,024	14,320	-	75	12,109	(26,211)	(17,217)	Indirect subsidiary; Note 1
	Atron Mall, Inc.	17068 Evergreen PL, City of Industry, CA 91745 U.S.A.	Holding company	7,834	-	197,500	100	11,365	3,395	3,395	Indirect subsidiary; Note 1
Gold Fountain Limited	S.C.G.	17068 Evergreen Place Industry, CA 91745 U.S.A.	Selling of computer peripherals	186,662	186,662	30,000	100	120,217	(2,317)	(2,317)	Indirect subsidiary; Note 1
	S.C.H.	Fritz-Strassmann Str. 5 D-25337 Elmshorn, Germany	Selling of computer peripherals	239,815	239,815	-	100	158,619	2,010	2,010	Indirect subsidiary; Note 1
	Shuttle International Brazil Informatica Ltda.	Avenida Brigadeiro Faria Lima, 1903-CJ. 143 - Jardim Paulist Ano	Selling of computer peripherals	10,624	-	638,085	100	8,419	(692)	(692)	Indirect subsidiary; Note 1
	S.C.M.	6H, West Wing, No. 210 Bldg Terra Technical & Commercial Garden, Terra 4th Road, Shenzhen	Selling of computer peripherals	40,457	40,457	-	100	-	17,747	17,747	Indirect subsidiary; Notes 1 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	21,034	(519)	(519)	Indirect subsidiary; Note 1
	S.C.E.	D26, 8 Floor, No. 210 Bldg Terra Technical & Commercial Garden, Terra 4th Road, Shenzhen	Selling of computer peripherals	25,736	25,736	-	100	4,927	(1,318)	(1,318)	Indirect subsidiary; Note 1
	S.C.Q.	No. 520, Haoteng Road, Development Zone, Kunshan Jiangsu P.R. China	Selling of computer peripherals	32,010	32,010	-	100	26,641	(1,216)	(1,216)	Indirect subsidiary; Note 1
	S.C.S.	No. 200, Central Suhong Rd. Integrated Free Trade Zone, Suzhou Industrial Park	Selling of computer peripherals	215,745	208,250	-	100	161,072	25,460	25,460	Indirect subsidiary; Note 1
Atron Mall, Inc.	S.C.C.	Santa Clara 301 of 2806 Hue Churaba, Santiago, Chile	Selling of computer peripherals	5,440	-	-	75	10,952	4,723	3,542	Note 1

(Continued)

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

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

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

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

(Concluded)

SHUTTLE INC.

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

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

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

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

Note 2: Calculated on audited financial statements for the same period.

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

Note 4: The accumulated book value had a credit amount of $477 thousand as of December 31, 2012 and was classified as other liabilities.