Annual Report 2014

D-Link
Building Networks for People

Financial Highlights

NT$ in thousands

	2014	2013
Net Sales	30,305,802	30,588,474
Gross Profit	8,273,704	8,067,782
Operating Income	307,025	398,273
Income Before Tax	143,457	746,251
Net Income	61,543	647,609
FX Rate (USD to NTD)	**30.3548**	**29.7671**
Cash & Cash Equivalents	3,613,497	3,275,650
Total Assets	25,532,158	24,457,789
Long Term Loans	0	768,550
Shareholder's Equity	12,828,488	13,347,713
Shares Outstanding **	647,756	647,580
FX Rate (USD to NTD)	31.7660	29.95

** in thousands

Letter to Shareholders, Customers, Partners, and Employees

ROGER KAO
Chairman & CEO

A.P. CHEN
President

Challenges and Opportunities

In 2014, despite a difficult macroeconomic environment, D-Link was able to achieve a great deal in a very competitive marketplace. The number of mydlink Cloud registered users reached over two and a half million, more than doubling the total seen in 2013. In particular, D-Link's IP camera solutions have proven popular, earning an over 30% share of the consumer retail market in the U.S. and an over 60% share of the consumer retail market in Europe. Meanwhile, the continued development of our Connected Home product line — our collection of smart, automated solutions for the Internet of Things era — has positioned D-Link as a firm with several key competitive advantages in what promises to be an explosively expanding home automation market.

Still, 2014 was a challenging year for us. Falling commodity prices and the end of quantitative easing from the U.S. both contributed to slowing growth in emerging markets. The oil price crisis and sanctions imposed against Russia as a result of its dispute with the Ukraine took a heavy toll on the ruble, negatively impacting D-Link's bottom line in the process.

Global economic instability notwithstanding, D-Link's future prospects are bright and our strategy is sound. We are mitigating financial risk in economically volatile countries while aggressively pursuing opportunities in those parts of the world where we believe we can do better. We are prioritizing the continued development of our popular IP cameras, mydlink Cloud services, and Connected Home line as we seek to win new subscribers and translate our recent success in consumer markets to greater success in small to medium-sized business (SMB) markets that can also benefit from D-Link's new offerings. And as we enter a new era of connectivity, we are pressing forward with an ever-improving product-mix that, buoyed by increased R&D investment, is paving the way toward an exciting future for both our company and our customers.

Financial Performance

In 2014, D-Link's global consolidated revenue totaled NT$ 30.3 billion. Operating income was NT$ 307 billion. Net income was NT$ 111 million, compared to the previous year's NT$ 676 million. Still, thanks to improved product mix performance, a combined gross margin of 27.3% was seen in 2014, a slight increase over the 26.4% gross margin seen in 2013. Operating profit margin dropped to 1% from 1.3% last year. Annual earnings per share were NT$ 0.1, versus the previous year's NT$ 1.06. Substandard overall operating performance in 2014 was due mainly to the rising US dollar in emerging market economies.

Market Share

According to technology research and advisory firm Gartner ([1]), in 2014, D-Link ranked first in the Enterprise WLAN market based on standalone access points (762,600 units), with a worldwide market share of 50.4 %, up from 45.7% in 2013. In the Enterprise Ethernet Switch market, D-Link ranked third based on total port shipments (63.6 million ports) for a worldwide market share of 15.0%. Additionally, broadband products achieved annual shipments of 7.9 million units, and digital home products achieved annual shipments of 2.1 million units. Based on revenue share by product category ([2]), wireless products accounted for 33.4% of annual turnover, followed by 27.6% for switches, 18.7% for broadband telecom, and 20.3% for digital home and others.

[1] Source: Gartner, Market Share: Enterprise Network Equipment by Market Segment, Worldwide, 4Q14 and 2014.

[2] Source: D-Link 2014 Financial Report.

A Strong Vision for the Future

Our focus on high-margin, value-added, cutting-edge solutions continues to differentiate D-Link from low-cost, low-quality competitors, who are quickly losing relevance in the rapidly evolving consumer and business spaces. In order to excel in a new era of connectivity, successful firms will need to rely on innovation, integration, and brand recognition – three of D-Link's core strengths.

Our success in the IP camera market is a direct result of playing to these strengths, and in many ways serves as a blueprint for future achievement. Featuring our pioneering Zero Configuration setup and the powerful mobile management capabilities delivered by our easy-to-use mydlink Cloud services, these products have proven to be an attractive option for customers seeking an ideal mix of control, reliability, and convenience. When used in conjunction with our Cloud Router and Cloud Storage solutions, they allow D-Link to offer high-performance, one-stop cloud networking and surveillance solutions that millions of customers across the globe already trust.

As we build upon our existing mydlink Cloud service framework in the future, you can also expect to see more innovative, integrated, all-in-one networking and security solutions tailored for SMBs. Taken together with a recent surge in the use of smart switches, which offer many of the benefits of managed switches but are less expensive and easier to manage, D-Link is poised to grab a bigger share of the SMB markets as businesses realize they can cut costs through more efficient networking and security solutions. D-Link's superior management tools, language support, and brand recognition further strengthen our position as an industry leader.

The Connected Home

Today's D-Link is defined by customer-centric thinking. We understand that this means more than simply responding to the needs of the markets we serve; we also must anticipate future developments within those markets. As the world enters the Internet of Things era, we know we can do more – and do it better – than our competition. That's why we are creating a line of smart home products – named "Connected Home" – that will run on a new mydlink Home interface based on mydlink Cloud. In doing so, D-Link is ushering in a new era of home automation and convenience, one that was once only the stuff of science-fiction.

The Connected Home will dramatically change the way we interact with our homes. Window, door, motion, and water sensors can all be brought online and are able to communicate with users whenever and wherever they have Internet access. For instance, you can set up a water sensor to push an e-mail alert to your smart phone if the basement floods while you are on vacation, significantly reducing potential water damage. A motion sensor can be programmed to turn on a light whenever someone enters a room for the sake of convenience, or to snap a picture of what caused the motion for enhanced security and peace of mind. And through our Smart Plugs, it is even possible to remotely control your appliances, or to set up on/off schedules and alerts that reduce energy consumption.

Innovation Today and Tomorrow

Competing on the cutting edge of Internet technology is no simple task, but D-Link is meeting the challenge head on. We were the first company to offer energy-saving "green" networking technology, the first to enter the 11AC router market, and the first to offer portable 11AC routers. We understand that in order to stay on top, we need to continue to innovate. So as part of our strategy for future growth, we increased our R&D spending by 18% in 2014. And with future plans to open a new R&D center in India, we are continuing our aggressive pursuit of technological advances that will deliver powerful solutions to our customers in the years to come as the demand for greater connectivity grows exponentially.

In addition to developing brand new products for our expanding Connected Home line, we are also delivering high-end versions of traditional products to the marketplace featuring aesthetically pleasing, imaginative designs. Our new DIR-890L router, for example, embodies D-Link's unique brand proposition as we move forward. In addition to delivering industry-leading data transfer speeds, the DIR-890L boasts a sleek, flamboyant, futuristic look that is guaranteed to turn heads in 2015. This emphasis on aesthetics as a means to create value for customers is something you can expect to see more of from us in the future.

Global Service, Local Touch

Much of D-Link's past and present success is a direct result of our potent globalization strategy. With offices in 65 countries around the world, D-Link is already widely recognized as a formidable multinational enterprise able to leverage powerful synergies. D-Link's global presence makes us highly responsive to local customer needs by focusing resources in developing localized applications, giving D-Link a critical advantage across markets and product segments. As our operation s become ever smarter and more efficient, we become better able to adapt to unpredictable global economic trends. Looking ahead, a renewed focus on expanding and improving our relationships with sales channels in all countries and at all levels (retailers, distributors, ITSPs and SIs) will ensure that more of our products and services are able to reach those customers who can benefit the most from them, all while reducing risk and cutting costs.

Outlook

Though the global macroeconomic environment will continue to pose complex challenges, D-Link's highly differentiated, value-added strategy remains fundamentally sound. Our vision has proved particularly prescient in the consumer sphere, where we have made great strides. Thanks to the popularity of our Cloud Camera, Cloud Router, and Cloud Storage devices, and also to the widespread adoption of mydlink Cloud services, D-Link's clout with consumers has never been stronger. The loyalty of these customers will prove indispensable as the march toward the Internet of Things continues and more and more home devices are being connected to the Internet and to each other.

In this sense, the future has already arrived and the possibilities are endless. D-Link is responding to this dramatic shift in consumer hopes and expectations by expanding the range of products and services offered by the Connected Home, and by further enhancing our cloud platform and customer support systems. We realize that as the needs of consumers become more sophisticated, the demand for simple, elegant solutions only grows. D-Link is uniquely positioned to give the public exactly what it wants: the ability to easily access, control, view, and share their work, home, and digital lives.

Meanwhile, the connectivity needs of SMBs in many ways mirror those of consumers in the retail space, and so we are confident that we can effectively win even greater market shares in the future. D-Link will continue to focus on providing comprehensive networking solutions for small to medium-sized businesses that are looking to cut costs while improving security and efficiency. Due to our powerful vertical synergies, easy-to-use cloud-enabled product line, and localized customer support, we will be able to offer SMBs single-vendor, one-stop solutions that simplify their IT operations on the one hand, yet offer additional flexibility, scalability, and control on the other. In particular, the move from analog surveillance systems to IP surveillance cameras is proving to be a major growth engine as businesses become more concerned about security and accountability.

In the broadband sector, emerging markets transitioning to digital economies are rapidly adopting 4G LTE technology, and D-Link is capitalizing on this trend with cutting edge 4G LTE mobile routers and Wi-Fi hotspots that offer both consumers and businesses unparalleled convenience. With mobile operators expected to invest US$1.7TN in improving mobile broadband access from 2014 – 2020, we are confident that we will win a large slice of the economic pie, both by virtue of our present status as an industry leader and because we are committed to staying on top through investment in innovation.

In the midst of all these exciting technological advances and paradigm shifts, D-Link continues to recognize the importance of fine-tuning our global strategy. This means seizing new opportunities for joint-ventures and improving sales channel relationships in those countries in which we feel we can improve our performance (including Brazil, China, and the United States). It means capitalizing on our market dominance in those countries in which we are doing very well (such as India, where we are building a new R&D center). But it also means mitigating risk in times of worldwide economic instability. For example, we are renegotiating business contracts within at-risk nations to more accurately reflect the relative strength of local currencies in order to better shield ourselves from global economic instability.

As D-Link confronts new challenges and pursues new opportunities in 2015, we wish to thank our shareholders for their long-term confidence in our vision, and also to extend our gratitude to the management team and our valued staff worldwide who continue to uphold the spirit of sound management, sustainable development, and corporate social responsibility. Through our concerted efforts, D-Link will continue to operate as an industry leader in connecting people to one another.

ROGER KAO
Chairman & CEO

A.P. CHEN
President

Globalization through Localization

LOCAL MARKET UNDERSTANDING, INTERNATIONAL PRESENCE

Unity: a strategy for success executed on a global scale. D-Link is the worldwide leader and an award-winning designer, developer, and provider of Wi-Fi and Ethernet networking, broadband, multimedia, voice and data communications, and digital electronics solutions. D-Link has systematically expanded its market share by penetrating geographic targets through a strategy of establishing in-country business units supported by a strong corporate foundation.

Confident in the resources of D-Link headquarters to develop and deliver state-of-the-art networking solutions, each local business – regardless of its location around the world – effectively penetrates the market. The Company's innovative products provide solutions for home and businesses, each built with standards-based reliability. D-Link has become a trusted international brand that connects people to their lives, to their work, and to each other.

Emerging Markets, Asia-Pacific Region

Despite an oftentimes difficult macroeconomic environment, D-Link was able to find new ways to win, particularly in India.

Many emerging market economies sputtered in 2014. This turn for the worse was due to a variety of factors, including falling oil prices, political tensions, and the end of quantitative easing. Still, D-Link was able to find ways to grow.

In India, thanks to the much talked about Smart City project and the Digital India program, the computer networking industry is booming as government initiatives drive the digital economy forward. The emergence of an affluent middle class is triggering exponential growth in 3G/4G subscribers and broadband users, further accelerating demands for networking products from individual users. And as the size of business operations increases, large enterprises and SMBs are also investing in network infrastructure, resulting in huge business opportunities for networking vendors in the region.

Sound business planning and strategic alliances have allowed D-Link to reach out to a wider customer network with a broader product portfolio and more expansive end-to-end solutions. Accordingly, D-Link's growth was spectacular in India, with a net profit increase of over 60%, from Rs.135.83 million in 2013 to Rs.218.58 million in 2014. With a unit shipment market share hovering around 50%, D-Link emerged as the undisputed leader of WLAN products in the region.

Channel engagement has been a prime focus for D-Link, as channel/re-seller communities are an integral part of the business ecosystem in India. We have witnessed steady business growth for 3G/4G products as the proliferation of Internet adoption fueled by handheld devices like mobile phones and tablets has led to increased demand for wireless products.

The government sector has also been a major business driver in India, and D-Link has won many substantial contracts. In addition, there has been strong demand for D-Link's products from the education sector, as more and more campuses seek to modernize themselves with Wi-Fi and IP Camera surveillance solutions. Finally, partnerships with major telecom companies such as Airtel, Tata, and Hatchway have driven demand for D-Link's ADSL routers and led to some big victories for the company in a highly competitive market.

In 2014, Russia struggled economically due to falling oil prices, western sanctions imposed over the Ukraine crisis, and currency instability. Difficult economic conditions have changed the direction of market development, but have not restricted it. With brand presence in all the major Russian and CIS retail networks, 33 offices in Russia and 15 in the CIS, and 24-7 technical support with after-sales service throughout the region, D-Link is still a major player in these markets, with sales of Internet gateways, routers, and switches producing the bulk of revenue in the region.

The localization and customization of D-Link products for Russia and the CIS is a major focal point for company development in the region. By equipping the Russian R&D department with modern equipment and test beds, D-Link is able to develop products according to the unique technical and aesthetic requirements of leading federal and regional Internet providers, affording them a tremendous amount of flexibility.

D-Link is also transitioning from FOB (Free On Board) supply schemes to DDP (Delivery Duty Paid) in Russia. For this purpose, a production and logistics center has been constructed in Ryazan. By producing products locally, we will be allowed to participate in the state import substitution program (a cornerstone of Russia's plan to improve economic conditions) and thus secure our leadership position in the region.

As in Russia, the macroeconomic situation in Brazil, Latin America's most important market, also worsened significantly in 2014. Growth slowed from 2.7% in 2013 to just 0.1% in 2014. Still, the IT market in Brazil is the 7th largest in the world and enjoyed US$ 60 billion in investments, a growth of 6.7% YoY.

D-Link's total revenue in Brazil grew by 15% YoY, and the company showed strong performance in the telecom service provider segment. The retail segment also grew significantly as we strove to position ourselves as an added value company, supported by marketing services and innovative new products such as our Wi-Fi Baby Cameras and 11AC routers.

The DIR-615 router was one of the most important products in the country, responsible for D-Link's share of the N300 market rising from nearly 0% in 2013 to 27% in 2014, second only to Link One. And by re-positioning the DIR-505 and 503 primarily as "repeaters" (devices that repeat wireless signals to extend range) rather than personal routers, retailers were able to sell substantially more of them.

Although emerging markets continued to pose significant challenges to multinational firms in 2014, D-Link was able to pursue many unique local initiatives. Through increased product differentiation and a strong emphasis on "glocalization", D-Link drove demand for cutting edge, custom-tailored products in multiple regions, all while planting the seeds of future growth.

CASE STUDY: AIRTEL

Bharti Airtel Limited is a leading global telecommunications company with operations in 20 countries across Asia and Africa. The company ranks among the top 4 mobile service providers globally by number of subscribers. The company's product offerings include 2G, 3G, and 4G wireless services, mobile commerce, fixed line services, high-speed DSL broadband, IPTV, DTH, and enterprise services that include national and international long distance services to carriers. When Airtel began looking to bundle a new line of ADSL routers for their subscribers, D-Link was committed to providing them the best possible solution.

The telecom sector in India is highly competitive, dominated by existing hardware providers like Beetel and Binatone. The evaluation process is time-consuming, and often ends with a reverse auction as competing companies try to underbid each other. Furthermore, telecom companies generally require a significant amount of customization in terms of firmware and special product feature development. All of these factors make it difficult for new players to enter the market.

Differentiation was the key to D-Link's successful bid. We offered a higher quality product at a better price point, and effectively leveraged our robust service support infrastructure and nationwide service reach. In addition – and perhaps most importantly – we were able to offer timely customization of firmware to suit the customer's unique needs. The case clearly demonstrates the value and wisdom of our overarching global strategy: to think globally, but act locally.

North America

As the North American economic recovery accelerated, D-Link focused on improving product mix as it expanded into new retail and distribution channels.

In 2014, D-Link was able to accomplish a great deal in the North American consumer, business, and service provider segments through market leadership in the Wi-Fi camera category, compelling new offerings in the growing Connected Home space, successful expansion into new retail spaces, and fruitful relationships with security integrators and IT solution providers.

The D-Link Wi-Fi Baby Camera, a baby monitor for the modern parent, was a particularly successful product with consumers. Well-received within the influential "mommy blog" circuit, D-Link garnered numerous positive reviews and built legitimacy and perceived value among influential early adopters.

On the home networking front, D-Link continued to drive awareness and sales of its AC Wi-Fi routers, which deliver next-level performance to users. The worldwide upgrade to AC routers is being driven by the inevitability of more and more users connecting more and more wireless devices to the Internet and to each other, including televisions, media players, game consoles, IP cameras, and even new Connected Home products such as D-Link Smart Plugs and Motion Sensors. By offering a range of 11AC Wi-Fi routers designed to meet different needs and price points, D-Link delivered both quality and value in a continued bid to capture more of the swelling 11AC market.

In addition to maintaining a strong retail presence at Best Buy, D-Link expanded its Wi-Fi camera offerings at Staples and launched the Staples Connect Hub, a key piece of a growing Connected Home ecosystem. D-Link also established a strong shelf presence at Wal-Mart in 2014, offering a line of Day & Night and Pan & Tilt Wi-Fi Cameras for DIY simple home security and monitoring.

D-Link continued to earn market share in the enterprise market, selling connectivity and surveillance solutions to businesses across a variety of vertical markets. With a complete set of complementary solutions including switching, wireless, IP surveillance, network security, and network storage products, D-Link was able to compete in a crowded marketplace and win projects on a consistent basis. With a growing base of security integrators and IT solution providers incentivized with competitive training and promotional programs, D-Link was better able to find businesses in need of infrastructure upgrades or builds. D-Link also continued to work with major service providers, providing their customers with an array of broadband solutions.

D-Link utilized sophisticated marketing techniques to communicate to consumers across North America. With expanded campaigns that include banner ads, YouTube advertising, billboards, and search and display remarketing, the company has been developing and delivering compelling brand collateral across a wide range of engagement channels. Moving forward, D-Link will continue to push hard in the region, educating potential customers on how they can use our products to connect to what matters most to them from wherever they may be.

CASE STUDY: KINGSTON PUBLIC SCHOOL DISTRICT; KINGSTON, OKLAHOMA

Located in Kingston, Oklahoma, the Kingston Public School District has been serving local communities in for decades. Today, the district has more than 1,350 students in pre-K through 12th grade across four school campuses. Staffed by 150 employees, the district strives to offer quality education in a safe, secure environment.

But the Kingston School District's video surveillance infrastructure was behind the times, with a security system that only included handful of outdated Sony VGA analog cameras at the middle school with poor image quality and scant coverage.

"Like every school, we had students doing silly things on campus, like fighting, smoking, or trying to do drugs in the bathroom," said Bill Wolff, director of technology. "Those were all concerns, but beyond that, we wanted to deter vandalism. On one occasion, some out-of-town kids got on campus and did about $20,000–$30,000 worth of damage."

As pressure mounted to upgrade video surveillance, the district entertained a wide variety of potential products. Ultimately, D-Link was able to provide the best solution: a mix of 160 indoor/outdoor IP cameras, SAN storage, and video management software working in harmony to bolster campus security at a price far more reasonable than competitors could manage.

"We learned that D-Link sells a great product for a much lower cost than some of the other big camera companies, so we had to ask, 'Why spend a thousand more dollars per camera than we need to?'"

After implementation, Kingston School District's new IP surveillance system began deterring mischief right away. Wolff believes it has prevented numerous cases of vandalism, resulting in the district's replacement/repair costs going down. And in terms of technical expertise, Wolff says D-Link's support has been an invaluable.

"I simply can't put a price on that," he said. "Without D-Link's help and support—both before and after the sale—we would have probably been a mess, to be honest. Today, the system is running great and I haven't had to even touch it in 18 months. From a technical director's standpoint, it's absolutely perfect."

Europe

European economic recovery led to dramatic increases in IP surveillance solutions and consumer services

In a year dominated by concerns over the future of the European single currency, plummeting oil prices and other deflationary pressures, D-Link Europe managed to maintain and grow sales momentum across the region throughout 2014. Overall business sales grew by just 0.22%, but that figure masks double-digit rises across some Central and Eastern European areas and a further strengthening of D-Link's position as the market leader in video surveillance.

Indeed, one highlight for the year came when the respected CONTEXT SalesWatch Distribution service put D-Link at the top of the European rankings for network and CCTV camera vendors, with an impressive 67.9% unit share. With global video surveillance equipment revenues expected to have risen to around €12bn ($16bn) in 2014, D-Link Europe continued to reinforce its commitment to this market with sales up 12.6% YoY.

There was good news in the smart switch market as well. Our sales of smart switches grew by 26.8% last year in Europe, alongside a more modest, but not insignificant, 9.73% rise in the number of unmanaged switch sales. This was due in part to the introduction of a variety of new, even smarter products, including the DXS-3600 Series of 10 Gigabit smart switches. These switches offer a level of performance and low latency previously only available to large organizations, but at price points businesses of all sizes can manage. The release of high-powered PoE products also helped boost smart switch sales in 2014, equipping D-Link Europe with one of the most complete and competitive switch portfolios available and paving the way toward further market share gains in the future.

Storage sales continue to decline in the face of competition from cloud-based storage services and budget NAS appliances. In the business wireless market, however, D-Link Europe continues to perform well, growing sales by 7% year on year, falling just short of the 9% growth shown by the market as a whole.

D-Link Europe teams continue to capitalize on market leadership within the home surveillance market, building on an incredible 114% rise in the number of consumers registered with the mydlink Cloud remote management and alerting service during 2014, ably assisted by an 18% growth in the number of mydlink enabled camera sales across the European region.

Looking forward, D-Link Europe is making a similar commitment to capitalize on the growing Internet of Things movement and assume leadership of the home automation market, this time on the back of the new mydlink Home software and our growing Connected Home product line. D-Link has already won a number of major projects with service providers to meet the demands of this new market, including entry-level surveillance services built around a range of cost-optimized D-Link cameras, plus packages based on Z-Wave and ZigBee home automation technologies.

In summary, despite continued uncertainty over the future of the Euro, prospects for 2015 look good with growth expected across key video surveillance, smart switch, business Wi-Fi, and home automation sectors.

CASE STUDY: CAMERAS SUPPORT A GREATER FOCUS ON SCHOOL SECURITY

Founded in 1897, Helsby High School is a state-maintained secondary school based in Northwest Cheshire for pupils aged 11 to 18. It prides itself on high quality teaching in a safe learning environment.

Security has always been paramount, but the school's existing analog CCTV system, with its high maintenance costs and poor image quality, was in dire need of upgrade. The issue was further compounded by a growing awareness of places where the cameras were not functioning properly, which in turn had led to trouble zones.

To address the challenge, the school's ICT Manager, Steve Ford, turned to Rapid Technologies, a specialist education solutions provider and a trusted D-Link partner. D-Link was endorsed as the vendor of choice, the one best equipped to provide a complete surveillance solution and enhance the school's overall infrastructure. Without disrupting the day-to-day operation of the school, some 72 of D-Link's IP Surveillance cameras were installed.

The new CCTV system immediately proved to be a powerful deterrent against vandalism. Furthermore, it plays a vital role in minimizing the risk of theft and in assisting subsequent investigations, should an incident occur. With high quality footage at his disposal, the ICT Manager now has the tools to investigate any suspicious activity and provide quality evidence, should it prove necessary. In other words, we've provided the school with greater security while cutting its costs.

Furthermore, the D-Link solution has afforded students peace of mind. As Head Teacher John Dowler explained: "A number of students have indicated that they feel far more secure knowing that there is a far more accurate CCTV system in school. I would recommend any head at any school to look very seriously at D-Link's products."

Andrew Mulholland, Business Solutions & Marketing Manager, D-Link UKI, added: "The education space has always been one of D-Link's best markets in the UK. But it has been a great learning experience for me personally to see the impact that this technology has had on the teaching and learning environment in such a short space of time."

Consumer Solutions

A move toward even greater connectivity is necessitating the development of new smart devices, more powerful networking solutions, and easy-to-use interfaces.

As the Internet of Things becomes a reality, growth in the consumer market is being driven by an explosion in HD streaming video, cloud-connectivity, and an assortment of newly networked devices. PCs, tablets, and smartphones remain ubiquitous, of course, but more and more consumers are also recognizing the value of "smart" home appliances that can connect to the Internet and to each other, such as IP cameras, smart plugs, and smart sensors. Working in unison, these devices create a Connected Home experience — the home of the future. In addition to the driving the development of new smart devices, this move toward greater connectivity also necessitates the development of more powerful networking solutions to accommodate growing bandwidth needs, while underscoring a growing demand for easy-to-use cloud-enabled interfaces by end-users who often lack technical know-how, yet crave a richer digital experience.

D-Link has been anticipating these changes for some time now, and we already offer a variety of robust solutions for the consumer market. One area of focus over the past few years has been cloud connectivity, which benefits users in myriad ways, chief among them being added convenience. Powered by the easy-to-use mydlink interface, our Cloud Camera, Cloud Router, and Cloud Storage devices have already won a special place in the hearts of consumers. In 2014, the number of mydlink Cloud global registered users exceeded two and a half million, more than doubling the total seen in 2013.

Some of the most exciting products in our cloud-enabled portfolio are our IP cameras, including our line-up of baby cameras. Billed as "A Baby Monitor for the Modern Parent", these cameras offer HD 720p video, temperature alerts, sound and motion detection, push alert notifications, lullaby playback, remote viewing, 4x digital zoom, 2-way audio, and even a microSD card slot for scheduled recording and personalized lullabies. All of these features can be remotely viewed and controlled by our mydlink Baby Monitor app. In short, these cameras offer parents peace of mind at all times, while making it easy to capture and record special moments in their children's lives.

D-Link's evolving Connected Home product line is a natural extension of our existing cloud-enabled products. D-Link is able to "Get Your Home Talking" by offering a variety of sensors and plugs that can communicate with each other, allowing you to automate your abode. For instance, a door sensor can turn on your lights and music as soon as you open the front door, an IP camera can push an alert to your mobile phone whenever it detects motion, and a smart plug can be programmed to automatically turn devices on and off according to a schedule you are able to create yourself, even while away from home.

The development of a Z-Wave enabled Connected Home Hub, scheduled for release in 2015, will be another important step forward in home automation. Z-Wave is a wireless communications specification that consumes far less energy than Wi-Fi, making it ideal for home automation applications. The addition of Z-Wave will also allow users to automate many third party devices that also utilize the specification, allowing us to provide the most convenient, interoperable platform on the market.

Finally, as more and more devices are connecting to the Internet, and as more and more homes rely on streaming HD video for entertainment, routers are quickly becoming a major performance bottleneck. As a result, there is a now a growing need for high-end routers that can guarantee smooth, future-proof operation for consumers in the years to come. D-Link has been at the forefront of 11AC wireless technology development since its infancy, releasing the world's first 11AC travel router in 2014, and we will continue to push this technology forward with the scheduled release of our Ultra-Performance AC series in 2015.

Business Solutions

D-Link is committed to providing SMBs and SOHO customers with powerful and cost-effective networking solutions.

D-Link is focused on providing small to medium-sized businesses with a full range of hardware and software featuring total technology integration and superior scalability, allowing these enterprises to grow their networks as needed, without redundancy or reinvestment. And because our solutions are truly end-to-end, businesses need only deal with one vendor. From an accountability perspective, this offers a tremendous benefit to them.

D-Link has met the demand created by the "bring your own device" (BYOD) trend with unified wireless solutions for SMBs. Controller and coordinated AP wireless solutions continued to grow in 2014, with market revenue forecast to hit 6.1 billion dollars by 2017. D-Link's offerings for the medium-sized enterprise unified wireless market include the DWL-8610AP, D-Link's first managed 11AC access point, and the DWC-2000 controller, which supports 64 to 256 access points per controller. The latter has the ability to cluster access points from a maximum of 4 wireless controllers with up to 1,024 APs per cluster group. This setup simplifies deployment, administration, and security while boosting flexibility, improving performance, and cutting costs. Smaller businesses, meanwhile, can turn to the DWL-6610AP or the DWC-1000, which offer similar functionality on a smaller scale.

Another option for businesses looking for ways to efficiently manage their networks is to use our Central Wi-Fi Manager (CWM), an innovative new tool designed to help network administrators streamline their wireless access point management workflow via a centralized server. Many of the products from our DAP series of access points already come bundled with CWM, eliminating the need for more costly hardware controllers and making this solution ideal for users spread across large geographic distances, such as retail chain stores.

In the switch market, smart switches have quickly become the mainstream among small and medium businesses, which require the power and flexibility of managed switches without the complexity. Giga-bit Ethernet switches are still the mainstream option on the market, but Fast Ethernet ports continue to perform strongly and Power over Ethernet (PoE) is a commonly required feature as the network camera market continues to grow. Thanks to D-Link Green technology, which reduces power consumption 24 hours a day, and Auto Surveillance VLAN, which simplifies setup and integration with D-Link's IP cameras, D-Link's smart switches are some of the smartest in the industry.

Looking ahead, we are particularly excited about the rapidly growing IP surveillance market. As an early mover, D-Link already has a proven track record of providing quality surveillance solutions at reasonable prices, positioning us as an industry leader. Experts estimate that the number of IP surveillance cameras deployed worldwide will surpass analog cameras by 2016. As this transition accelerates, IP surveillance has become a point of emphasis for many organizations looking to keep up with the times, particularly in fields and industries where security is a concern (e.g. school campuses). D-Link's one-stop solutions offer streamlined integration, easy installation and configuration, centralized management, simplified troubleshooting, and guaranteed interoperability.

Indeed, D-Link's value-added products extend across all areas of the business networking infrastructure, designed to meet the ever-evolving needs of enterprises worldwide, and designating us as a true end-to-end solution provider.

Service Provider Solutions

D-Link continues to meet the demands of the Service Provider Industry with innovative CPE and mobile data offload product lines.

Due to strong relationships with leading vendors and manufacturers, D-Link is recognized as a reliable partner for service providers across the world. With product offerings ranging from end-user routers to comprehensive enterprise-level network solutions, D-Link is delivering service providers exactly what they need to effectively compete in a crowded marketplace characterized by ever-shrinking margins.

We continued to grow our Customer Premise Equipment (CPE) business in 2014 with industry-leading products for connecting home devices to the Internet. These gateway devices support a full range of technologies, including xDSL, 3G, 4G LTE, and 11AC Wi-Fi, allowing end-users to experience the highest Quality of Experience (QoE) possible. In the wireless market, for example, D-Link's Service Provider Business Unit won several big projects from major service providers worldwide in 2014, supplying them with 11AC 3x3 high-end routers. With support for both TR-069 and IPv6, D-Link's products allow these service providers to "future-proof" their networks by enabling them to deliver new services, enjoy new revenue streams, and grow with the needs of their customers in the years to come.

Outside of the CPE market, D-Link's focus has been on mobile data offload solutions, including Wi-Fi hot spots and 3G/4G LTE small cells. In an era of surging mobile data traffic, spurred by user demand for "everywhere" connectivity, network congestion is a major concern for many service providers. Indeed, Multiple Service Operators (MSOs) and Mobile Network Operators (MNOs) are turning en masse to carrier-grade access controllers and Hot Spot 2.0 certified APs to expand network capacity and ultimately to improve end-user QoE. In tune with the times, D-Link already provides a wide selection of small cell solutions with integrated 11AC Wi-Fi to increase flexibility and capability for telecom network deployments.

Another key concern for many service providers is the choice between copper and fiber. Each offers unique advantages and disadvantages. Although the market for fiber optic cables continues to grow, copper is still the most popular means of providing subscribers with sustainable fixed broadband connections. As such, D-Link continues to lead the way in providing ADSL/VDSL routers worldwide, especially in emerging markets. But we are always looking for new ways to innovate.

In fact, it would be better to have the best of both worlds — copper and fiber. That's why D-Link is actively working on exciting hybrid solutions: fiber integrated with copper technologies. One such technology, called FTTdp (fiber to the distribution point), is a particularly attractive alternative to FTTH (fiber to the home). FTTH can be costly, largely due to the need for indoor cabling. FTTdp, on the other hand, is "reverse powered" (the power comes from the user's premises) and utilizes the original telecom copper cable — cutting installation costs significantly while offering higher bandwidth rates (up to 300/150 Mbps (DL/UL)) than would be possible with copper alone.

In summary, D-Link's commitment to building new, future-proof technologies and our wide array of product offerings enable service providers to deliver more value and higher QoE to their customers, making us a valued partner in the industry.

Product Design & Distribution

D-Link is revamping its product-mix in anticipation of the Internet of Things.

For nearly thirty years, D-Link has been leading the way in developing new technologies and making them accessible to consumers and businesses all over the world. Today, our innovation, execution, and heritage serve us well as we continue to help people "Connect to More." Thanks to our superior product design and powerful distribution networks, we've been able to enjoy success all over the globe as we both fuel and fulfill a growing demand for more advanced networking solutions at home and in the office.

In the consumer markets, our most innovative products are designed to deliver both potent performance and eye-catching aesthetics. Our new ultra-performance routers exemplify these premium offerings designed for discerning customers. Developed over the course of 2014, the new AC3200 Ultra Wi-Fi Routers certainly pack a powerful punch with tri-band Wi-Fi, SmartBeam technology, band steering, remote management, and a 1GHz dual core processor. Because routers are being asked to handle more and more connections from more and more devices, such powerful technology is necessary to ensure smooth performance. But with a sharp, futuristic design replete with an eye-catching cherry red finish, the router delivers more than just optimized connectivity and blazing speeds. It looks fast too.

D-Link is also designing products that meet the special needs of small to medium-sized businesses looking for easy to deploy networking solutions that can boost security and efficiency without being prohibitively expensive. D-Link's unified wireless solutions provide superior wireless coverage and reliability, thereby increasing business productivity and cost efficiency. D-Link smart switches, meanwhile, offer increased security and scalability, hitting the sweet spot between the simplicity of unmanaged switches and the power of managed ones. And of course, one of our most important offerings is IP surveillance solutions that enhance security and provide peace of mind. In every vertical, from retail to education to hospitality, D-Link's integrated one-stop surveillance solutions — comprised of IP surveillance cameras, switches, storage, and software — offer unbeatable flexibility.

Designing great products is only a part of the story. We need to be sure they reach the customers who need them. Our status as an internationally-respected global brand allows our products to be promoted and distributed to customers by people they know and trust. This is the case whether they are in Brazil, Russia, Japan, or any of the other 65 countries in which D-Link does business around the world. Strategic partnerships and control of the supply chain create synergy which allows D-Link to accelerate product availability. Highly efficient, coordinated teamwork delivers innovative products to every corner of the globe as local teams communicate their requirements to D-Link Headquarters, which fulfills these needs in timeframes that competitors cannot match.

D-Link's mission is "Building Networks for People", and our brand proposition is to provide customers with an unmatched networking experience through superior product design and distribution. In this way, we are truly helping the world to "Connect to More."

Corporate Social Responsibility

We believe that nurturing corporate social responsibility and sustainability is not only in the best interest of the company, but also in the best interest of the entire planet.

At D-Link, we understand that because we are global leaders in the networking industry, our responsibilities extend beyond merely creating great products for our customers. We are aware that we have large economic, environmental, and social impacts. Therefore, we utilize our resources to protect the environment, create a safe and productive work environment, and give back to local communities.

D-Link's environmental record speaks for itself. In 2007, we became the first networking company in the world to register as an ENERGY STAR partner, guaranteeing that our power adapters comply with Level 5 energy-efficiency guidelines. However it was the 2009 introduction of our D-Link Green technology that really advanced worldwide environmental innovation in networking. By 2010, we had released D-Link Green switches, routers, storage devices, PowerLine adapters, and more. We began to use less and less plastic in our packaging, and also began using soy ink in our printing. That year, D-Link obtained ISO 14067 compliance certification for our Ethernet switches, making us the first company to do so. ISO 14064-1 certification followed next in 2011, further proving our commitment to reducing our carbon footprint.

In fact, since 2008, we have advocated total "Life Cycle Awareness" in the development of our products. This philosophy ensures that at every stage of a product's cycle — from its initial conception, to the suppliers of its material, all the way to the end of the product's life — we have taken the appropriate steps to reduce its environmental impact. Our products are also compliant with the EU's RoHS and WEEE standards, demonstrating our pledge to recycle and to avoid the use of hazardous materials. Now in 2014, at least 80% of all our new products are D-Link Green certified.

Corporate responsibility extends beyond respecting the environment. At D-Link, we believe our employees are our greatest asset, so we strive to create a challenging, nurturing, and fun work environment. We provide good employee welfare and a variety of recreational clubs to support work/life balance in order to promote wellness and happiness amongst our colleagues.

Last, but not least, we understand the importance of giving back to local communities. D-Link's Charitable Foundation was founded in 1994, and with over twenty years of history, its accomplishments are too numerous to list here. With a motto of "Helping, Caring, and Giving Back to Society", the foundation is actively involved in a wide variety of charitable activities that bring people together. Over the years, the foundation has contributed to child and youth welfare, welfare for the elderly, disability assistance, women's welfare, and medical welfare. In 2010, the foundation was graded Level A by the Taipei City Bureau of Social Affairs.

Moving forward, we at D-Link will continue to emphasize public responsibility, and we will fulfill our pledge to create a better future, today.

Corporate Headquarters & Board Members

Roger Kao
Chairman & CEO

A.P. Chen
President

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Roger Kao	Chairman & CEO
A.P Chen	President
Yun-Wei Investment Co. Ltd.	Director
John Lee	Director
Jo-Kong Investment Ltd.	Director
Douglas Hsiao	Director
Kenneth Tai	Director
Alpha Networks Inc.	Director
Shih Kuo Lin	Director
Jie-Shiun Investment Co.Ltd.	Supervisor
Joan Chen	Supervisor

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Building Networks for People

www.dlink.com

D-LINK CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013
(With Independent Auditors' Report Thereon)

Representation Letter

The entities that are required to be included in the combined financial statements of D-LINK CORPORATION as of and for the year ended December 31, 2014, 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 the International Accounting Standards No. 27, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, D-LINK CORPORATION and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

D-LINK CORPORATION

By

ROGER KAO

Taipei, Taiwan, R.O.C
March 12, 2015

Independent Auditors’ Report

The Board of Directors

D-LINK CORPORATION:

We have audited the accompanying consolidated balance sheets of D-LINK CORPORATION and subsidiaries (collectively referred to as the "Consolidated Company") as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Consolidated Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain subsidiaries accounted in the consolidated financial statements, and our opinion on the amounts presented in the financial statements of certain subsidiaries is based on the reports of other auditors. The total assets of the subsidiaries recognized were $4,563,493 thousand and $4,471,907 thousand, constituting 18% of the consolidated total assets as of December 31, 2014 and 2013, respectively, and the net operating revenues of the subsidiaries recognized were $9,513,827 thousand and $9,285,857, thousand, constituting 31% and 30% of the consolidated net operating revenues for the years ended December 31, 2014 and 2013, respectively. The investment in associates accounted for under the equity method amounted to $225,363 thousand and $322,577 thousand, constituting 1% of the consolidated total assets as of December 31, 2014 and 2013, respectively, and the related investment income were $(26,815) thousand and $7,248 thousand, constituting (19)% and 1% of the consolidated income before income taxes for the years ended December 31, 2014 and 2013, respectively.

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

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Consolidated Company as of December 31, 2014 and 2013, and their financial performance and their consolidated cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretation endorsed by the Financial Supervisory Commission R.O.C.

D-LINK CORPORATION has prepared its parent company only financial statements as of and for the years ended December 31, 2014 and 2013, on which we have issued an modified unqualified opinion.

KPMG

CPA: Gau, Wey-Chuan

Taipei, Taiwan, R.O.C
March 12, 2015

The accompanying financial statements are intended only to present the financial position, results of operations 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 financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying 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 auditors' report and financial statements, the Chinese version shall prevail.

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated statement of financial position

December 31, 2014 and 2013

(Expressed in thousands of New Taiwan Dollars)

		2014			2013	
	Assets		**Amount**	**%**	**Amount**	**%**
	Current assets:					
1100	Cash and cash equivalents(note 6(a) and (y))	$	3,613,497	14	3,492,550	14
1110	Financial assets at fair value through profit or loss — Current(note 6(b) and (l))		66,428	-	79,540	-
1150	Notes receivable, net(note 6(c))		71,733	-	51,054	-
1170	Accounts receivable, net(note 6(c))		6,572,585	26	6,685,089	27
1180	Accounts receivable due from related parties, net(note 7)		1,361	-	3,486	-
1200	Other receivables(notes 6(c) and 7)		183,151	1	148,593	-
1220	Current tax assets		189,860	1	194,035	1
130X	Inventories(note 6(d))		6,663,463	26	6,046,366	25
1410	Other current assets(note 8)		862,917	3	670,909	3
			18,224,995	71	17,371,622	70
	Non-current assets:					
1523	Available-for-sale financial assets — Non-current(note 6(b))		451,329	2	533,870	2
1543	Financial assets carried at cost(note 6(b))		141,472	1	168,402	1
1550	Investments accounted for using equity method(note 6(e))		3,671,905	14	3,819,591	16
1600	Property, plant and equipment(note 6(g))		1,334,928	5	1,313,137	6
1760	Investment property, net(note 6(h))		41,651	-	42,047	-
1780	Intangible assets(note 6(f) and (i))		680,819	3	467,094	2
1840	Deferred tax assets (note 6(o))		705,153	3	667,150	3
1900	Other non-current assets (note 8)		279,906	1	74,876	-
			7,307,163	29	7,086,167	30

See accompanying notes to consolidated financial statements.

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated statement of financial position

December 31, 2014 and 2013

(Expressed in thousands of New Taiwan Dollars)

		2014		2013	
	Total assets	$ 25,532,158	100	24,457,789	100
	Liabilities and equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term loans(note 6(j))	$ 2,513,548	10	-	-
2120	Financial liabilities at fair value through profit or loss — Current(notes 6(b))	7,587	-	15,117	-
2150	Notes payable	2,176	-	4,623	-
2170	Accounts payable	2,922,239	11	2,563,256	11
2180	Accounts payable to related parties(note 7)	3,101,140	12	3,390,235	14
2200	Other payables(note 7)	2,064,655	8	2,314,330	10
2230	Current tax liabilities	282,407	1	345,939	1
2250	Provisions(note 6(k))	318,181	1	340,958	1
2300	Other current liabilities	194,708	1	133,131	1
2320	Current portion of long-term liabilities (note 6(j) and (l))	211,237	1	119,800	-
		11,617,878	45	9,227,389	38
	Non-current liabilities:				
2530	Bonds payable(note 6(l))	-	-	112,302	-
2540	Long-term loans(note 6(j))	-	-	768,550	3
2570	Deferred tax liabilities	592,282	3	654,829	3
2600	Other non-current liabilities(note 6(n) and 7)	120,366	-	98,369	-
		712,648	3	1,634,050	6
	Total liabilities	12,330,526	48	10,861,439	44
	Equity attributable to owners of parent:(note 6(f) and (p))				
3100	Capital stock	6,477,557	25	6,475,803	27

See accompanying notes to consolidated financial statements.

D-LINK CORPORATION AND SUBSIDIARIES

Consolidated statement of financial position

December 31, 2014 and 2013

(Expressed in thousands of New Taiwan Dollars)

3200	Capital surplus(note 6(l) and (p))	2,122,523	8	2,143,135	9
	Retained earnings:				
3310	Legal reserve	2,290,345	9	2,225,584	9
3320	Special reserve	651,810	3	814,373	3
3350	Unappropriated earnings	2,323,994	9	3,148,588	13
		5,266,149	21	6,188,545	25
3400	Other equity interest	(553,967)	(2)	(651,810)	(3)
3500	Treasury stocks	(483,774)	(2)	(807,960)	(3)
36XX	**Non-controlling interests**	373,144	2	248,637	1
	Total equity	13,201,632	52	13,596,350	56
	Total liabilities and equity	**$ 25,532,158**	**100**	**24,457,789**	**100**

See accompanying notes to consolidated financial statements.

D-LINK CORPORATION and subsidiaries

Consolidated statements of comprehensive income

For the years ended December 31, 2014 and 2013

(expressed in thousands of New Taiwan Dollars)

		2014		2013	
		Amount	**%**	**Amount**	**%**
4000	**Net operating revenues (notes 6(s) and 7)**	$ 30,305,802	100	30,558,474	100
5000	**Operating costs (note 6(d) and 7)**	22,032,098	73	22,490,692	74
	Gross profit from operations	8,273,704	27	8,067,782	26
	Operating expenses:(note 6(m))				
6100	Selling expenses	5,450,997	18	5,457,448	18
6200	Administrative expenses	1,391,263	4	1,261,094	4
6300	Research and development expenses	1,124,419	4	950,967	3
		7,966,679	26	7,669,509	25
	Operating income	307,025	1	398,273	1
	Non-operating income and expenses:				
7010	Other income (notes 6(m), (t) and 7)	147,462	-	130,524	1
7020	Other gains and losses (note 6(u))	(431,404)	(1)	(21,928)	-
7050	Finance costs (notes 6(l) and (v))	(21,696)	-	(40,540)	-
7060	Share of profit (loss) of associates accounted for using equity method (note 6(e))	142,070	-	279,922	1
		(163,568)	(1)	347,978	2
	Income before income tax	143,457	-	746,251	3
7950	**Less: Income tax expenses (note 6(o))**	31,996	-	69,971	-
	Net income	111,461	-	676,280	3
8300	**Other comprehensive income:**				
8310	Foreign currency translation differences	166,706	1	83,047	-
8325	Changes in fair value of available-for-sale financial assets	(82,541)	-	(39,610)	-
8360	Defined benefit plan actuarial losses	(7,503)	-	(372)	-
8370	Share of other comprehensive income of associates accounted for using equity method	37,553	-	110,427	-
8399	Less: Income tax on other comprehensive income	29,644	-	16,849	-
8300	**Other comprehensive income, net**	84,571	1	136,643	-
	Total comprehensive income	**$ 196,032**	**1**	**812,923**	**3**
	Net income attributable to:				
	Owners of the parent	$ 61,543	-	647,609	3
8620	Non-controlling interests	49,918	-	28,671	-
		$ 111,461	**-**	**676,280**	**3**
	Total comprehensive income attributable to:				
	Owners of the parent	$ 153,339	1	800,066	3
	Non-controlling interests	42,693	-	12,857	-
		$ 196,032	**1**	**812,923**	**3**
	Basic earnings per share (New Taiwan dollars)	**$**	**0.10**		**1.04**
	Diluted earnings per share (New Taiwan dollars)	**$**	**0.10**		**1.04**

See accompanying notes to consolidated financial statements.

D-LINK CORPORATION and subsidiaries

Consolidated statement of changes in equity

For the years ended December 31, 2014 and 2013

(Expressed in thousands of New Taiwan Dollars)

	Attributable to owners of the parent										
			Retained earnings			Other equity interest					
	Ordinary Share	Capital surplus	Legal reserve	Special reserve	Unappro-priated earnings	Exchange differences on translation of foreign operations	Unrealized gains (losses)on available-for-sale financial assets	Treasury stocks	Attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of January 1, 2013	$ 6,475,803	2,129,637	2,147,688	394,269	3,558,971	(577,998)	(174,587)	(530,547)	13,423,236	240,727	13,663,963
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	77,896	-	(77,896)	-	-	-	-	-	-
Special reserve	-	-	-	420,104	(420,104)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(608,773)	-	-	-	(608,773)	(2,910)	(611,683)
Other changes in capital surplus:											
Compensation cost of share-based payment transaction	-	5,288	-	-	-	-	-	-	5,288	(2,037)	3,251
Changes in equity of associates using equity method	-	8,210	-	-	(2,901)	-	-	-	5,309	-	5,309
Purchase of treasury share	-	-	-	-	-	-	-	(277,413)	(277,413)	-	(277,413)
	-	13,498	77,896	420,104	(1,109,674)	-	-	(277,413)	(875,589)	(4,947)	(880,536)
Profit for 2013	-	-	-	-	647,609	-	-	-	647,609	28,671	676,280
Other comprehensive income for 2013	-	-	-	-	51,682	140,696	(39,921)	-	152,457	(15,814)	136,643
Total comprehensive income for the period	-	-	-	-	699,291	140,696	(39,921)	-	800,066	12,857	812,923
Balance on December 31, 2013	6,475,803	2,143,135	2,225,584	814,373	3,148,588	(437,302)	(214,508)	(807,960)	13,347,713	248,637	13,596,350
Appropriation and distribution of retained earnings:											
Special reserve	-	-	-	(162,563)	162,563	-	-	-	-	-	-
Legal reserve	-	-	64,761	-	(64,761)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(608,773)	-	-	-	(608,773)	-	(608,773)
Stock dividends	121,754	-	-	-	(121,754)	-	-	-	-	-	-
Other changes in capital surplus:											
Changes in equity of associates using equity method	-	(6,683)	-	-	(60,158)	-	-	-	(66,841)	-	(66,841)
Change in the parent's ownership interests from subsidiaries	-	21,724	-	-	(18,674)	-	-	-	3,050	84,921	87,971
Retirement of treasury share	(120,000)	(35,653)	-	-	(168,533)	-	-	324,186	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(3,107)	(3,107)
	1,754	(20,612)	64,761	(162,563)	(880,090)	-	-	324,186	(672,564)	81,814	(590,750)
Profit for 2014	-	-	-	-	61,543	-	-	-	61,543	49,918	111,461
Other comprehensive income for 2014	-	-	-	-	(6,047)	176,128	(78,285)	-	91,796	(7,225)	84,571
Total comprehensive income for the period	-	-	-	-	55,496	176,128	(78,285)	-	153,339	42,693	196,032
Balance on December 31, 2014	**$ 6,477,557**	**2,122,523**	**2,290,345**	**651,810**	**2,323,994**	**(261,174)**	**(292,793)**	**(483,774)**	**12,828,488**	**373,144**	**13,201,632**

See accompanying notes to consolidated financial statements.

D-LINK CORPORATION and subsidiaries

Consolidated statement of cash flows

For the years ended December 31, 2014 and 2013

(Expressed in thousands of New Taiwan Dollars)

	2014	2013
Cash flows from operating activities		
Profit before tax	$ 143,457	746,251
Adjustments for :		
Adjustments to reconcile profit (loss)		
Depreciation expense	182,061	201,802
Amortization expense	35,906	33,308
Provision for bad debt expense	5,277	7,369
Net gain on financial assets or liabilities at fair value through profit or loss	(44,923)	(12,332)
Interest expense	21,696	39,407
Interest income	(52,443)	(42,275)
Dividend income	(19,091)	(33,913)
Compensation cost of share-based payment transaction	-	3,251
Share of profit of associates accounted for using equity method	(142,070)	(279,922)
Gain on disposal of investments	(88,417)	(164,202)
Impairment loss on financial assets	11,800	24,200
Reversal of impairment loss on non-financial assets	-	(37,145)
Others	207,430	(56,082)
Total adjustments to reconcile profit (loss)	117,226	(316,534)
Changes in operating assets and liabilities:		
Changes in operating assets		
Decrease (increase) in financial assets at fair value through profit or loss	51,090	(16,431)
Decrease (increase) in notes receivable	(20,267)	63,114
Decrease (increase) in accounts receivable	111,994	(883,622)
Decrease in accounts receivable due from related parties	2,125	2,499
Increase in other receivable	(24,889)	(2,619)
Decrease (increase) in inventories	(657,943)	251,453
Decrease (increase) in other current assets	(187,512)	132,758
Increase in other non-current assets	(196,281)	(20,041)
Total changes in operating assets	(921,683)	(472,889)
Changes in operating liabilities:		
Increase (decrease) in notes payable	(8,930)	3,108
Increase in accounts payable	283,772	269,810
Increase (decrease) in accounts payable to related parties	(289,095)	218,799
Decrease in other payable	(291,375)	(196,296)
Decrease in provisions	(46,485)	(32,723)
Increase (decrease) in other current liabilities	9,973	(96,421)
Increase (decrease) in other operating liabilities	3,778	(5,074)
Total changes in operating liabilities	(338,362)	161,203
Total changes in operating assets and liabilities	(1,260,045)	(311,686)
Total adjustments	(1,142,819)	(628,220)
Cash inflow (outflow) generated from operations	(999,362)	118,031
Interest received	52,443	42,275
Dividends received	284,815	260,467
Interest paid	(19,761)	(37,505)
Income taxes paid	(221,811)	(208,990)
Net cash flows (used in) generated by operating activities	(903,676)	174,278
Cash flows from investing activities:		
Disposal of available-for-sale financial assets	-	450,901
Disposal of financial assets curried at cost	-	64,922
Proceeds from capital reduction of financial assets curried at cost	15,742	12,084
Acquisition of investments accounted for using equity method	(27,359)	(30,000)
Disposal of investments accounted for using equity method	159,024	-
Acquisition of property, plant and equipment	(245,379)	(199,039)
Increase in refundable deposits	(4,074)	(693)
Acquisition of intangible assets	(127,321)	(29,179)
Net cash inflows from business combination	20,970	-
Others	1,097	1,463
Net cash flows (used in) generated by investing activities	(207,300)	270,459
Cash flows from financing activities:		
Increase in short-term loans	2,463,764	-
Repayment of long-term debt	(791,350)	(181,650)
Increase in guarantee deposits received	5,295	5,275
Cash dividends paid	(612,492)	(611,683)
Payments to acquire treasury shares	-	(277,413)
Net cash flows used in financing activities	1,065,217	(1,065,471)
Effect of exchange rate changes on cash and cash equivalents	166,706	83,047
Net increase (decrease) in cash and cash equivalents	120,947	(537,687)
Cash and cash equivalents at beginning of year	3,492,550	4,030,237
Cash and cash equivalents at end of year	$ 3,613,497	3,492,550

See accompanying notes to consolidated financial statements.

D-LINK CORPORATION and subsidiaries
Notes to the consolidated financial statements
December 31, 2014 and 2013
(Amounts expressed in thousands of New Taiwan Dollars, unless otherwise noted)

1. Company history

D-LINK CORPORATION(“the Company”) was incorporated on June 20, 1987 under the approval of Ministry of Economic Affair, Republic of China (“ROC”). The address of its registered office is No.289, Xinhu 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. Authorization date and process of Financial statements

The accompanying consolidated financial statements were approved and authorized for release by the Board of Directors on March 12, 2015.

3. New standards and interpretations adopted

(a) International Financial Reporting Standards 2013 version endorsed by the Financial Supervisory Commissions Republic of China ("FSC"), but not yet effective.

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC in preparing the consolidated financial statements. The related new standards, interpretations and amendment are listed below:

New standards and amendments	Effective date announced by IASB
● Limited exemption from comparative IFRS 7 Disclosures for first-time adopters (amendment to IFRS 1)	July 1, 2010
● Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	July 1, 2011
● Government loans (amendment to IFRS 1)	January 1, 2013
● Disclosures – Transfer of financial assets (amendment to IFRS 7)	July 1, 2011
● Disclosures – Offsetting financial assets and financial liabilities (amendment to IFRS 7)	January 1, 2013
● IFRS 10 Consolidated Financial Statements	January 1, 2013 (Investment entities: January 1, 2014)
● IFRS 11 Joint Arrangements	January 1, 2013
● IFRS 12 Disclosure of Interests in Other Entities	January 1, 2013
● IFRS 13 Fair Value Measurement	January 1, 2013
● Presentation of items of other comprehensive income (amendment to IAS 1)	July 1, 2012
● Deferred tax : recovery of underlying assets (amendment to IAS 12)	January 1, 2012
● Amended IAS 19 Employee Benefit	January 1, 2013
● Amended IAS 27 Separate Financial Statements	January 1, 2013
● Amended IAS 32 Offsetting financial assets and financial liabilities	January 1, 2014

(Continued)

● IFRIC 20 Stripping costs in the production phase of a surface mine	January 1, 2013

(Continued)

Based on the Consolidated Company's assessment, the adoption of IFRS 2013 version has no significant effect on the consolidated financial statement except for the following items:

(1) IAS 19 Employee Benefits

The amended IAS 19, net interest is calculated simply as the net defined benefit liability (asset) multiplied by the discount rate, which replaced the interest cost and the expected returns on plan assets prior to the amendments. Also, the amended standard requires an increase in disclosures on the defined benefit plans.

(2) IAS 1 Presentation of Financial Statements

The amended IAS 1 requires entities to separate the items (presented in OCI classified by nature) into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax, then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the consolidated company will adjust its presentation of the statement of comprehensive income.

(3) IFRS 12 Disclosure of Interests in Other Entities

The standard integrates the disclosure requirements for subsidiaries and associates. Accordingly, the Consolidated Company will disclose any additional information about its interests in consolidated entities and unconsolidated entities.

(4) IFRS 13 Fair Value Measurement

This standard defines the fair value, sets out a framework for measuring fair value, and requires disclosures about fair value measurements. Based on assessment, the adoption of the standard has no significant impact on the consolidated financial statements of the Consolidated Company, and the Consolidated Company will disclose any additional information about the fair value measurement accordingly.

(b) International Financial Reporting Standards issued by the International Accounting Standards Board but not yet endorsed by the FSC

A summary of the new standards and amendments issued by the International Financial Reporting Standards (hereinafter referred to as IASB) but not yet included in the IFRS 2013 version endorsed by the FSC:

New standards and amendments	**Effective date per IASB**
● IFRS 9 Financial Instruments	January 1, 2018
● Amended IAS 28 and IFRS 10 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	January 1, 2016
● Amended IAS 28, IFRS 10, and IFRS 12 " Investment Entities: Applying the Consolidation Exception"	January 1, 2016
● Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016

New standards and amendments	Effective date per IASB
● IFRS 14 Regulatory Deferral Accounts	January 1, 2016
● IFRS 15 Revenue from Contracts with Customers	January 1, 2017
● Amended IAS 1 " Disclosure Initiative"	January 1, 2016
● Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amorization	January 1, 2016
● Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants	January 1, 2016
● Amended IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
● Amended IAS 27 "Equity method in separate financial statements"	January 1, 2016
● Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
● Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
● IFRIC 21 Levies	January 1, 2014

4. Significant accounting policies

(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 the Regulations) and IFRSs endorsed by the FSC.

(b) Basis of Preparation

(1) Basis of Measurement

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

(i) Financial instruments (including derivative financial instruments) measured at fair value through profit or loss are measured at fair value;

(ii) Available-for-sale financial assets are measured at fair value;

(iii) Equity-settled share-based payment are measured at fair value;

(iv) The defined benefit liability is recognized as the present value of the defined benefit obligation, less the net value of pension plan assets;

(2) Functional and presentation currency

The functional currency of the Consolidated Company is determined based on the primary economic environment in which its entities operate. 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.

(Continued)

(c) Basis of consolidation

(1) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprised of the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances, income and expenses should be eliminated in full in preparing the consolidated financial statements.

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.

(2) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2014	Shareholding December 31, 2013	Note
The Company	D-Link Holding Company Ltd. (D-Link Holding)	Holding 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 Intvestment Pte. Ltd. (D-Link Investment)	Holding company	100.00%	100.00%	D-Link Investment was incorporated in the first quarter of 2014, with an investment of $61,104 thousand.
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%	
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	97.76%	97.76%	
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%	

(Continued)

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2014	Shareholding December 31, 2013	Note
D-Link International	D-Link Trade M (D-Link Moldova)	Marketing and after-sales service	100.00%	100.00%	D-Link Moldova was incorporated in the third quarter of 2013, with an investment of $13 thousand.
D-Link International	D-Link Russia Investment Co., Ltd (D-Link Russia Investment)	Holding Company	100.00%	-	D-Link Russia Investment was incorporated in the fourth quarter of 2014, with an investment of $412,945 thousand.
The Company	Yeo-Chia Investment Ltd. (YEOCHIA)	Professional investment company	100.00%	100.00%	
The Company	Yeo-Mao Investment Ltd. (YEOMAO)	Professional investment company	100.00%	100.00%	
The Company	Yeo-Tai Investment Ltd. (YEOTAI)	Professional investment company	100.00%	100.00%	
The Company, YEOCHIA, YEOMAO and YEOTAI		Recearch and development and purchase and sales of products	96.89%	41.82%	Acquisition of Fiti in October 2014
Fiti	Big Good Holdings Limited (Big Good)	Purchase and sales of products	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))	Holding company	100.00%	100.00%	
D-Link Holding	D-Link Holding Mauritius Inc. (D-Link Mauritius)	Holding company	100.00%	100.00%	
D-Link Holding	OOO D-Link Russia (D-Link Russia)	After-sales service	100.00%	100.00%	
D-Link Holding	D-Link Hong Kong Ltd. (D-Link Hong Kong)	Holding company	100.00%	100.00%	
D-Link Investment and D-Link Holding	OOO D-Link Trade (D-Link Trade)	Marketing and after-sales service	100.00%	100.00%	8.34% shares held by D-Link Holdings transferred to D-Link investment in November 2014
D-Link Holding	Success Stone Overseas Corp. (Success Stone)	Holding company	100.00%	100.00%	
D-Link Holding	Wishfi Pte. Ltd. (Wishfi)	Research and development, marketing and after-sales service	100.00%	100.00%	
D-Link Mauritius	D-Link India Ltd. (D-Link India)	Marketing and after-sales service	51.02%	60.37%	Decrease in ownership interest as a result of the issuance of additional new shares by D Link India in May 2014, and did not acquire any new shares proportion to original ownership percentage

(Continued)

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2014	Shareholding December 31, 2013	Note
D-Link Mauritius and D-Link India	TeamF1 Networks Private Limited (TeamF1 India)	Marketing and after-sales service	100.00%	-	Acquisition of TeamF1 in May, 2014
D-Link Europe	D-Link (Holdings) Ltd. and its subsidiary D-Link (UK) Ltd. (D-Link UK)	Holding company	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 (Magyarorszag) kft (D-Link Magyarorszag)	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 Europe	D-Link Adria d.o.o	Marketing and after-sales service	100.00%	100.00%	
D-Link Shiang-Hai (Cayman)	D-Link (Shiang-hai) Co., Ltd (DCN)	Marketing and after-sales service	100.00%	100.00%	
D-Link Shiang-Hai (Cayman)	Netpro Trading (Shiang-hai) Co., Ltd (DWZ)	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%	100.00%	
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 and D-Link L.A.	D-Link de Costa Rica S.A.	Marketing and after-sales service	100.00%	100.00%	
D-Link Sudamerica	D-Link Paraguay S.A.	Marketing and after-sales service	99.00%	99.00%	
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%	

(3) List of subsidiaries which are not included in the consolidated financial statment: None.

(Continued)

(d) Business combination

The consolidated company measures the goodwill by evaluating the fair value of the consideration at the acquisition date by deducting the assumed identifiable assets and liabilities. Acquisition-related costs should be recognized as expenses in the periods in which the costs are incurred except those costs that issue debt or equity securities.

(e) Foreign currency

(1) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Consolidated Company entities at exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction. Foreign currency differences are recognized in profit or loss, except for available-for-sale financial asset which are recognized in other comprehensive income.

(2) Foreign operations

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

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

An entity shall classify an asset as current when:

(1) It is expected to be realized or intends to sell or consume it in its normal operating cycle;

(2) It holds the asset primarily for the purpose of trading;

(3) It is expected to be realized within twelve months after the reporting period; or

(4) The asset is cash and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

An entity shall classify a liability as current when:

(1) It expects to settle the liability in its normal operating cycle;

(2) It holds the liability primarily for the purpose of trading;

(3) The liability is due to be settled within twelve months after the reporting period; or

(4) It 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 it is settlement by the issue of equity instruments do not affect its classification.

An entity shall classify all other liabilities as non-current.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and all highly liquid investments subject to insignificant risk of changes in value.

A time deposit is qualified as a cash equivalent when it is held for the purpose of short-term cash commitments rather than for investment or other purposes.

(h) Financial Instruments

Financial assets and financial liabilities are initially recognized when the Consolidated Company becomes a party to the contractual provisions of the instruments.

(1) Financial assets

The Consolidated Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, account receivables, available-for-sale financial assets and financial assets at cost value.

(i) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading. Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling or repurchasing in the short term.

This type of financial asset is measured at fair value at the time of initial recognition, and the attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend and interest income, are recognized in non-operating income and expense, and are included in other profit and loss. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting.

(ii) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses and dividend income are recognized in other comprehensive income and accumulated under unrealized gains (losses) on available-for-sale financial assets in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to non-operating income and expense, and is included in other profit and loss. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at amortized cost, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Consolidated Company receive dividend payment, which is normally the ex-dividend date and such dividend income is recognized as other income.

(iii) Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprise notes receivables, account receivables and other receivables. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less, any impairment losses other than insignificant interest on short-term receivables.

(iv) Impairment of financial assets

A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Consolidated Company on terms that the Consolidated Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

Receivables are assessed by internal credit rating system whether the objective evidence of impairment exists individually for financial assets. If the Consolidated Company determines that the objective evidence of impairment exists for an individually assessed financial asset, then that will be individually assessed for impairment. If the Consolidated Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it should include the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The initial recognition of impairment losses on available-for-sale equity security cannot be reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries are recognized as non-operating income and expenses in other gains and losses.

(v) Derecognition of financial assets

The Consolidated Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Consolidated Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity -unrealized gains or losses from available-for-sale financial assets is recognized in non-operating income and expense, and included in other gains and losses.

(Continued)

(2) Financial liabilities and equity instruments

(i) Convertible corporate bonds

Convertible bonds issued by the Company create both a financial liability and options to convert to equity for holders are recorded as hybrid financial instruments. At the time of issuance, the original cost of issuance is allocated to both the liability and equity component of the convertible bond. The liability component of the convertible bond is determined by the fair value of similar liabilities which are unrelated to the equity component-stock option. Any change in fair value of the equity component of the convertible bonds is not recognized. The interest on the convertible bond is calculated by using the effective interest method and is amortized over the contract term and recorded as current expense. The embedded derivative financial liabilities are measured at fair value, and any changes are reflected in current profit or loss. When the bondholders request conversion, the Company will adjust the liability component first and recognize it as net income or loss after valuing at the fair value. the Company shall account for common stock as the sum of the carrying amount of the liability component and equity component at the redemption date.

The embedded call and sell options of the convertible corporate bonds shall be recorded under financial assets (liabilities) at fair value through profit or loss with their net amount. Then, at the balance date, they will be assessed at the current fair value, and the differences shall be recorded under valuation gain (loss) on financial instruments. At the end of agree-upon sell back period, the fair value of the sell options shall be all transferred to capital surplus if the market price of the convertible common stock is higher than the agreed sell back price. In contrast, the fair value of the sell options shall be all transferred to profit in the current period.

If the holders of the bonds are able to execute the sell options in the following year, the corporate bond payable shall be classified as current liabilities. If the execution period ends and the options are not executed, the corporate bond payable shall be classified as non-current liabilities.

(ii) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. A financial liability is classified as held-for-trading if it is acquired principally for the purpose of selling in the short term.

At the initial recognition, financial liabilities are measured at fair value through profit or loss and transaction costs are recognized as profit or loss as incurred. Subsequent to initial recognition, financial liabilities are measured at fair value, and changes therein are recognized as non-operating income and expenses in other gains and losses.

(iii) 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 and account 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 capitalised as capital cost is recognized in non-operating income and expense, and is included in other gains and losses.

(iv) Derecognition of financial liabilities

The Consolidated Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expires. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in non-operating income and expense, and is included in other gains and losses.

(v) Offsetting of financial assets and liabilities

The Consolidated Company presents financial assets and liabilities on a net basis when the Consolidated Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(3) Derivative financial instruments

The Consolidated Company holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are recognized initially at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in non-operating income and expense, and are included in other gains and losses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and the embedded derivatives are not closely related, and the host contract is measured as at fair value through 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 stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis. Cost is determined 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.

(Continued)

(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 accounted for using the equity method and 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 equity-accounted investees, after adjustments to align the accounting policies with those of the Consolidated Company from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Consolidated Company and an associate are eliminated to the extent of the Consolidated Company's interest in the associate.

If an associate issues new shares and the Consolidated Company does not acquire new shares in proportion to its original ownership percentage but still have significant effect, the change in the equity shall be used to adjust the capital surplus or retained earnings, and investments are accounted for using equity method. 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 reation to the assocate will be reclassified proportionately on the same basis as if the Consolidated Company had directly disposed of the related assets or liabilities.

(k) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for 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 the depreciation expense of investment property is determined based on the depreciable amount, where the depreciation methods useful lives and its residual value are in consistent with the standards in property, plant and equipments.

(l) Property, plant and equipment

(1) Recognition and measurement

Items of property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Properties in the course of construction are carried at cost, less, any recognized impairment loss. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment by the method used by the accounts of the same category when completed and ready for intended use.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless, the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

(Continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

(2) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when there is a change in use.

(3) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Consolidated Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(4) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and is estimated using the straight-line method over its useful life and is assessed based on the components that are significant. If the useful life of a component differs from that of others, the depreciable amount should be disclosed individually. The depreciable amount is recognized in profit and loss.

Land has an unlimited useful life, and therefore, is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

(i) Buildings and improvements: 5~56 years

(ii) 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(s) is accounted for as a change in an accounting estimate.

(m) Leases

(1) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term.

(2) Lessee

Leases are classified as operating leases if it doesn't transfer substantially all the risks and rewards incidental to ownership. Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the lease term.

(Continued)

(n) Intangible assets

(1) Goodwill

(i) Recognition

Goodwill arises from acquisition of subsidiaries is included in intangible assets.

(ii) Subsequent measurement

Goodwill are 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.

(2) Other intangible asset

Other intangible asset are carried at cost, less, accumulated amortization and accumulated impairment losses.

(3) 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.

(4) 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:

(i) Distribution channel: 5 years

(ii) Computer software: 1~8 years

(iii) Patents: 11~16 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 – non-derivative financial assets

The Consolidated Company assesses the goodwill and intangible assets with infinite useful lives at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of each asset or cash-generating unit shall be increased to its recoverable amount, as a reversal of a previously recognized impairment loss.

(Continued)

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with infinite useful lives are required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying 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.

(1) Warranties

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

(2) Allowances for sales returns

Allowances for sales returns are estimated based on historical experiences. Such provisions are deducted from sales in the year the products are sold.

(3) Pending legal proceedings

Pending legal proceedings are estimated at the expected legal cost based on historical experiences.

(q) Treasury stocks

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Gains on disposal of treasury shares should be recognized under Capital Reserve – Treasury Share Transactions; Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average of different types of repurchase.

During the cancellation of treasury shares, Capital Reserve – Share Premiums and Share Capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; Losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

(Continued)

(r) Revenue

(1) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value with consideration of net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement or be transferred to the customers which occurs principally at the time when the goods are delivered.

(2) Services

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

(s) Employee benefits

(1) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by the employees. YEOCHIA, YEOMAO, YEOTAI, DHD and other holding companies do not have employees on the payroll, and therefore, do not have a pension plan. DEU and other subsidiaries adopt pension plans in accordance with the local authorities. DCN contribute retirement annuity funds based on the statutory rate on employees payroll and the pension expenses are recognized in profit or loss for the year, while DEU and other subsidiaries recognized pension expenses based on the contributions in that year.

(2) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date (market yields of high-quality corporate bonds) on bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

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The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and 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. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

All actuarial gains and losses arising subsequently from defined benefit plans in other comprehensive income and transferred to the retained earnings.

(3) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus 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.

(t) Share-based payment

The fair value of share-based payment awards granted to employees on the grant-date is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

If the modification of the equity instruments granted the reduced total fair value of the share-based payment arrangements, the Consolidated Company shall be accounted for the services received as if that modification had not occurred.

(u) Income Taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses recognized directly in other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred taxes shall not be recognized for the following exceptions:

(1) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transactions.

(2) Temporary differences arising from investments in subsidiaries and it's probable that the temporary differences will not reverse in the foreseeable future.

(3) Initial recognition goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

An entity shall offset deferred tax assets and deferred tax liabilities if, and only if:

(1) The entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(2) The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   (i) the same taxable entity; or

   (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

A deferred tax asset should be recognized for the carryforward of unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized. The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period and shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

(v) Earnings per share

The Consolidated Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders. 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 notes, employee stock options, and employee bonus settled using shares that have yet to be approved by the shareholders' meeting . The effect on net income per common share from the increase in stock from the transfer of unappropriated earnings, capital surplus, and employee profit sharing is computed retroactively.

(Continued)

(w) 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). The operating results of all 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 has its financial information.

5. Significant accounting judgments, estimations, assumptions, and sources of estimation uncertainty

The preparation of the financial statements in conformity with standards requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continued to monitor the estimates and assumptions. Management recognized the changes in the accounting estimates during the period and the impact of changes in the accounting estimates in the next period.

The book value of the assets and liabilities below are affected by accounting assumptions and judgments and have significant impact on the consolidated financial statements. The actual results may differ from the information below if these accounting assumptions and judgments are adopted.

(a) Financial assets at fair value

The fair value of non-active market or non-quoted financial instruments is determined using valuation techniques. Such fair value is based on observable data of similar financial instruments or valuation model. If there are no observable market parameters, the fair value of financial instruments is evaluated based on appropriate assumptions. If fair value is determined by the valuation model, the model is calibrated to ensure that all output data and the results reflect the actual market price. This valuation model use only observable data as much as possible. As regards to the credit risks (counterparty credit risk), management has to estimate its fluctuations and its correlations.

(b) Impairment assessment on intangible assets

The Consolidated Company will assess the recoverable amount on its intangible assets at the end of each reporting date. Determining whether goodwill is impaired requires an calculation of the value in use is based on the estimated 5 years future cash flows of the Consolidated Company. Financial forecast on future cash flows is based on the growth of future annual revenue, cost and gross profit.

(c) Impairment assessment of investments under equity methods

The Consolidated Company assesses the impairment of investments accounted for using the equity method whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value may not be recoverable. The Consolidated Company assesses the impairment based on projected future cash flow of the investments, including the estimated sales growth rate by investees' internal management team, and the Consolidated Company will analyze the reasonableness of related assumptions.

(Continued)

(d) Estimation on provision

Provisions on sales returns of the Consolidated Company are mainly connected with returns on sales and is based on historical information of similar products and services.

Based on the legal consultants of the Consolidated Company, management will estimate the most possible results and estimate the costs of litigation.

(e) Valuation on inventory

Inventories are stated at the lower of cost or net realizable value, and the Consolidated Company use judgment and estimate to determine the net realizable value of inventory at the end of each reporting period. Due to the rapid technological changes, the Consolidated Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value.

(f) Post-employment benefits of defined benefit plan

When calculating the present value of the defined benefit obligation, the Consolidated Company shall use judgments and estimations to determine the actuarial assumptions, including discount rate and expected return on plan assets, at the end of the reporting period. Any change in the actuarial assumptions may impact on amount of the defined benefit obligation.

(g) Income tax expense and deferred income tax assets and liabilities

The income tax of the Consolidated Company is based on the laws of each country in which the companies are registered. Parts of transactions and calculations may differ due to different recognition between the tax authorities and the Consolidated Company, which can result in uncertainty in income tax. The Consolidated Company will assess the additional tax burden from the recognition differences which will be recognized under income tax and deferred tax. Any difference between the ultimate tax charge and the estimated amount will be an impact on the recognition of income tax and deferred tax.

6. Explanation of significant accounts

(a) Cash and Cash Equivalents

		December 31, 2014	December 31, 2013
Cash on hand	$	14,925	13,820
Checking and saving accounts		2,302,138	2,764,563
Cash equivalents		1,296,434	714,167
	$	3,613,497	3,492,550

Please refer to 6(x) for the interest risks in financial assets and liabilities and their sensitivity analysis.

(b) Financial Assets and Liabilities

(1) Details as follows

		December 31, 2014	December 31, 2013
Financial assets at fair value through profit or loss – current			
Beneficiary certificates – mutual funds	$	17,636	68,090
Foreign currency option contracts		3,726	1,556
Forward foreign exchange contracts		3,364	-
Cross currency swaps		41,702	9,894
	$	66,428	79,540
Financial liabilities at fair value through profit or loss – current			
Foreign currency option contracts	$	1,755	8,437
Forward foreign exchange contracts		-	326
Cross currency swaps		5,832	6,354
	$	7,587	15,117
Available-for-sale financial assets – noncurrent:			
Cameo Communication, Inc. (CAMEO)	$	279,742	361,658
IC Plus Corp. (ICPC)		93,737	85,086
Abocom Systems, Inc. (ASI)		36,992	26,795
Z-Com, Inc. (Z-Com)		40,858	60,331
	$	451,329	533,870

		December 31, 2014	December 31, 2013
Financial assets carried at cost – noncurrent:			
QuieTek Corporation (QUIETEK)	$	105,688	105,688
Global Mobile Corp.		10,700	22,500
ID Branding Fund Inc.		17,500	28,500
Others		7,584	11,714
	$	141,472	168,402

(i) The Consolidated Company holds financial assets carried at cost. Because of continuing losses from the invested companies, the Consolidated Company recognized the impairment loss amounting to $11,800 thousand and $24,200 thousand in 2014 and 2013, respectively.

(ii) For disclosures on credit, currency and interest rate risks in financial instruments, please refers to note 6(x).

(iii) As of December 31, 2014 and 2013, no financial assets are pledged as collateral .

(Continued)

(2) 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:

	2014		2013	
Security price at reporting date	**After-tax other comprehensive income**	**After-tax profit (loss)**	**After-tax other comprehensive income**	**After-tax profit (loss)**
Increase 3%	$ 12,132	439	14,187	1,695
Decrease 3%	$ (12,132)	(439)	(14,187)	(1,695)

(3) Non-hedging derivative financial instruments

Derivative financial instruments are used to hedge certain foreign exchange and interest risk in which the Consolidated Company is exposed to arising from its operating, financing and investing activities. As of December 31, 2014 and 2013, transactions that do not qualify for hedging accounting are presented as held-for-treading financial assets are as follows:

(i) Derivative financial assets

	December 31, 2014			December 31, 2013		
	Contract amount (thousand)	**Currency**	**Maturity date**	**Contract amount (thousand)**	**Currency**	**Maturity date**
Cross currency swaps:						
USD	$ 14,000	USD	2015.01~ 2015.07	32,000	USD	2014.01~ 2014.07
USD	4,000	USD	2014.04~ 2015.04	-	-	-
USD	5,000	USD	2014.09~ 2015.09	-	-	-
GBP	3,401	GBP	2015.01~ 2015.02	-	-	-
CAD	-	-	-	8,000	CAD	2014.02~ 2014.03
Forward foreign exchange contracts:						
GBP	1,378	GBP	2015.01~ 2015.02	-	-	-
AUD	2,000	AUD	2015.01	-	-	-
CAD	2,000	CAD	2015.01	-	-	-
EUR	2,000	EUR	2015.01	-	-	-
Foreign currency option contracts:						
Put options (buy)	2,950	EUR	2015.01~ 2015.02	5,800	EUR	2014.01~ 2014.03
Put options (buy)	-	-	-	2,600	CAD	2014.02~ 2014.03
Put options (buy)	-	-	-	2,900	GBP	2014.01~ 2014.03
Put options (buy)	100,000	JPY	2015.02	-	-	-

(Continued)

(ii) Derivative financial liabilities

	December 31, 2014			December 31, 2013		
	Contract amount (thousand)	Currency	Maturity date	Contract amount (thousand)	Currency	Maturity date
Cross currency swaps:						
EUR	$ 3,000	EUR	2015.01	7,470	EUR	2014.01~2014.02
USD	-	-	-	1,500	USD	2014.01
GBP	3,000	GBP	2015.03	2,500	GBP	2014.01~2014.02
AUD	2,000	AUD	2015.01	-	-	-
CHN	25,000	CHN	2015.01	-	-	-
Forward foreign exchange contract:						
KRW	-	-	-	2,131,000	KRW	2014.03
Foreign currency option contracts:						
Call options (sell)	4,900	EUR	2015.01~2015.02	9,500	EUR	2014.01~2014.03
Put options (sell)	2,000	EUR	2015.02	4,200	EUR	2014.01~2014.03
Call options (sell)	-	-	-	5,200	CAD	2014.01~2014.03
Call options (sell)	-	-	-	5,800	GBP	2014.01~2014.03
Put options (sell)	-	-	-	1,600	GBP	2014.01~2014.02
Put options (sell)	100,000	JPY	2015.02	-	-	-
Call options (sell)	200,000	JPY	2015.02	-	-	-

(c) Notes and accounts receivable and other receivables

	December 31, 2014	December 31, 2013
Notes receivable for operating activities	$ 71,733	51,054
Accounts receivable	7,132,486	7,151,062
Other receivables	183,151	148,782
Less: allowance for doubtful accounts	(179,427)	(170,125)
allowance for returns and discounts	(380,474)	(296,037)
	$ 6,827,469	6,884,736

The Consolidated Company's aging analysis of notes, accounts receivable and other receivables that are due but not impaired as of December 31, 2014 and 2013 were as follows:

	December 31, 2014	December 31, 2013
Overdue 30 days or less	$ 434,578	652,675
Overdue 31~120 days	41,921	157,921
Overdue 121~360 days	12,096	15,957
Overdue for more than one year	8,455	24,805
	$ 497,050	**851,358**

The movements in the allowance on notes, accounts receivable and other receivables in 2014 and 2013 were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2014	$ -	170,125	170,125
Impairment loss recognized	-	5,277	5,277
Write-offs	-	(5,118)	(5,118)
Others	-	9,143	9,143
Balance at December 31, 2014	**$ -**	**179,427**	**179,427**

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2013	$ -	165,378	165,378
Impairment loss recognized	-	7,369	7,369
Write-offs	-	(5,137)	(5,137)
Others	-	2,515	2,515
Balance at December 31, 2013	**$ -**	**170,125**	**170,125**

(d) Inventories

	December 31, 2014	December 31, 2013
Finished goods	$ 7,907,379	7,156,152
Less: provision for obsolescence and devaluation	(1,243,916)	(1,109,786)
	$ 6,663,463	**6,046,366**

The operating cost comprises of cost of goods sold, write-down (reversal gain) of inventories to net realizable value, warranty costs and other loss (gain). In 2014 and 2013, the cost of goods delivered were $21,234,645 thousand and $21,504,029 thousand, respectively. Write-down of inventories to net realizable value are recorded as cost of goods sold and increased by $131,346 thousand and $154,475 thousand, respectively. In 2014 and 2013, the warranty expenses, inventory losses from obsolescence and others amounted to $666,107 thousand and $832,188 thousand, respectively.

As of December 31, 2014 and 2013, no inventories are pledged as collateral.

(e) Investments accounted for using equity methods

Investments accounted for using equity methods were as follows:

	December 31, 2014	December 31, 2013
Associates	$ 3,671,905	3,819,591

(1) Associates

(i) In 2014 and 2013, the Consolidated Company's share of the net income of associates were as follows:

	2014	2013
The Consolidated Company's share of the net income of associates.	$ 142,070	279,922
The Consolidated Company's share of the other comprehensive income of associates.	$ 37,553	110,427

The financial information of the associates are summarized as follows (before being adjusted to the Consolidated Company's proportionate share):

	December 31, 2014	December 31, 2013
Total assets	$ 19,844,153	20,651,922
Total liabilities	$ 8,470,007	9,306,017

	2014	2013
Net revenue	$ 25,894,034	26,198,134
Net income	$ 687,810	827,199

(Continued)

(ii) The market value of publicly listed or OTC investees of the Consolidated Company accounted for under using the equity method were as follows:

		December 31, 2014	December 31, 2013
ALPHA	$	3,148,268	3,777,922
BOTHHAND		400,006	329,268
	$	**3,548,274**	**4,107,190**

(2) Pledges

As of December 31, 2014 and 2013, no investment accounted for using equity methods is pledged as collateral.

(f) Acquisition of subsidiary

(1) Acquisition of subsidiary

D-Link India has signed a Share Swap Agreement with TeamF1 India on December 31, 2013. D-Link India issued 5,500 thousand shares, with a par value of 0.002 per share, to be transferred to Team F1 India for the acquisition of its identifiable assets and liabilities. The acquisition date was on May 29, 2014；After the acquisition, D-Link India and D-Link Mauritius jointly acquire 100% of the total shares of TeamF1 India.

The accounting treatment for D-Link India acquisition of TeamF1 India is based on IFRS 3 Business Combinations. The recognition of goodwill amounting to $78,103 thousand is measured by evaluating the fair value of the consideration at the acquisition date deducted by the identifiable assets and liabilities assumed.

(2) Due to the acquisition of 3,390 thousand shares of Fiti in October 2014, which resulted in an increase of the holding shares of the Consolidated Company from 42.44% to 78.40%, Fiti became one of its subsidiaries.

(3) D-Link India increased its capital by issuing new shares, and therefore, the Consolidated Company did not lose its control over D-Link India.

The holding shares of D-Link India by Consolidated Company decreased from 60.37% to 51.02% as D-Link India acquired TeamF1 India by issuing 5,500 thousand shares on May 29, 2014 Accordingly, the ownership interest caused a decrease in the retained earnings by $18,674 thousand.

(g) Property, plant and equipment

The cost, depreciation and impairment loss of the property, plant and equipment of the consolidated company in 2014 and 2013 are as follows:

	2014						
	Balance as of	Increase	Decrease	Transfer	Reclassification	Others	Balance as of
Cost:							
Land	$ 587,623	-	-	-	-	(10,907)	576,716
Buildings	759,257	44,400	-	-	-	(11,968)	791,689
Others	1,492,061	121,416	23,395	52,994	(56,086)	(9,352)	1,577,638
Equipment to be inspected and construction in process	-	79,563	-	-	56,086	(31,138)	104,511
	2,838,941	245,379	23,395	52,994	-	(63,365)	3,050,554
Accumulated depreciation:							
Buildings	398,480	20,369	-	-	16,939	893	436,681
Others	1,119,324	161,296	22,029	32,397	(16,939)	(3,104)	1,270,945
	1,517,804	181,665	22,029	32,397	-	(2,211)	1,707,626
Accumulated impairment:							
Buildings	8,000	-	-	-	-	-	8,000
	$ 1,313,137	**63,714**	**1,366**	**20,597**	**-**	**(61,154)**	**1,334,928**

	2013					
	Balance as of January 1, 2013	Increase	Decrease	Transfer	Others	Balance as of D
Cost:						
Land	$ 588,987	-	-	-	(1,364)	587,623
Buildings	773,873	330	10,659	2,749	(7,036)	759,257
Others	1,405,245	198,709	76,584	(33,889)	(1,420)	1,492,061
	2,768,105	199,039	87,243	(31,140)	(9,820)	2,838,941
Accumulated depreciation:						
Buildings	371,796	36,659	8,140	(718)	(1,117)	398,480
Others	1,065,880	164,747	76,886	(32,493)	(1,924)	1,119,324
	1,437,676	201,406	85,026	(33,211)	(3,041)	1,517,804
Accumulated impairment:						
Buildings	27,145	-	19,145	-	-	8,000
	$ 1,303,284	**(2,367)**	**(16,928)**	**2,071**	**(6,779)**	**1,313,137**

The Consolidated Company has revalued its property, plant and equipment in May 2013. Since the revalued amount is higher than its carrying value, the accumulated impairment loss is reversed by the value of recovery amounting to $19,145 thousand and is recognized under other gains and losses.

As of December 31, 2014 and 2013, no property, plant and equipment are pledged as collateral.

(Continued)

(h) Investment property

	2014				
	Balance as of J	**Increase**	**Decrease**	**Transfer**	**Balance as of**
Cost:					
Land	$ 30,000	-	-	-	30,000
Buildings	22,196	-	-	-	22,196
	52,196	-	-	-	52,196
Accumulated Depreciation:					
Buildings	9,149	396	-	-	9,545
Accumulated impairment:					
Buildings	1,000	-	-	-	1,000
	$ 42,047	**(396)**	**-**	**-**	**41,651**

	2013				
	Balance as of J	**Increase**	**Decrease**	**Transfer**	**Balance as of**
Cost:					
Land	$ 30,000	-	-	-	30,000
Buildings	22,196	-	-	-	22,196
	52,196	-	-	-	52,196
Accumulated Depreciation:					
Buildings	8,753	396	-	-	9,149
Accumulated impairment:					
Buildings	19,000	-	18,000	-	1,000
	$ 24,443	**(396)**	**(18,000)**	**-**	**42,047**

The Consolidated Company has revalued its investment property in May 2013. Since the revalued amount is higher than its carrying value, the accumulated impairment loss is reversed by the value of recovery amounting to $18,000 thousand and is recognized under other gains and losses.

	December 31, 2014	**December 31, 2013**
Book value	**$ 41,651**	**42,047**

(Continued)

Fair value	**$ 66,528**	**42,886**

(Continued)

Investment properties are commercial properties 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 (including the rental income and direct operating expenses), please refers to note 6(t).

The fair value of investment property as of December 31, 2014 and 2013 was based on the comparable deal information with similar location and category or appraisal report, respectively.

As of December 31, 2014 and 2013, no investment property is pledged as collateral.

(i) Intangible assets

The cost and amortization of the intangible assets of the consolidated company in 2014 and 2013 are as follows:

2014

	Balance as of January 1, 2014	**Increase**	**Decrease**	**Amortization**	**Others**	**Balance as of D**
Goodwill	$ 249,590	78,103	-	-	11,530	339,223
Trademark	143,488	-	-	-	8,700	152,188
Distribution channel	6,675	-	-	(6,754)	79	-
Patents	36,560	-	-	(2,692)	-	33,868
Computer software cost	20,985	145,427	(167)	(20,773)	-	145,472
Other intangible assets	9,796	5,734	-	(5,687)	225	10,068
	$ 467,094	229,264	(167)	(35,906)	20,534	680,819

2013

	Balance as of January 1, 2013	**Increase**	**Decrease**	**Amortization**	**Others**	**Balance as of D**
Goodwill	$ 243,813	-	-	-	5,777	249,590
Trademark	139,588	-	-	-	3,900	143,488
Distribution channel	19,460	-	-	(13,247)	462	6,675
Patents	39,252	-	-	(2,692)	-	36,560
Computer software cost	10,644	21,564	-	(11,223)	-	20,985
Other intangible assets	9,800	7,615	(217)	(6,146)	(1,256)	9,796
	$ 462,557	29,179	(217)	(33,308)	8,883	467,094

For information on Goodwill arising from D-Link India acquired Team F1 India, please refers to note 6(f).

(j) Long-term and short-term loans

The details requirements and terms of the long-term and short-term loans of the consolidated company are as follows:

(Continued)

(1) Short-term Loans

	Currency	Interest rate	Maturity year	December 31, 2014	December 31, 2013
Unsecured bank loans	TWD	0.99~4.095	104	$ 2,130,328	-
Unsecured bank loans	USD	0.9406~1.19	104	381,192	-
Secured bank loans	TWD	4.095	104	2,028	-
Total				$ 2,513,548	-
Unused credit facilities				$ 2,132,774	3,790,771

For information on time deposits pledged to secure bank borrowing, please refers to note 8.

(2) Long-term Loans

	Currency	Interest rate	Maturity year	December 31, 2014	December 31, 2013
Bank of Taiwan	TWD	1.623~1.633	2015	$ 97,000	199,000
Chinatrust Commercial Bank	USD	1.362~1.428	2015	-	269,550
First Commercial Bank	TWD	1.561~1.6924	2015	-	300,000
Hong Kong and Shanghai Banking Corporation	USD	0.95~1.1281	2014	-	119,800
				97,000	888,350
Less: Due within one year	USD/ TWD	0.95~1.623	2015	(97,000)	(119,800)
Total				$ -	768,550
Unused credit facilities				$ 715,000	1,411,150

(k) Provisions - current

	2014						
	Balance as of J	Increase	Used	Reversed	Reclassification	Effect of exchange	Balance as of I
Warranties	$ 221,977	27,029	(46,485)	(5,646)	-	(2,908)	193,967
Sales return and allowances	47,101	-	-	(436)	-	1,311	47,976
Legal proceedings	71,880	-	-	-	-	4,358	76,238
	$ 340,958	27,029	(46,485)	(6,082)	-	2,761	318,181

	2013						
	Balance as of J	Increase	Used	Reversed	Reclassification	Effect of exchange	Balance as of I
Warrenties	$ 160,696	25,963	(10,260)	(17,267)	61,174	1,671	221,977
Sales return and allowances	47,427	-	-	(443)	-	117	47,101
Legal proceedings	247,656	-	(22,463)	(156,394)	-	3,081	71,880

(Continued)

$	**455,779**	**25,963**	**(32,723)**	**(174,104)**	**61,174**	**4,869**	**340,958**

(Continued)

(l) Bonds payable

	December 31, 2014	December 31, 2013
Convertible corporate bonds	$ 2,000,000	2,000,000
Less: discount and unamortized issuance cost	(63)	(1,998)
Cumulative redeemed amount	(1,885,700)	(1,885,700)
Balance of bonds payable	**$ 114,237**	**112,302**
Equity components:		
Conversion options, included in capital surplus－stock options	**$ 4,655**	**4,655**
Expiry of conversion options, included in capital surplus－others	**$ 76,799**	**76,799**

	2014	2013
Embedded derivative－gains (losses) in call and put options measured at fair value, included in other gains and losses	**$ -**	**8**
Interest expense	**$ 1,935**	**1,902**

On January 12, 2010, the Company issued unsecured convertible corporate bonds of $2,000,000 thousand. The coupon rate is zero, and the bonds will mature after 5 years. The bonds started to trade on January 13, 2010.

The unsecured convertible corporate bonds has matured on January 12, 2015 (5 years after the issuance date) and ceased to trade on January 13, 2015. As of January 12, 2015, the bondholders did not exercise the conversion options, and therefore, the Company repaid the bonds for cash at face value amounting to $114,300 thousand based on article 6 of the conversion terms issued by the Company . As of the report date, the payment has already been paid.

The issue terms for the unsecured convertible corporate bonds were as follows:

(1) Total issuance amount

The upper limit of the total principal amount of the bonds is two billion dollars. The par value of the bonds is one hundred thousand dollars, and they are issued at 100% of par.

(2) Duration

January 12, 2010, to January 12, 2015.

(3) Coupon rate for the bonds is zero.

(4) Conversion period

The convertible corporate bonds may be converted into common shares of the Company on or after February 13, 2010, and prior to January 2, 2015.

(5) Conversion price and adjustment

The conversion price is calculated by using the simple average closing price of the Company's common shares based on either one, three or five consecutive business days before the effective date of January 5, 2010, multiplied by 111.66% of the conversion premium rate. The conversion price is calculated based on the closing price (after considering the effect of ex-rights or ex-dividend) of the shares. The conversion price on the issue date was $37.5. Also, it was adjusted to $28.5 and $30.5 per share based on the ex-dividend date on September 30, 2014 and July 27, 2013 because of the distribution of cash dividends in 2014 and 2013, respectively.

(6) Early redemption option

From February 13, 2010 (1 month after the issuance date) to December 3, 2014 (forty days before the maturity date), if (i) the closing price of the Company's common shares on the TSE for a period of 30 consecutive trading days before redemption has been at least 30% of the conversion price in effect on each such trading day, or (ii) at least 90% of the principal amount of the bonds originally outstanding has been redeemed, repurchased or converted, the Company may redeem all bonds for cash at face value.

(7) Put options

Bondholders may exercise the put option and request the Company to redeem the bonds at 100% of par value two years after issuance with a redemption date of January 12, 2012. Upon request, the Company shall redeem the bonds for cash within five trading days after the redemption date.

(m) Operating leases

(1) Leases – Lessee

Non-cancellable operating lease rentals are payable as follows:

	December 31, 2014	December 31, 2013
Within one year	$ 277,947	189,347
One to five years	577,040	469,592
Over five years	176,971	223,721
	$ 1,031,958	882,660

The operating leases recognized in profit or loss in 2014 and 2013 amounting to $338,206 thousand and $349,005 thousand, respectively.

(2) Leases – Lessor

For information on investment property leased under operating leases, please refers to note 6(h).

Rental income general from investment property in 2014 and 2013 amounting to $2,589 thousand and $2,576 thousand, respectively.

(n) Employee benefits

(1) The reconciliation of the present value of the defined benefit obligations and fair value of plan assets were as follows:

		December 31, 2014	December 31, 2013
Present value of unfunded benefit obligations	$	29,101	22,844
Present value of funded benefit obligations		117,007	136,980
Total present value of benefit obligations		146,108	159,824
Fair value of plan assets		(117,007)	(136,980)
Deficit in the plan	**$**	**29,101**	**22,844**

Based on the Company's pension plan, each employee earns two months of salary for the first fifteen years of service, and one month of salary for each year of service thereafter. The maximum retirement benefit is forty-five months of salary. Payments of retirement benefits are based on the years of service and the average salaries for six months before the employee's retirement.

(i) Composition of plan

The Company's allocates 2% of each employee's monthly wage to the labor pension personal account at Bank of Taiwan in accordance with the provisions of Labor Pension Act, whereby, the labor pension personal account will make pension payment in advance.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $117,007 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 Labor Pension Fund Supervisory Committee.

(ii) Movements in the present value of the defined benefit obligations were as follows:

		2014	2013
Defined benefit obligation at January 1	$	159,824	163,726
Benefits paid by the plan		(26,806)	(8,705)
Current service cost and interest		5,212	5,095
Actuarial (gain) loss on obligation		7,878	(292)
Defined benefit obligation at December 31	**$**	**146,108**	**159,824**

(iii) Movements in the fair value of the plan assets

The movements in the present value of the plan assets in the years 2014 and 2013 were as follows:

		2014	2013
Fair value of plan assets at January 1	$	136,980	139,743
Contributions made		3,682	4,151
Benefits paid by the plan		(26,806)	(8,705)
Expected return on plan assets		2,776	2,455
Actuarial loss on plan assets		375	(664)
Fair value of plan assets at December 31	**$**	**117,007**	**136,980**

(Continued)

(iv) Expenses recognized in profit or loss

The Company's expenses recognized in profit or loss for the years 2014 and 2013 were as follow:

		2014	2013
Current service cost	$	2,060	2,272
Interest cost on the defined benefit obligation		3,152	2,823
Expected return on plan assets		(2,776)	(2,455)
	$	2,436	2,640
Actuarial return on plan assets	$	3,151	1,791

The Company's paid retirement expenses for the year ended December 31, 2014 and 2013, both were $0 thousand.

(v) Actuarial gains and losses recognized in other comprehensive income

The Company's actuarial gains and losses recognized in other comprehensive income for the year ended December 31, 2014 and 2013, were as follows:

		2014	2013
Balance as of January 1	$	26,556	26,184
Recognized		7,503	372
Balance as of December 31	$	34,059	26,556

(vi) Actuarial assumptions

The following are the principal actuarial assumptions (expressed as weighted averages):

	2014.12.31	2013.12.31
Discount rate	2.00%	2.00%
Expected return on plan assets	2.00%	2.00%
Future salary increases	3.00%	3.00%

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

(vii) Experience adjustments based on historical information

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of the defined benefit obligation	$ 146,108	159,824	163,726	141,840
Fair value of plan assets	(117,007)	(136,980)	(139,743)	(141,676)
Defined benefit obligation	**$ 29,101**	**22,844**	**23,983**	**164**
Experience adjustments on plan liabilities	**$ 7,878**	**5,462**	**14,498**	**-**
Experience adjustments on plan assets	**$ 375**	**(664)**	**(1,507)**	**-**

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date is $2,591 thousand.

(viii) When calculating the present value of the defined benefit obligations, the Company uses judgments and estimations to determine the actuarial assumptions, including employee turnover rates and future salary changes, as of the reporting date. Any changes in the actuarial assumptions may significantly impact on the amount of the defined benefit obligations.

As of December 31, 2014, the carrying value of the accrued pension liabilities was $29,101 thousand. If the discount rate had increased or decreased by 0.25%, the accrued pension liabilities would have decreased by $4,973 thousand or increased by $5,221 thousand, respectively. If the salary increase rate had increased or decreased by 0.25%, the accrued pension liabilities would have increased $5,089 thousand and decreased $5,010 thousand, respectively.

(2) 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.

YEOCHIA, YEOMAO, YEOTAI, D-Link Holding and other holding companies have not recognized any pension expenses. DCN contributes retirement annuity funds based on the statutory rate on employees payroll, and the pension expenses were recognized in profit and loss for the year. D-Link Europe and other subsidiaries of the Consolidated Company adopt pension plans in accordance with the local authorities and recognize pension expenses based on the contributions of the year.

The amount of the Company's pension expenses that were contributed to Bureau of Labor Insurance, Ministry of Labor, under defined contribution pension plan in 2014 and 2013 were as follows:

		2014	2013
Operating cost	$	10,094	9,443
Operating expense	$	152,087	130,019

(o) Income Taxes

Income tax expenses for the years ended December 31, 2014 and 2013, are summarized as follows:

		2014	2013
Current income tax expense	$	162,190	128,578
Deferred income tax expense		(130,194)	(58,607)
	$	31,996	69,971

The amount of income tax recognized in other comprehensive income was as follows:

		2014	2013
Exchange differences arising on translation of foreign operations	$	29,644	16,849

Reconciliation of income tax expense and profit before tax is as follows:

		2014	2013
Income before income tax	$	143,457	746,251
Income tax using the Company's domestic tax rate	$	24,387	126,863
Effect of tax rate in foreign jurisdiction		(42,706)	123,341
Non-taxable income		(32,179)	(115,845)
Unrecognized temporary differences		125,395	(21,330)
Recognition of previously unrecognized tax losses		(24,032)	(77,558)
Investment tax credits		(3,301)	54,174
Differences of basic income tax and general tax		(19,654)	(8,384)
Reporting differences on prior years and others		4,086	(11,290)
	$	31,996	69,971

(Continued)

(1) Unrecognized deferred income tax assets

The unrecognized deferred income tax assets are as follows:

		December 31, 2014	December 31, 2013
Unrealized expenses	$	25,263	93,015
Provisions		13,337	14,772
Impairment		20,212	18,206
Investment tax credits		-	6,400
Operating loss carryforward		341,283	212,938
Write-down of inventories to net realizable value		49,265	36,075
Others		24,967	17,354
	$	**474,327**	**398,760**

(2) Recognized deferred tax assets and liabilities

The movements in the amount of deferred tax assets and liabilities for the years 2014 and 2013 were as follows:

		Intra-group transactions	Investments under the equity method	Others	Total
Deferred income tax liabilities:					
Balance at January 1, 2014	$	29,966	624,487	376	654,829
Recognized in profit or loss		(29,796)	(38,138)	5,387	(62,547)
Balance at December 31, 2014	**$**	**170**	**586,349**	**5,763**	**592,282**
Balance at January 1, 2013	$	87,030	648,824	(1,407)	734,447
Recognized in profit or loss		(57,064)	(24,337)	1,783	(79,618)
Balance at December 31, 2013	**$**	**29,966**	**624,487**	**376**	**654,829**

		Intra-group transactions	Foreign currency translation reserve	Unrealized expenses	Write down of inventory	Bad debts	Loss carry forward	Others	Total
Deferred income tax assets:									
Balance at January 1, 2014	$	204,246	112,477	114,537	85,100	57,926	-	92,864	667,150
Recognized in income statement		55,995	-	6,399	1,089	(20,444)	50,911	(26,303)	67,647
Foreign currency translation reserve		-	(29,644)	-	-	-	-	-	(29,644)
Balance at December 31, 2014	**$**	**260,241**	**82,833**	**120,936**	**86,189**	**37,482**	**50,911**	**66,561**	**705,153**
Balance at January 1, 2013	$	215,715	129,326	120,966	66,831	40,502	-	131,670	705,010
Recognized in income statement		(11,469)	-	(6,429)	18,269	17,424	-	(38,806)	(21,011)
Foreign currency translation reserve		-	(16,849)	-	-	-	-	-	(16,849)
Balance at December 31, 2013	**$**	**204,246**	**112,477**	**114,537**	**85,100**	**57,926**	**-**	**92,864**	**667,150**

(Continued)

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 YEOCHIA 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, 2014, the Consolidated Company's unused loss carryforward available to offset future taxable income and the year of expiry were as follows:

Consolidated entity	**Year of loss**	**Year of expiry**	**Unused amount**
YEOCHIA	2006	2016	$ 152,262
YEOTAI	2008	2018	3,507
YEOTAI	2010	2020	15,071
YEOTAI	2011	2021	2,039
D-Link Europe	2003	Unlimited	441,055
D-Link Brazil	2014	Unlimited	365,115
D-Link Japan	2010~2011	2019~2020	44,186
D-Link Trade	2013~2014	2023~2024	45,830
DCN	2011~2014	2016~2019	621,249
			$ 1,690,314

The ROC income tax authorities had examined the income tax returns of the Company through 2009 and 2011. The income tax returns of YEOCHIA and YEOTAI have been examined through 2012. The income tax returns of YEOMAO have been examined through 2013. Some of the foreign subsidiaries had disputes regarding income tax returns with the local tax authorities, and they planned to file an administrative litigation.

Information on the integrated tax system of the Company is summarized as follows:

	December 31, 2014	**December 31, 2013**
Unappropriated retained earning after January 1, 1998	$ 2,323,994	3,148,588
Imputation credit account balance	$ 389,465	411,724

The unappropriated retained earning as mentioned above includes comparative information of each period which are in accordance with Regulation Governing the Preparation of Financial Reports by Securities Issuers and IFRS endorsed by the FSC.

	2014 (estimated)	**2013 (actual)**
Creditable ratio for earnings distribution to resident stockholders	18.79%	16.08%

The abovementioned, information was prepared in accordance with the information letter No. 10204562810 announced by Ministry of Finance of R.O.C. on October 17, 2013.

(Continued)

(p) Share capital and other equity

(1) Common stock

The issuance of shares due to stock dividend amounting to $121,754 thousand was resolved in the shareholders' meeting on June 20, 2014, which was approved by the authority and registered with a record date of capital increase on September 30, 2014.

As of December 31, 2014 and 2013, 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, 2014 and 2013, the issued capital amounted to $6,477,557 and $6,475,803 thousand. The par value of the Company's common stock is $10 New Taiwan dollars per share.

(2) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2014	December 31, 2013
Common stock in excess of par value	$ 1,888,359	1,924,012
Share of changes in equities of associates accounted for under the equity method	1,527	8,210
Share-based payment transactions	-	92,585
Expiry of share-based payment transactions	129,459	36,874
Stock options from convertible corporate bonds	4,655	4,655
Expiry of redeemed options of convertible corporate bonds	76,799	76,799
Changes the Company's ownership interests in subsidiaries	21,724	-
Total	$ 2,122,523	2,143,135

According to the ROC Company Act, the reserve may be used to offset a deficit, or distribute as cash or stocks by the original ownership percentage if there is no accumulated deficit. Capital surplus included the income was derived from the issuance of new shares at a premium and income from the endowments received by the company. According to the current Securities and Futures Bureau regulations, capitalization of capital surplus cannot exceed a rate of ten percent.

(3) Retained earnings

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 and special earnings reserve or reversal in accordance with the Securities and Exchange Act after the payment of income tax and offsetting accumulated losses from prior years. If there is a balance remaining, 1 percent can be set aside for directors' and supervisors' remuneration, and 1 to 15 percent can be set aside for employees' bonuses. The recipients of the distributions may include the employees of the Company's affiliated companies. The remaining portion will be combined with earnings from prior years, and the board of directors can propose methods of distribution to be approved by the shareholders' meeting. Dividends distributed to shareholders should not be less than 30 percent of the distributable earnings for the current year.

(Continued)

In order to adjust to the overall business environment, industry growth characteristics, long-term financial planning, and corporate sustainable management, the Company adopts a residual dividend policy. The Company will distribute capital in excess of its required capital as cash dividends, which cannot be lower than 10 percent of total dividends.

(i) Legal reserve

According to the ROC Company Act, the Company must retain 10% of its annual income as a legal reserve until such retention equals the amount of authorized common stock. When the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash based on the resolution of the shareholders' meeting if there is no accumulated deficit.

(ii) Special reserve

In accordance with Ruling No. 1010012865 issued by the Financial Supervisory commission on 6 April, 2012, a special reserve equivalent to the net debit balance of shareholders' equity shall be made from the current after-tax net income and the prior unappropriated earnings pursuant to existing regulations promulgated by SFB. The Company shall not distribute the special reserve equivalent to the net debit balance of shareholders' equity from the prior fiscal years made from the prior unappropriated earnings. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses. The Company's shareholders meetings on June 20, 2014, and June 14, 2013 approved to reverse the legal reserve amounting $162,563 thousand and recognized $420,104 thousand, respectively.

(iii) Earning distribution

The Company measured the bonus of employees amounting to $1,532 thousand and $7,454 thousand, and measured the directors' and supervisors' remuneration amounting to $1,532 thousand and $7,454 thousand, which is calculated by using the net income after deducting the legal reserve of 10% net income, provision or reversal of special reserve in 2014 and 2013, then multiplying the distribution rate of 1% of the employee bonus and the directors' and supervisors' remuneration. The number of shares distributed as stock dividends is calculated based on the closing price of the shares on the day before the shareholders' meeting, while taking into consideration the ex rights and ex dividend effects. If the distributed amount, which is based on the resolution of the shareholders' meeting, differs from the estimated amount, the difference will be treated as a change in accounting estimates and recorded as income/loss in 2015 and 2014.

The Company's shareholders meetings on June 20, 2014, and June 14, 2013 resolved to distribute earnings as employee bonuses and directors' and supervisors' remuneration in 2013 and 2012 as follows:

(Continued)

	2013			2012	
		Amount per share	**Amount**	**Amount per share**	**Amount**
Dividends distributed to common shareholders					
Cash	$	1.00	608,773	1.00	608,773
Shares		0.20	121,754	-	-
Total			$ 730,527		608,773
Employees' bonuses – cash			$ 7,454		2,810
Directors' and supervisors' remuneration			7,454		2,810
			$ 14,908		5,620

The above distribution of 2013 and 2012 earnings was approved by the board of directors, and the amount was consistent with recorded expenses. For information as related to earning distribution, please refer to the website of the Market Observation Post System.

(4) Treasury stock

Under Article 28-2 of the Securities and Exchange Act, the Company's board of directors passed a resolution on January 14, 2013, June 22, and October 30, 2012 and March 23, 2011 to buy back its shares from the open market and to transfer the shares to its employees.

The board of directors resolved to buy back 12,000 thousand shares of treasury stocks amounting to $324,186 thousand. The Company cancelled the treasury shares without having to transfer to its employees within three years on September 29, 2014. The cancellation process was completed on October 17, 2014.

In addition, the Company should not pledge its treasury shares nor exercise voting rights before transferring to employees.

	2014		2013	
	Shares (in thousands)	**Amount**	**Shares (in thousands)**	**Amount**
Beginning balance	38,807	$ 807,960	23,807	530,547
increased (decreased)	(12,000)	(324,186)	15,000	277,413
Ending balance	26,807	$ 483,774	38,807	807,960

Based on the Securities and Exchange Act, the number of repurchased shares should not exceed 10% of the Company's issued and outstanding shares, and the total purchase amount should not exceed the sum of the retained earnings, additional paid-in capital in excess of par, and paid-in capital.

Shares of treasury stocks that bought back shall be transferred to employees in 3 years since the repurchase date or they shall be otherwise retired as if the Company has never issued. The Company excluded special reserve and appropriated earnings agreed by the board of directors before the approval of repurchase treasury stock to calculate the ceiling of the repurchase based on the September 30, 2014 Independent Auditors' Report. The ceiling on total number of shares of the repurchase is 64,776 thousand shares and the ceiling on total monetary amount of the repurchase is $6,496,194, thousand.

(5) Other equity

		Foreign exchange differences arising from foreign operations	Unrealized gains and losses on available-for-sale financial assets
Balance at January 1, 2014	$	(437,302)	(214,508)
Foreign exchange differences (net of taxes):			
The Consolidated Company		144,365	-
Associates		31,763	-
Unrealized gains and losses from available-for-sale financial assets			
The Consolidated Company		-	(82,541)
Associates		-	4,256
Balance at December 31, 2014	**$**	**(261,174)**	**(292,793)**
Balance at January 1, 2013	$	(577,998)	(174,587)
Foreign exchange differences (net of taxes):			
The Consolidated Company		82,055	-
Associates		58,641	-
Unrealized gains and losses from available-for-sale financial assets			
The Consolidated Company		-	(39,610)
Associates		-	(311)
Balance at December 31, 2013	**$**	**(437,302)**	**(214,508)**

(Continued)

(6) Non-controlling interests

		2014	2013
Balance at the beginning of the period	$	248,637	240,727
Net income attributable to non-controlling interest:			
Net income		49,918	28,671
Exchange differences on translation of foreign operations		(7,225)	(15,814)
Recognition of change in ownership interest in subsidiaries		84,921	-
Acquisition		612	-
Compensation cost of share-based payment transaction		-	(2,037)
Cash dividends distributed by subsidiaries		(3,719)	(2,910)
Balance at the end of the period	$	373,144	248,637

(q) Employee stock options

(1) The Company was granted approval by the Securities and Futures Bureau on December 26, 2007, to issue 20,000 units of employee stock options, with each unit having the option to purchase 1,000 shares. The exercising of the options will be settled through the issuance of new shares. The options are granted to the selected employees of the Company and companies in which the Company has over 50% of total voting shares either directly or indirectly. The stock options have a contractual life of 6 years and may not be transferred, pledged, or bestowed on others except through inheritance. Option holders may exercise the options 2 years after the date of being granted and subscribe the common shares of the Company in accordance with the following schedule.

Period following granting of options	Percentage exercisable
2 Years	40%
3 Years	60%
4 Years	80%
5 Years	100%

(2) The board of directors' meeting on September 15, 2009, resolved to issue 30,000 units of employee stock options, with each unit having the option to purchase 1,000 shares. The exercising of the options will be settled through the issuance of new shares. The options are granted to selected employees of the Company and companies in which the Company has over 50% of total voting shares either directly or indirectly. The stock options have a contractual life of 5 years and may not be transferred, pledged, or bestowed on others except through inheritance. Option holders may exercise the options 2 years after the date of grant and subscribe the common shares of the Company in accordance with the following schedule.

(Continued)

Period following granting of options	Percentage exercisable
2 Years	50%
3 Years	75%
4 Years	100%

The Company replaced its employee stock options with a continuing service bonuses program approved by the Chairman on October 3, 2011. The agreement period is from October 5, 2011 to October 4, 2013. Each unit of employee stock options converts into a $5 bonus. The bonuses are paid separately at the percentage of 40%, 30%, and 30% on October each year from 2011 to 2013. The bonus agreement covers the originally issued 18,871 units of employee stock options with 990 and 2,381 lapsed units in 2013 and 2012, the remaining units have been paid on October, 2013. Since there is no incremental fair value for the replacement, the Company recognizes compensation cost based on its fair value of the original grant date.

(3) Information on employee stock options as of December 31, 2014 and 2013 are as follows:

2014

Approval date	Issuance date	Units issued	Effective Period	Exercise restricted period	Original exercise price ($)	Adjusted exercise price ($)
2009.8.31	2009.10.5	30,000	2009.10.5~ 2014.10.4	2009.10.5~ 2011.10.4	$ 28.45	21.63

2013

Approval date	Issuance date	Units issued	Effective Period	Exercise restricted period	Original exercise price ($)	Adjusted exercise price ($)
2007.12.26	2007.12.28	20,000	2007.12.28~ 2013.12.27	2007.12.28~ 2009.12.27	$ 56.60	47.47
2009.8.31	2009.10.5	30,000	2009.10.5~ 2014.10.4	2009.10.5~ 2011.10.4	28.45	24.49

In 2014, the Company declared the cash dividends and stock dividends, and adjusted the exercise price under the employee stock option plan 2 to $21.63 based on the ex-dividend date on September 30, 2014.

In 2013, the Company declared a cash dividend and adjusted the exercise price under the employee stock option plan 1 and 2 to $44.90 and $23.15, respectively, based on the ex-dividend date on July 27, 2013.

(4) Information about recognition of compensation cost for employee stock options were as follows:

	2014	2013
Compensation cost arising from employee stock options	$ -	5,288
Premium arising from continuing service plan	-	5,677

(Continued)

$ -	10,965

(Continued)

	December 31, 2014	December 31, 2013
The balance of capital surplus for equity-settled employee stock option plan:		
Capital surplus – employee stock option	$ 129,459	129,459

(5) A summary of the Company's employee stock option plans and related information for the years ended December 31, 2014 and 2013 are as follows:

(i) Employee stock option plan 1:

	2014		2013	
	Options	Weighted-average exercise price (TWD)	Options	Weighted-average exercise price (TWD)
Outstanding at the beginning of the period	-	$ -	20,000	44.90
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	(20,000)	-
Outstanding at the end of the period	-	-	-	44.90

(ii) Employee stock option plan 2:

	2014		2013	
	Options	Weighted-average exercise price (TWD)	Options	Weighted-average exercise price (TWD)
Outstanding at beginning of period	555	$ 23.15	605	23.15
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(555)	-	(50)	-
Outstanding at end of period	-	-	555	23.15

(6) Assumptions were as follows:

(i) If the Company used the fair value method to recognize compensation cost of employee stock option plan 1 and used the Black-Scholes pricing model to estimate the fair value of the stock options on the date they were granted, the pro forma net income and EPS, and the assumptions used would be as follows:

Assumptions	Expected price volatility	30.89％
	Risk-free rate	2.725％
	Expected time to expiration (years)	6
	Fair value per share	13.1

(Continued)

(7) The Company utilized the Black-Scholes pricing model to value employee stock option plan 2, and the fair value of the options and main inputs to the pricing model were as follows:

Assumptions	Expected price volatility	40.30%
	Risk-free rate	1.165%
	Expected time to expiration (years)	5
	Fair value per share	10.4

(r) Earnings per share

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

(1) Basic earnings per ordinary share

	2014	2013
Profit attributable to owners of the parent	**$ 61,543**	**647,609**

	2014	2013
Outstanding at the ordinary share at 1 January	608,773	623,773
Weighted-average share of treasury stock purchases	-	(13,195)
Weighted-average share of stock dividend	12,175	12,175
Weighted-average ordinary shares outstanding at 31 December	**620,948**	**622,753**
Basic earnings per ordinary share (New Taiwan dollars)	**$ 0.10**	**1.04**

(2) Diluted earnings per share

	2014	2013
Profit attributable to owners of the parent	$ 61,543	647,609
Interest expense on convertible corporate bonds, net of tax	1,606	1,585
Net income	**$ 63,149**	**649,194**

	2014	2013
Weighted-average ordinary shares outstanding (basic)	620,948	622,753
Effects of convertible corporate bonds	4,011	3,748
Employee's bonus that may issue by stocks but have not authorized by the shareholders' meeting	257	572
Weighted-average number of shares's outstanding at December 31 (diluted)	**625,216**	**627,073**
Diluted earnings per share (New Taiwan dollars)	**$ 0.10**	**1.04**

(Continued)

The employee stock options that are considered as anti-dilutive and are excluded from weighted-average ordinary shares outstanding (dilutive) as of December 31, 2014 and 2013 were 0 and 555, respectively.

In calculating the effects of all dilutive potential ordinary shares, the average market value is based on the quoted market price during the outstanding periods.

(s) Revenue

		2014	2013
Goods sold	$	30,183,546	30,444,084
Services		122,256	114,390
	$	**30,305,802**	**30,558,474**

(t) Other income

		2014	2013
Interest revenue	$	52,443	42,275
Rental revenue		2,589	2,576
Dividends revenue		19,091	33,913
Royalty revenue		13,122	682
Others		60,217	51,078
	$	**147,462**	**130,524**

(u) Other gains and losses

		2014	2013
Valuation gains from financial assets and liabilities	$	44,923	12,332
Gain on disposal of investments		88,417	164,202
Foreign currency exchange losses		(512,278)	(157,097)
Impairment loss on financial assets		(11,800)	(24,200)
Reversal of impairment loss arising from property, plant and equipment, and investment property		-	37,145
Others		(40,666)	(54,310)
	$	**(431,404)**	**(21,928)**

(v) Financial costs

		2014	2013
Interest expense	$	21,696	39,407
Others		-	1,133
	$	**21,696**	**40,540**

(Continued)

(w) Items that were reclassified to other comprehensive income

Details of the reclassification adjustments of other comprehensive income in 2014 and 2013 are summarized as follow

	2014	2013
Exchange differences on translation of foreign operations		
Change in foreign currency exchange from the Consolidated Company	$ 173,931	98,861
Change in foreign currency exchange from Associates	33,022	58,684
Reclassification adjustments	(1,181)	-
Less: tax of exchange differences on translation of foreign operation	(29,644)	(16,849)
Change in exchange differences on translation of foreign operation recognized in other comprehensive income	**$ 176,128**	**140,696**
Unrealized gains (losses) on available-for-sale financial assets		
Change in fair value from the Consolidated Company	$ (82,541)	(39,610)
Change in fair value from Associates	3,090	(812)
Reclassification adjustments	1,166	501
Change in fair value recognized in other comprehensive income	**$ (78,285)**	**(39,921)**

(x) Financial instrument

(1) Credit risk

(i) Exposure to credit risk:

The carrying amount of financial assets represents the maximum amount exposed to credit risk. As of December 31, 2014 and 2013, the maximum amount exposed to credit risk amounted to $11,101,556 thousand, and $11,162,584 thousand, respectively.

(2) Liquidity risk

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

(Continued)

	Book value	Contractual cash flows	Within six months	6-12 months	1-2 years	2-5 years	Over five years
December 31, 2014							
Non-derivative financial liabilities							
Short-term loans	$ 2,513,548	2,513,548	2,513,548	-	-	-	-
Notes payable	2,176	2,176	2,176	-	-	-	-
Accounts payable	2,922,239	2,922,239	2,922,239	-	-	-	-
Accounts payable to related parties	3,101,140	3,101,140	3,101,140	-	-	-	-
Other payables	2,064,655	2,064,655	2,064,655	-	-	-	-
Current portion of long-term liabilities	210,939	210,939	210,939	-	-	-	-
Derivative financial liabilities							
Foreign exchange swap contracts used for hedging:							
Outflow	5,832	445,037	445,037	-	-	-	-
Inflow	-	447,308	447,308	-	-	-	-
Option contracts used for hedging:							
Outflow	1,755	242,444	242,444	-	-	-	-
Inflow	-	251,520	251,520	-	-	-	-
	$ 10,822,284	12,201,006	12,201,006	-	-	-	-
December 31, 2013							
Non-derivative financial liabilities							
Long-term loans	$ 768,550	768,550	-	-	768,550	-	-
Bonds payable	112,302	112,302	-	-	112,302	-	-
Notes payable	4,623	4,623	4,623	-	-	-	-
Accounts payable	2,563,256	2,563,256	2,563,256	-	-	-	-
Accounts payable to related parties	3,390,235	3,390,235	3,390,235	-	-	-	-
Other payables	2,314,330	2,314,330	2,314,330	-	-	-	-
Current portion of long-term liabilities	119,800	119,800	-	119,800	-	-	-
Derivative financial liabilities							
Forward exchange contracts used for hedging:							
Outflow	326	60,734	60,734	-	-	-	-
Inflow	-	59,900	59,900	-	-	-	-
Foreign exchange swap contracts used for hedging:							
Outflow	6,354	476,324	476,324	-	-	-	-
Inflow	-	470,455	470,455	-	-	-	-
Option contracts used for hedging:							
Outflow	8,437	678,455	678,455	-	-	-	-
Inflow	-	671,479	671,479	-	-	-	-
	$ 9,288,213	11,690,443	10,689,791	119,800	880,852	-	-

(Continued)

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

(3) Currency risk

(i) The Consolidated Company's significant exposure to foreign currency risk were as follows:

		2014			2013		
		Fore currency	Exchange rate	TWD	Fore currency	Exchange rate	TWD
Financial assets (note):							
Monetary items:							
CLP	$	538,362	0.05	28,156	349,389	0.06	19,966
JPY		1,430,677	0.27	380,560	1,456,837	0.28	414,615
CAD		12,722	27.37	348,153	12,545	28.21	353,905
USD		265,748	31.77	8,441,763	241,639	29.95	7,237,087
MXN		41,240	2.16	88,907	24,426	2.29	55,993
BRL		102,278	11.96	1,223,163	106,151	12.78	1,357,132
AUD		7,423	25.99	192,918	10,275	26.68	274,114
				$ 10,703,620			9,712,812
Non-monetary items:							
USD	$	811	31.77	25,777	86	29.95	2,578
Long-term investment under equity method:							
USD	$	338	31.77	10,724	888	29.95	26,588
Financial liabilities (note):							
Monetary items:							
JPY	$	79,059	0.27	21,030	132,803	0.28	37,796
CAD		5,126	27.37	140,285	4,447	28.21	125,455
BRL		9,235	11.96	110,444	13,570	12.78	173,497
USD		298,321	31.77	9,476,476	332,759	29.95	9,966,143
CLP		316,965	0.05	16,577	330,063	0.06	18,862
AUD		3,059	25.99	79,500	1,989	26.68	53,071
MXN		12,876	2.16	27,758	5,437	2.29	12,464
				$ 9,872,070			10,387,288
Non-monetary items:							
USD	$	239	31.77	7,587	496	29.95	14,849

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 Company.

(ii) Sensitivity analysis

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, account and other receivables, loans, and account and other payables that are denominated in foreign currency.

All other variables were held constant, 1.5% of appreciation (depreciation) of the USD against other currencies as of December 31, 2014 and 2013 would have decreased or increased the net profit after tax by $60,501 thousand and $51,342 thousand, respectively.

(4) Interest rate analysis

The interest rate risk exposure of financial assets and liabilities are disclosed in the note of liquidity risk management.

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the liabilities with variables interest rates, the analysis is on the basis of the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents management of the Consolidated Company's assessment on the reasonably possible interval of interest rate change.

All other variables were held constant, the interest rate had increased or decreased by 0.5%, the net profit would have increased or decreased by $51 thousand and $0 thousand for the years ended December 31, 2014 and 2013, respectively.

(5) Fair value

(i) The non-derivative short-term financial assets and liabilities that include account receivables (including account receivables from related parties), other financial assets – current/non-current, short- and long-term loans and account payables (including account payables to related parties) estimate its fair value from its carrying value. When the financial assets are near to their maturity dates, the carrying value should be a reasonable approximation of fair value.

(ii) Fair value and carrying value

Apart from the financial assets and liabilities as mentioned above, information of the fair value of the remaining financial assets and liabilities are summarized as follows:

	December 31, 2014		**December 31, 2013**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets:				
Financial assets at fair value through profit or loss — current	$ 66,428	66,428	79,540	79,540
Available-for-sale financial assets — non-current	451,329	451,329	533,870	533,870
Financial assets at cost — non-current	141,472	Please refer to (iv)B	168,402	Please refer to (iv)B
Financial liabilities:				
Financial assets at fair value through profit or loss — current	7,587	7,587	15,117	15,117
Bonds payable	114,237	Please refer to (iv)C	112,302	Please refer to (iv)C

(Continued)

The table below analyzes financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

c) Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
December 31, 2014				
Available-for-sale financial assets — non-current	$ 451,329	-	-	451,329
Financial assets at fair value through profit or loss — current	17,636	48,792	-	66,428
Financial liabilities at fair value through profit or loss — current	-	(7,587)	-	(7,587)
	$ 468,965	**41,205**	**-**	**510,170**
December 31, 2013				
Available-for-sale financial assets — non-current	$ 533,870	-	-	533,870
Financial assets at fair value through profit or loss — current	68,090	11,450	-	79,540
Financial liabilities at fair value through profit or loss — current	-	(15,117)	-	(15,117)
	$ 601,960	**(3,667)**	**-**	**598,293**

(iii) As of December 31, 2014 and 2013 there was no transfer of financial assets and liabilities from Level 1 to Level 2. As of December 31, 2014 and 2013, the Consolidated Company owns no financial asset or liability at fair value though profit or loss that classified into Level 3.

(iv) Valuation techniques and assumptions used in fair value measurement

The Consolidated Company’s uses the following methods in determining the fair value of its financial assets and liabilities:

a) The fair values of financial assets are based on quoted market prices, where available. If quoted market prices are not available, the fair value is determined based on certain valuation techniques. The estimations and assumptions of valuation techniques adopted by the Consolidated Company are identical to those adopted by other market participants when pricing the financial instruments.

b) The fair value of financial assets at cost cannot be reliably measured and its fair value cannot be estimated as there is no quoted price in the market.

c) The fair value of corporate bonds payables is estimated based on valuation techniques. The estimations and assumptions of valuation techniques adopted by the Consolidated Company are identical to those adopted by other market participants when pricing the financial instruments. However, the fair value is not a representative of the future cash outflow.

(y) Financial risk management

(1) Overview

The Consolidated Company is exposed to the following risks rising from financial instruments:

(i) Credit risk

(ii) Liquidity risk

(iii) Market risk

This note expressed the information on risk exposure and objectives, policies and process of risk measurement and management of the Consolidated Company. For detailed information, please refer to the related notes of each risk in interim consolidated financial statements.

(2) 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.

The Board of Directors and Supervisors oversees how management monitors compliance with the Consolidated Company's risk management policies and procedures and reviews 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 Supervisors.

(3) 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 securities and hedge derivatives.

(i) Accounts receivable

The credit risk exposure of the Consolidated Company arises from the operations and financial conditions of each customer and the demographics 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, 2014, and 2013, revenue from each foreign customer does not exceed 5% of the Consolidated Company's revenue and 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 credit rating 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 account 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 historical collection record of similar financial assets or the possibility of breaching the contracts.

(ii) Investment on securities and derivative financial instruments

The credit risk exposure 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.

(iii) Guarantees

Pursuant to the Consolidated Company's policies, it is only permissible to provide financial guarantees to subsidiaries. As of December 31, 2014 and 2013, the Consolidated Company has not provide any guarantees to a third party.

(Continued)

(4) 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 has unused short term bank facilities for $2,847,774 thousands as of December 31, 2014.

(5) Market risk

Market risk is the risk that changes in market prices, such as changes in 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.

(i) 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), BRL, Mexican Peso(MXN) and other currencies.

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.

(Continued)

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.

(ii) Interest rate risk

The Consolidated Company is exposed to interest rate risk arising from its borrowing at floating rate, such that changes in interest rates would affect the future cash flows. However, interest from financial assets remains higher than the interest from financial liabilities and therefore, there is no significant interest rate risk in the Consolidated Company.

(iii) Other price risk

The Consolidated Company holds both money market 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 the investments, if necessary.

(z) Capital management

The Consolidated Company's fundamental management objectives 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.

Debt-to-equity ratio:

		December 31, 2014	December 31, 2013
Total liabilities	$	12,330,526	10,861,439
Less: cash and cash equivalents		(3,613,497)	(3,492,550)
Net debt	$	8,717,029	7,368,889
Total equity	$	13,201,632	13,596,350
Debt to equity ratio at 31 December		66.03%	54.20%

As of December 31, 2014, the methods of Consolidated Company's capital management remained unchanged.

(Continued)

7. Related-party transactions

(a) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Consolidated Company.

(b) Significant related party transactions

(1) Sales

	2014	2013
Associates	$ (117)	642
Other related-parties	8,136	184
	$ 8,019	**826**

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.

(2) Purchases

	2014	2013
Associates	$ 8,879,642	8,886,940
Other related-parties	2,473,863	3,611,429
	$ 11,353,505	**12,498,369**

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

(3) Accounts receivable due from related parties

The accounts receivable due from related parties were as follows:

Account	Related party categories	December 31, 2014	December 31, 2013
Accounts receivable	Associates	$ 1,008	3,486
Accounts receivable	Other related-parties	353	-
Other receivables	Associates	25,889	9,668
Other receivables	Other related-parties	-	53
Other current assets	Other related-parties	294	-
		$ 27,544	**13,207**

In 2014 and 2013, revenues from rent, dividend and others were $34,700 thousand and $2,057 thousand, respectively.

(Continued)

(4) Accounts payable to related parties

The accounts payable to related parties were as follow:

Account	Related party categories	December 31, 2014	December 31, 2013
Accounts payable	Associates	$ 2,557,482	2,540,860
Accounts payable	Other related-parties	543,658	849,375
Other payables	Associates	50,246	31,973
Other payables	Other related-parties	30,434	18,863
		$ 3,181,820	3,441,071

(5) Services purchased from related parties

The services purchased from related-parties were as follows:

	2014	2013
Associates	$ 68,206	55,072
Other related-parties	16,592	15,053
	$ 84,798	70,125

(6) Property transaction

(i) Property, plant and equipment acquired

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

	2014	2013
Associates	$ 29,544	30,916
Other related-parties	13,176	10,548
	$ 42,720	41,464

(ii) The Consolidated Company sold patents which are in the process of application to MiiiCasa Holding for $20,735 thousand (USD$700 thousand) in March 2012. The unrealized profits due to the abovementioned transactions amounting to $4,889 thousand, was recognized under other non-current liabilities, and the realized profits, $15,846 thousand, was recognized under other revenues.

The details of the abovementioned transactions were summarized as follows:

a) Other revenue

	2014	2013
The Consolidated Company	$ 682	682

b) Other non-current liabilities

Account	Related party categories	December 31, 2014	December 31, 2013
Other non-current	The Consolidated Company	$ 4,889	5,571

(Continued)

liabilities

(c) Key management personnel compensation

Key management personnel compensation comprised:

		2014	2013
Short-term employee benefits	$	97,062	107,467
Post-employee benefits		3,577	3,346
Share-based payments		-	2,631
	$	100,639	113,444

Please refer to note 6(q) for the information of share-based payments.

8. Pledged assets

The carrying values of pledged asses are as follows:

Pledged assets	Pledged to secure		December 31, 2014	December 31, 2013
Other current assets and other non-current assets	Rental deposits, performance bond and time deposits	$	64,486	44,079

9. Commitments and contingencies

(a) Northpeak Wireless, LLC filed a lawsuit against the Company's subsidiary D-Link Systems in October 2008 alleging that some of the Company's products infringed its patents. The Company has retained attorneys in the US and is currently building its defense with product suppliers. Based on its evaluation, The Company does not believe the litigation will have any significant impact on its current operations.

(b) Ericsson, Inc. and Telefonaktiebolaget LM Ericsson filed a lawsuit against the Company and the Company's subsidiary D-Link Systems on September 14, 2010, alleging that some of the Company's products infringed its patents. The Company has retained attorneys in the US and is currently building its defense with product suppliers. Based on its evaluation, the Company does not believe the litigation will have any significant impact on its current operations.

(c) Spansion LLC filed a lawsuit and investigated ITC procedures against the Company and the Company's subsidiary D-Link Systems in August 2013 and April, 2014 alleging that some of the Company's products infringed its patents. The Company has retained attorneys in the US and is currently building its defense with product suppliers. Based on its evaluation, the Company does not believe the litigation will have any significant impact on its current operations.

(d) VIA VADIS & AC TECHNOLOGIES filed a lawsuit against the Company's subsidiary D-Link Systems in August 2014 alleging that some of the Company's products infringed its patents. The Company has retained attorneys in the US and is currently building its defense with product suppliers. Based on its evaluation, the Company does not believe the litigation will have any significant impact on its current operations.

(Continued)

(e) Concinnitas LLC and George W Hindmn filed a lawsuit against the Company and the Company's subsidiary D-Link Systems in November 2014 alleging that some of the Company's products infringed its patents. The Company has retained attorneys in the US and is currently building its defense with product suppliers. Based on its evaluation, the Company does not believe the litigation will have any significant impact on its current operations.

(f) Iron Gate Security, Inc filed a lawsuit against the Company and the Company's subsidiary D-Link Systems in December 2014 alleging that some of the Company's products infringed its patents. The Company has retained attorneys in the US and is currently building its defense with product suppliers. Based on its evaluation, the Company does not believe the litigation will have any significant impact on its current operations.

(g) Quad Powerline Technologies LLC filed a lawsuit against the Company and the Company's subsidiary D-Link Systems in December 2014 alleging that some of the Company's products infringed its patents. The Company has retained attorneys in the US and is currently building its defense with product suppliers. Based on its evaluation, the Company does not believe the litigation will have any significant impact on its current operations.

(h) Subsidiaries in Brazil had disputes regarding prior years declaration of VAT and tax on industrialized products with the local tax authorities and had filed administrative litigation and administrative remedy.

(i) The Company is currently under negotiations with a number of companies regarding the royalty on patents. In addition to the abovementioned lawsuits, there are other lawsuits that are in the negotiation process, and therefore the liabilities are unclear. The Company has accrued the possible expense, and therefore significant losses are unlikely. In addition, the Company's products are purchased from an outside source, and therefore when certain products are alleged to infringe on patents, the Company will ask the supplier to take action in resolving the lawsuit and be responsible for all costs related to the lawsuit or settlement.

10. Losses due to major disasters: None.

11. Subsequent events: None.

12. Other information

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

	2014			2013		
Account	**Cost of goods sold**	**Operating expense**	**Total**	**Cost of goods sold**	**Operating expense**	**Total**
Employee expenses						
Salaries	129,354	3,323,941	3,453,295	126,220	3,293,568	3,419,788
Labor and health insurance	3,760	184,504	188,264	3,798	163,284	167,082
Pension	10,094	154,523	164,617	9,443	132,659	142,102
Others	-	95,022	95,022	-	103,902	103,902
Depreciation	2,298	179,763	182,061	2,580	199,222	201,802
Amortization	159	35,747	35,906	151	33,157	33,308

(Continued)

13. Segment information

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

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

(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.

2014		Americas	Europe	Emerging markets and others	Adjustments and eliminations	Total
Revenue:						
Third-party customers	$	8,173,808	6,709,592	15,439,607	(17,205)	30,305,802
Inter-company		34,562	2,083	10,229,225	(10,265,870)	-
Total revenue	$	8,208,370	6,711,675	25,668,832	(10,283,075)	30,305,802
Reportable segment profit (loss)	$	(481,348)	86,608	(129,695)	667,892	143,457

2013		Americas	Europe	Emerging markets and others	Adjustments and eliminations	Total
Revenue:						
Third-party customers	$	7,552,511	6,541,217	16,464,746	-	30,558,474
Inter-company		17,665	20,446	8,602,535	(8,640,646)	-
Total revenue	$	7,570,176	6,561,663	25,067,281	(8,640,646)	30,558,474
Reportable segment profit (loss)	$	(312,177)	120,675	964,748	(26,995)	746,251

		Americas	Europe	Emerging markets and others	Adjustments and eliminations	Total
Reportable segment assets:						
December 31, 2014	$	6,600,930	2,815,622	35,656,476	(19,540,870)	25,532,158
December 31, 2013	$	5,454,315	3,140,058	33,995,313	(18,131,897)	24,457,789
January 1, 2013	$	5,581,429	3,008,665	33,932,299	(17,693,066)	24,829,327

(Continued)

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

Total reportable segment revenue after deducting the interagroup revenue were $10,283,075 thousand and $8,640,646 thousand in 2014 and 2013, respectively.

The Consolidated Company does not allocate tax expense to reportable segments. The operating segments' profit and loss is measured as income before income taxes. It evaluates performance on the basis of the reportable amount which is the same as that of the report used by the chief operating decision maker.

(b) Information on the products and services

Revenue from the external customers of the Consolidated Company was as follow:

Products and services		2014	2013
Switch	$	8,375,196	8,497,876
Wireless		10,320,554	10,270,073
Broadband		5,491,222	5,639,242
Digital Home		3,684,702	3,761,247
Network interface card and others		2,311,872	2,275,646
Service revenue		122,256	114,390
Total	$	30,305,802	30,558,474

(c) Geographic information

Country		2014	2013
Revenue from external customers:			
United States	$	3,686,618	3,230,940
Other countries		26,619,184	27,327,534
	$	30,305,802	30,558,474
Non-current assets			
Taiwan	$	1,101,815	993,138
India		466,045	458,168
Other countries		769,444	449,262
Total	$	2,337,304	1,900,568

Non-current assets include property, plant and equipment, investment property, 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 in 2014 and 2013.

(Continued)