

**D-LINK CORPORATION  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2021 and 2020**

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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## Representation Letter

The entities that are required to be included in the consolidated financial statements of D-LINK CORPORATION as of and for the year ended December 31, 2021 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements," endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, D-LINK CORPORATION and Subsidiaries do not prepare a separate set of consolidated financial statements.

Company name: D-LINK CORPORATION

Chairman: Kuo, Chin-Ho

Date: March 29, 2022



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## Independent Auditors' Report

To the Board of Directors of D-LINK CORPORATION:

### Opinion

We have audited the consolidated financial statements of D-LINK CORPORATION and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of another auditor (please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of D-LINK CORPORATION and its subsidiaries as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of D-LINK CORPORATION and its subsidiaries in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the report of another auditor, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Other Matters

We did not audit the financial statements of D-Link International Pte. Ltd., a subsidiary of D-Link Corporation as of and for the year ended December 31, 2021, and the financial statements of D-Link International Pte. Ltd. and D-Link Brazil LTDA, subsidiaries of D-Link Corporation as of and for the year ended December 31, 2020. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for above subsidiaries, is based solely on the reports of other auditors. The financial statements of above subsidiaries reflect the total assets constituting 5% and 6% of the consolidated total assets at December 31, 2021 and 2020, respectively, and the total revenues constituting 7% and 8% of the consolidated total revenues for the years ended December 31, 2021 and 2020, respectively.

D-LINK CORPORATION has prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion with other matters paragraph.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **1. Valuation of inventories**

Please refer to Note 4(i) for accounting policy of inventory, Note 5(b) for accounting estimations and assumption uncertainty of inventory valuation, and Note 6(e) for the write-down of inventories to net realizable value.

Key audit matter explanation:

Most inventories of the Consolidated Company are internet solution products, which are measured at the lower of cost or net realizable value. As a result of competitive and rapidly changing environment where the Consolidated Company is located in, its internet solution products may become out-of-date and can no longer meet the market needs, resulting in a fluctuation in the market needs and the price of these products. The estimation of the net realizable value involves a subjective judgment of the Consolidated Company's management, which results in a risk that inventory cost may exceed its net realizable value.

How the matter was addressed in our audit:

For valuation of inventories, we observed the physical count of inventories at year end to inspect the condition of inventories; reviewed the inventory aging reports to assess the reasonableness of the Consolidated Company's inventory provision rate. To ascertain whether management's estimate of inventory provision was adequate, we evaluated the net realizable value basis adopted by the Consolidated Company's management. Furthermore, we assessed the appropriateness of the Consolidated Company management's estimation of inventory provision. We also assessed the appropriateness of the Consolidated Company's relevant disclosure of inventories.

#### **2. Valuation of allowance for doubtful account**

Please refer to Note 4(h) for accounting policy of allowance for doubtful account, Note 5(a) for accounting estimations and assumption uncertainty of impairment assessment of accounts receivable, and Note 6(c) for the analysis of accounts receivable and aging analysis.

Key audit matter explanation:

The Consolidated Company evaluates the recoverability of its accounts receivable based on credit rating and aging analysis and uses the forward-looking expected loss model. Therefore, the valuation of allowance for doubtful account involves a subjective judgment of management, and thus, needs significant attention in our audit.

How the matter was addressed in our audit:

We tested the effectiveness of the Consolidated Company's controls on the receivable collection and reviewed their records, then sent letters of confirmation request to the counterparties of the Consolidated Company. In order to assess the reasonableness of the Consolidated Company's valuation of allowance for doubtful accounts, we evaluated the assumptions adopted by management in valuation and the previous year's collection situation to assess whether there was any significant abnormality in the expected credit losses on the accounts receivable. We also assessed the appropriateness of the Consolidated Company's relevant disclosure of accounts receivable.

### 3. Revenue recognition

Please refer to Note 4(q) for accounting policy of revenue recognition and Note 6(w) for sales details of the consolidated financial statements.

#### Key Audit Matter Explanation:

The Consolidated Company sells internet related products and services, and aims to offer high-quality internet solution proposals to global consumers and enterprises. Revenue is the key performance indicator to evaluate the Consolidated Company's performance. Consequently, we have determined revenue recognition to be a key audit matter.

#### How the matter was addressed in our audit:

We tested the effectiveness of the Consolidated Company's controls on revenue recognition; evaluated whether the terms of sale were consistent with the accounting standards and checked relevant sales documents; analyzed and compared the changes in sales to major customers to assess the reasonableness of revenue recognition.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing D-LINK CORPORATION and its subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate D-LINK CORPORATION and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing D-LINK CORPORATION and its subsidiaries' financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of D-LINK CORPORATION and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on D-LINK CORPORATION and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause D-LINK CORPORATION and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Company to express an opinion on the group financial statements. We are responsible for the direction, supervision and performance of the group audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hsieh, Chiu-Hua and Chou, Pao-Lian.

KPMG

Taipei, Taiwan (Republic of China)  
March 29, 2022

#### Notes to Readers

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

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**D-LINK CORPORATION AND SUBSIDIARIES****Consolidated Balance Sheets****December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollar)**

	<b>December 31, 2021</b>		<b>December 31, 2020</b>			<b>December 31, 2021</b>		<b>December 31, 2020</b>			
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>		
<b>Assets</b>					<b>Liabilities and Equity</b>						
<b>Current assets:</b>					<b>Current liabilities:</b>						
1100	Cash and cash equivalents (note 6(a))	\$ 2,195,080	16	6,216,327	39	2120	Financial liabilities at fair value through profit or loss — current (note 6(b))	\$ 16,368	-	18,324	-
1110	Financial assets at fair value through profit or loss — current (note 6(b))	279,344	2	238,951	2	2130	Current contract liabilities (note 6(w))	134,833	1	123,995	1
1150	Notes receivable, net (note 6(c))	5,283	-	2,647	-	2150	Notes payable	11	-	230	-
1170	Accounts receivable, net (note 6(c))	3,414,780	24	3,061,366	19	2170	Accounts payable	2,336,740	16	2,376,692	15
1180	Accounts receivable due from related parties, net (notes 6(c) and 7)	10,187	-	-	-	2180	Accounts payable to related parties (note 7)	287,886	2	367,482	2
1197	Finance lease payment receivable (note 6(d))	25,565	-	-	-	2200	Other payables (notes 6(m) and 7)	907,850	6	1,380,725	9
1200	Other receivables (notes 6(c) and 7)	274,322	2	55,821	-	2230	Current tax liabilities	22,119	-	63,179	-
1220	Current tax assets	13,066	-	38,744	-	2250	Current provisions (note 6(o))	233,799	2	259,953	2
130X	Inventories (note 6(e))	3,348,193	23	2,442,783	16	2280	Current lease liabilities (note 6(n))	142,551	1	147,068	1
1410	Prepayment for purchase (note 7)	173,656	1	106,007	1	2365	Current refund liability (note 6(p))	456,699	3	555,409	3
1470	Other current assets (note 8)	370,457	2	389,276	2	2399	Other current liabilities	51,065	-	53,059	-
		<u>10,109,933</u>	<u>70</u>	<u>12,551,922</u>	<u>79</u>			<u>4,589,921</u>	<u>31</u>	<u>5,346,116</u>	<u>33</u>
<b>Non-current assets:</b>					<b>Non-Current liabilities:</b>						
1517	Financial assets at fair value through other comprehensive income-non-current (note 6(b))	33,300	-	454,435	3	2570	Deferred tax liabilities (note 6(t))	352,837	3	282,833	2
1550	Investments accounted for using equity method (note 6(f))	1,407,915	10	-	-	2580	Non-current lease liabilities (note 6(n))	297,900	2	349,906	2
1600	Property, plant and equipment (note 6(h))	974,725	7	1,029,671	6	2600	Other non-current liabilities (note 6(s))	260,870	2	231,020	1
1755	Right-of-use assets (note 6(i))	278,175	2	470,158	3			<u>911,607</u>	<u>7</u>	<u>863,759</u>	<u>5</u>
1760	Investment property, net (note 6(j))	38,876	-	39,272	-		<b>Total liabilities</b>	<u>5,501,528</u>	<u>38</u>	<u>6,209,875</u>	<u>38</u>
1780	Intangible assets (note 6(k))	472,238	3	511,329	3	3110	<b>Equity attributable to owners of parent: (note 6(u))</b>	<u>5,998,365</u>	<u>41</u>	<u>6,519,961</u>	<u>41</u>
1840	Deferred tax assets (note 6(t))	869,956	6	745,635	5	3200	Ordinary shares	<u>1,522,573</u>	<u>10</u>	<u>1,523,313</u>	<u>10</u>
1990	Other non-current assets (note 8)	188,432	1	147,808	1		Capital surplus				
194D	Long-term lease payment receivable, net (note 6(d))	130,314	1	-	-		Retained earnings:				
		<u>4,393,931</u>	<u>30</u>	<u>3,398,308</u>	<u>21</u>	3310	Legal reserve	2,110,026	15	2,053,379	13
						3320	Special reserve	412,952	3	205,562	1
						3350	Unappropriated retained earnings	299,477	2	566,471	4
								<u>2,822,455</u>	<u>20</u>	<u>2,825,412</u>	<u>18</u>
						3400	Other equity interest	<u>(1,866,035)</u>	<u>(13)</u>	<u>(1,609,191)</u>	<u>(10)</u>
							<b>Total equity attributable to owners of parent:</b>	<u>8,477,358</u>	<u>58</u>	<u>9,259,495</u>	<u>59</u>
						36XX	Non-controlling interests (notes 6(g) and (u))	<u>524,978</u>	<u>4</u>	<u>480,860</u>	<u>3</u>
							<b>Total equity</b>	<u>9,002,336</u>	<u>62</u>	<u>9,740,355</u>	<u>62</u>
							<b>Total liabilities and equity</b>	<u>\$ 14,503,864</u>	<u>100</u>	<u>15,950,230</u>	<u>100</u>
<b>Total assets</b>		<u>\$ 14,503,864</u>	<u>100</u>	<u>15,950,230</u>	<u>100</u>						



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**D-LINK CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2021 and 2020**  
(Expressed in Thousands of New Taiwan Dollar, Except for Earnings Per Common Share)

	2021		2020	
	Amount	%	Amount	%
4000 <b>Net operating revenues</b> (notes 6(w) and 7)	\$ 15,524,901	100	15,179,443	100
5000 <b>Operating costs</b> (notes 6(e), (s) and 7)	<u>11,336,144</u>	<u>73</u>	<u>10,404,148</u>	<u>69</u>
<b>Gross profit from operations</b>	<u>4,188,757</u>	<u>27</u>	<u>4,775,295</u>	<u>31</u>
<b>Operating expenses:</b> (notes 6(c), (h), (i), (j), (k), (n), (r), (s) and (x))				
6100 Selling expenses	2,306,285	15	2,623,485	17
6200 Administrative expenses	850,067	5	952,285	6
6300 Research and development expenses	873,752	6	1,127,417	7
6450 Expected credit gain (note 6(c))	<u>(11,215)</u>	<u>-</u>	<u>(8,118)</u>	<u>-</u>
	<u>4,018,889</u>	<u>26</u>	<u>4,695,069</u>	<u>30</u>
<b>Net operating income (loss)</b>	<u>169,868</u>	<u>1</u>	<u>80,226</u>	<u>1</u>
<b>Non-operating income and expenses:</b>				
7100 Interest income (notes 6(y) and 7)	47,997	-	16,524	-
7010 Other income (notes 6(y) and 7)	3,862	-	2,542	-
7020 Other gains and losses (notes 6(f), (q), (y), (aa) and 7)	4,391	-	1,342,742	9
7050 Finance costs (notes 6(n), (q) and (y))	(25,908)	-	(28,284)	-
7060 Share of profit of associates accounted for using equity method (note 6(f))	<u>194,513</u>	<u>1</u>	<u>82,976</u>	<u>-</u>
	<u>224,855</u>	<u>1</u>	<u>1,416,500</u>	<u>9</u>
<b>Profit before tax</b>	394,723	2	1,496,726	10
7950 <b>Less: Income tax expenses</b> (note 6(t))	<u>76,612</u>	<u>-</u>	<u>186,166</u>	<u>1</u>
<b>Net profit</b>	<u>318,111</u>	<u>2</u>	<u>1,310,560</u>	<u>9</u>
8300 <b>Other comprehensive income (loss):</b>				
8310 <b>Components of other comprehensive income that will not be reclassified to profit or loss</b> (note 6 (u))				
8311 (Losses) gains on remeasurements of defined benefit plans (note 6 (s))	(1,687)	-	4,534	-
8316 Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	54,984	-	16,739	-
8320 Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(14,416)	-	59,684	1
8349 Less: income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>38,881</u>	<u>-</u>	<u>80,957</u>	<u>1</u>
8360 <b>Components of other comprehensive loss that will be reclassified to profit or loss</b> (notes 6(u) and (z))				
8361 Exchange differences on translation of foreign financial statements	(412,625)	(2)	(439,672)	(3)
8370 Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	871	-	55,373	-
8399 Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(t))	<u>45,730</u>	<u>-</u>	<u>68,189</u>	<u>-</u>
	<u>(366,024)</u>	<u>(2)</u>	<u>(316,110)</u>	<u>(3)</u>
8300 <b>Other comprehensive loss, net</b>	<u>(327,143)</u>	<u>(2)</u>	<u>(235,153)</u>	<u>(2)</u>
<b>Total comprehensive income (loss) of tax</b>	<u>\$ (9,032)</u>	<u>-</u>	<u>1,075,407</u>	<u>7</u>
<b>Net profit attributable to:</b>				
8610 Owners of parent	\$ 239,197	2	1,239,925	8
8620 Non-controlling interests	<u>78,914</u>	<u>-</u>	<u>70,635</u>	<u>1</u>
	<u>\$ 318,111</u>	<u>2</u>	<u>1,310,560</u>	<u>9</u>
<b>Comprehensive income (loss) attributable to:</b>				
8710 Owners of parent	\$ (64,933)	-	1,040,482	7
8720 Non-controlling interests	<u>55,901</u>	<u>-</u>	<u>34,925</u>	<u>-</u>
	<u>\$ (9,032)</u>	<u>-</u>	<u>1,075,407</u>	<u>7</u>
<b>Basic earnings per share</b> (New Taiwan dollars) (note 6(v))	<u>\$ 0.38</u>		<u>1.90</u>	
<b>Diluted earnings per share</b> (New Taiwan dollars) (note 6(v))	<u>\$ 0.38</u>		<u>1.90</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**D-LINK CORPORATION AND SUBSIDIARIES****Consolidated Statements of Changes in Equity****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollar)**

## Equity attributable to owners of parent

	Retained earnings					Total other equity interest			Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (Accumulated deficits)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income				
							Others				
<b>Balance at January 1, 2020</b>	\$ 6,519,961	1,598,807	2,053,379	205,562	(499,008)	(1,236,701)	(165,102)	(3,484)	8,473,414	452,625	8,926,039
Net profit	-	-	-	-	1,239,925	-	-	-	1,239,925	70,635	1,310,560
Other comprehensive income (loss)	-	-	-	-	4,534	(283,884)	76,423	3,484	(199,443)	(35,710)	(235,153)
Total comprehensive income (loss)	-	-	-	-	1,244,459	(283,884)	76,423	3,484	1,040,482	34,925	1,075,407
Other changes in capital surplus:											
Changes in equity of associates accounted for using equity method	-	(75,494)	-	-	(178,907)	-	-	-	(254,401)	-	(254,401)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(6,690)	(6,690)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(73)	-	73	-	-	-	-
<b>Balance at December 31, 2020</b>	6,519,961	1,523,313	2,053,379	205,562	566,471	(1,520,585)	(88,606)	-	9,259,495	480,860	9,740,355
Net profit	-	-	-	-	239,197	-	-	-	239,197	78,914	318,111
Other comprehensive income (loss)	-	-	-	-	(1,687)	(343,011)	40,568	-	(304,130)	(23,013)	(327,143)
Total comprehensive income (loss)	-	-	-	-	237,510	(343,011)	40,568	-	(64,933)	55,901	(9,032)
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	56,647	-	(56,647)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	207,390	(207,390)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(195,597)	-	-	-	(195,597)	-	(195,597)
Other changes in capital surplus:											
Changes in equity of associates accounted for using equity method	-	(740)	-	-	729	-	-	-	(11)	-	(11)
Capital reduction	(521,596)	-	-	-	-	-	-	-	(521,596)	-	(521,596)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(11,783)	(11,783)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(45,599)	-	45,599	-	-	-	-
<b>Balance at December 31, 2021</b>	\$ 5,998,365	1,522,573	2,110,026	412,952	299,477	(1,863,596)	(2,439)	-	8,477,358	524,978	9,002,336

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

**D-LINK CORPORATION AND SUBSIDIARIES****Consolidated Statements of Cash Flows****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollar)**

	2021	2020
<b>Cash (used in) generated from operating activities:</b>		
<b>Profit before tax</b>	\$ 394,723	1,496,726
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	230,097	246,409
Amortization expense	43,264	56,818
Expected credit loss reversal gain	(11,215)	(8,118)
Net loss on financial assets or liabilities at fair value through profit or loss	19,335	14,478
Interest expense	25,908	28,284
Interest income	(47,997)	(16,524)
Dividend income	(1,155)	(879)
Share of profit of associates accounted for using equity method	(194,513)	(82,976)
Gain on disposal of investments	(6,487)	(1,297,668)
Write-down loss (reversal gain) of inventories to net realizable value	235,732	(284,416)
Other	(15,149)	82,943
<b>Total adjustments to reconcile profit (loss)</b>	<u>277,820</u>	<u>(1,261,649)</u>
<b>Changes in operating assets and liabilities:</b>		
Increase in financial assets at fair value through profit or loss	(55,197)	(145,364)
(Increase) decrease in notes receivable	(2,636)	6,155
(Increase) decrease in accounts receivable	(337,013)	538,998
Increase in accounts receivable due from related parties	(10,509)	-
(Increase) decrease in other receivables	(3,716)	5,985
Decrease in lease payment receivable	16,602	-
(Increase) decrease in inventories	(1,111,228)	794,445
Increase in prepayment for purchase	(67,649)	(29,476)
Decrease (increase) in other current assets	44,715	(130,004)
(Increase) decrease in other non-current assets	(41,813)	34,388
<b>Total changes in operating assets</b>	<u>(1,568,444)</u>	<u>1,075,127</u>
Increase in current contract liabilities	10,838	6,552
Decrease in notes payable	(219)	(347)
(Decrease) increase in accounts payable	(39,952)	391,111
Decrease in accounts payable to related parties	(79,324)	(559,285)
Decrease in other payable	(472,875)	(98,387)
Decrease in current provisions	(30,965)	(23,155)
Decrease in current refund liabilities	(98,710)	(29,780)
(Decrease) increase in other current liabilities	(1,994)	3,355
Increase (decrease) in other non-current liabilities	15,587	(2,819)
<b>Total changes in operating liabilities</b>	<u>(697,614)</u>	<u>(312,755)</u>
<b>Total changes in operating assets and liabilities</b>	<u>(2,266,058)</u>	<u>762,372</u>
<b>Total adjustments</b>	<u>(1,988,238)</u>	<u>(499,277)</u>
Cash (used in) generated from operations	(1,593,515)	997,449
Interest received	31,748	16,524
Dividends received	1,155	40,027
Interest paid	(9,931)	(20,172)
Income taxes paid	(100,581)	(91,804)
<b>Net cash (used in) generated from operating activities</b>	<u>(1,671,124)</u>	<u>942,024</u>
<b>Cash (used in) generated from investing activities:</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	56,244	-
Acquisition of investments accounted for using equity method	(812,484)	-
Proceeds from disposal of investments accounted for using equity method	-	2,823,808
Acquisition of property, plant and equipment	(42,375)	(77,909)
Proceeds from disposal of property, plant and equipment	246	594
Decrease in refundable deposits	1,189	1,491
Increase in other receivables	(214,785)	-
Acquisition of intangible assets	(18,819)	(3,648)
Other investing activities	(23,575)	59,715
<b>Net cash (used in) generated from investing activities</b>	<u>(1,054,359)</u>	<u>2,804,051</u>
<b>Cash flows used in financing activities:</b>		
Increase in guarantee deposits received	12,576	1,163
Payment of lease liabilities	(166,739)	(225,225)
Cash dividends paid (including subsidiaries)	(207,380)	-
Capital reduction payments to shareholders	(521,596)	-
Change in non-controlling interests	-	(6,690)
Payment of bonds payable	-	(608)
<b>Net cash used in financing activities</b>	<u>(883,139)</u>	<u>(231,360)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(412,625)</u>	<u>(439,672)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<u>(4,021,247)</u>	<u>3,075,043</u>
<b>Cash and cash equivalents at the beginning of period</b>	<u>6,216,327</u>	<u>3,141,284</u>
<b>Cash and cash equivalents at the end of period</b>	<u>\$ 2,195,080</u>	<u>6,216,327</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollar, Unless Otherwise Specified)**

**(1) Company history**

D-LINK CORPORATION (the “Company”) was incorporated on June 20, 1987 under the approval of Ministry of Economic Affairs, Republic of China (“ROC”). The address of its registered office is No. 289, Xinhua 3rd Rd., Neihu Dist., Taipei City 114, Taiwan. The main operating activities of the Company and its subsidiaries (collectively referred as the “Consolidated Company”) include the research, development, and sale of local area computer network systems, wireless local area computer networks (“LANs”), and spare parts for integrated circuits.

**(2) Approval date and procedures of the consolidated financial statements:**

The accompanying consolidated financial statements were approved and authorized for release by the Board of Directors on March 29, 2022.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Consolidated Company has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Consolidated Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Consolidated Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

**(4) Summary of significant accounting policies:**

The significant accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

- (a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC.

- (b) Basis of Preparation

- (i) Basis of Measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments (including derivative financial instruments) at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) Equity-settled share-based payment are measured at fair value;
- 4) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Functional and presentation currency

The functional currency of the Consolidated Company is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar, which is the Consolidated Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Company. The Company 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Consolidated Company attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Consolidated Company prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Consolidated Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Consolidated Company will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2021	December 31, 2020	
The Company	D-Link Holding Company Ltd. (D-Link Holding)	Investment company	100.00 %	100.00 %	
The Company	D-Link Canada Inc. (D-Link Canada)	Marketing and after-sales service	100.00 %	100.00 %	
The Company	D-Link Japan K.K. (D-Link Japan)	Marketing and after-sales service	100.00 %	100.00 %	
The Company	D-Link Investment Pte. Ltd. (D-Link Investment)	Investment company	100.00 %	100.00 %	
The Company and D-Link Holding	D-Link Sudamerica S.A. (D-Link Sudamerica)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Holding	D-Link Brazil LTDA (D-Link Brazil)	Marketing and after-sales service	100.00 %	100.00 %	
The Company	D-Link Latin America Company Ltd. (D-Link L.A.)	Marketing and after-sales service	100.00 %	100.00 %	

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2021	December 31, 2020	
The Company and D-Link Sudamerica	D-Link Mexicana S.A de C.V (D-Link Mexicana)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Holding	D-Link Systems, Inc. (D-Link Systems)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Holding	D-Link International Pte. Ltd. (D-Link International)	Marketing, purchase and after sales service	100.00 %	100.00 %	
The Company and D-Link International	D-Link Australia Pty Ltd. (D-Link Australia)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link International	D-Link Middle East FZCO (D-Link ME)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Korea Limited (D-Link Korea)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Trade M (D-Link Moldova)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Russia Investment Co., Ltd (D-Link Russia Investment)	Investment Company	100.00 %	100.00 %	
D-Link International	D-Link Malaysia SDN. BHD (D-Link Malaysia)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link International	D-Link Service Lithuania, UAB (D-Link Lithuania)	Marketing and after-sales service	100.00 %	100.00 %	
The Company	Yeo-Chia Investment Ltd. (Yeochia)	Investment company	- %	100.00 %	Went into liquidation process at December 1, 2021(note)
The Company	Yeo-Mao Investment Inc. (Yeomao)	Investment company	- %	100.00 %	Went into liquidation process at December 1, 2021(note)
The Company	Yeo-Tai Investment Inc. (Yeotai)	Investment company	100.00 %	100.00 %	
D-Link Holding	D-Link (Europe) Ltd. (D-Link Europe)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Holding	D-Link Shiang-Hai (Cayman) Inc. (D-Link Shiang-Hai (Cayman))	Investment company	100.00 %	100.00 %	
D-Link Holding	D-Link Holding Mauritius Inc. (D-Link Mauritius)	Investment company	100.00 %	100.00 %	
D-Link Holding	OOO D-Link Russia (D-Link Russia)	After-sales service	100.00 %	100.00 %	
D-Link Investment	OOO D-Link Trade (D-Link Trade)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Holding	Success Stone Overseas Corp. (Success Stone)	Investment company	100.00 %	100.00 %	
D-Link Holding	Wishfi Pte. Ltd. (Wishfi)	Research, development, marketing and after-sales service	100.00 %	100.00 %	Cancellation of registration in January, 2022
D-Link Mauritius	D-Link India Ltd. (D-Link India)	Marketing and after-sales service	51.02 %	51.02 %	It becomes a significant subsidiary since 2021.
D-Link Mauritius and D-Link India	TeamF1 Networks Private Limited (TeamF1 India)	Research and development	100.00 %	100.00 %	

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			December 31, 2021	December 31, 2020	
D-Link Europe	D-Link (Holdings) Ltd. and its subsidiary D-Link (UK) Ltd. (D-Link UK)	Investment company, marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link France SARL (D-Link France)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link AB	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link Iberia SL (D-Link Iberia)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link Mediterraneo SRL (D-Link Mediterraneo)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link (Netherlands) BV (D-Link Netherlands)	Marketing and after-sales service	100.00 %	100.00 %	
The Company and D-Link Europe	D-Link (Deutschland) GmbH (D-Link Deutschland)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link Polska Sp. Z.o.o. (D-Link Polska)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link (Magyarország) kft (D-Link Magyarország)	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Europe	D-Link s.r.o	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Shiang-Hai (Cayman)	D-Link (Shiang-Hai) Co., Ltd (D-Link Shiang-Hai)	Marketing and after sales service	100.00 %	100.00 %	
D-Link Shiang-Hai (Cayman)	Netpro Trading (Shiang-Hai) Co., Ltd (Netpro Trading )	Research, development and trading	100.00 %	100.00 %	
D-Link Mediterraneo	D-Link ADRIA d.o.o.	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Sudamerica and D-Link L.A.	D-Link del Ecuador S.A.	Marketing and after-sales service	- %	100.00 %	Liquidation was completed in April, 2021
D-Link Sudamerica and D-Link L.A.	D-Link Peru S.A.	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Sudamerica	D-Link de Colombia S.A.S	Marketing and after-sales service	100.00 %	100.00 %	
D-Link Sudamerica	D-Link Guatemala S.A.	Marketing and after-sales service	99.00 %	99.00 %	
D-Link Sudamerica	D-Link Argentina S.A.	Marketing and after-sales service	100.00 %	100.00 %	
D-Link ME	D Link Network	Marketing and after-sales service	100.00 %	100.00 %	

Note: Yeo-Chia Investment Ltd. (Yeochia) and Yeo-Mao Investment Inc. (Yeomao) went into liquidation process at December 1, 2021. As of December 31, 2021, Yeochia and Yeomao reports were not included in the consolidated financial statement because of losing control over them.

(iii) Subsidiaries excluded from the consolidated financial statement: None.

(Continued)



**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Business combination

The Consolidated Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Consolidated Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

(e) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of the Consolidated Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income;
- qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the Consolidated Company's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Consolidated Company's functional currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

(f) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting date; or
- (iv) The Consolidated Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing of equity instruments do not affect its classification.

(g) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(h) Financial Instruments

Accounting receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Consolidated Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis or a settlement date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI)—equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Consolidated Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI )

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Some accounts receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Consolidated Company, therefore, those receivables are measured at FVOCI. However, they are included in the 'accounts receivable' line item.

On initial recognition of an equity investment that is not held for trading, the Consolidated Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Consolidated Company's right to receive payment is established.

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and beneficiary certificate. On initial recognition, the Consolidated Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Business model assessment

The Consolidated Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Consolidated Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Consolidated Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

In assessing whether the contractual cash flows are solely payments of principal and interest, the Consolidated Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Consolidated Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Consolidated Company's claim to cash flows from specified assets (e.g. non-recourse features)

6) Impairment of financial assets

The Consolidated Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivables, other receivables, finance lease payment receivable, refundable deposits and other financial assets), debt investments measured at FVOCI and contract assets.

The Consolidated Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Consolidated Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Consolidated Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Consolidated Company's historical experience and informed credit assessment as well as forward-looking information.

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**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Consolidated Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Consolidated Company considers a financial asset to be in default when the financial asset is more than 360 days past due or the debtor is unlikely to pay its credit obligations to the Consolidated Company in full.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Consolidated Company in accordance with the contract and the cash flows that the Consolidated Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Consolidated Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;  
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Consolidated Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Consolidated Company's procedures for recovery of amounts due.

7) Derecognition of financial assets

The Consolidated Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Consolidated Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Consolidated Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Consolidated Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Exchangeable bonds

Exchangeable bonds issued by the Consolidated Company are recorded as embedded derivative and host contract, respectively. The derivatives are classified into financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Other financial liabilities

Financial liabilities that are not classified as held-for-trading or measured at fair value through profit or loss, which comprise loans, accounts payable, and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in non-operating income and expenses, and is included in other gains and losses.

5) Derecognition of financial liabilities

The Consolidated Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Consolidated Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Consolidated Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedge accounting

The Consolidated Company holds derivative financial instruments to hedge its foreign currency exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the non-financial asset's host contract are not closely related to the embedded derivatives and the host contract is not measured at FVTPL.

The Consolidated Company designates certain hedging instruments (derivate financial instruments) as cash flow hedges.

At inception of hedging relationships, the Consolidated Company documents the risk management objective and strategy for undertaking the hedge. The Consolidated Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under 'other equity— gains (losses) on hedging instruments', limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Furthermore, if the Consolidated Company expects that some or all of the loss accumulated in other equity will not be recovered in the future, that amount is immediately reclassified to profit or loss.

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**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

(i) Inventories

The cost of inventories shall comprise all costs of purchase and other costs incurred in bring the inventories to their present location and condition. Inventories are measured at the lower of cost and net realizable value. Cost is calculated using the weighted-average method. Net realizable value is based on the estimated selling price of inventories; less, all further costs to completion and all relevant marketing and selling costs. Related expenses/losses and incomes of inventory are included in the cost of sales.

(j) Investment in associates

Associates are those entities in which the Consolidated Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Consolidated Company holds between 20% and 50% of the voting power of another entity.

Investments in associates are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Consolidated Company's share of the profit or loss and other comprehensive income of the associates, after adjustments to align the accounting policies with those of the Consolidated Company, from the date on which significant influence commences until the date on which significant influence ceases.

Unrealized gains and losses resulting from transactions between the Consolidated Company and an associate are recognized only to the extent of unrelated Consolidated Company's interests in the associate.

When the Consolidated Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Consolidated Company's proportionate interest in the net assets of the associate. The Consolidated Company records such a difference as an adjustment to investments, with the corresponding amount charged or capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If it resulted in a decrease in the ownership interest, except for the adjustments mentioned above, the related amount previously recognized in other comprehensive income in relation to the associate will be reclassified proportionately on the same basis as if the Consolidated Company had directly disposed of the related assets or liabilities.

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**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(k) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as non-operating income on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Consolidated Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings and improvements: 5~60 years
- 2) Transportation, office equipment and others: 2~9 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

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**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(m) Leases

At inception of a contract, the Consolidated Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Consolidated Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Consolidated Company's incremental borrowing rate. Generally, the Consolidated Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Consolidated Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying assets, or

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**D-LINK CORPORATION AND SUBSIDIARIES**  
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- there is a change of its assessment on whether it will exercise an extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Consolidated Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Consolidated Company presents right-of-use assets and lease liabilities that do not meet the definition of investment property as a separate line item respectively in the statement of financial position.

The Consolidated Company has elected not to recognize right-of-use assets and lease liabilities for short-term lease and leases of low-value assets, including office building and office equipment. The Consolidated Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

From January 1, 2021, when the basis for determining future lease payments changes as required by interest rate benchmark reform, the Consolidated Company will remeasure the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

As a practical expedient, the Consolidated Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

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**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) As a lessor

When the Consolidated Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Consolidated Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Consolidated Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Consolidated Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Consolidated Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Consolidated Company applies IFRS15 to allocate the consideration in the contract.

The Consolidated Company recognizes a finance lease payment receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The interest income is recognized over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease. The Consolidated Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of other income.

(n) Intangible assets

(i) Goodwill and trademark

1) Recognition

Goodwill and trademark arise from acquisition of subsidiaries are included in intangible assets.

2) Subsequent measurement

Goodwill is carried at cost less accumulated impairment losses. As regards to the investments accounted for using equity method, the carrying value of goodwill consists of the carrying value of its investment. The impairment loss is attributed to parts of investments accounted for using equity method other than goodwill or other assets.

(ii) Other intangible assets

Other intangible assets are measured at cost less accumulated amortization and accumulated impairment losses.

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**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iv) Amortization

The amortized amount is the cost of an asset less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- 1) Computer software: 1~8 years
- 2) Patents: Amortization is recognized using the term of patent contract. The estimated live is 11~16 years
- 3) Other intangible asset: 3 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(o) Impairment of non-financial assets

At each reporting date, the Consolidated Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

(p) Provisions

A provision is recognized if, as a result of a past event, the Consolidated Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Warranties

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(ii) Legal proceedings and royalties

Legal proceedings and royalties are estimated at the expected relevant cost based on historical experiences.

(q) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Consolidated Company expects to be entitled in exchange for transferring goods or services to a customer. The Consolidated Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

The main operating activities of the Consolidated Company is research, development, and sales of LANs and spare part for integrated circuits. The Consolidated Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Consolidated Company has objective evidence that all criteria for acceptance have been satisfied.

The Consolidated Company grants its customers the right to return the product. Therefore, the Consolidated Company reduces revenue by the amount of expected returns and recognizes a refund liability. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. At each reporting date, the Consolidated Company reassesses the estimated amount of expected returns.

The Consolidated Company often offers volume discounts to its customers. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. As of the reporting date, all expected payment of the related sale discounts paid to the customers is recognized under return liabilities.

The Consolidated Company offers a standard warranty for the consumer electronics sold to provide assurance that the product complies with agreed-upon specifications and has recognized warranty provisions for this obligation; please refer to note 4(p).

A receivable is recognized when the goods are delivered as this is the point in time that the Consolidated Company has a right to an amount of consideration that is unconditional.

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**D-LINK CORPORATION AND SUBSIDIARIES**  
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In case of fixed-price contracts, the customers pay the fixed amount based on a payment schedule. If the services rendered by the Consolidated Company exceed the payment, a contract asset is recognized.

A contract liability is a Consolidated Company's obligation to transfer goods to a customer for which the Consolidated Company has received consideration.

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are employee benefit expense as the related service is provided.

(ii) Defined benefit plans

The Consolidated Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Consolidated Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings. The Consolidated Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Consolidated Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Consolidated Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(s) Income Taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Consolidated Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Consolidated Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) The Consolidated Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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**D-LINK CORPORATION AND SUBSIDIARIES**  
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Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

(t) Earnings per share

The Consolidated Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as convertible bonds, employee stock options, and employee bonus settled using shares that have yet to be approved by the Board of Directors meeting. Increasing shares from the transfer of unappropriated earnings, capital surplus, and employee profit sharing is computed retroactively.

(u) Operating segments

An operating segment is a component of the Consolidated Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Consolidated Company). Operating results of the operating segments are regularly reviewed by the Consolidated Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgement, estimates, and assumptions that affect the application of the accounting policies and the reporting amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statement is as follows:

(a) Impairment of Accounts receivable

The Consolidated Company has estimated the loss allowance of accounts receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Consolidated Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. Refer to Note 6(c) for further description of the impairment of accounts receivable.

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**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Consolidated Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the demand of products in the future. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories.

(c) Judgment on substantial control over the investee

The Consolidated Company held 41.58% of issued shares of Cameo Communication, Inc., and is the single largest shareholder of the investee. However, the Cameo Communication, Inc.'s manufacturing, product development and business development are different from the Consolidated Company. Besides, the main management of Cameo Communication, Inc. is not appointed by the Consolidated Company, which shows that the company has no actual ability to lead the relevant business activities. As a result, the Company has no substantial control over Cameo Communication, Inc., only significant influence.

**(6) Explanation of significant accounts:**

(a) Cash and Cash Equivalents

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash on hand	\$ 2,840	3,170
Checking and saving accounts	2,087,817	3,042,387
Time deposit	<u>104,423</u>	<u>3,170,770</u>
Cash and Cash Equivalents	<b><u>\$ 2,195,080</u></b>	<b><u>6,216,327</u></b>

Please refer to 6(aa) for the exchange rate risk and sensitivity analysis of financial assets and liabilities of the Consolidated Company.

A time deposit is qualified as a cash equivalent when it has a maturity of three months or less from the date of acquisition and it is held for the purpose of short-term cash commitments. Otherwise, it is classified as other current assets.

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Financial Assets and Liabilities

(i) Details as follows

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Mandatorily measured at fair value through profit or loss - current</b>		
Beneficiary certificates – mutual funds	\$ 278,623	217,316
Cross currency swaps	73	20,861
Forward foreign exchange contracts	<u>648</u>	<u>774</u>
	<b><u>\$ 279,344</u></b>	<b><u>238,951</u></b>
<b>Financial liabilities at fair value through profit or loss - current</b>		
Cross currency swaps	\$ 13,722	8,469
Forward foreign exchange contracts	<u>2,646</u>	<u>9,855</u>
	<b><u>\$ 16,368</u></b>	<b><u>18,324</u></b>
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Financial assets at fair value through other comprehensive income - non-current</b>		
Cameo Communication, Inc. (Cameo)	\$ -	364,655
Z-Com, Inc. (Z-Com)	-	33,165
YouXiang Electronic Technology (Beijing) Co., Ltd. (YouXiang)	3,882	3,504
Kaimei Electronic Corp. (Kaimei)	29,207	52,876
StemCyte International. LTD (Stemcyte)	<u>211</u>	<u>235</u>
	<b><u>\$ 33,300</u></b>	<b><u>454,435</u></b>

- 1) On February 17, 2021, the Consolidated Company increased investment in Cameo and the shareholding ratio increased from 17.35% to 41.58%. The Consolidated Company transferred financial assets from financial assets at fair value through other comprehensive income to investments accounted for using equity method and reclassified financial assets from other equity loss to retained earnings amounting to 54,847 thousand.
- 2) The Consolidated Company sold a total of 2,753,041 shares of Z-Com in 2021, disposed at the price of \$23,251 thousand, and reclassified financial assets from other equity loss to retained earnings amounting to \$6,921 thousand .
- 3) The Consolidated Company sold 288,000 shares of Kaimei in November 2021, disposed at the price of \$32,788 thousand, and reclassified financial assets from other equity gain to retained earnings amounting to \$16,208 thousand.

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 4) The Consolidated Company sold 18,950 shares of Stemcyte in October 2021, disposed at the price of \$205 thousand, and reclassified financial assets from other equity loss to retained earnings amounting to \$39 thousand.
- 5) For disclosures on credit, currency and interest rate risks in financial instruments, please refer to note 6(aa).
- 6) As of December 31, 2021 and 2020, no financial assets are pledged as collateral.

(ii) Sensitivity analysis – equity market price risk:

If the security price changes, and if it is on the same basis for both years and assumes that all other variables remain the same, the impact on other comprehensive income will be as follows:

Security price at reporting date	2021		2020	
	After-tax other comprehensive income (loss)	After-tax profit (loss)	After-tax other comprehensive income (loss)	After-tax profit (loss)
Increase 3%	\$ <u>970</u>	<u>6,520</u>	<u>13,607</u>	<u>5,085</u>
Decrease 3%	\$ <u>(970)</u>	<u>(6,520)</u>	<u>(13,607)</u>	<u>(5,085)</u>

(iii) Non-hedging-derivative financial instruments

Derivative financial instruments are used to hedge certain foreign exchange and interest risk arising from the Consolidated Company's operating, financing and investing activities. As of December 31, 2021 and 2020, transactions that did not qualify for hedging accounting have been presented as the following held-for-trading financial assets:

1) Derivative financial assets

	December 31, 2021			December 31, 2020		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:						
JPY	\$ -	-	-	1,800,000	JPY	2021.01 ~2021.06
EUR	4,000	EUR	2022.01	10,000	EUR	2021.01
Forward foreign exchange contracts:						
EUR (sell)	3,000	EUR	2022.01	-	-	-
BRL (sell)	-	-	-	15,502	BRL	2021.02
CAD (sell)	700	CAD	2022.01	-	-	-
JPY (sell)	448,900	JPY	2022.01~02	-	-	-
RUB (buy)	-	-	-	150,028	RUB	2021.01

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Derivative financial liabilities

	December 31, 2021			December 31, 2020		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:						
USD	\$ 1,700	USD	2022.02	1,700	USD	2021.03
CNH	133,670	CNH	2022.01	110,588	CNH	2021.01 ~2021.02
GBP	1,000	GBP	2022.01	-	-	-
EUR	10,000	EUR	2022.02	1,000	EUR	2021.02
JPY	1,800,000	JPY	2022.01~03	-	-	-
EUR	12,000	EUR	2022.01	-	-	-
CAD	1,100	CAD	2022.01	-	-	-
AUD	300	AUD	2022.01	-	-	-
RUB	150,028	RUB	2022.01	-	-	-
Forward foreign exchange contracts:						
EUR (sell)	-	-	-	4,200	EUR	2021.01 ~2021.03
BRL (sell)	80,445	BRL	2022.01	3,740	BRL	2021.01
INR (sell)	188,766	INR	2022.01	221,346	INR	2021.01
AUD (sell)	1,000	AUD	2022.01	2,500	AUD	2021.01 ~2021.03
GBP (sell)	500	GBP	2022.01	-	-	-
KRW (sell)	2,144,020	KRW	2022.01	1,877,735	KRW	2021.01 ~2021.02
JPY (sell)	-	-	-	700,000	JPY	2021.01 ~2021.02
CAD (sell)	-	-	-	2,000	CAD	2021.01 ~2021.03

(c) Notes and accounts receivable and other receivables

	December 31, 2021	December 31, 2020
Notes receivable for operating activities	\$ 5,283	2,647
Accounts receivable	3,497,623	3,166,320
Account receivable - related parties	10,502	-
Other receivables	<u>274,322</u>	<u>55,821</u>
	3,787,730	3,224,788
Less: Loss allowance	<u>(83,158)</u>	<u>(104,954)</u>
	<u>\$ 3,704,572</u>	<u>3,119,834</u>

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Consolidated Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all notes and accounts receivable and other receivables. To measure the expected credit losses, notes and accounts receivable and other receivables have been grouped based on shared credit risk characteristics and ability to pay all due, as well as incorporated forward looking information. The loss allowance provision as of 2021 and 2020 was determined as follows:

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 3,228,796	0.32%	10,413
90 days or less past due	472,980	0.20%	929
91 to 180 days past due	1,159	15.42%	179
181 to 270 days past due	4,927	66.26%	3,265
271 to 360 days past due	1,191	72.12%	859
More than 360 days past due	<u>78,677</u>	85.81%	<u>67,513</u>
	<u><b>\$ 3,787,730</b></u>		<u><b>83,158</b></u>

	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 2,638,059	0.33%	8,791
90 days or less past due	470,478	0.29%	1,381
91 to 180 days past due	4,096	14.97%	613
181 to 270 days past due	1,220	47.09%	575
271 to 360 days past due	4,382	81.23%	3,560
More than 360 days past due	<u>106,553</u>	84.50%	<u>90,034</u>
	<u><b>\$ 3,224,788</b></u>		<u><b>104,954</b></u>

The movement in the allowance for notes and accounts receivable and other receivables were as follows:

	<b>2021</b>	<b>2020</b>
Balance at January 1, 2021 and 2020	\$ 104,954	197,721
Expected credit loss reversed	(11,215)	(8,118)
Amounts written off	(5,717)	(68,253)
Others	<u>(4,864)</u>	<u>(16,396)</u>
Balance at December 31, 2021 and 2020	<u><b>\$ 83,158</b></u>	<u><b>104,954</b></u>

(d) Finance lease payment receivable

The Consolidated Company leased out its office building and warehouse. It classified the sub-lease as a finance lease because the sub-lease is for the whole of the remaining term of the head lease.

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

A maturity analysis of lease payments, which reflects the undiscounted lease payments to be received after the reporting date, is as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Less than one year	\$ 30,030	-
One to two years	32,966	-
Two to three years	35,147	-
Three to four years	36,237	-
Four to five years	<u>34,216</u>	<u>-</u>
Total lease payments receivable	168,596	-
Unearned finance income	<u>(12,717)</u>	<u>-</u>
Total lease payments receivable (Present value of lease payments receivable)	<u><u>\$ 155,879</u></u>	<u><u>-</u></u>

(e) Inventories

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Finished goods	<u><u>\$ 3,348,193</u></u>	<u><u>2,442,783</u></u>

The operating cost comprises of cost of goods sold, write-down loss (reversal of write-down loss) of inventories to net realizable value, warranty costs and other loss (gain). For the years ended December 31, 2021 and 2020, the cost of goods delivered were \$10,825,721 thousand and \$10,302,279 thousand, respectively. The warranty expenses, inventory losses from obsolescence and others amounted to \$274,691 thousand, and \$386,285 thousand in 2021 and 2020, respectively. Recognized loss of inventories to net realizable value is recorded as cost of goods sold by \$235,732 thousand in 2021, due to shortage of materials and increased logistics time to increase stocking. Reversal of write-down loss of inventories to net realizable value is recorded as decrease of cost of goods sold by \$284,416 thousand in 2020, because of out of stock in the market and active sales of inventory.

As of December 31, 2021 and 2020, no inventories were pledged as collateral.

(f) Investments accounted for using equity methods

Investments accounted for using equity methods were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Associates	<u><u>\$ 1,407,915</u></u>	<u><u>-</u></u>

(Continued)



**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (i) Associates

Name of Associate	Name of relationship with the Consolidated Company	Main operating location/ Registered Country of the Company	Ownership interest/Voting rights held	
			December 31, 2021	December 31, 2020
Alpha Networks, Inc. (Alpha)	The major business activities are research, developments, design, manufacturing and selling broadband products, wireless products, computer networks system equipment and its components.	Taiwan	- %	- %
Cameo Communication, Inc. (Cameo)	The major business activities are manufacturing and selling of network system equipment and its components, as well as researching and developing of related technologies. It is the supplier of the Consolidated Company.	Taiwan	41.58 %	- %

## 1) The financial information on Alpha is summarized as follows:

	<b>November 30, 2020 (Unaudited)</b>
Current assets	\$ 21,809,621
Non-current assets	6,198,278
Current liabilities	14,178,386
Non-current liabilities	<u>1,320,201</u>
Net assets	<u>\$ 12,509,312</u>
Net assets attributable to non-controlling interests	<u>\$ 2,981,613</u>
Net assets attributable to investee's shareholders	<u>\$ 9,527,699</u>
	<b>2020.01 ~2020.11 (Unaudited)</b>
Operating revenue	<u>\$ 28,570,311</u>
Net income	\$ 558,270
Other comprehensive income	<u>93,124</u>
Total comprehensive income	<u>\$ 651,394</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 134,446</u>
Total comprehensive income attributable to investee's shareholders	<u>\$ 516,948</u>

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>2020.01 ~2020.11 (Unaudited)</b>
The Consolidated Company's share in associate's net assets at beginning of year	\$ 2,024,443
Comprehensive income attributable to the Consolidated Company	120,229
Changes in equity of associates using equity method	(185,836)
Dividends received from associates	(39,148)
Less: exchange of exchangeable bond and sell of shares	<u>(2,036,268)</u>
The Consolidated Company's share in associate's net assets at end of year	(116,580)
Add: goodwill	<u>116,580</u>
Carrying amounts of investments accounted for using equity method	<u>\$ -</u>
2) The financial information on Cameo is summarized as follows:	
	<b>December 31, 2021</b>
Current assets	\$ 1,693,178
Non-current assets	3,397,654
Current liabilities	875,644
Non-current liabilities	<u>1,084,837</u>
Net assets	<u>\$ 3,130,351</u>
Net assets attributable to investee's shareholders	<u>\$ 3,130,351</u>
	<b>2021</b>
Operating revenue	<u>\$ 2,479,234</u>
Net income	\$ 390,654
Other comprehensive loss	<u>(57,188)</u>
Total comprehensive income	<u>\$ 333,466</u>
Total comprehensive income attributable to investee's shareholders	<u>\$ 333,466</u>

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>2021</b>
The Consolidated Company's share in associate's net assets at beginning of year	\$ -
Comprehensive income attributable to the Consolidated Company	189,571
Increase of investment	<u>1,111,981</u>
The Consolidated Company's share in associate's net assets at end of year	1,301,552
Less: unrealized gains or losses	(9,185)
Add: goodwill	<u>102,489</u>
Carrying amounts of investments accounted for using equity method	<u><u>\$ 1,394,856</u></u>

3) The financial information of insignificant associates

The associates financial information of the Consolidated Company's equity-method associates, which are insignificant, is summarized as follows. The financial information is included in the Consolidated Company's consolidated financial statements.

	<b>December 31, 2021</b>
Carrying amounts of insignificant associates	<u><u>\$ 13,059</u></u>

	<b>2021</b>	
Attributable to the Consolidated Company		
Profit from continuing operations	\$ 1,115	
Other comprehensive income		<u>198</u>
Total comprehensive income		<u><u>\$ 1,313</u></u>

4) The market value of public listed or OTC investees of the Consolidated Company accounted for using equity method was as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cameo	<u><u>\$ 1,567,876</u></u>	<u><u>-</u></u>

The Consolidated Company originally held 17.35% shares of Cameo and accounted for financial assets at fair value through other comprehensive income \$414,471 thousand. The Consolidated Company increased investments amounted \$799,999 thousand in Cameo on February 17, 2021 and became to hold 41.58% shares of Cameo after increasing investments. Therefore, the Consolidated Company had a significant influence on Cameo and accounted for investments accounted for using equity methods.

5) In 2020, the Consolidated Company disposed the investments of Alpha and gain on disposals by using the equity method was \$1,292,494 thousand.

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- 6) The Consolidated Company invested \$12,485 thousand in T-COM, LLC in April 2021, with a shareholding ratio of 40%. Therefore, the Consolidated Company had a significant influence on T-COM, LLC and accounted for investments accounted for using equity methods.

(ii) Pledges

As of December 31, 2021 and 2020, no investment accounted for using equity methods has been pledged as collateral.

(g) Subsidiaries have material non-controlling interests

Non-controlling interests of subsidiary that are material to the Consolidated Company were as follows:

Name of subsidiary	Main operating location/ Registered country of the Company	Ownership interests/voting rights held by NCI	
		December 31, 2021	December 31, 2020
D-Link India	India	48.98 %	48.98 %

The following summarizes the financial information for D-Link India prepared in accordance with the IFRS (modified for the fair value adjustments on acquisition) and the differences in the Consolidated Company's accounting policies. The information incurred prior to the inter-company eliminations with other companies in the Consolidated Company.

The financial information of D-Link India was summarized as follows:

	December 31, 2021	December 31, 2020
Current assets	\$ 1,624,500	1,374,919
Non-current assets	541,480	561,306
Current liabilities	753,636	594,912
Non-current liabilities	<u>15,976</u>	<u>25,432</u>
Net assets	<u>\$ 1,396,368</u>	<u>1,315,881</u>
Net assets attributable to non-controlling interests	<u>\$ 524,978</u>	<u>480,860</u>
	<b>2021</b>	<b>2020</b>
Operating revenues	<u>\$ 3,197,447</u>	<u>2,639,783</u>
Net profit	\$ 161,114	144,211
Other comprehensive loss	<u>(46,985)</u>	<u>(72,906)</u>
Total comprehensive income	<u>\$ 114,129</u>	<u>71,305</u>
Net income attributable to non-controlling interests	<u>\$ 78,914</u>	<u>70,635</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 55,901</u>	<u>34,925</u>

(Continued)



**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Right-of-use assets

The Consolidated Company leases buildings, office equipment and transportation equipment. Information about leases is presented below:

	Buildings	Office equipment	Transportation equipment	Total
Cost:				
Balance at January 1, 2021	\$ 644,005	8,047	58,254	710,306
Increase	108,011	-	2,257	110,268
Decrease	(233,925)	(394)	-	(234,319)
Others	(60,708)	424	(12,402)	(72,686)
Balance at December 31, 2021	<u>\$ 457,383</u>	<u>8,077</u>	<u>48,109</u>	<u>513,569</u>
Balance at January 1, 2020	\$ 655,620	6,206	49,336	711,162
Increase	126,205	4,638	17,915	148,758
Decrease	(123,579)	(2,746)	(9,596)	(135,921)
Others	(14,241)	(51)	599	(13,693)
Balance at December 31, 2020	<u>\$ 644,005</u>	<u>8,047</u>	<u>58,254</u>	<u>710,306</u>
Accumulated Depreciation:				
Balance at January 1, 2021	\$ 212,885	3,080	24,183	240,148
Increase	124,855	2,339	17,145	144,339
Decrease	(122,643)	(3,010)	(8,673)	(134,326)
Others	(11,663)	(236)	(2,868)	(14,767)
Balance at December 31, 2021	<u>\$ 203,434</u>	<u>2,173</u>	<u>29,787</u>	<u>235,394</u>
Balance at January 1, 2020	\$ 139,283	2,421	15,381	157,085
Increase	137,767	2,654	17,778	158,199
Decrease	(61,248)	(967)	(9,596)	(71,811)
Others	(2,917)	(1,028)	620	(3,325)
Balance at December 31, 2020	<u>\$ 212,885</u>	<u>3,080</u>	<u>24,183</u>	<u>240,148</u>
Carrying amount:				
Balance at December 31, 2021	<u>\$ 253,949</u>	<u>5,904</u>	<u>18,322</u>	<u>278,175</u>
Balance at December 31, 2020	<u>\$ 431,120</u>	<u>4,967</u>	<u>34,071</u>	<u>470,158</u>

The Consolidated Company leases offices and warehouses under an operating lease in 2021 and 2020, please refer to note 6(r).

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**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (j) Investment property

		<b>2021</b>		
	<b>Balance at January 1, 2021</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance at December 31, 2021</b>
<b>Cost:</b>				
Land	\$ 30,000	-	-	30,000
Buildings	<u>22,196</u>	<u>-</u>	<u>-</u>	<u>22,196</u>
	<u>52,196</u>	<u>-</u>	<u>-</u>	<u>52,196</u>
<b>Accumulated Depreciation:</b>				
Buildings	<u>11,924</u>	<u>396</u>	<u>-</u>	<u>12,320</u>
<b>Accumulated impairment:</b>				
Buildings	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	<u>\$ 39,272</u>	<u>(396)</u>	<u>-</u>	<u>38,876</u>
		<b>2020</b>		
	<b>Balance at January 1, 2020</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance at December 31, 2020</b>
<b>Cost:</b>				
Land	\$ 30,000	-	-	30,000
Buildings	<u>22,196</u>	<u>-</u>	<u>-</u>	<u>22,196</u>
	<u>52,196</u>	<u>-</u>	<u>-</u>	<u>52,196</u>
<b>Accumulated Depreciation:</b>				
Buildings	<u>11,527</u>	<u>397</u>	<u>-</u>	<u>11,924</u>
<b>Accumulated impairment:</b>				
Buildings	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	<u>\$ 39,669</u>	<u>(397)</u>	<u>-</u>	<u>39,272</u>
		<b>December 31, 2021</b>	<b>December 31, 2020</b>	
Book value		<u>\$ 38,876</u>	<u>39,272</u>	
Fair value		<u>\$ 51,328</u>	<u>51,328</u>	

Investment properties are commercial real estate that are leased to third parties. The lease contract includes an initial non-cancellable period of 3 years. Subsequent renewals are negotiated with the lessee and no contingent rents are charged. For further information of rental income, please refer to note 6(y). Besides, direct operating expenses related to investment property were \$296 thousand and \$301 thousand in 2021 and 2020.

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
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As of December 31, 2021 and 2020, the fair value of investment property has been evaluated based on the comparable transactions of property similar in location and category.

As of December 31, 2021 and 2020, no investment property has been pledged as collateral.

(k) Intangible assets

	2021					Balance at December 31, 2021
	Balance at January 1, 2021	Increase	Decrease	Amortization	Others	
Goodwill	\$ 295,459	-	-	-	(7,941)	287,518
Trademark	136,579	-	-	-	(3,919)	132,660
Patents	17,719	-	-	(2,692)	-	15,027
Computer software costs	43,113	4,147	(2,321)	(25,800)	-	19,139
Other intangible assets	18,459	14,672	-	(14,772)	(465)	17,894
	<u>\$ 511,329</u>	<u>18,819</u>	<u>(2,321)</u>	<u>(43,264)</u>	<u>(12,325)</u>	<u>472,238</u>

  

	2020					Balance at December 31, 2020
	Balance at January 1, 2020	Increase	Decrease	Amortization	Others	
Goodwill	\$ 308,477	-	-	-	(13,018)	295,459
Trademark	144,235	-	-	-	(7,656)	136,579
Patents	20,411	-	-	(2,692)	-	17,719
Computer software costs	72,667	2,849	-	(32,403)	-	43,113
Other intangible assets	40,518	799	-	(21,723)	(1,135)	18,459
	<u>\$ 586,308</u>	<u>3,648</u>	<u>-</u>	<u>(56,818)</u>	<u>(21,809)</u>	<u>511,329</u>

(l) Long-term and short-term borrowings

As of December 31, 2021 and 2020, the Consolidated Company had no long term and short term loans. The Consolidated Company's unused line of credit for long-term and short-term loans were as follows:

	December 31, 2021	December 31, 2020
Short-term loans	<u>\$ 4,234,496</u>	<u>3,464,541</u>
Long-term loans	<u>\$ 500,000</u>	<u>500,000</u>

(m) Other Payables

	December 31, 2021	December 31, 2020
Salary payable	\$ 321,201	424,263
Other payable-other	<u>586,649</u>	<u>956,462</u>
	<u>\$ 907,850</u>	<u>1,380,725</u>

(Continued)



**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (n) Lease liabilities

The amounts of lease liabilities for the Consolidated Company were as follows:

	December 31, 2021	December 31, 2020
Current	\$ <u>142,551</u>	<u>147,068</u>
Non-current	\$ <u>297,900</u>	<u>349,906</u>

The amounts recognized in profit or loss were as follows:

	2021	2020
Interests on lease liabilities	\$ <u>16,777</u>	<u>18,225</u>
Expenses relating to short-term leases	\$ <u>46,917</u>	<u>53,090</u>
COVID-19-related rent concessions	\$ <u>(52)</u>	<u>(438)</u>

The amounts recognized in the statement of cash flows for the Consolidated Company was as follows:

	2021	2020
Total cash outflow for leases	\$ <u>230,433</u>	<u>296,102</u>

## (i) Real estate leases

As of December 31, 2021, the Consolidated Company leases buildings for its office space. The leases of office space typically run for one to ten years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

## (ii) Other leases

The Consolidated Company also leases office equipment with contract terms of one to three years. In some cases, the Consolidated Company has options to purchase the assets at the end of the contract term; in other cases, the Consolidated Company guarantees the residual value of the leased assets at the end of the contract term.

## (o) Current provisions

	2021					Balance at December 31, 2021
	Balance at January 1, 2021	Increased	Used	Reversed	Effect of exchange	
Warranties	\$ 127,303	12,950	(21,717)	-	(3,804)	114,732
Legal proceedings and royalties	<u>132,650</u>	<u>52,431</u>	<u>(9,248)</u>	<u>(55,628)</u>	<u>(1,138)</u>	<u>119,067</u>
	<u>\$ 259,953</u>	<u>65,381</u>	<u>(30,965)</u>	<u>(55,628)</u>	<u>(4,942)</u>	<u>233,799</u>

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	2020					Balance at December 31, 2020
	Balance at January 1, 2020	Increased	Used	Reversed	Effect of exchange	
Warranties	\$ 122,656	18,811	(10,217)	(740)	(3,207)	127,303
Legal proceedings and royalties	<u>85,079</u>	<u>99,323</u>	<u>(12,938)</u>	<u>(36,224)</u>	<u>(2,590)</u>	<u>132,650</u>
	<u>\$ 207,735</u>	<u>118,134</u>	<u>(23,155)</u>	<u>(36,964)</u>	<u>(5,797)</u>	<u>259,953</u>

## (p) Refund liabilities

	December 31, 2021	December 31, 2020
Refund liabilities	<u>\$ 456,699</u>	<u>555,409</u>

Refund liabilities were predicted payments to the customers based on expected volume discounts and the right to the returned goods.

## (q) Bonds payable

Exchangeable corporate bonds

	December 31, 2020
Exchangeable bonds	\$ 1,200,000
Less: Accumulated exchanged bonds	(1,199,400)
Due for repayment	<u>(600)</u>
Balance of exchangeable bonds	<u>\$ -</u>
	<u>2020</u>
Embedded derivative-loss measured at fair value, included in other gains and losses	<u>\$ 34,967</u>
Interest expense	<u>\$ 2,107</u>

On June 17, 2020, the first unsecured exchangeable bonds with a 5-year maturity issued by the Company expired, and the OTC trading thereof was terminated on June 18, 2020. As of June 17, 2020, the day after the maturity date, the creditor has not exercised the right of exchange, the Company therefore, pursuant to Article 6 of the "Regulations Governing the Issuance and Exchange of Exchangeable Bonds", calculated the repayment amount based on the face value of the bond plus interest, totaling \$608 thousand. As of the reporting date, all payments had been made.

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The issue terms for the unsecured exchangeable bonds were as follows:

(i) Total issuance amount:

Total principal amount of the bonds is \$1.2 billion dollars. The par value of the bonds is one hundred thousand dollars, and they are issued at 100% of the par value. The total number of exchangeable bonds were issued 12 thousand units. As of December 31, 2020, the bondholders have already exchanged 11,994 units, and 6 units were due.

(ii) Duration:

June 17, 2015 to June 17, 2020.

(iii) Coupon rate for the bonds is zero.

(iv) Payment term

Except for the share exchange with Alpha's common shares by the bondholders based on article 10, or the put option exercised by the bondholders based on article 18, or the early redemption done by the Company based on article 17, or the buy back from the security company and retired by the Company, the Company will repay the principal and interest payable refund (with interest payable refund of 1.26% of the par value, and yield rate of 0.25%) upon maturity.

(v) Exchange period:

The exchangeable bonds may be exchanged into common shares of Alpha on or after July 18, 2015, and prior to June 17, 2020. For the year ended December 31, 2020, the bondholders exchanged 2,990 units amounted to \$299,000 thousand for \$15,444 thousand of Alpha's common shares at \$19.36 per share and the Consolidated Company recognized the profit amounted to \$139,965 thousand.

(vi) Exchange price:

The exchange price is calculated by using the simple average closing price of the Consolidated Company's common shares based on either one, three or five consecutive business days before the effective date of June 9, 2015, multiplied by 105.26%. The exchange price is calculated based on the closing price (after considering the effect of ex-rights or ex-dividend) of Alpha's shares. The exchange price on issuance date was \$22. Since September 5, 2017, the conversion price was adjusted from \$22.31 to \$21.37. Since July 29, 2018 the conversion price was adjusted from \$21.37 to \$20.38. Since July 28, 2019 the conversion price was adjusted from \$20.38 to \$19.36.

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(vii) Early redemption option:

From July 18, 2015 (1 month after the issuance date) to May 8, 2020 (forty days before the maturity date), if (i) the closing price of Alpha's common shares on the TSE for a period of 30 consecutive trading days before redemption has reached at least 30% of the exchange price in effect on each such trading day, or wherein, (ii) at least 90% of the principal amount of the bonds originally outstanding has been redeemed, repurchased or exchanged, the Company may redeem all bonds for cash at face value.

(viii) Put options:

Bondholders may exercise the put option and request the Company to redeem the bonds at 100% of the par value, plus, interest payable refund two years after the issuance with a redemption date of June 17, 2017. The Company will send a "Bondholder's Notice of Exercise of the Right to Sell" to the bondholders by registered mail 30 days before the selling back date, and instructs the counter trading center to announce that the holders of the exchange bonds have sold back. Exercising the right, the bondholder may notify the stock agency of the Company in writing within 30 days after the announcement, request the Company to add the interest declutched by the denomination of the bond, and redeem the exchange bonds held by it in cash. Upon request, the Company shall redeem the bonds for cash within five trading days after the redemption date. The maturity of request that the Company redeem the bonds have been already reached. There are no Bondholder to exercise the put option till the redemption date of June 17, 2017.

(r) Operating leases

The Consolidated Company leased out its investment property. The Consolidated Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(j) for the operating leases of investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date were as follows:

	December 31, 2021	December 31, 2020
Within one year	\$ 353	771
One to two years	<u>-</u>	<u>353</u>
Total undiscounted lease payments	<u>\$ 353</u>	<u>1,124</u>

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(s) Employee benefits

- (i) The reconciliation of the present value of the defined benefit obligations and fair value of plan assets for the Company were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Present value of the defined benefit obligations	\$ 86,814	91,577
Fair value of plan assets	<u>(75,551)</u>	<u>(80,892)</u>
Net defined benefit liabilities	<u><b>\$ 11,263</b></u>	<u><b>10,685</b></u>

Based on the Company's pension plan, each employee earns two units for the first fifteen years of service, and one unit for each additional year thereafter, subject to a maximum of forty-five units. Payments of retirement benefits are based on the number of units accrued and the average monthly salaries for the last six months prior to retirement.

1) Composition of plan assets

The Company contributes monthly an amount equal to 2% of each employee's monthly wages to the retirement fund deposited with Bank of Taiwan in accordance with the provisions of Labor Pension Act, whereby, the labor pension reserve account will make pension payment in advance.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$75,551 thousand at the date of reporting date. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Company were as follows:

	<b>2021</b>	<b>2020</b>
Defined benefit obligations at January 1	\$ 91,577	104,051
Current service costs and interests	1,197	2,186
Remeasurement of the net defined benefit liabilities		
— Actuarial losses due to changes in demographic assumption	118	-
— Actuarial (gains) and losses from changes in the financial assumptions	(5,109)	9,130
— Actuarial (gains) and losses from changes in experience adjustments	7,971	(10,722)
Benefits paid	<u>(8,940)</u>	<u>(13,068)</u>
Defined benefit obligations at December 31	<u><b>\$ 86,814</b></u>	<u><b>91,577</b></u>

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Movements in the fair value of the plan assets

The movements in the present value of the plan assets in 2021 and 2020 for the Company were as follows:

	2021	2020
Fair value of plan assets at January 1	\$ 80,892	87,839
Interest income	324	995
Remeasurement of the net plan assets		
— Actuarial return on plan assets (excluding interests)	1,293	2,942
Contributions made	1,982	2,184
Benefits paid	<u>(8,940)</u>	<u>(13,068)</u>
Fair value of plan assets at December 31	<u><u>\$ 75,551</u></u>	<u><u>80,892</u></u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for 2021 and 2020 for the Company were as follow:

	2021	2020
Current service costs	\$ 831	1,019
Net interest on the net defined benefit liabilities	<u>42</u>	<u>172</u>
	<u><u>\$ 873</u></u>	<u><u>1,191</u></u>
	2021	2020
Operating costs	\$ 14	23
Selling expenses	485	615
Administrative expenses	164	219
Research and development expenses	<u>210</u>	<u>334</u>
	<u><u>\$ 873</u></u>	<u><u>1,191</u></u>

5) Remeasurements of the net defined benefit liabilities recognized in other comprehensive income

The Company's remeasurements of the net defined benefit liabilities recognized in other comprehensive income as of December 31, 2021 and 2020 were as follows:

	2021	2020
Balance on January 1	\$ 47,330	51,864
Recognized	<u>1,687</u>	<u>(4,534)</u>
Balance on December 31	<u><u>\$ 49,017</u></u>	<u><u>47,330</u></u>

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

6) Actuarial assumptions

The Company's principal actuarial assumptions at the reporting date were as follows:

	<b>2021.12.31</b>	<b>2020.12.31</b>
Discount rate	0.800 %	0.400 %
Future salary increases	3.000 %	3.000 %

The Company shall pay the expected contributions of \$1,665 thousand to the defined benefit plans for the next annual reporting period.

The weighted average duration of defined benefit plans were 14.00 years and 15.00 years in 2021 and 2020, respectively.

7) Sensitivity analysis

As of December 31, 2021 and 2020, the impact on present value due to the changes in the actuarial assumptions was as follows:

	<b>Effective of defined benefit obligations</b>	
	<b>Increase</b>	<b>Decrease</b>
December 31, 2021		
Discount rate (0.25% change)	\$ (2,955)	3,080
Future salary increases (0.25% change)	2,788	(2,696)
December 31, 2020		
Discount rate (0.25% change)	(3,301)	3,449
Future salary increases (0.25% change)	3,124	(3,014)

The analysis of the impact of sensitivity was based on the situation that other assumptions remain constant. In actual situation, many changes in assumption might be linked. The method used in the sensitivity analysis was consistent with the calculation of pension liabilities in the balance sheets.

The assumptions used to prepare sensitively analysis in this period were the same as the previous financial statements.

(ii) Defined contribution plans

The Company set aside 6% of the contribution rate of the employee's monthly wages to the labor pension personal account of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company set aside a fixed amount to the Bureau of the Labor Insurance without the payment of additional legal or constructive obligations.

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The amount of the Consolidated Company's pension expenses under defined contribution pension plans in 2021 and 2020 were as follows:

	2021	2020
Operating costs	\$ <u>5,908</u>	<u>6,504</u>
Operating expenses	\$ <u>125,698</u>	<u>128,248</u>

(t) Income Taxes

Income tax expenses for the Consolidated Company were summarized as follows:

	2021	2020
Current income tax expense	\$ 85,199	115,228
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	<u>(8,587)</u>	<u>70,938</u>
Income tax expenses	\$ <u>76,612</u>	<u>186,166</u>

The amount of income tax benefit recognized in other comprehensive income for the Consolidated Company was as follows:

	2021	2020
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	\$ <u>(45,730)</u>	<u>(68,189)</u>

Reconciliation of income tax expense and profit (loss) before tax for the Consolidated Company was as follows:

	2021	2020
Profit before income tax	\$ <u>394,723</u>	<u>1,496,726</u>
Income tax using the Company's statutory tax rate	78,945	299,345
Effect of tax rate in foreign jurisdiction	(18)	(66,149)
Share of loss of associates accounted for using equity method	(22,223)	(3,689)
Tax-exempt income	(41,730)	(13,682)
Change in unrecognized temporary differences	(12,032)	23,574
Income tax adjustments on prior years and others	<u>73,670</u>	<u>(53,233)</u>
	\$ <u>76,612</u>	<u>186,166</u>

(Continued)



**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Deferred tax assets and liabilities

(i) Unrecognized deferred income tax assets

The unrecognized deferred income tax assets for the Consolidated Company were as follows:

	December 31, 2021	December 31, 2020
Deductible temporary differences		
Unrealized expenses	\$ 91,619	108,593
Provisions for warranty	12,572	13,912
Unrealized impairment	24,318	24,318
Write-down of inventories to net realizable value	39,998	42,136
Others	<u>60,350</u>	<u>70,727</u>
	<u>228,857</u>	<u>259,686</u>
Operating loss carry forward	<u>1,114,593</u>	<u>1,095,796</u>
	<u><u>\$ 1,343,450</u></u>	<u><u>1,355,482</u></u>

(ii) Recognized deferred tax assets and liabilities

The movements in the amount of deferred tax assets and liabilities for the years ended December 31, 2021 and 2020 were as follows:

	Intra-group transactions	Exchange differences on translation of foreign financial statements	Unrealized expenses	Write-down of inventory	Bad debts	Loss carry forward	Others	Total
Deferred income tax assets:								
Balance at January 1, 2021	\$ 65,518	277,881	20,856	25,945	874	288,955	65,606	745,635
Recognized in profit or loss	(22,253)	-	5,310	43,336	(483)	81,791	(29,110)	78,591
Exchange differences on translation of foreign financial statements	-	45,730	-	-	-	-	-	45,730
Balance at December 31, 2021	<u>\$ 43,265</u>	<u>323,611</u>	<u>26,166</u>	<u>69,281</u>	<u>391</u>	<u>370,746</u>	<u>36,496</u>	<u>869,956</u>
Balance at January 1, 2020	\$ 96,045	209,692	29,882	36,323	2,318	192,003	67,984	634,247
Recognized in profit or loss	(30,527)	-	(9,026)	(10,378)	(1,444)	96,952	(2,378)	43,199
Exchange differences on translation of foreign financial statements	-	68,189	-	-	-	-	-	68,189
Balance at December 31, 2020	<u>\$ 65,518</u>	<u>277,881</u>	<u>20,856</u>	<u>25,945</u>	<u>874</u>	<u>288,955</u>	<u>65,606</u>	<u>745,635</u>

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>Investments under equity method</b>	<b>Others</b>	<b>Total</b>
Deferred income tax liabilities:			
Balance at January 1, 2021	\$ 242,431	40,402	282,833
Recognized in profit or loss	<u>54,148</u>	<u>15,856</u>	<u>70,004</u>
Balance at December 31, 2021	<u><b>\$ 296,579</b></u>	<u><b>56,258</b></u>	<u><b>352,837</b></u>
Balance at January 1, 2020	\$ 143,177	25,519	168,696
Recognized in profit or loss	<u>99,254</u>	<u>14,883</u>	<u>114,137</u>
Balance at December 31, 2020	<u><b>\$ 242,431</b></u>	<u><b>40,402</b></u>	<u><b>282,833</b></u>

In accordance with the laws of each registered country, the assessed losses can be used to offset current-year net income. In addition, pursuant to the ROC Income Tax Act, net loss of the Company and Yeotai as assessed by the tax authorities can be carried forward for ten consecutive years to reduce future taxable income. As of December 31, 2021, the Consolidated Company's unused loss carry forward available to offset future taxable income and the year of expiry were as follows:

<b>Consolidated entity</b>	<b>Year of loss</b>	<b>Year of expiry</b>	<b>Unused amount</b>
The Company	2017	2027	1,740,912
The Company	2019	2029	162,350
The Company	2020	2030	654,895
The Company	2021	2031	206,641
Yeotai	2014	2024	2,813
Yeotai	2016	2026	1,330
Yeotai	2019	2029	5,947
D-Link Europe	2003, 2015~2016 and 2021	Unlimited	45,637
D-Link Brazil	2014~2019 and 2021	Unlimited	781,261
D-Link Shiang-Hai	2017~2020	2022~2025	303,487
D-Link Mexicana	2014~2015 and 2017~2019	2024~2025 and 2027~2029	103,205
D-Link Systems	2018~2021	2038~2041	544,139
D-Link International	2015~2019	Unlimited	1,382,687
D-Link Korea	2012~2019 and 2021	2022~2029 and 2031	<u>63,887</u>
			<u><b>\$ 5,999,191</b></u>

The income tax returns of the Company and Yeotai have been examined by the tax authority through 2019.

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**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(u) Capital and other equity

(i) Common stock

As of December 31, 2021, and 2020, the authorized capital amounted to \$8,800,000 thousand (including \$750,000 thousand authorized for the issuance of the employee stock options). As of December 31, 2021 and 2020, the paid-in Consolidated Company's authorized common stock consisted 599,837 thousand and 651,996 thousand shares, with a par value of \$10 per share, amounting to \$5,998,365 thousand and \$6,519,961 thousand.

For the purpose of enhancing the return on equity and the structure of capital, the capital reduction through cashes \$521,596 thousand return to shareholders was proposed by the Consolidated Company's Board on March 17, 2021, capital reduction 8% of common shares. This capital reduction was approved by the shareholders' meeting on July 5, 2021, and had the effective registration by the competent Authority. The record date of the capital reduction is on September 1, 2021, and all relevant change registrations of the capital reduction was finished on October 5, 2021.

(ii) Capital surplus

The balances of capital surplus for the Consolidated Company were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Common stock in excess of par value	\$ 1,217,030	1,217,030
Treasury share transactions	39,310	39,310
Changes in equities of associates accounted for using equity method	-	740
Expiry of share-based payment transactions	129,459	129,459
Expiry of redeemed options of convertible corporate bonds	81,454	81,454
Changes in equities of the Consolidated Company's ownership interests in subsidiaries	<u>55,320</u>	<u>55,320</u>
Total	<u><b>\$ 1,522,573</b></u>	<u><b>1,523,313</b></u>

According to the R.O.C. Company Act, realized capital surplus can only be reclassified as share capital or be distributed as cash dividends after offsetting against losses. The aforementioned realized capital surplus includes share premium and donation gains. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus to be reclassified under share capital should not exceed 10% of the paid-in capital each year.

(iii) Retained earnings

1) Legal reserve

According to the R.O.C. Company Act No. 237, the Company must retain 10% of its net profit as a legal reserve until such retention equals the total paid-in capital.

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
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In accordance with Ruling No. 10802432410 issued by the Ministry of Economic Affairs on January 9, 2020, the amount of retained earnings allotted to legal reserve shall be calculated based on "net earnings after income taxes, plus any other amount recognized in undistributed retained earnings" since the earnings distribution in 2019. When the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be distributed as dividends in cash or stocks based on the resolution of the shareholders' meeting if there is no accumulated deficit.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory commission on April 6, 2012, a special reserve equivalent to the net debit balance of other shareholders' equity shall be set aside from the current earnings and the prior unappropriated earnings. The Company shall not distribute the special reserve equivalent to the net debit balance of shareholders' equity from the prior fiscal years set aside from the prior unappropriated earnings. The amount of subsequent reversals pertaining to the net debt balance of other shareholders' equity shall qualify for distribution.

3) Earning distribution

In accordance with the Company's articles of incorporation, if there are earnings at year-end, 10 percent should be set aside as legal reserve until such retention equals the total paid-in capital after the payment of income tax and offsetting accumulated losses from prior years. Also set aside from or reverse special reserve in accordance with the Securities and Exchange Act. The remaining portion will be combined with earnings from prior years, and the Board of Directors can propose appropriations of earnings to be approved by the shareholders' meeting.

The Company's appropriation of earnings for 2020 had been proposed in the Board meeting held on March 17, 2021. After offsetting accumulated losses from prior years, the Board of Directors decided to distribute cash dividends \$0.3 per share. The appropriation of earnings for 2020 was approved by in the shareholders' meeting on July 5, 2021. Information on the appropriation of earnings for 2020 was available at the Market Observation Post System website.

The Company has no earnings to distribute for 2019 due to the accumulated deficit.

4) Dividend policy

The Company has carried out its Residual Dividend Policy to align with the (i) whole market (ii) industrial growth characteristics (iii) long term financial plan (iv) talent acquisition, and (v) pursuing sustainable business development. After deducting the balance from the items mentioned above, the Board of Directors shall adopt a proposal for the residual balance and the previous year's earnings to be submitted for approval during the shareholders' meeting. The total amount of dividends to be distributed to the shareholders shall be no less than 30% of the distributable earnings for the current year. According to the budget plan for its capital, the Company shall distribute stock dividends to retain the required funds; and any remainder, which should not be less than 10% of the total dividends, can be distributed by cash.

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (iv) Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Others
Balance at January 1, 2021	\$ (1,520,585)	(88,606)	-
The Consolidated Company	(343,882)	54,984	-
Associates	871	(14,416)	-
Disposal	-	45,599	-
Balance at December 31, 2021	<u>\$ (1,863,596)</u>	<u>(2,439)</u>	<u>-</u>
Balance at January 1, 2020	\$ (1,236,701)	(165,102)	(3,484)
The Consolidated Company	(335,773)	16,739	-
Associates	51,889	59,684	3,484
Disposal	-	73	-
Balance at December 31, 2020	<u>\$ (1,520,585)</u>	<u>(88,606)</u>	<u>-</u>

## (v) Non-controlling interests

	2021	2020
Balance at the beginning of the period	\$ 480,860	452,625
Net income attributable to non-controlling interest:		
Net income	78,914	70,635
Exchange differences on translation of foreign financial statements	(23,013)	(35,710)
Cash dividends distributed by subsidiaries	(11,783)	(6,690)
Balance at the end of the period	<u>\$ 524,978</u>	<u>480,860</u>

## (v) Earnings per share

The calculation of earnings per share of the Consolidated Company were as follows:

## (i) Basic earnings per share

	2021	2020
Net profit of the parent company for the year	<u>\$ 239,197</u>	<u>1,239,925</u>
Outstanding ordinary shares	<u>634,610</u>	<u>651,996</u>
Basic earnings per share	<u>\$ 0.38</u>	<u>1.90</u>

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (ii) Diluted earnings per share

	2021	2020
Net profit of the parent company for the year	\$ <u>239,197</u>	<u>1,239,925</u>
Weighted average number of outstanding ordinary shares (basic)	634,610	651,996
Employees' compensation has not been resolved by the Board meeting	<u>1,071</u>	<u>1,496</u>
Weighted average number of ordinary shares (diluted)	<u>635,681</u>	<u>653,492</u>
Diluted earnings per share	\$ <u>0.38</u>	<u>1.90</u>

For calculation of the dilutive effect of the stock option, the average market value was assessed based on the quoted market price where the Company's option was outstanding.

## (w) Revenue from contracts with customers

## (i) The Consolidated Company's revenue from contracts with customers

Major product / service lines	2021	2020
Network communication products	\$ 15,364,507	15,016,762
Services	<u>160,394</u>	<u>162,681</u>
	<u>\$ 15,524,901</u>	<u>15,179,443</u>
Primary geographical markets	2021	2020
Europe	\$ 3,509,222	3,110,121
Others	<u>12,015,679</u>	<u>12,069,322</u>
	<u>\$ 15,524,901</u>	<u>15,179,443</u>

## (ii) Contract liabilities

## 1) The Consolidated Company recognized contract revenue related to contract liabilities:

	December 31, 2021	December 31, 2020
Current contract liabilities (sales)	\$ <u>134,833</u>	<u>123,995</u>

## 2) The Consolidated company recognized \$70,256 thousand and \$81,378 thousand in sales from the beginning balance of contract liabilities for the year ended December 31, 2021 and 2020, respectively.

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**D-LINK CORPORATION AND SUBSIDIARIES**  
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(x) Employees' compensation and Directors' remuneration

In accordance with the Articles of Association, if the Company incur profit for the year, the Company should contribute a minimum of 1% to a maximum of 15% of annual profit as Employees' compensation and less than 1% of annual profit as Directors' remuneration. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficits. The profit shall be considered as the annual income before tax, excluding Employees' compensation and Directors' remuneration. The amount of remuneration of directors and the compensation for employees shall be decided by two-third of the voting rights exercised by the directors present at the Board of Directors' meeting who represent a majority of the directors and reported at stockholders' meeting. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain specific conditions.

In 2021 and 2020, the Company estimated its Employees' compensation amounted to \$12,621 thousand and \$42,936 thousand, respectively, and Directors' remuneration amounted to \$1,262 thousand and \$0 thousand, respectively. The estimated amounts mentioned above are calculated based on the profit before tax, excluding the Employees' compensation and Directors' remuneration of each period, multiplied by the percentage of Employees' compensation and Directors' remuneration as specified in the Company's Articles of Association. These remunerations were expensed under operating expenses during 2021 and 2020.

In 2020, the Company's actual distribution of Employees' compensation and Directors' remuneration were \$46,800 thousand and \$4,680 thousand, respectively. The actual distributions of employees' compensation and directors' remuneration were higher than estimated amounts, and the total difference \$8,544 thousand shall be accounted for as a change in accounting estimate and shall be recognized in the current year. Related information would be available at the Market Observation Post System website.

(y) Other income and losses

(i) Interest income

	2021	2020
Interest income from bank deposits	\$ 31,748	16,524
Other interest income	<u>16,249</u>	<u>-</u>
Total	<u>\$ 47,997</u>	<u>16,524</u>

(ii) Other income

	2021	2020
Rent income	\$ 2,707	1,663
Dividend income	<u>1,155</u>	<u>879</u>
Total	<u>\$ 3,862</u>	<u>2,542</u>

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
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## (iii) Other gains and losses

	<b>2021</b>	<b>2020</b>
Gain on disposals of investments	\$ 6,487	1,297,668
Foreign exchange losses	(34,474)	(11,695)
Valuation losses from financial assets and liabilities	(19,335)	(14,478)
Others	<u>51,713</u>	<u>71,247</u>
Total	<u><u>\$ 4,391</u></u>	<u><u>1,342,742</u></u>

## (iv) Finance costs

	<b>2021</b>	<b>2020</b>
Interest expense	\$ (9,131)	(10,059)
Lease liability interests	<u>(16,777)</u>	<u>(18,225)</u>
Total	<u><u>\$ (25,908)</u></u>	<u><u>(28,284)</u></u>

## (z) Reclassification adjustments of components of other comprehensive income

Details of the reclassification adjustments of components of other comprehensive income in 2021 and 2020 were summarized as follow:

	<b>2021</b>	<b>2020</b>
Exchange differences on translation of foreign financial statements		
Change in exchange from the Consolidated Company	\$ (389,612)	(403,962)
Change in exchange from non-controlling interests	<u>(23,013)</u>	<u>(35,710)</u>
Change in exchange differences on translation of foreign financial statements recognized in other comprehensive income	<u><u>\$ (412,625)</u></u>	<u><u>(439,672)</u></u>
Share of other comprehensive income of subsidiaries and associates accounted for using equity method		
Change in foreign currency exchange from associates	\$ 871	(3,343)
Reclassification to profit or loss	-	55,517
Change in other equity interest from associates	<u>-</u>	<u>3,199</u>
Share of other comprehensive income	<u><u>\$ 871</u></u>	<u><u>55,373</u></u>

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**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (aa) Financial instruments

## (i) Category of financial instruments

## 1) Financial Assets

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash and cash equivalents	\$ 2,195,080	6,216,327
Financial assets at fair value through profit or loss - current	279,344	238,951
Notes receivable, accounts receivable and other receivables (including related parties)	3,704,572	3,119,834
Finance lease payment receivable (current and non-current)	155,879	-
Financial assets at fair value through other comprehensive income - non-current	33,300	454,435
Refundable deposits and other current assets	<u>77,143</u>	<u>222,152</u>
	<b><u>\$ 6,445,318</u></b>	<b><u>10,251,699</u></b>

## 2) Financial liabilities

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Financial liabilities at fair value through profit or loss - current	\$ 16,368	18,324
Notes payable, accounts payable and other payables (including related parties)	3,532,487	4,125,129
Guarantee deposits received	82,860	70,284
Lease liability (current and non-current)	<u>440,451</u>	<u>496,974</u>
	<b><u>\$ 4,072,166</u></b>	<b><u>4,710,711</u></b>

## (ii) Credit risk

## Exposure to credit risk:

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2021 and 2020, the maximum exposure to credit risk has amounted to \$6,445,318 thousand and \$10,251,699 thousand, respectively.

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**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
<b>December 31, 2021</b>							
Non-derivative financial liabilities							
Notes payable	\$ 11	11	11	-	-	-	-
Accounts payable	2,336,740	2,336,740	2,336,740	-	-	-	-
Accounts payable - related parties	287,886	287,886	287,886	-	-	-	-
Other payables	907,850	907,850	907,850	-	-	-	-
Lease liability	440,451	469,512	83,910	70,557	101,921	202,940	10,184
Guarantee deposits received	82,860	82,860	82,860	-	-	-	-
Derivative financial liabilities							
Cross currency swaps							
Outflow	13,722	1,883,133	1,883,133	-	-	-	-
Inflow	-	1,869,634	1,869,634	-	-	-	-
Forward foreign exchange contracts							
Outflow	2,646	558,157	558,157	-	-	-	-
Inflow	-	545,260	545,260	-	-	-	-
	<u>\$ 4,072,166</u>	<u>8,941,043</u>	<u>8,555,441</u>	<u>70,557</u>	<u>101,921</u>	<u>202,940</u>	<u>10,184</u>
	Carrying amount	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
<b>December 31, 2020</b>							
Non-derivative financial liabilities							
Notes payable	\$ 230	230	230	-	-	-	-
Accounts payable	2,376,692	2,376,692	2,376,692	-	-	-	-
Accounts payable - related parties	367,482	367,482	367,482	-	-	-	-
Other payables	1,380,725	1,380,725	1,380,725	-	-	-	-
Lease liability	496,974	534,623	82,029	79,850	132,514	185,190	55,040
Guarantee deposits received	70,284	70,284	70,284	-	-	-	-
Derivative financial liabilities							
Cross currency swaps							
Outflow	8,469	565,924	565,924	-	-	-	-
Inflow	-	558,265	558,265	-	-	-	-
Forward foreign exchange contracts							
Outflow	9,855	595,458	595,458	-	-	-	-
Inflow	-	586,896	586,896	-	-	-	-
	<u>\$ 4,710,711</u>	<u>7,036,579</u>	<u>6,583,985</u>	<u>79,850</u>	<u>132,514</u>	<u>185,190</u>	<u>55,040</u>

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**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Consolidated Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amount.

(iv) Currency risk

- 1) The Consolidated Company's significant exposure to foreign currency risk was as follows:

	December 31, 2021			December 31, 2020			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
Financial assets (note):							
Monetary items:							
CLP	\$	94,235	0.04	3,069	203,714	0.04	8,165
JPY		1,051,213	0.24	253,026	1,438,073	0.28	396,985
CAD		11,342	21.74	246,587	16,704	22.40	374,126
USD		173,724	27.69	4,810,424	218,439	28.51	6,227,244
MXN		2,274	1.38	3,059	2,218	1.43	3,171
BRL		41,159	4.96	204,229	25,011	5.49	137,208
AUD		5,750	20.08	115,478	7,530	21.96	165,355
				<u>\$ 5,635,872</u>			<u>7,312,254</u>
Non-monetary items:							
USD	\$	10,210	27.69	<u>282,716</u>	7,754	28.51	<u>221,056</u>
Derivative instruments:							
EUR		14	31.36	437	345	34.84	12,011
JPY		1,163	0.24	280	32,059	0.28	8,850
RUB	-	-	-	-	569	0.39	220
BRL	-	-	-	-	101	5.49	554
CAD	-	-	21.74	4	-	-	-
				<u>\$ 721</u>			<u>21,635</u>
Financial liabilities (note):							
Monetary items:							
JPY	\$	1,949,949	0.24	469,350	2,022,386	0.28	557,803
CAD		888	21.74	19,316	1,359	22.40	30,440
EUR		10,051	31.36	315,254	10,045	34.84	349,937
BRL		21,834	4.96	108,341	26,604	5.49	145,944
USD		114,882	27.69	3,181,083	120,732	28.51	3,441,834
CLP		162,786	0.04	5,301	180,271	0.04	7,226
AUD		1,668	20.08	33,494	2,740	21.96	60,160
MXN		111	1.38	150	104	1.43	148
				<u>\$ 4,132,289</u>			<u>4,593,492</u>
Derivative instruments:							
EUR	\$	119	31.36	3,736	91	34.84	3,184
GBP		16	37.39	607	-	-	-
CAD		9	21.74	187	36	22.40	797
JPY		29,626	0.24	7,131	5,040	0.28	1,391
KRW		3,866	0.03	104	30,795	0.03	828
BRL		264	4.96	1,309	103	5.49	565
USD		46	27.69	1,278	32	28.51	917
CNH		331	4.34	1,439	1,863	4.37	8,140
AUD		12	20.08	243	114	21.96	2,502
RUB		896	0.37	334	-	-	-
				<u>\$ 16,368</u>			<u>18,324</u>

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**D-LINK CORPORATION AND SUBSIDIARIES**  
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Note: Disclosure in the consolidated financial statements of the financial assets and liabilities in foreign currency is limited to information on subsidiaries directly held by the Consolidated Company.

The Consolidated Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, loans, accounts payable and other payables that are denominated in foreign currency. A 1.5% of appreciation (depreciation) of each consolidated components currency, other than the functional currency, against the functional currency for the years ended December 31, 2021 and 2020 would have increased or decreased the net income (loss) after tax by \$21,654 thousand and \$35,273 thousand and increased or decreased the equity by \$61 thousand and \$56 thousand, respectively, assuming all other variables were held constant.

(v) Assets and liabilities measured at fair value

1) The information of levels in the fair value hierarchy

The Consolidated Company measures the financial instruments at fair value based on a recurring basis. The level of fair values was as follows:

Assets and liabilities	Total	December 31, 2021		
		Level 1	Level 2	Level 3
<b>Measured at fair value on recurring basis</b>				
<b>Non-derivative assets and liabilities</b>				
<b>Assets:</b>				
Financial assets at fair value through profit or loss - current	\$ 278,623	278,623	-	-
Financial assets at fair value through other comprehensive income	33,300	29,207	-	4,093
<b>Derivative assets and liabilities</b>				
<b>Assets:</b>				
Financial assets at fair value through profit or loss - current	721	-	721	-
<b>Liabilities:</b>				
Financial liabilities at fair value through profit or loss - current	16,368	-	16,368	-
<b>December 31, 2020</b>				
Assets and liabilities	Total	Level 1	Level 2	Level 3
<b>Measured at fair value on recurring basis</b>				
<b>Non-derivative assets and liabilities</b>				
<b>Assets:</b>				
Financial assets at fair value through profit or loss - current	\$ 217,316	217,316	-	-
Financial assets at fair value through other comprehensive income	454,435	450,696	-	3,739

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**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Assets and liabilities	Total	December 31, 2020		
		Level 1	Level 2	Level 3
<b>Derivative assets and liabilities</b>				
<b>Assets:</b>				
Financial assets at fair value through profit or loss - current	21,635	-	21,635	-
<b>Liabilities:</b>				
Financial liabilities at fair value through profit or loss - current	18,324	-	18,324	-

2) Valuation techniques

The Consolidated Company measures the fair value of financial instruments that are traded in active markets by a quoted price. The market price of stock exchange is based on the listed equity instruments. For other financial instruments like forward currency option contracts, cross currency swaps and foreign currency option contracts, the Consolidated Company measures the fair value of its financial assets and liabilities using the observable inputs and the valuation technique from the perspective of market participants.

3) Transfer between Level 1 and Level 2

In 2021 and 2020, there were no transfers between level 1 and level 2 of the fair value hierarchy.

4) Reconciliation of level 3 fair values

	<b>Financial assets at fair value through other comprehensive income</b>
Balance at January 1, 2021	\$ 3,739
Recognized in other comprehensive income	354
Balance at December 31, 2021	<u>\$ 4,093</u>
Balance at January 1, 2020	\$ 2,560
Recognized in other comprehensive income	1,179
Balance at December 31, 2020	<u>\$ 3,739</u>

For the years ended December 31, 2021 and 2020, total gains and losses that were included in unrealized gains and losses from financial assets at fair value through other comprehensive income were as follows:

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**D-LINK CORPORATION AND SUBSIDIARIES**  
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	2021	2020
Total gains and losses recognized:		
In other comprehensive income, and presented in “unrealized gains from financial assets at fair value through other comprehensive income”	354	1,179
5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement		

The Consolidated Company’s financial instruments that use Level 3 inputs to measure fair value include fair value through other comprehensive income – equity investments.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income-equity investments without an active market	Net Asset Value Method	Net Asset Value	Not applicable

(vi) Assets and liabilities not measured at fair value

1) Information of fair value

Except for those listed in the table below, the carrying amounts of the Consolidated Company’s financial instruments not measured at fair value, including cash and cash equivalents, notes receivable, accounts receivable/payable and other receivables/payables, approximate their fair values. Moreover, lease liabilities are not measured at fair value.

	December 31, 2021		December 31, 2020	
	Book value	Fair value	Book value	Fair value
Non-financial assets:				
Investment property	\$ <u>38,876</u>	<u>51,328</u>	<u>39,272</u>	<u>51,328</u>
		<b>December 31, 2021</b>		
<b>Assets and liabilities</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Non-financial assets:</b>				
Investment property	\$ 51,328	-	-	51,328
		<b>December 31, 2020</b>		
<b>Assets and liabilities</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Non-financial assets:</b>				
Investment property	\$ 51,328	-	-	51,328

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**D-LINK CORPORATION AND SUBSIDIARIES**  
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2) Valuation techniques

The assumptions used by the Consolidated Company to determine the fair value are as follows:

- a) The carrying amount of cash and cash equivalents and other financial instruments that approximate their fair value due to their short maturities or similar to the future receipt and payment price.
- b) The fair value of investment property that is based on the comparable deal information with similar location and category.

(ab) Financial risk management

(i) Overview

The Consolidated Company was exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Consolidated Company's objectives, policies and processes for measuring and managing the above-mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has given the department directors a task to establish and dominate regulations of risk management to effectively ensure operations of risk management. The personnel change in department directors should be reported to the Board of Directors.

The Consolidated Company use internal control systems, risk management procedures, and regulations of risk management as the basis of various business risk management standards. The Consolidated Company's risk management policies are established to identify and analyze the risks faced by the Consolidated Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated Company's activities. The Consolidated Company, through training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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## **D-LINK CORPORATION AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

The Board of Directors and Audit Committee oversee how management monitors compliance with the Consolidated Company's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by the Consolidated Company. The Board of Directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors and Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Consolidated Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Consolidated Company's receivables from customers, investment in securities and hedge derivatives.

1) Accounts receivable

The credit risk exposure of the Consolidated Company arises from the operations and financial conditions of each customer and the political and economic stability of the Consolidated Company's customer base, including the default risk of the industry and country in which customers operate in. However, the Consolidated Company operates worldwide, and thus, risk is diversified. As of December 31, 2021 and 2020, revenue from each customer does not exceed 10% of the Consolidated Company's revenue, therefore, there is no concentration of credit risk.

The Consolidated Company has completed in setting the credit risk management policies, and has established Institutional Credit Review Committee and Credit Risk Management Department, which are responsible for managing credit policies and client's credit risk. Based on the global risk management, credit rating and analysis are required to customers on credit in advance and granted credit limits. For customers who made their payments other than cash, regular reviews on credit limits are required to ensure the creditworthiness of customers.

Allowance for bad debt is set based on the lifetime expected credit loss of each customer. In order to mitigate the risk of default, the Consolidated Company has purchased guarantees, with appropriate insured amount for customers in high-risk countries. High risks customers without insurance should make their payments in advance or provide sufficient credit guarantees. In addition, when the creditworthiness of customers worsens, they should be placed on a restricted customer list. The credit rating for these customers should be downgraded and the transactions on sales credit should be restricted.

The Consolidated Company has set the allowance for bad debt account to reflect the possible losses on accounts and other receivables. The allowance for bad debt account consists of specific losses relating to individually significant exposure from customers with financial difficulties or operating conflicts. The allowance for bad debt account is based on expected credit loss and historical collection record of similar financial assets or the possibility of breaching the contracts.

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**D-LINK CORPORATION AND SUBSIDIARIES**  
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2) Investment in securities and derivative financial instruments

The credit risk exposure in the bank deposits, fixed income investments and derivative financial instrument are measured and monitored by the Consolidated Company's finance department. As the Consolidated Company will select financial institutions with good credit ratings as its counterparties and diversify its investment in different financial institutions, and do not expect to have any default risks and significant concentration of credit risk.

3) Guarantees

The Consolidated Company's policies is to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2021 and 2020, the Consolidated Company has not provided any guarantees to a third party.

(iv) Liquidity risk

Liquidity risk is the risk that the Consolidated Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Consolidated Company's approach to manage liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Company's reputation. The Consolidated Company aims to maintain the level of its cash and short-term bank facilities at an amount in excess of expected cash flows on financial liabilities over the succeeding 60 days. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Consolidated Company had unused credit facilities for \$4,734,496 thousand as of December 31, 2021.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates or equity prices that affects the Consolidated Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters to minimize the influence on change in market price or control within expectable scope.

The Consolidated Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines of risk management.

1) Currency risk

The Consolidated Company is exposed to currency risk on sales, purchases and loans that are denominated in currencies other than its respective functional currencies. The functional currencies of the Consolidated Company are primarily denominated in New Taiwan Dollars (TWD) and US Dollars (USD) and include denominated in Euro (EUR), Chinese Yuan (CNY), Japanese Yen (JPY) and Brazilian Real (BRL) of other countries in which the subsidiaries registered. Purchases are mainly denominated in USD while sales are denominated in USD, EUR, CNY, TWD, British Pounds (GBP), Australian Dollar (AUD), Canadian Dollar (CAD), JPY, South Korean Won (KRW), Russian Ruble (RUB), Indian Rupee (INR), Indonesian Rupiah (IDR), BRL, and so on.

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At any point in time, the Consolidated Company hedges its currency risk based on its actual and forecast sales over the following six months. The Consolidated Company also uses nature hedges on assets and liabilities denominated in foreign currencies and maintained the hedge ratio at 50% and above. The Consolidated Company uses forward exchange contracts and foreign-exchange options, with a maturity of less than one year from the reporting date, to hedge its currency risks.

Generally, the currencies of loans in the Consolidated Company are denominated in its functional currencies and are incorporated in net exposure on loan requirement denominated in foreign currencies as mentioned above to ensure the net exposure is maintained at acceptable level.

Transactions in derivative financial instruments adopt economic hedge to prevent currency risk from financial assets and liabilities denominated in foreign currencies. The gains and losses of hedged items are expected to offset gains or losses that arise from the fluctuations in exchange rates. The valuation gains and losses on financial assets consist of transactions that do not qualify as hedging accounting.

2) Interest rate risk

The Consolidated Company's bank loans are at fixed rate. Therefore, the change in market interest rate will not affect the cash flow of the future interest payment of the Consolidated Company, hence, there is no significant interest rate risk.

3) Other price risks

The Consolidated Company holds both monetary funds and bond funds, where their prices are affected by changes in mutual funds. The abovementioned mutual funds are widely used as fixed income investments in domestic, with large market scale, stable market prices, and high liquidity. The Consolidated Company is held for the purpose of short-term capital allocation with a period of approximately 3 months. The finance department will monitor the changes in market and dispose of the investments, if necessary.

(ac) Capital management

The Consolidated Company's fundamental management objective is to maintain a strong capital base. Capital consists of ordinary shares, capital surplus, retained earnings and other equities. The Board of Directors monitors the capital structure regularly and selects the optimal capital structure by considering the capital scale, overall operating environment, operating characteristics of the industry in order to support future development of the business. The current aim for debt-to-equity ratio is set within 100%. As of the reporting date, the debt-to-equity ratio is considered appropriate.

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Debt-to-equity ratio:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 5,501,528	6,209,875
Less: cash and cash equivalents	<u>(2,195,080)</u>	<u>(6,216,327)</u>
Net debt	<u>\$ 3,306,448</u>	<u>(6,452)</u>
Total equity	<u>\$ 9,002,336</u>	<u>9,740,355</u>
Debt-to-equity ratio	<u>36.73%</u>	<u>(0.07)%</u>

As of December 31, 2021, the methods of the Consolidated Company's capital management remained unchanged.

(ad) Investing and financing activities not affecting current cash flow

Information of non-cash-traded investing and financing activities for the years ended December 31, 2021 and 2020 were as follows:

- (i) For right-to-use assets, please refer to note 6(i).
- (ii) For exchangeable corporate bonds, please refer to note 6(q).
- (iii) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flows	Non-cash changes			December 31, 2021
			Exchange	Fair value changes	Others	
Lease liabilities	\$ 496,974	(166,739)	-	-	110,216	440,451
Others	<u>70,284</u>	<u>12,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,860</u>
Total liabilities from financing activities	<u>\$ 567,258</u>	<u>(154,163)</u>	<u>-</u>	<u>-</u>	<u>110,216</u>	<u>523,311</u>

  

	January 1, 2020	Cash flows	Non-cash changes			December 31, 2020
			Exchange	Fair value changes	Others	
Bonds payable	\$ 301,003	(608)	(302,502)	2,107	-	-
Lease liabilities	604,474	(225,225)	-	-	117,725	496,974
Others	<u>69,121</u>	<u>1,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,284</u>
Total liabilities from financing activities	<u>\$ 974,598</u>	<u>(224,670)</u>	<u>(302,502)</u>	<u>2,107</u>	<u>117,725</u>	<u>567,258</u>

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(7) Related-party transactions:**

(a) Names and relationship with related parties

The followings are entities that have transactions with related party during the periods covered in the consolidated financial statement:

<b>Name of related party</b>	<b>Relationship with the Consolidated Company</b>
Alpha Networks, Inc.	An associate (Since all the equity shares have been sold, it became a non-related party after November 30, 2020.)
Dongguam Mingrui	An associate (Since all the equity shares in Alpha Networks, Inc. have been sold, it became a non-related party after November 30, 2020.)
D-Link Asia Investment Pte Ltd.	An associate (Since all the equity shares in Alpha Networks, Inc. have been sold, it became a non-related party after November 30, 2020.)
Cameo Communication, Inc.	An associate (Due to increasing shareholding in February 2021, the Consolidated Company became to have significant influence with it and the relationship changed from the corporate director to an associate.)
Amigo Technology Inc.	Other related party
Amit Wireless Inc.	Other related party
T-COM, LLC (T-COM)	An associate
Yeochia Investment Ltd	An associate (On November 16, 2021, the shareholders agreed to dissolve the company from December 1, 2021)
Yeomao Investment Inc	An associate (On November 16, 2021, the Board of Directors agreed to dissolve the company from December 1, 2021)

(b) Significant related party transactions

(i) Sales and service revenue

	<b>2021</b>	<b>2020</b>
Associates	\$ 15,597	328
Others	<u>-</u>	<u>63</u>
	<u>\$ 15,597</u>	<u>391</u>

The average credit terms extended to related parties and third-party customers were approximately 30-90 days. However, credit terms to related parties might be further extended when necessary.

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (ii) Purchases

	<b>2021</b>	<b>2020</b>
Associates:		
Alpha	\$ -	1,236,932
Cameo	1,043,972	-
Other related parties:		
Cameo	-	1,445,981
Amit	2,241	-
Amigo	158,950	-
	<b>\$ 1,205,163</b>	<b>2,682,913</b>

The payment term of related parties was 30-90 days. There were no significant differences in payment terms between related parties and third-party suppliers.

## (iii) Receivables from related parties

		<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Account</b>	<b>Relationship</b>		
Accounts receivable	Associates – Cameo	\$ 86	-
Accounts receivable	Associates – T-COM	10,101	-
Other receivables	Associates – Yeochia	71,169	-
Other receivables	Associates – Yeomao	143,616	-
Other receivables	Other related parties – Cameo	-	29
Other receivables	Other related parties – Amigo	21,942	-
Other receivables	Other related parties – Amit	5,573	-
Prepayment for purchase	Other related parties – Cameo	-	18,520
		<b>\$ 252,487</b>	<b>18,549</b>

The Consolidated Company's other receivables to Associates – Yeochia and Yeomao were arising from the Company's liquidation equity.

## (iv) Payables to related parties

		<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Account</b>	<b>Relationship</b>		
Accounts payable	Associates – Cameo	\$ 176,131	-
Accounts payable	Other related parties – Cameo	-	367,482
Accounts payable	Other related parties – Amigo	109,935	-
Accounts payable	Other related parties – Amit	1,820	-
Other payables	Associates – Cameo	6,310	-

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Account	Relationship	December 31, 2021	December 31, 2020
Other payables	Other related parties – Cameo	-	18,560
Other payables	Other related parties – Amit	659	-
		<u>\$ 294,855</u>	<u>386,042</u>

The Consolidated Company's other payables to associates included equipment payables and others.

(v) Services purchased from related parties

The services purchased from related parties were as follows:

	2021	2020
Associates:		
Alpha	\$ -	23,593
Cameo	12,208	-
Others	-	151
Other related parties:		
Cameo	-	29,881
Amigo	3,436	-
	<u>\$ 15,644</u>	<u>53,625</u>

(vi) Property transaction

Property, plant, equipment and intangible assets acquired

The acquisition of property, plant, equipment and intangible assets from the related parties were as follows:

	2021	2020
Associates:		
Alpha	\$ -	5,464
Cameo	3,436	-
Other related parties:		
Cameo	-	10,348
Amigo	5,814	-
	<u>\$ 9,250</u>	<u>15,812</u>

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (vii) Other income and losses

Account	Relationship	2021	2020
Other gains and losses	Associates – Alpha	\$ -	2,079
Other interest income	Other related parties – Amigo	272	-
Rent income	Other related parties – Amigo	<u>1,300</u>	<u>-</u>
		<u>\$ 1,572</u>	<u>2,079</u>

Other income and losses were composed of directors' remuneration from associates, interest and rental of other related parties.

## (c) Key management personnel compensation

Key management personnel compensation comprised:

	2021	2020
Short-term employee benefits	\$ 85,582	41,997
Post-employee benefits	<u>5,959</u>	<u>1,228</u>
	<u>\$ 91,541</u>	<u>43,225</u>

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2021	December 31, 2020
Other current assets and other non-current assets	Rental deposits, performance bond and time deposits	<u>\$ 77,143</u>	<u>52,436</u>

**(9) Significant commitments and contingencies:**

- (a) XR Communications, LLC and DBA VIVATO TECHNOLOGIES filed a lawsuit against the Consolidated Company's subsidiary, D-Link Systems, in April 2017, alleging that some of the D-Link Systems' products infringed its patents. D-Link Systems has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.
- (b) The Consolidated Company's subsidiary, D-Link Brazil, had disputes regarding prior year's insufficient invoices attached to sales return with the local tax authorities, and had filed litigation. D-Link Brazil had accrued possible tax, interest and penalty.
- (c) The Consolidated Company's subsidiary, D-Link India, had disputes regarding prior year's declaration tax on customs with the local tax authorities. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (d) UNM Rainforest Innovations filed a lawsuit against the Company in February 2020, alleging that some of the D-Link's products infringed its patents. The Consolidated Company has retained its attorneys in the US and is currently building defense with product suppliers. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.
- (e) Israel Consumers Council filed a group lawsuit against the Consolidated Company's subsidiary, D-Link International, in 2020, alleging that D-Link International was suspected of restricting product resale prices in Israel. D-Link International has appointed its attorneys to handle and negotiate a settlement. Based on its evaluation, the Consolidated Company believes the litigation will not have any significant impact on its current operations.
- (f) The Consolidated Company is currently under negotiations with a number of companies regarding the royalty on patents. In addition to the abovementioned lawsuits, there are other disputes that are in the negotiation process, and therefore the amount of liabilities is unclear. The Consolidated Company has accrued the possible expense.

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None.**

**(12) Other:**

The information on employee benefits, depreciation, and amortization expenses, by function, is summarized as follows:

By item	By function	For the years ended December 31,					
		2021			2020		
		Cost of Goods Sold	Operating Expense	Total	Cost of Goods Sold	Operating Expense	Total
Employee benefits							
Salaries		58,220	2,058,494	2,116,714	66,333	2,235,988	2,302,321
Labor and health insurance		2,381	127,032	129,413	2,635	122,753	125,388
Pension		5,922	126,557	132,479	6,527	129,416	135,943
Others		8,352	236,925	245,277	8,413	238,255	246,668
Depreciation		13,528	216,569	230,097	15,154	231,255	246,409
Amortization		36	43,228	43,264	58	56,760	56,818

(Continued)



## D-LINK CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (13) Other disclosures:

##### (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Consolidated Company:

##### (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period (%)	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note)	Maximum limit of fund financing (Note)
													Item	Value		
1	D-Link International	D-Link (Shiang Hai)	Other receivables-related parties	Yes	43,431	43,431	16,069	4.00	2	-	Operating Capital	-	-	-	2,729,266	2,729,266
1	D-Link International	D-Link Brazil	Other receivables-related parties	Yes	55,380	55,380	-	-	2	-	Operating Capital	-	-	-	2,729,266	2,729,266
1	D-Link International	D-Link (Shiang Hai)	Other receivables-related parties	Yes	532,089	532,089	532,089	-	2	-	Convert from Account receivables to loan receivable	-	-	-	2,729,266	2,729,266
2	D-Link Russia Investment	D-Link International	Other receivables-related parties	Yes	681,174	681,174	678,405	-	2	-	Operating Capital	-	-	-	692,110	692,110
3	D-Link Japan K.K.	D-Link Corporation	Other receivables-related parties	Yes	433,258	433,258	433,258	0.50	2	-	Operating Capital	-	-	-	618,181	618,181
4	D-Link Europe	D-Link Corporation	Other receivables-related parties	Yes	313,645	313,645	313,645	1.00	2	-	Operating Capital	-	-	-	1,243,696	1,243,696
5	D-Link (Deutschland) GmbH	D-Link Europe	Other receivables-related parties	Yes	156,822	156,822	97,230	1.00	2	-	Operating Capital	-	-	-	180,707	180,707

Note 1: Purpose of fund financing for the borrower:

1. For those companies with business transaction with the Company, please fill in 1.
2. For those companies with short-term financing needs, please fill in 2.

Note 2: Total amount of loans from D-Link International to the Company and the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries shall not exceed 100% of the net worth of D-Link International.

Note 3: Total amount of loans from D-Link Russia Investment to the Company and the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries shall not exceed 100% of the net worth of D-Link Russia Investment.

Note 4: Total amount of loans from D-Link Japan K.K. to the Company and the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries shall not exceed 100% of the net worth of D-Link Japan K.K.

Note 5: Total amount of loans from D-Link Europe to the Company and the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries shall not exceed 100% of the net worth of D-Link Europe.

Note 6: Total amount of loans from D-Link Deutschland to the Company and the ultimate parent company's 100% directly or indirectly owned overseas subsidiaries shall not exceed 100% of the net worth of D-Link Deutschland.

Note 7: Only disclose funding loan limits that are still valid until the end of 2021.

##### (ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	D-Link Corporation	D-Link Europe	2	1,999,455	116,864	116,864	59,987	-	1.38 %	5,998,365	Y	N	N
0	D-Link Corporation	D-Link Shiang-Hai	2	1,999,455	69,225	69,225	-	-	0.82 %	5,998,365	Y	N	Y
0	D-Link Corporation	D-Link Trade	2	1,999,455	13,845	13,845	-	-	0.16 %	5,998,365	Y	N	N

(Continued)

## D-LINK CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Note 1: The endorsement and guarantee amount for a single company shall not exceed 1/3 of the Company's capital.

Note 2: The total amount of endorsement and guarantee shall not exceed the Company's capital.

Note 3: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into following categories:

1. Having business relationship.
2. The Company owns more than 50% equity shares in the entity, directly or indirectly.
3. An entity owns more than 50% equity shares in the Company, directly or indirectly.

Note 4: The amounts in New Taiwan Dollars were translated at the exchange rates at the balance sheet date.

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars/shares)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest percentage of ownership (%)	Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value		
D-Link Corporation	EHO0	None	Financial assets at fair value through profit or loss-non-current	749,663	-	4.11 %	-	4.11 %	
D-Link Corporation	EWAVE	None	Financial assets at fair value through profit or loss-non-current	83,334	-	1.89 %	-	1.89 %	
D-Link Corporation	TGC	None	Financial assets at fair value through profit or loss-non-current	500,000	-	1.84 %	-	1.84 %	
D-Link Corporation	YICHIA Information Corporation	None	Financial assets at fair value through profit or loss-non-current	73,500	-	6.68 %	-	6.68 %	
D-Link Corporation	UBICOM	None	Financial assets at fair value through profit or loss-non-current	926,814	-	3.05 %	-	3.05 %	
D-Link Corporation	Purple	None	Financial assets at fair value through profit or loss-non-current	3,385,417	-	14.10 %	-	14.10 %	
D-Link Corporation	Global Mobile Corp.	None	Financial assets at fair value through profit or loss-non-current	6,600,000	-	2.39 %	-	2.39 %	
D-Link Holding	Best 3C	None	Financial assets at fair value through profit or loss-non-current	600,000	-	1.88 %	-	1.88 %	
D-Link Holding	E2O	None	Financial assets at fair value through profit or loss-non-current	252,525	-	0.05 %	-	0.05 %	
Yeotai	Stemcyte	None	Financial assets at fair value through other comprehensive income-non-current	18,950	211	0.01 %	211	0.01 %	
Yeotai	Kaimei	None	Financial assets at fair value through other comprehensive income-non-current	289,178	29,207	0.02 %	29,207	0.02 %	
D-Link India	ADITYA BIRLA MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	268,723	34,036	- %	34,036	- %	
D-Link India	NIPPON INDIA MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	14,742	28,340	- %	28,340	- %	

(Continued)

## D-LINK CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest percentage of ownership (%)	Note
				Shares/Units	Carrying value	Percentage of ownership (%)	Fair value		
D-Link India	TATA MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	27,592	33,956	- %	33,956	- %	
D-Link India	SBI MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	27,641	34,017	- %	34,017	- %	
D-Link India	LIC MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	17,040	24,326	- %	24,326	- %	
D-Link India	HDFC MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	14,630	22,603	- %	22,603	- %	
D-Link India	UTI MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	26,253	33,804	- %	33,804	- %	
D-Link India	AXIS MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	39,038	33,871	- %	33,871	- %	
D-Link India	KOTAK MUTUAL FUND	None	Financial assets at fair value through profit or loss-current	21,193	33,668	- %	33,668	- %	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars/shares)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases (Note 2)		Sales				Ending Balance (Note 1)	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
D-Link Corporation	Cameo	Investment accounted for using equity method		Associate	39,852,993	364,655	97,680,000	799,999	-	-	-	-	137,532,993	1,394,856

Note 1: The ending balance includes exchange differences on translation of foreign financial statements, share of profit of associates accounted for using equity method and other equity adjustments.

Note 2: Private placement of common stock.

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Purchase/(Sales)	Transaction details			Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
				Amount	Percentage of total purchases/(Sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
D-Link Corporation	D-Link International	Subsidiary	(Sales and service revenue)	(560,549)	(40) %	60 days	-	-	52,526	23%	
D-Link International	D-Link Corporation	Parent Company	Purchase and service expense	560,549	72 %	60 days	-	-	(52,526)	(3)%	
D-Link International	D-Link Systems	The ultimate parent company is D-Link Corporation	(Sales)	(487,759)	(5) %	75 days	-	-	-	-%	
D-Link International	D-Link Canada	The ultimate parent company is D-Link Corporation	(Sales)	(333,818)	(4) %	60 days	-	-	42,391	1%	

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ (Sales)	Amount	Percentage of total purchases/ (Sales) %	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
D-Link International	D-Link Europe	The ultimate parent company is D-Link Corporation	(Sales)	(2,835,786)	(30) %	60 days	—	—	620,789	17%	
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	(Sales)	(1,466,321)	(16) %	60 days	—	—	550,380	15%	
D-Link International	D-Link Australia	The ultimate parent company is D-Link Corporation	(Sales)	(205,412)	(2) %	60 days	—	—	22,568	1%	
D-Link International	D-Link Brazil	The ultimate parent company is D-Link Corporation	(Sales)	(228,633)	(2) %	75 days	—	—	388,126	11%	
D-Link International	D-Link Japan	The ultimate parent company is D-Link Corporation	(Sales)	(494,865)	(5) %	60 days	—	—	113,826	3%	
D-Link International	D-Link India	The ultimate parent company is D-Link Corporation	(Sales)	(671,294)	(7) %	45 days	—	—	127,348	4%	
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	(Sales)	(1,124,943)	(12) %	180 days	—	—	749,994	21%	
D-Link International	Cameo	Cameo is an associate of the consolidated corporation	Purchase	1,029,175	13 %	90 days	—	—	(172,496)	(10)%	
D-Link International	AMIGO	Other relative party	Purchase	148,826	2 %	90 days	—	—	(104,495)	(6)%	
D-Link Systems	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	487,759	93 %	75 days	—	—	-	-%	
D-Link Canada	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	333,818	99 %	60 days	—	—	(42,391)	(95)%	
D-Link Europe	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	2,835,786	97 %	60 days	—	—	(620,789)	(86)%	
D-Link ME	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	1,466,321	55 %	60 days	—	—	(550,380)	(81)%	
D-Link Australia	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	205,412	91 %	60 days	—	—	(22,568)	(99)%	
D-Link Brazil	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	228,633	93 %	75 days	—	—	(388,126)	(97)%	
D-Link Japan	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	494,865	90 %	60 days	—	—	(113,826)	(98)%	
D-Link India	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	671,294	22 %	45 days	—	—	(127,348)	(22)%	
D-Link Trade	D-Link International	The ultimate parent company is D-Link Corporation	Purchase	1,124,943	98 %	180 days	—	—	(749,994)	(99)%	

Note : The transactions had been eliminated in the consolidated financial statements.

(Continued)

## D-LINK CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue (Note 1)		Amounts received in subsequent period (Note 2)	Allowance for bad debts
					Amount	Action taken		
D-Link International	D-Link Europe	The ultimate parent company is D-Link Corporation	620,789	7.00	-	-	124,112	-
D-Link International	D-Link L.A.	The ultimate parent company is D-Link Corporation	581,967	-	585,667	-	-	-
D-Link International	D-Link Brazil	The ultimate parent company is D-Link Corporation	388,126	0.81	381,121	-	-	-
D-Link International	D-Link Japan	The ultimate parent company is D-Link Corporation	113,826	3.12	-	-	30,741	-
D-Link International	D-Link Trade	The ultimate parent company is D-Link Corporation	749,994	1.61	-	-	-	-
D-Link International	D-Link India	The ultimate parent company is D-Link Corporation	127,348	5.19	5	-	23,720	-
D-Link International	D-Link ME	The ultimate parent company is D-Link Corporation	550,380	4.17	-	-	230	-

Note 1: Over three months during the normal credit period.

Note 2: The amount represents collections subsequent to December 31, 2021 up to January 21, 2022.

Note 3: The transactions had been eliminated in the consolidated financial statements.

(ix) Trading in derivative instruments:

(In Thousands of New Taiwan Dollars)

Company Name	Derivative Instruments Category	Holding Purpose	Contract Amount		Book Value	Fair Value
		Non-trading:				
D-Link International	Cross currency swap	EUR	EUR	4,000	73	73
D-Link International	Forward foreign exchange contract	EUR (Sell)	EUR	3,000	364	364
D-Link International	Forward foreign exchange contract	CAD (Sell)	CAD	700	4	4
D-Link International	Forward foreign exchange contract	JPY (Sell)	JPY	448,900	280	280
D-Link Corporation	Cross currency swap	USD	USD	1,700	(270)	(270)
D-Link Corporation	Cross currency swap	EUR	EUR	10,000	(2,402)	(2,402)
D-Link Corporation	Cross currency swap	JPY	JPY	1,800,000	(7,131)	(7,131)
D-Link International	Cross currency swap	CAD	CAD	1,100	(187)	(187)
D-Link International	Cross currency swap	CNH	CNH	133,670	(1,439)	(1,439)
D-Link International	Cross currency swap	EUR	EUR	12,000	(1,334)	(1,334)
D-Link International	Cross currency swap	AUD	AUD	300	(94)	(94)
D-Link International	Cross currency swap	GBP	GBP	1,000	(531)	(531)
D-Link International	Cross currency swap	RUB	RUB	150,028	(334)	(334)
D-Link India	Forward foreign exchange contract	INR (Sell)	INR	188,766	(1,008)	(1,008)
D-Link International	Forward foreign exchange contract	AUD(Sell)	AUD	1,000	(149)	(149)
D-Link International	Forward foreign exchange contract	GBP(Sell)	GBP	500	(76)	(76)

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Company Name	Derivative Instruments Category	Holding Purpose	Contract Amount		Book Value	Fair Value
D-Link International	Forward foreign exchange contract	BRL(Sell)	BRL	80,445	(1,309)	(1,309)
D-Link International	Forward foreign exchange contract	KRW(Sell)	KRW	2,144,020	(104)	(104)

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	D-Link Corporation	D-Link Systems	1	Investments accounted for using equity method	1,299,802	-	9%
0	D-Link Corporation	D-Link Canada	1	Investments accounted for using equity method	279,408	-	2%
0	D-Link Corporation	D-Link International	1	Investments accounted for using equity method	2,205,874	-	15%
0	D-Link Corporation	D-Link Holding	1	Investments accounted for using equity method	1,684,900	-	12%
0	D-Link Corporation	D-Link Australia	1	Investments accounted for using equity method	149,831	-	1%
0	D-Link Corporation	D-Link ME	1	Investments accounted for using equity method	797,810	-	6%
0	D-Link Corporation	D-Link Japan	1	Investments accounted for using equity method	647,670	-	4%
0	D-Link Corporation	D-Link L.A.	1	Investments accounted for using equity method-credit	(565,620)	-	(4)%
0	D-Link Corporation	Cameo	1	Investments accounted for using equity method	1,394,856	-	10%
0	D-Link Corporation	D-Link International	1	Sales and service revenue	560,549	60 days	4%
1	D-Link Holding	D-Link Mauritius	3	Investments accounted for using equity method	888,913	-	6%
1	D-Link Holding	D-Link Europe	3	Investments accounted for using equity method	1,173,116	-	8%
1	D-Link Holding	Success Stone	3	Investments accounted for using equity method	147,272	-	1%
1	D-Link Holding	D-Link Shiang-Hai (Cayman) Inc.	3	Investments accounted for using equity method-credit	(539,232)	-	(4)%
2	D-Link International	D-Link L.A.	3	Accounts receivable-related party	581,967	75 days	4%

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
2	D-Link International	D-Link Brazil	3	Accounts receivable-related party	388,126	75 days	3%
2	D-Link International	D-Link Europe	3	Accounts receivable-related party	620,789	60 days	4%
2	D-Link International	D-Link ME	3	Accounts receivable-related party	550,380	60 days	4%
2	D-Link International	D-Link Trade	3	Accounts receivable-related party	749,994	60 days	5%
2	D-Link International	D-Link Systems	3	Sales	487,759	75 days	3%
2	D-Link International	D-Link Europe	3	Sales	2,835,786	60 days	18%
2	D-Link International	D-Link Brazil	3	Sales	228,633	75 days	1%
2	D-Link International	D-Link Canada	3	Sales	333,818	60 days	2%
2	D-Link International	D-Link Trade	3	Sales	1,124,943	180 days	7%
2	D-Link International	D-Link India	3	Sales	671,294	45 days	4%
2	D-Link International	D-Link ME	3	Sales	1,466,321	60 days	9%
2	D-Link International	D-Link Australia	3	Sales	205,412	60 days	1%
2	D-Link International	D-Link Japan	3	Sales	494,865	60 days	3%
2	D-Link International	D-Link Russia Investment	3	Investments accounted for using equity method	692,110	-	5%
3	D-Link Mauritius	D-Link India	3	Investments accounted for using equity method	871,378	-	6%
4	D-Link Shiang-Hai (Cayman) Inc.	D-Link Shiang-Hai	3	Investments accounted for using equity method-credit	(550,438)	-	(4)%
5	D-Link Europe	D-Link Deutschland	3	Investments accounted for using equity method	180,707	-	1%

Note 1: Parties to the intercompany transactions are identified and numbered as follows:

1. "0" represents the Company.
2. Subsidiaries are numbered from "1".

Note 2: Intercompany relationships and significant intercompany transactions are disclosed only for the amounts that exceed 1% of consolidated net operating revenues or total assets.

Note 3: Nature of relationship are listed as below:

- No. 1 represents the transaction from parent company to subsidiary
- No. 2 represents the transaction from subsidiary to parent company
- No. 3 represents the transaction from subsidiary to subsidiary

Note 4: The transactions have been eliminated in the consolidated financial statements.

(Continued)

## D-LINK CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2021 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars/shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
D-Link Corporation	D-Link Systems	USA	Marketing and after-sales service in USA	1,625,875	1,625,875	47,295,007	98.44 %	1,299,802	98.44 %	(64,895)	(64,895)	100% shares owned by D-Link Corporation and D-Link Holding
D-Link Corporation	D-Link Canada	Canada	Marketing and after-sales service in Canada	216,354	283,866	5,736,000	100.00 %	279,408	100.00 %	1,365	1,365	
D-Link Corporation	D-Link International	Singapore	Global marketing, procurement and after-sales service	1,941,986	1,941,986	66,074,660	99.36 %	2,205,874	99.36 %	479,733	389,102	100% shares owned by D-Link Corporation and D-Link Holding. Share of profit of investee includes the amount of transactions between affiliated companies
D-Link Corporation	D-Link L.A.	Cayman Island	Marketing and after-sales service in Latin America	326,600	326,600	41,000	100.00 %	(565,620)	100.00 %	(56,561)	(56,561)	
D-Link Corporation	D-Link Sudamerica	Chile	Marketing and after-sales service in Chile	6,512	6,512	199,999	100.00 %	10,953	100.00 %	1,588	1,588	100% shares owned by D-Link Corporation and D-Link Holding
D-Link Corporation	D-Link Mexicana	Mexico	Marketing and after-sales service in Mexico	301,036	301,036	152,066	100.00 %	14,527	100.00 %	(246)	(246)	100% shares owned by D-Link Corporation and D-Link Sudamerica S.A.
D-Link Corporation	D-Link Brazil	Brazil	Marketing and after-sales service in Brazil	932,197	932,197	2,964,836,727	100.00 %	(117,935)	100.00 %	(94,358)	(94,358)	100% shares owned by D-Link Corporation and D-Link Holding
D-Link Corporation	D-Link ME	UAE	Marketing and after-sales service in Middle East and Africa	71,484	71,484	5	83.33 %	797,809	83.33 %	29,689	29,689	100% shares owned by D-Link Corporation and D-Link International
D-Link Corporation	D-Link Australia	Australia	Marketing and after-sales service in Australia and New Zealand	16,744	16,744	999,000	99.90 %	149,831	99.90 %	12,153	12,153	100% shares owned by D-Link Corporation and D-Link International
D-Link Corporation	D-Link Holding	B.V.I.	Investment company	2,242,837	2,242,837	68,062,500	100.00 %	1,684,899	100.00 %	109,748	109,748	
D-Link Corporation	D-Link Deutschland	Germany	Marketing and after-sales service in Germany	120,050	120,050	-	- %	120,050	- %	15,415	-	100% shares owned by D-Link Corporation directly and indirectly. Share of profit of associates accounted for using equity method was recognized in D-Link Europe.
D-Link Corporation	D-Link Japan	Japan	Marketing and after-sales service in Japan	595,310	595,310	9,500	100.00 %	647,668	100.00 %	17,491	17,491	
D-Link Corporation	D-Link Investment	Singapore	Investment company	67,191	67,191	2,200,000	100.00 %	(68,898)	100.00 %	39,892	39,892	
D-Link Corporation	Yeochia	Taiwan	Investment company	-	122,400	-	- %	-	100.00 %	2,814	2,814	Went into liquidation process at December 1, 2021
D-Link Corporation	Yeomao	Taiwan	Investment company	-	70,052	-	- %	-	100.00 %	917	917	Went into liquidation process at December 1, 2021
D-Link Corporation	Yeotai	Taiwan	Investment company	146,000	146,000	14,600,000	100.00 %	62,598	100.00 %	1,690	1,690	
D-Link Corporation	Cameo	Taiwan	Manufacturing and sell computer networks system equipment and its components and related technology research and development	1,102,479	-	137,532,993	41.58 %	1,394,856	41.58 %	390,654	193,398	(Note 1) D-Link Corporation originally held 17.35% shares and accounted for financial assets at fair value through other comprehensive income. The Company increased investments on February 17, 2021 to hold 41.58% and accounted for investments accounted for using equity methods.
D-Link Investment	D-Link Trade	Russia	Marketing and after sales service in Russia	66,538	66,538	-	100.00 %	(67,427)	100.00 %	40,100	40,100	
D-Link Trade	T-COM	Russia	Marketing and after sales service in Russia	12,485	-	-	40.00 %	8,709	40.00 %	(6,414)	(4,047)	
D-Link International	D-Link Australia	Australia	Marketing and after sales service in Australia and New Zealand	22	22	1,000	0.10 %	18	0.10 %	12,153	-	D-Link Australia share's profit recognized in D-Link Corporation
D-Link International	D-Link ME	UAE	Marketing and after sales service in Middle East and Africa	34,260	34,260	1	16.67 %	29,241	16.67 %	29,689	-	D-Link ME share's profit recognized in D-Link Corporation
D-Link International	D-Link Korea	Korea	Marketing and after sales service in Korea	44,300	44,300	330,901	100.00 %	(31,516)	100.00 %	(7,132)	(7,132)	
D-Link International	D-Link Trade M.	Republic of Moldova	Marketing and after sales service in Moldova	13	13	-	100.00 %	(193)	100.00 %	365	365	
D-Link International	D-Link Russia Investment	BVI	Investment company	789,757	789,757	25,000,000	100.00 %	692,110	100.00 %	3,901	3,901	
D-Link International	D-Link Malaysia	Malaysia	Marketing and after sales service in Malaysia	6,130	6,130	800,000	100.00 %	7,334	100.00 %	381	381	
D-Link International	D-Link Lithuania	Lithuania	Marketing and after sales service	3,574	3,574	1,000	100.00 %	3,850	100.00 %	634	634	

(Continued)



## D-LINK CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2021			Highest percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Carrying value				
D-Link Holding	D-Link Europe	UK	Marketing and after sales service in Europe	971,293	971,293	32,497,455	100.00 %	1,173,116	100.00 %	26,534	26,534	
D-Link Holding	D-Link International	Singapore	Global marketing, procurement and after sales service	8,466	8,466	425,340	0.64 %	(13,568)	0.64 %	479,733	-	D-Link International share's profit recognized in D-Link Corporation
D-Link Holding	OOO D-Link Russia	Russia	After sales service in Russia	11,309	11,309	-	100.00 %	4,521	100.00 %	14	14	
D-Link Holding	D-Link Mauritius	Mauritius	Investment company	186,789	186,789	200,000	100.00 %	888,913	100.00 %	81,537	81,537	
D-Link Holding	D-Link Shiang-Hai (Cayman)	Cayman Islands	Investment company	654,974	654,974	50,000	100.00 %	(539,232)	100.00 %	331	331	
D-Link Holding	D-Link Systems	USA	Marketing and after sales service in USA	49,320	49,320	750,000	1.56 %	41,535	1.56 %	(64,895)	-	D-Link Systems share's loss recognized in D-Link Corporation
D-Link Holding	Wishfi	Singapore	Research, development, marketing and after sales service	-	68,566	-	- %	-	100.00 %	-	-	Cancellation of registration in January, 2022
D-Link Holding	Success Stone	BVI	Investment company	297,027	297,027	9,822	100.00 %	147,272	100.00 %	819	819	
D-Link Holding	MiiiCasa Holding	Cayman Island	Investment company	61,087	61,087	21,000,000	28.98 %	-	28.98 %	-	812	
D-Link Holding	D-Link Brazil	Brazil	Marketing and after sales service in Brazil	-	-	100	- %	-	- %	(94,358)	-	D-Link Brazil share's loss recognized in D-Link Corporation
D-Link Holding	D-Link Sudamerica	Chile	Marketing and after sales service in Chile	-	-	1	- %	-	- %	1,588	-	D-Link Sudamerica share's profit recognized in D-Link Corporation
D-Link Mauritius	D-Link India	India	Marketing and after sales service in India	340,319	340,319	18,114,663	51.02 %	871,378	51.02 %	161,114	82,201	
D-Link Mauritius	TeamF1 India	India	Technical services for software and hardware system integration	8	8	1	0.01 %	13	0.01 %	9,326	1	100% shares owned by D-Link Mauritius and D-Link India
D-Link India	TeamF1 India	India	Technical services for software and hardware system integration	84,114	84,114	10,499	99.99 %	119,432	99.99 %	9,326	9,325	100% shares owned by D-Link Mauritius and D-Link India
D-Link L.A	D-Link Peru S.A.	Peru	Marketing and after sales service in Peru	-	-	1	0.03 %	3	0.03 %	708	-	D-Link Peru S.A. share's profit recognized in D-Link Sudamerica
D-Link Sudamerica	D-Link de Colombia SAS.	Colombia	Marketing and after sales service in Colombia	22,213	22,213	1,443,605	100.00 %	5,462	100.00 %	(731)	(731)	
D-Link Sudamerica	D-Link del Ecuador S.A.	Ecuador	Marketing and after sales service in Ecuador	-	26	-	- %	-	- %	-	-	D-Link del Ecuador S.A. share's profit recognized in D-Link Sudamerica. Liquidation process was completed in April, 2021.
D-Link Sudamerica	D-Link Guatemala S.A.	Guatemala	Marketing and after sales service in Guatemala	410	410	99,000	99.00 %	515	99.00 %	-	-	
D-Link Sudamerica	D-Link Peru S.A.	Peru	Marketing and after sales service in Peru	38	38	3,499	99.97 %	8,564	99.97 %	708	708	
D-Link Sudamerica	D-Link Mexicana	Mexico	Marketing and after sales service in Mexico	6	6	3	- %	6	- %	(246)	-	D-Link Mexicana share's loss recognized in D-Link Corporation
D-Link Sudamerica	D-Link Argentina S.A.	Argentina	Marketing and after sales service in Argentina	2,750	2,750	100	100.00 %	113	100.00 %	-	-	D-Link Argentina share's profit recognized in D-Link Sudamerica. In liquidation process
D-Link Europe	D-Link Deutschland	Germany	Marketing and after sales service in Germany	131,769	131,769	-	100.00 %	180,707	100.00 %	15,415	15,415	
D-Link Europe	D-Link AB	Sweden	Marketing and after sales service in Sweden	9,022	9,022	15,500	100.00 %	15,731	100.00 %	1,450	1,450	
D-Link Europe	D-Link Iberia SL	Spain	Marketing and after sales service in Spain	1,976	1,976	50,000	100.00 %	58,611	100.00 %	3,729	3,729	
D-Link Europe	D-Link Mediterraneo SRL	Italy	Marketing and after sales service in Italy	2,177	2,177	50,000	100.00 %	16,802	100.00 %	7,314	7,314	
D-Link Europe	D-Link (Holdings)Ltd	UK	Investment company	-	-	3	100.00 %	8,991	100.00 %	-	-	
D-Link Europe	D-Link France SARL	France	Marketing and after sales service in France	5,287	5,287	114,560	100.00 %	35,512	100.00 %	2,884	2,884	
D-Link Europe	D-Link Netherlands	Netherlands	Marketing and after sales service in Netherlands	2,132	2,132	50,000	100.00 %	7,453	100.00 %	536	536	
D-Link Europe	D-Link Polska Sp Z.o.o.	Poland	Marketing and after sales service in Poland	1,210	1,210	100	100.00 %	22,877	100.00 %	1,729	1,729	
D-Link Europe	D-Link Magyarország	Hungary	Marketing and after sales service in Hungary	523	523	300	100.00 %	5,755	100.00 %	209	209	
D-Link Europe	D-Link s.r.o	Czech	Marketing and after sales service in Czech	329	329	100	100.00 %	3,653	100.00 %	366	366	
D-Link (Holdings)Ltd	D-Link UK	UK	Marketing and after sales service in UK	-	-	300,100	100.00 %	8,991	100.00 %	-	-	
D-Link Mediterraneo SRL	D-Link ADRIA d.o.o.	Croatia	Marketing and after sales service in Croatia	326	326	-	100.00 %	1,157	100.00 %	12	12	
D-Link ME	D-Link Network	Republic of South Africa	Marketing and after sales service in South Africa	-	-	100	100.00 %	(41)	100.00 %	(478)	-	
Yeo chia and Yeotai	Xtramus Technologies Co. Ltd.	Taiwan	Research, development, manufacturing and sell of testing equipment for network	38,110	181,500	1,832,446	41.18 %	4,350	41.18 %	2,081	4,350	

(Continued)

## D-LINK CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Note 1: Including recognition of profit (loss) from associates

Note 2: Limited Company

Note 3: The transactions have been eliminated in the consolidated financial statements.

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2021	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses)	Book value (Note 2)	Accumulated remittance of earnings in current period
					Outflow	Inflow							
D-Link Shiang-Hai	Buy and sell of networking equipment and wireless system	539,955	2	539,955	-	-	539,955	(2,209)	100.00%	100.00%	(2,209)	(550,438)	-
Netpro Trading	Research, development and trading business	19,383	2	18,067	-	-	18,067	2,540	100.00%	100.00%	2,540	13,404	-
YouXiang	Technical Service and Import/Export trading business	61,671	3	-	-	-	-	5,539	9.86%	9.86%	-	3,882	-

Note 1: Method of Investment:

Type 1: Direct investments in Mainland China

Type 2: Indirect investments in Mainland China

Type 3: Others

Note 2: The amounts in New Taiwan Dollars were translated at the exchange rates of USD 27.6900, CNY 4.3430 as of December 31, 2021.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
558,022	558,022	Note

Note: Since the Company has obtained the Certificate of Headquarter Operation, there is no upper limitation on investment in Mainland China.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(d) Major shareholders:

Shareholder's Name	Shares	Percentage
Sapido Technology Inc.	59,818,400	9.97 %
Yitongyuan Investment Co., Ltd.	32,825,600	5.47 %

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(14) Segment information:**

The Consolidated Company has three reportable segments: American markets, European markets, Emerging markets and others. Those reportable segments are primarily operated in research, development and selling of computer network and equipments and wireless communication products.

The Consolidated Company's reportable segments are strategic business units that offer geographical products and services.

The income tax expenses are managed on a group basis, and operating income (losses) is determined by the profit before taxation. The reportable amount is similar to the report used by the chief operating decision and make a performance evaluation.

The Consolidated Company's operating segment information and reconciliation were as follows:

- (a) Reportable segment profit or loss, segment assets, segment liabilities, and their measurement and reconciliations

The Consolidated Company uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation.

	<b>American markets</b>	<b>European markets</b>	<b>2021 Emerging markets and others</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Revenue:					
Third-party customers	\$ 1,599,246	3,509,222	10,416,433	-	15,524,901
Inter-company	<u>23,999</u>	<u>804</u>	<u>3,980,597</u>	<u>(4,005,400)</u>	<u>-</u>
Total revenue	<u>\$ 1,623,245</u>	<u>3,510,026</u>	<u>14,397,030</u>	<u>(4,005,400)</u>	<u>15,524,901</u>
Reportable segment profit (loss)	<u>\$ (208,701)</u>	<u>33,700</u>	<u>1,290,085</u>	<u>(720,361)</u>	<u>394,723</u>
	<b>American markets</b>	<b>European markets</b>	<b>2020 Emerging markets and others</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Revenue:					
Third-party customers	\$ 2,213,506	3,110,121	9,855,816	-	15,179,443
Inter-company	<u>14,097</u>	<u>6,441</u>	<u>2,823,033</u>	<u>(2,843,571)</u>	<u>-</u>
Total revenue	<u>\$ 2,227,603</u>	<u>3,116,562</u>	<u>12,678,849</u>	<u>(2,843,571)</u>	<u>15,179,443</u>
Reportable segment profit (loss)	<u>\$ (3,574)</u>	<u>49,660</u>	<u>2,355,555</u>	<u>(904,915)</u>	<u>1,496,726</u>

(Continued)

**D-LINK CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	American markets	European markets	Emerging markets and others	Adjustments and eliminations	Total
Reportable segment assets:					
December 31, 2021	\$ <u>3,133,150</u>	<u>2,531,872</u>	<u>21,981,280</u>	<u>(13,142,438)</u>	<u>14,503,864</u>
December 31, 2020	\$ <u>2,966,181</u>	<u>2,348,024</u>	<u>23,385,657</u>	<u>(12,749,632)</u>	<u>15,950,230</u>

The material reconciling items of the above reportable segment were as below:

Total reportable segment revenues after deducting the intergroup revenues were \$4,005,400 thousand and \$2,843,571 thousand for 2021 and 2020, respectively.

(b) Products and services information

For revenue from the external customers of the Consolidated Company, please refer to 6(w).

(c) Geographic information

<u>Country</u>	2021	2020
Non-current assets		
Taiwan	\$ 828,286	884,235
India	459,859	491,031
Other countries	<u>664,301</u>	<u>822,972</u>
Total	<u>\$ 1,952,446</u>	<u>2,198,238</u>

Non-current assets include property, plant and equipment, investment property, right-of-use assets, intangible assets, and other assets, but excluding financial instruments and deferred tax assets.

(d) Major customers

There were no individual customers representing greater than 10% of consolidated revenue for 2021 and 2020.